

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the first quarter ended 30 November 2016

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the First Financial Quarter Ended 30 November 2016.

	2017 Current Quarter Ended 30/11/2016 (RM'000)	2016 Comparative Quarter Ended 30/11/2015 (RM'000)	2017 3 months Cumulative to date 30/11/2016 (RM'000)	2016 Comparative 3 months Cumulative to date 30/11/2015 (RM'000)
Continuing Operations				
Revenue	51,869	59,087	51,869	59,087
Cost of sales	(41,364)	(43,473)	(41,364)	(43,473)
Gross profit	10,505	15,614	10,505	15,614
Other income	173	231	173	231
(Decrease)/Increase in fair value of quoted investment through profit and loss	(3,194)	2,904	(3,194)	2,904
Provision for increase in fair value of investment properties through profit and loss	-	-	-	-
Administrative and other expenses	(9,619)	(8,414)	(9,619)	(8,414)
Finance cost	(817)	(838)	(817)	(838)
(Loss)/Profit before taxation	(2,952)	9,497	(2,952)	9,497
Taxation	(135)	(1,582)	(135)	(1,582)
(Loss)/Profit before taxation	(3,087)	7,915	(3,087)	7,915
Other comprehensive (loss)/income for the period				
Dividend paid	-	-	-	-
Total comprehensive (loss)/income for the period	(3,087)	7,915	(3,087)	7,915
(Loss)/Profit for the period attributable to:				
Owners of the Company	(3,087)	7,915	(3,087)	7,915
Minority interest	-	-	-	-
Total comprehensive (loss)/income attributable to:	(3,087)	7,915	(3,087)	7,915
Owners of the Company	(3,087)	7,915	(3,087)	7,915
Minority interest	-	-	-	-
Total comprehensive (loss)/income attributable to:	(3,087)	7,915	(3,087)	7,915
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(6.89)	17.68	(6.89)	17.68
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)	2.59		2.65	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2016)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 November 2016**

	AS AT 30 Nov 2016 RM '000	AS AT 31 Aug 2016 RM '000
ASSETS		
Non-current assets		
Property, Plant and Equipment	36,526	35,125
Investment properties	12,103	12,103
Other investment	39,500	42,694
Trade Receivables	794	794
	<u>88,923</u>	<u>90,716</u>
Current Assets		
Stocks	44,832	41,955
Trade receivables	65,103	85,047
Other receivables, Deposit and Prepayments	1,842	2,179
Tax recoverable	1,391	641
GST Receivables	1,056	1,230
Deposit with licensed banks	14,594	7,014
Cash and bank balances	1,796	814
	<u>130,614</u>	<u>138,880</u>
TOTAL ASSETS	<u>219,537</u>	<u>229,596</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	40,406	43,493
Total equity	<u>115,751</u>	<u>118,838</u>
Non-current Liabilities		
Bank borrowings - Long term	9,740	9,973
Deferred taxation	1,210	1,210
	<u>10,950</u>	<u>11,183</u>
Current Liabilities		
Trade payables	44,826	53,864
Other payables	3,425	2,595
Bank borrowings - short term	37,968	32,469
Bank overdraft	6,482	10,647
Tax payable	135	-
	<u>92,836</u>	<u>99,575</u>
Total Liabilities	<u>103,786</u>	<u>110,758</u>
TOTAL EQUITY AND LIABILITIES	<u>219,537</u>	<u>229,596</u>
Net Assets Per Share (RM)	2.59	2.65

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 November 2016

	← 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			
<u>1st quarter ended 30 Nov 2016</u>					
Balance at 1 Sep 2016	44,775,000	30,569,833	43,492,994	74,062,827	118,837,827
Total comprehensive loss	-	-	(3,086,790)	(3,086,790)	(3,086,790)
Balance at 30 Nov 2016	44,775,000	30,569,833	40,406,204	70,976,037	115,751,037

	← 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			
<u>1st quarter ended 30 Nov 2015</u>					
Balance at 1 Sep 2015	44,775,000	30,569,833	31,488,260	62,058,093	106,833,093
Total comprehensive Income	-	-	7,915,147	7,915,147	7,915,147
Balance at 30 Nov 2015	44,775,000	30,569,833	39,403,407	69,973,240	114,748,240

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 November 2016

	3 months ended	
	30/11/2016	30/11/2015
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(2,952)	9,497
Adjustments for:-		
Fair value through profit and loss on other investments	3,194	(2,904)
Fair value gain on investment properties		
Depreciation of property, Plant and equipment	1,031	1,034
Allowance for impairment - receivables		
Reversal of allowance for impairment - receivables		
Bad Debts written off		
Interest expenses	817	729
Dividend income	-	
Interest income	(80)	
Unrealised foreign exchange loss/(gain)	(142)	
Other non-cash item		(4)
Operating profit before changes in working capital	<u>1,868</u>	<u>8,352</u>
Changes in working capital:		
Net change in inventories	(2,877)	(3,388)
Net change in receivables	20,597	(2,809)
Net change in payables	<u>(8,208)</u>	<u>(5,822)</u>
Cash (used in)/generated from operating activities	11,380	(3,667)
Net income tax paid	(750)	(464)
Interest paid	(817)	
Net cash flows (used in)/generated from operating activities	<u>9,813</u>	<u>(4,131)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,432)	(1,134)
Dividend received	-	
Interest received	80	109
Placement of deposit which are pledged with a licensed bank		
Net cash flows used in investing activities	<u>(2,352)</u>	<u>(1,025)</u>
Cash flows from financing activities		
Drawdown of term loan	-	-
Drawdown/(repayment) of term loan	(233)	(540)
(Repayment)/drawdown of short term borrowings	5,499	3,562
Net cash flows generated from/(used in) financing activities	<u>5,266</u>	<u>3,022</u>
Net (decrease)/increase in cash and cash equivalents	12,727	(3,032)
Cash and cash equivalents at the beginning of financial period	<u>(4,127)</u>	<u>12,243</u>
Cash and cash equivalents at end of financial period	<u>8,600</u>	<u>9,211</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	1,796	710
Deposits with licensed banks	14,594	13,047
Bank overdraft	<u>(6,482)</u>	<u>(3,359)</u>
	9,908	10,398
Deposit pledged with licensed bank	<u>(1,308)</u>	<u>(1,187)</u>
	<u>8,600</u>	<u>9,211</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

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 2016.

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 2016 except for the adoption of new FRSS and amendments that are mandatory for the Group of the annual periods beginning 1 January 2017:

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 2	Classification and Measurement of Share-based
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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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 2016 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 RM3.195 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 Ended 30/11/2016 RM'000	As at Preceding Corresponding Financial Quarter Ended 30/11/2015 RM'000
Malaysia	48,224	47,246
Others	3,645	11,841
	<u>51,869</u>	<u>59,087</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 2016.

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 12.2% 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 decrease in the fair value of quoted investment of RM3.195 million compared with an increase of RM2.904 million in the preceding year's corresponding quarter, represents the change in the market price of the quoted investments.

The Group recorded a decrease in gross profit of RM5.1 million compared to the preceding year's corresponding quarter. This difference has been attributed to less overseas deliveries during the current quarter.

15. Comparisons with Preceding Quarter's Results

The revenue of RM51.869 million for the quarter ended 30 Nov 16 was 11.52% 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 30/11/2016 RM'000	As at Preceding Financial Period Ended 30/11/2015 RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year	135	1,582
- Prior year over provision		
- Deferred tax		
	<u>135</u>	<u>1,582</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 30/11/2016 RM'000	As at Preceding Financial Period Ended 30/11/2015 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	9,024	5,310
Hire purchase - secured	716	552
	<u>9,740</u>	<u>5,862</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	1,824	2,484
Revolving credit - secured	5,000	6,600
Hire purchase - secured	701	755
Bankers' Acceptance - secured	26,674	26,566
Bankers' Acceptance - unsecured	3,768	3,435
Bank overdrafts - secured	6,483	4,059
Bank overdrafts - unsecured		(700)
	<u>44,450</u>	<u>43,199</u>
TOTAL BORROWINGS	<u>54,190</u>	<u>49,061</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 30/11/2016	Preceding Year Corresponding Quarter 30/11/2015	Current Year To Date 30/11/2016	Preceding Year Corresponding Quarter To Date 30/11/2015
Profit attributable to equity holders of the Company (RM'000)	(3,087)	7,915	(3,087)	7,915
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(6.89)	17.68	(6.89)	17.68

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 30 Nov 2016 and 31 Aug 2016 are analysed as follows:-

	As at end of Current Quarter 30/11/2016 RM'000	As at Preceding Financial Year End 31/8/2016 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	46,449	46,342
- Unrealised	(6,043)	(2,849)
Total group retained profits as per consolidated accounts	<u>40,406</u>	<u>43,493</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 30/11/2016 RM'000	Current year-to-date 30/11/2016 RM'000
a) Interest income	80	80
b) Interest expense	(817)	(817)
c) Depreciation and amortization	(1,031)	(1,031)
d) Realised foreign exchange gain	498	498
e) Unrealised foreign exchange gain	142	142
f) Rental income	67	67

By Order of the Board