

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 May 2017.
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the Third Financial Quarter Ended 31 May 2017.

Table 1: Financial review of current quarter and financial year to date

	2017	2016		2017	2016	
	Current Quarter Ended	Comparative Quarter Ended	changes (amount/ %)	9 months Cumulative to date	Comparative 9 months Cumulative to date	changes (amount/ %)
	31/5/2017	31/5/2016		31/5/2017	31/5/2016	
	(RM'000)	(RM'000)		(RM'000)	(RM'000)	
Continuing Operations						
Revenue	50,042	37,232	34%	136,655	133,752	2%
Cost of sales	(40,958)	(28,748)	42%	(110,308)	(102,963)	7%
Gross profit	9,084	8,484	7%	26,347	30,789	-14%
Other income	203	867	-77%	681	1,696	-60%
Increase/(Decrease) in fair value of quoted investment through profit and loss	(290)	3,485	-108%	(3,484)	5,519	-163%
Provision for increase in fair value of investment properties through profit and loss	-	-		-	-	
Administrative and other expenses	(8,989)	(7,418)	21%	(26,501)	(22,943)	16%
Finance cost	(828)	(945)	-12%	(2,512)	(2,647)	-5%
(Loss)/profit before taxation	(820)	4,473	-118%	(5,469)	12,414	-144%
Taxation	-	(900)	-100%	(135)	(2,505)	-95%
(Loss)/profit after taxation	(820)	3,573	-123%	(5,604)	9,909	-157%
Other comprehensive income for the period						
Dividend paid	-	-		-	-	
Total comprehensive income for the period	(820)	3,573		(5,604)	9,909	
(Loss)/profit for the period attributable to:						
Owners of the Company	(820)	3,573		(5,604)	9,909	
Minority interest	-	-		-	-	
Total comprehensive income attributable to:	(820)	3,573		(5,604)	9,909	
Owners of the Company	(820)	3,573		(5,604)	9,909	
Minority interest	-	-		-	-	
Earnings per RM1.00 share						
Basic (based on ordinary shares - sen)	(1.83)	7.98		(12.52)	22.13	
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)	2.53			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)

Table 2 : Financial review for current quarter compared with preceding quarter

	Current Quarter Ended	Immediate Preceding Quarter Ended	changes (amount/ %)
	31/5/2017	28/2/2017	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	50,042	34,744	44%
Cost of sales	(40,958)	(27,986)	46%
Gross profit	9,084	6,758	34%
Other income	203	305	-33%
Increase/(Decrease) in fair value of quoted investment through profit and loss	(290)	-	
Provision for increase in fair value of investment properties through profit and loss	-	-	
Administrative and other expenses	(8,989)	(7,893)	14%
Finance cost	(828)	(867)	-4%
(Loss)/profit before taxation	(820)	(1,697)	-52%
Taxation		-	
(Loss)/profit after taxation	(820)	(1,697)	-52%

(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 STATEMENT OF FINANCIAL POSITION**As at 31 May 2017**

	AS AT 31 May 2017 RM '000	AS AT 31 Aug 2016 RM '000
ASSETS		
Non-current assets		
Property, Plant and Equipment	36,705	35,125
Investment properties	12,103	12,103
Other investment	39,210	42,694
Trade Receivables	794	794
	<u>88,812</u>	<u>90,716</u>
Current Assets		
Stocks	48,124	41,955
Trade receivables	68,470	85,047
Other receivables, Deposit and Prepayments	1,524	2,179
Tax recoverable	-	641
GST Receivables	670	1,230
Deposit with licensed banks	9,053	7,014
Cash and bank balances	1,623	814
	<u>129,464</u>	<u>138,880</u>
TOTAL ASSETS	<u>218,276</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	37,889	43,493
Total equity	<u>113,234</u>	<u>118,838</u>
Non-current Liabilities		
Bank borrowings - Long term	11,563	9,973
Deferred taxation	1,210	1,210
	<u>12,773</u>	<u>11,183</u>
Current Liabilities		
Trade payables	46,099	53,864
Other payables	2,880	2,595
Bank borrowings - short term	36,651	32,469
Bank overdraft	6,639	10,647
	<u>92,269</u>	<u>99,575</u>
Total Liabilities	<u>105,042</u>	<u>110,758</u>
TOTAL EQUITY AND LIABILITIES	<u>218,276</u>	<u>229,596</u>
Net Assets Per Share (RM)	2.53	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 31 May 2017

	← 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>3rd quarter ended 31 May 2017</u>					
Balance at 1 Sep 2016	44,775,000	30,569,833	43,492,994	74,062,827	118,837,827
Total comprehensive income	-	-	(5,604,166)	(5,604,166)	(5,604,166)
Balance at 31 May 2017	44,775,000	30,569,833	37,888,828	68,458,661	113,233,661

	← 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>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 loss	-	-	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

(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 31 May 2017

	9 months ended	
	31/5/2017	31/5/2016
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(5,469)	12,414
Adjustments for:-		
Depreciation and amortisation	2,860	3,456
Reversal in diminution quoted investments value	3,484	(5,519)
Fair value adjustment of investment properties	-	-
Interest income net expenses	(291)	(328)
Dividend income	-	-
Other non-cash items	-	-
Operating profit before changes in working capital	<u>584</u>	<u>10,023</u>
Changes in working capital:		
Net change in inventories	(6,169)	(11,252)
Net change in receivables	17,792	17,282
Net change in payables	(7,480)	(17,070)
Cash (used in)/generated from operating activities	<u>4,727</u>	<u>(1,017)</u>
Finance costs	(2,512)	(2,647)
Net income tax paid	506	(1,215)
Net cash flows (used in)/generated from operating activities	<u>2,721</u>	<u>(4,879)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,440)	(2,559)
Interest income	291	328
Dividend received	-	-
Placement of deposits which are pledged with a licensed bank	(29)	(111)
Net cash flows used in investing activities	<u>(4,178)</u>	<u>(2,342)</u>
Cash flows from financing activities		
Dividend paid	-	-
Drawdown/(repayment) of term loan	1,590	1,667
Drawdown/(repayment) of short term borrowings	6,694	1,156
Net cash flows generated from/(used in) financing activities	<u>8,284</u>	<u>2,823</u>
Net decrease in cash and cash equivalents	6,827	(4,398)
Cash and cash equivalents at the beginning of financial period	(4,127)	12,243
Cash and cash equivalents at end of financial period	<u>2,700</u>	<u>7,845</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	1,623	1,858
Deposits with licensed banks	9,053	11,086
Bank overdraft	(6,639)	(3,805)
	<u>4,037</u>	<u>9,139</u>
Deposit pledged with licensed bank	(1,337)	(1,294)
	<u>2,700</u>	<u>7,845</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. First-time Adoption of Malaysian Financial Reporting Standards (MFRS)

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

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 been in effect.

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 116 and MFRS 138	Financial Instruments: Disclosures - Mandatory Effective Date of Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture : Bearer Plant
Amendments to MFRS 10 and MFRS 128	Sale or contribution of assets between an investor and its associates of joint venture
Amendments to MFRS 11	Accounting for Acquisition of interests in Joint Operations
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiatives
Amendments to MFRS 10 MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 14	Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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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 Aug 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 RM0.290 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 of 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 31/5/2017 RM'000	As at Preceding Corresponding Financial Quarter Ended 31/5/2016 RM'000
Malaysia	48,331	26,912
Others	1,711	10,320
	<u>50,042</u>	<u>37,232</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 increased by 34% compared to the preceding year's corresponding quarter. Local sales made up 96.6% of total sales for the current quarter.

The effect of the decrease in the fair value of quoted investment of RM0.29 million in the current quarter, represents the change in the market price of the quoted investments.

The Group recorded a slight increase in gross profit of RM0.6 million over the same quarter in the preceding year. However the company recorded a loss before tax of RM0.82 million during the current quarter due mainly to higher raw materials costs and lower overseas sale

15. Comparisons with Preceding Quarter's Results

The revenue of RM50.042 million for the quarter ended 31 May 2017 was 44% higher than registered in the preceding quarter.

Loss before tax for current quarter was lower than preceding quarter due to higher sales volume.

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 costs 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	As at Preceding Financial Year End
	31/5/2017 RM'000	31/8/2016 RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year	135	2,140
- Prior year over provision	-	(1,193)
- Deferred tax	-	-
	<u>135</u>	<u>947</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 31/5/2017 RM'000	As at Preceding Financial Year End 31/8/2016 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	10,229	9,540
Hire purchase - secured	1,334	433
	<u>11,563</u>	<u>9,973</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,181	1,854
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,019	615
Bankers' Acceptance - secured	24,260	20,272
Bankers' Acceptance - unsecured	4,191	4,728
TOTAL BORROWINGS	<u>36,651</u>	<u>32,469</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 31/5/2017	Preceding Year Corresponding Quarter 31/5/2016	Current Year To Date 31/5/2017	Preceding Year Corresponding Quarter To Date 31/5/2016
Profit/(loss) attributable to equity holders of the Company (RM'000)	(820)	3,573	(5,604)	9,909
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(1.83)	7.98	(12.52)	22.13

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 2017 and 31 Aug 2016 are analysed as follows:-

	As at end of Current Quarter 31/5/2017 RM'000	As at Preceding Financial Year End 31/8/2016 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	44,222	46,342
- Unrealised	(6,333)	(2,849)
Total group retained profits as per consolidated accounts	<u>37,889</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 31/5/2017 RM'000	Current year-to-date 31/5/2017 RM'000
a) Interest income	85	291
b) Interest expense	(828)	(2,512)
c) Depreciation and amortization	(1,058)	(2,860)
d) Realised foreign exchange gain	365	1,108
e) Unrealised foreign exchange gain/(loss)	(487)	(317)
f) Exceptional items - Increase/(Decrease) in fair value of quoted investment	(290)	(3,484)
g) Rental Income	69	206

By Order of the Board