

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the fourth quarter ended 31 August 2017

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Fourth Financial Quarter Ended 31 Aug 2017

	2017 Current Quarter Ended 31/8/2017 (RM'000)	2016 Comparative Quarter Ended 31/8/2016 (RM'000)	2017 12 months Cumulative to date 31/8/2017 (RM'000)	2016 Comparative 12 months Cumulative to date 31/8/2016 (RM'000)
<u>Continuing Operations</u>				
Revenue	42,757	58,623	179,412	192,375
Cost of sales	(35,340)	(44,080)	(145,648)	(147,043)
Gross profit	7,417	14,543	33,764	45,332
Other income	2,690	4,093	3,371	5,788
(Decrease)/Increase in fair value of quoted investment through profit and loss	870	(581)	(2,614)	4,937
Provision for increase in fair value of investment properties through profit and loss	153	235	153	235
Administrative and other expenses	(10,304)	(17,282)	(36,828)	(40,224)
Finance cost	(645)	(470)	(3,157)	(3,116)
Profit/(loss) before taxation	181	538	(5,311)	12,952
Taxation	215	1,558	80	(947)
Profit/(loss) after taxation	396	2,096	(5,231)	12,005
Other comprehensive income for the period				
Dividend paid	-	-	-	-
Total comprehensive income for the period	396	2,096	(5,231)	12,005
Profit for the period attributable to:				
Owners of the Company	396	2,096	(5,231)	12,005
Minority interest	-	-	-	-
Total comprehensive income attributable to:	396	2,096	(5,231)	12,005
Owners of the Company	396	2,096	(5,231)	12,005
Minority interest	-	-	-	-
Total comprehensive income attributable to:	396	2,096	(5,231)	12,005
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	0.88	4.68	(11.68)	26.81
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)	2.54		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)

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

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

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

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

	2017		changes (amount/ %)	2016		changes (amount/ %)
	Current Quarter Ended	Comparative Quarter Ended		12 months Cumulative to date	Comparative 12 months Cumulative to date	
	31/8/2017	31/8/2016		31/8/2017	31/8/2016	
	(RM'000)	(RM'000)		(RM'000)	(RM'000)	
Continuing Operations						
Revenue	42,757	58,623	-27%	179,412	192,375	-7%
Cost of sales	(35,340)	(44,080)	-20%	(145,648)	(147,043)	-1%
Gross profit	7,417	14,543	-49%	33,764	45,332	-26%
Other income	2,690	4,093	-34%	3,371	5,788	-42%
Increase/(Decrease) in fair value of quoted investment through profit and loss	870	(581)	-250%	(2,614)	4,937	-153%
Provision for increase in fair value of investment properties through profit and loss	153	235	-35%	153	235	-35%
Administrative and other expenses	(10,304)	(17,282)	-40%	(36,828)	(40,224)	-8%
Finance cost	(645)	(470)	37%	(3,157)	(3,116)	1%
Profit/(Loss) before taxation	181	538	-66%	(5,311)	12,952	-141%
Taxation	215	1,558	-86%	80	(947)	-108%
Profit/(loss) after taxation	396	2,096	-81%	(5,231)	12,005	-144%
Other comprehensive income for the period						
Dividend paid	-	-	-	-	-	-
Total comprehensive income for the period	396	2,096		(5,231)	12,005	
Profit/(loss) for the period attributable to:						
Owners of the Company	396	2,096		(5,231)	12,005	
Minority interest	-	-		-	-	
Total comprehensive income attributable to:	396	2,096		(5,231)	12,005	
Owners of the Company	396	2,096		(5,231)	12,005	
Minority interest	-	-		-	-	
Earnings per RM1.00 share						
Basic (based on ordinary shares - sen)	0.88	4.68		(11.68)	26.81	
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)	2.54			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/ %)
	31/8/2017	31/5/2017	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	42,757	50,042	-15%
Cost of sales	(35,340)	(40,958)	-14%
Gross profit	7,417	9,084	-18%
Other income	2,690	203	1225%
Increase/(Decrease) in fair value of quoted investment through profit and loss	870	(290)	-400%
Provision for increase in fair value of investment properties through profit and loss	153	-	
Administrative and other expenses	(10,304)	(8,989)	15%
Finance cost	(645)	(828)	-22%
Profit/(loss) before taxation	181	(820)	
Taxation	215	(820)	-126%
Profit/(loss) after taxation	396	(820)	-148%

(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 31 Aug 2017**

	AS AT 31 Aug 2017 RM '000	AS AT 31 Aug 2016 RM '000
ASSETS		
Non-current assets		
Property, Plant and Equipment	38,702	35,125
Investment properties	12,401	12,103
Other investment	40,081	42,694
Trade Receivables		794
	<u>91,184</u>	<u>90,716</u>
Current Assets		
Stocks	45,183	41,955
Trade receivables	68,316	85,047
Other receivables, Deposit and Prepayments	1,427	2,179
Tax recoverable	1,790	641
GST Receivables	356	1,230
Deposit with licensed banks	9,579	7,014
Cash and bank balances	352	814
	<u>127,003</u>	<u>138,880</u>
TOTAL ASSETS	<u>218,187</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
	<u>75,345</u>	<u>75,345</u>
Retained profits	38,261	43,493
Total equity	<u>113,606</u>	<u>118,838</u>
Non-current Liabilities		
Bank borrowings - Long term	12,596	9,973
Deferred taxation	918	1,210
	<u>13,514</u>	<u>11,183</u>
Current Liabilities		
Trade payables	42,649	53,864
Other payables	3,578	2,595
Bank borrowings - short term	39,168	32,469
Bank overdraft	5,672	10,647
Tax payable	-	-
	<u>91,067</u>	<u>99,575</u>
Total Liabilities	<u>104,581</u>	<u>110,758</u>
TOTAL EQUITY AND LIABILITIES	<u>218,187</u>	<u>229,596</u>
Net Assets Per Share (RM)	- 2.54	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 year ended 31 Aug 2017

	← Attributable to equity holders of the Company →				
	<-----Non-distributable ----->		Distributable		
	Share capital	Share premium *	Total Share capital	Accumulated profits	Total equity
	RM	RM	RM	RM	RM
4th quarter ended 31 Aug 2017					
Balance at 1 Sep 2016	44,775,000	30,569,833	75,344,833	43,492,994	118,837,827
Total comprehensive income	-	-		(5,231,533)	(5,231,533)
Balance at 31 Aug 2017	44,775,000	30,569,833	75,344,833	38,261,461	113,606,294

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amounts standing to the credit of share premium account become part of the Company's share capital, pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding the requirement of Section 618(2), the Company may, within 24 months from the commencement of this Act, use the amount standing to the credit of share premium account of RM30,569,833 for purposes as set out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

	← Attributable to equity holders of the Company →				
	Non-distributable		Distributable		
	Share capital	Share premium	Accumulated profits	Total reserves	Total equity
	RM	RM	RM	RM	RM
4th quarter ended 31 Aug 2016					
Balance at 1 Sep 2015	44,775,000	30,569,833	31,488,260	62,058,093	106,833,093
Total comprehensive loss	-	-	12,004,734	12,004,734	12,004,734
Balance at 31 Aug 2016	44,775,000	30,569,833	43,492,994	74,062,827	118,837,827

(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 year ended 31 Aug 2017

	12 months ended	
	31/8/2017	31/8/2016
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
Profit before taxation	(5,311)	12,952
Adjustments for:-		
Fair value through profit and loss on other investments	2,613	(4,937)
Fair value gain on investment properties	(153)	(235)
Depreciation of property, plant and equipment	3,629	3,652
Allowance for impairment - receivables	445	716
Reversal of allowance for impairment - receivables	(520)	(64)
Inventories written down	571	-
Loss on Disposal of Fixed Assets	1	-
Interest expenses	3,157	3,116
Dividend income	(645)	(674)
Interest income	(348)	(405)
Unrealised foreign exchange loss/(gain)	309	2,211
Operating profit before changes in working capital	<u>3,748</u>	<u>16,332</u>
Changes in working capital:		
Net change in inventories	(3,799)	(9,821)
Net change in receivables	18,781	(12,392)
Net change in payables	<u>(10,243)</u>	<u>(2,391)</u>
Cash (used in)/generated from operating activities	8,487	(8,272)
Net income tax paid	(1,361)	(1,564)
Interest paid	(3,157)	(3,116)
Net cash flows (used in)/generated from operating activities	<u>3,969</u>	<u>(12,952)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,213)	(3,181)
Dividend received	645	674
Interest received	348	405
Placement of deposit which are pledged with a licensed bank	<u>(36)</u>	<u>(126)</u>
Net cash flows used in investing activities	<u>(3,256)</u>	<u>(2,228)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of bankers acceptance and invoice financing	5,385	(1,467)
Net repayment of hire purchase	(1,352)	(1,004)
Net repayment of revolving credit	-	(1,600)
Net drawdown of term loan	2,296	2,880
Net cash flows generated from/(used in) financing activities	<u>6,329</u>	<u>(1,191)</u>
Net (decrease)/increase in cash and cash equivalents	7,042	(16,371)
Cash and cash equivalents at the beginning of financial period	<u>(4,128)</u>	<u>12,243</u>
Cash and cash equivalents at end of financial period	<u>2,914</u>	<u>(4,128)</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	352	814
Deposits with licensed banks	9,579	7,014
Bank overdraft	<u>(5,672)</u>	<u>(10,647)</u>
	4,259	(2,819)
Deposit pledged with licensed bank	<u>(1,345)</u>	<u>(1,309)</u>
	<u>2,914</u>	<u>(4,128)</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. Summary of significant accounting policies

2.1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows :

On 1 January 2016, the Company adopted the following new and amended MFRSs mandatory for annual periods beginning on or after 1 January 2016

Description	Effective for annual period beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 : Investment Entities :	
Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

2.2 Standards issued but not yet effective

The pronouncements that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these pronouncements, if applicable, when they become effective

Description	Effective for annual period beginning on or after
Annual Improvements to MFRSs 2014 - 2016 Cycle	1 January 2017
MFRS 107 Disclosures Initiatives Annual improvements to MFRSs 2012-2014 cycle	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement to MFRSs 2014 - 2016 Cycle	1 January 2017
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018

2. Summary of significant accounting policies

2.2 Standards issued but not yet effective (cont'd)

Amendments to MFRS 4: Insurance Contracts : Applying MFRS 9: Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15 : Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture	Deferred

The initial applications of the above of the above are expected to have no significant impact on the financial statements of the Company in the period of initial application except for those discussed below.

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 was an decrease totalling RM0.87 million in fair value loss provision of quoted investments 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 31/8/2017 RM'000	As at Preceding Corresponding Financial Quarter Ended 31/8/2016 RM'000
Malaysia	39,618	50,336
Others	3,139	8,287
	<u>42,757</u>	<u>58,623</u>

10. Valuation of Property, Plant and Equipment

There was an increase amounting to RM0.15 Million in valuations of property, plant and equipment since the last 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 overall revenue declined by 7% compared to the previous year. The decrease in revenue is mainly due to lower sales volume for overseas sales and poles which dropped 63% and 44% respectively. However local sales for piles increase 15% compared with previous financial year

There was a fair value loss provision of quoted investment for FYE 2017 of RM2.6 million. This contrasted with a provision for gain in quoted investment provision for FYE 2016 of RM4.9 Million.

Group profit margin delivered was lower by 5% compared with the previous year due mainly to intense price competition from local players and higher cost of sales due to price hike in steel material prices and labour manpower costs. The lower volume sales of poles which command better margin also contributed to the lower overall margin

15. Comparisons with Preceding Quarter's Results

The revenue of RM42.76 million for the quarter ended 31 Aug 2017 was 15% lower than registered in the preceding quarter due mainly due to tail end completion of major on-going projects

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 Year Ended	As at Preceding Financial Year End
	31/8/2017	31/8/2016
	RM'000	RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year	135	2,140
- Prior year over provision	77	(749)
- Deferred tax	(292)	(444)
	<u>(80)</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	As at Preceding Financial Year End
	31/8/2017	31/8/2016
	RM'000	RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	11,096	9,540
Hire purchase - secured	1,450	433
	<u>12,596</u>	<u>9,973</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,593	1,854
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,190	615
Bankers' Acceptance - secured	26,260	20,272
Bankers' Acceptance - unsecured	4,125	4,728
Bank overdrafts - secured	5,672	10,647
Bank overdrafts - unsecured		
	<u>44,840</u>	<u>43,116</u>
TOTAL BORROWINGS	<u><u>57,436</u></u>	<u><u>53,089</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 31/8/2017	Preceding Year Corresponding Quarter 31/8/2016	Current Year To Date 31/8/2017	Preceding Year Corresponding Quarter To Date 31/8/2016
Profit attributable to equity holders of the Company (RM'000)	396	2,096	(5,231)	2,367
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	0.88	4.68	(11.68)	5.29

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 Aug 2017 and 31 Aug 2016 are analysed as follows:-

	As at end of Current Quarter 31/8/2017 RM'000	As at Preceding Financial Year End 31/8/2016 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	38,650	41,405
- Unrealised	(389)	2,088
Total group retained profits as per consolidated accounts	<u>38,261</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 31/8/2017 RM'000	Current year-to-date 31/8/2017 RM'000
a) Interest income	(57)	(348)
b) Interest expense	645	3,157
c) Depreciation and amortization	769	3,629
d) Allowance for impairment - receivables	445	445
e) Reversal of allowance for impairment - receivables	(520)	(520)
f) Realised foreign exchange gain/(loss)	(146)	(1,254)
g) Unrealised foreign exchange gain/(loss)	(7)	309
h) Fair value gain on investment properties	(153)	(153)
i) Rental income	(69)	(275)
j) Dividend Income	(645)	(645)
k) Loss on disposal of fixed assets	1	1
l) Inventories written down	571	571

By Order of the Board