

# CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P  
(Incorporated in Malaysia)

Quarterly report on consolidated results for the first quarter ended 30 November 2017

The figures have not been audited.

## **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the First Financial Quarter Ended 30 November 2017**

	2018 Current Quarter Ended 30/11/2017 Notes	2017 Comparative Quarter Ended 30/11/2016	2018 3 months Cumulative to date 30/11/2017	2017 Comparative 3 months Cumulative to date 30/11/2016	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
<b>Continuing Operations</b>					
Revenue	40,747	51,869	40,747	51,869	
Cost of sales	(33,598)	(41,364)	(33,598)	(41,364)	
Gross profit	7,149	10,505	7,149	10,505	
Other income	285	173	285	173	
(Decrease)/Increase in fair value of quoted investment through profit and loss	(291)	(3,194)	(291)	(3,194)	
Provision for increase in fair value of investment properties through profit and loss	-	-	-	-	
Administrative and other expenses	(7,779)	(9,619)	(7,779)	(9,619)	
Finance cost	(821)	(817)	(821)	(817)	
(Loss)/Profit before taxation	(1,457)	(2,952)	(1,457)	(2,952)	
Taxation	-	(135)	-	(135)	
(Loss)/Profit after taxation	(1,457)	(3,087)	(1,457)	(3,087)	
<b>Other comprehensive (loss)/income for the period</b>					
Dividend paid	-	-	-	-	
Total comprehensive (loss)/income for the period	(1,457)	(3,087)	(1,457)	(3,087)	
<b>(Loss)/Profit for the period attributable to:</b>					
Owners of the Company	(1,457)	(3,087)	(1,457)	(3,087)	
Minority interest	-	-	-	-	
Total comprehensive (loss)/income attributable to:	(1,457)	(3,087)	(1,457)	(3,087)	
Owners of the Company	(1,457)	(3,087)	(1,457)	(3,087)	
Minority interest	-	-	-	-	
Total comprehensive (loss)/income attributable to:	(1,457)	(3,087)	(1,457)	(3,087)	
Earnings per RM1.00 share					
Basic (based on ordinary shares - sen)	9	(3.25)	(6.89)	(3.25)	(6.89)
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)	9	2.50	2.54		

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2017)

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the First Financial Quarter Ended 30 November 2017

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

	Notes	2018		changes (amount/ %)	2017		changes (amount/ %)
		Current Quarter Ended	Comparative Quarter Ended		3 months Cumulative to date	Comparative 3 months Cumulative to date	
		30/11/2017	30/11/2016		30/11/2017	30/11/2016	
		(RM'000)	(RM'000)		(RM'000)	(RM'000)	
<b>Continuing Operations</b>							
Revenue		40,747	51,869	-21%	40,747	51,869	-21%
Cost of sales		(33,598)	(41,364)	-19%	(33,598)	(41,364)	-19%
Gross profit		7,149	10,505	-32%	7,149	10,505	-32%
Other income		285	173	65%	285	173	65%
(Decrease)/Increase in fair value of quoted investment through profit and loss		(291)	(3,194)	-91%	(291)	(3,194)	-91%
Provision for increase in fair value of investment properties through profit and loss		-	-		-	-	
Administrative and other expenses		(7,779)	(9,619)	-19%	(7,779)	(9,619)	-19%
Finance cost		(821)	(817)	0.5%	(821)	(817)	0.5%
(Loss)/Profit before taxation		(1,457)	(2,952)	-51%	(1,457)	(2,952)	-51%
Taxation		-	(135)	-100%	-	(135)	-100%
(Loss)/Profit after taxation		(1,457)	(3,087)	-53%	(1,457)	(3,087)	-53%
<b>Other comprehensive income for the period</b>							
Dividend paid		-	-		-	-	
Total comprehensive income for the period		(1,457)	(3,087)		(1,457)	(3,087)	
<b>(Loss)/Profit for the period attributable to:</b>							
Owners of the Company		(1,457)	(3,087)		(1,457)	(3,087)	
Minority interest		-	-		-	-	
Total comprehensive income attributable to:		(1,457)	(3,087)		(1,457)	(3,087)	
Owners of the Company		(1,457)	(3,087)		(1,457)	(3,087)	
Minority interest		-	-		-	-	
Earnings per RM1.00 share							
Basic (based on ordinary shares - sen)	9	(3.25)	(6.89)		(3.25)	(6.89)	
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)	9	2.50			2.54		

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2017)

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

	Current Quarter Ended	Immediate Preceding Quarter Ended	changes (amount/ %)
	30/11/2017	31/8/2017	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	40,747	42,757	-5%
Cost of sales	(33,598)	(35,340)	-5%
Gross profit	7,149	7,417	-4%
Other income	285	2,690	-89%
(Decrease)/Increase in fair value of quoted investment through profit and loss	(291)	870	-133%
Provision for increase in fair value of investment properties through profit and loss	-	153	
Administrative and other expenses	(7,779)	(10,304)	-25%
Finance cost	(821)	(645)	27%
(Loss)/Profit before taxation	(1,457)	181	
Taxation	-	215	-100%
(Loss)/Profit after taxation	(1,457)	396	-468%

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2017)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 November 2017**

	Notes	AS AT 30 Nov 2017 RM '000	AS AT 31 Aug 2017 RM '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment		38,084	38,702
Investment properties		12,401	12,401
Other investment		39,790	40,081
		<u>90,275</u>	<u>91,184</u>
<b>Current Assets</b>			
Stocks		48,475	45,183
Trade receivables		70,448	68,316
Other receivables, Deposit and Prepayments		1,601	1,427
Tax recoverable		1,956	1,790
GST Receivables		631	356
Deposit with licensed banks		8,073	9,579
Cash and bank balances		840	352
		<u>132,024</u>	<u>127,003</u>
<b>TOTAL ASSETS</b>		<u>222,299</u>	<u>218,187</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		75,345	75,345
Retained profits		36,804	38,261
Total equity		<u>112,149</u>	<u>113,606</u>
<b>Non-current Liabilities</b>			
Bank borrowings - Long term		11,754	12,596
Deferred taxation		918	918
		<u>12,672</u>	<u>13,514</u>
<b>Current Liabilities</b>			
Trade payables		47,961	42,649
Other payables		4,374	3,578
Bank borrowings - short term		38,553	39,168
Bank overdraft		6,590	5,672
		<u>97,478</u>	<u>91,067</u>
Total Liabilities		<u>110,150</u>	<u>104,581</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>222,299</u>	<u>218,187</u>
<b>Net Assets Per Share (RM)</b>	10	2.50	2.54

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2017)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 30 November 2017**

	← Attributable to equity holders of the Company →		Total Share capital	Accumulated profits	Total equity
	<-----Non-distributable ----->	Distributable			
	Share capital	Share premium *			
	RM	RM	RM	RM	RM
<b><u>1st quarter ended 30 Nov 2017</u></b>					
Balance at 1 Sep 2017	44,775,000	30,569,833	75,344,833	38,261,460	113,606,293
Total comprehensive income	-	-	-	(1,457,077)	(1,457,077)
<b>Balance at 30 Nov 2017</b>	<b>44,775,000</b>	<b>30,569,833</b>	<b>75,344,833</b>	<b>36,804,383</b>	<b>112,149,216</b>

\* 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 →		Accumulated profits	Total reserves	Total equity
	Non-distributable	Distributable			
	Share capital	Share premium			
	RM	RM	RM	RM	RM
<b><u>1st quarter ended 30 Nov 2016</u></b>					
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)
<b>Balance at 30 Nov 2016</b>	<b>44,775,000</b>	<b>30,569,833</b>	<b>40,406,204</b>	<b>70,976,037</b>	<b>115,751,037</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2017)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 November 2017**

	3 months ended	
	30/11/2017	30/11/2016
	<u>RM'000s</u>	<u>RM'000s</u>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(1,457)	(2,952)
Adjustments for:-		
Fair value through profit and loss on other investments	291	3,194
Fair value gain on investment properties	-	-
Depreciation of property, plant and equipment	867	1,031
Allowance for impairment - receivables	-	-
Reversal of allowance for impairment - receivables	-	-
Bad Debts written off	-	-
Interest expenses	821	817
Dividend income	-	-
Interest income	(54)	(80)
Unrealised foreign exchange loss/(gain)	231	(142)
Operating profit before changes in working capital	<u>699</u>	<u>1,868</u>
Changes in working capital:		
Net change in inventories	(3,292)	(2,877)
Net change in receivables	(2,812)	20,597
Net change in payables	6,108	(8,208)
Cash generated from/(used in) from operating activities	<u>703</u>	<u>11,380</u>
Net income tax paid	(166)	(750)
Interest paid	(821)	(817)
Net cash flows (used in)/generated from operating activities	<u>(284)</u>	<u>9,813</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(249)	(2,432)
Dividend received	-	-
Interest received	54	80
Uplift of deposit which are pledged with a licensed bank	1,345	-
Net cash used in investing activities	<u>1,150</u>	<u>(2,352)</u>
<b>Cash flows from financing activities</b>		
Drawdown of term loan	-	-
(Repayment)/drawdown of term loan	(842)	(233)
(Repayment)/drawdown of short term borrowings	(615)	5,499
Net cash flows generated (used in)/from financing activities	<u>(1,457)</u>	<u>5,266</u>
Net (decrease)/increase in cash and cash equivalents	(591)	12,727
Cash and cash equivalents at the beginning of financial period	<u>2,914</u>	<u>(4,127)</u>
Cash and cash equivalents at end of financial period	<u>2,323</u>	<u>8,600</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	840	1,796
Deposits with licensed banks	8,073	14,594
Bank overdraft	(6,590)	(6,482)
	<u>2,323</u>	<u>9,908</u>
Deposit pledged with licensed bank	-	(1,308)
	<u>2,323</u>	<u>8,600</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2017)

## **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 2017.

### **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

<b>Description</b>	<b>Effective for annual period beginning on or after</b>
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, NFRS 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

<b>Description</b>	<b>Effective for annual period beginning on or after</b>
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)	1 January 2017
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.

### 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 2017 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 a decrease in fair value of quoted investments totaling RM0.291 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. (Loss)/earnings per share

Basis (loss)/earnings per share is calculated by dividing the loss for the period of (RM1,457,077) (FY2017 Q1 : (RM3,086,790)) for the Group on the number of ordinary shares in issue of 44,775,000 during the current financial period. There were no movement of issue shares of 44,775,000 during and since the previous financial quarter.

Fully diluted (loss)/earnings per share is not presented as there are no potential dilutive shares.

### 10. Net Assets per share

Net assets per share is calculated by dividing net assets as at 31st November 2017 of RM112,149,216 (FY'17 Q4: RM113,606,294) for the Group on the number of shares in issue during the year of 44,775,000 (FY'17 Q4: 44,775,000).



### **11. 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 30/11/2017 RM'000	As at Preceding Corresponding Financial Quarter Ended 30/11/2016 RM'000
Malaysia	29,787	48,224
Others	10,960	3,645
	<u>40,747</u>	<u>51,869</u>

### **12. 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 2017.

### **13. 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.

### **14. 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.

### **15. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and contingent assets as at the date of issue of this report.

### **16. Review of Performance**

The Group's revenue was lower by 21% from RM51.87 Million for the Financial year ended 2017 1st Quarter (FYE'17 Q1) to RM40.75 in Financial year ended 2018 1st Quarter (FYE'18 Q1). The decrease in sales volume is due to less deliveries to local projects in FYE'18 Q1.

The effect of the decrease in the fair value of quoted investment of RM0.29 million for FYE'18 Q1 compared with a decrease of RM3.19 million in FYE'17 Q1 represents the change in the market price of the quoted investments.

Gross profit decreased by RM3.36 million during FYE'18 Q1 compared to FYE'17 Q1. due mainly to lower sales volume of piles and poles during FYE'18 Q1. Gross profit margin during FYE'18 Q1 were impacted by higher raw material costs which was not able to be passed fully to customers due to intense price competition. As a result the Group recorded a net operating loss of RM1.16 million after discounting the effect of the diminution in fair value of investment in quoted shares which is held long term.

### **17. Comparisons with Preceding Quarter's Results**

Sales were lower by RM2 Million in FYE'18 Q1(a 5% decrease) compared with FYE'17 Q4 (the preceding quarter). The drop was attributable to the decrease in local sales amounting to RM9.83Million which was offset by an increase in exports sales of RM7.82 Million.

Other Income were higher in the preceding quarter ( FYE'17 Q4 ) due to dividend income received and reversal of allowance for impairment of receivables.

## 18. 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.

## 19. Variance from Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

## 20. Taxation

	As at end of Current Financial Period Ended 30/11/2017 RM'000	As at Preceding Financial Year 31/8/2017 RM'000
<b>Malaysian Taxation</b>		
Income tax		
- Current year	-	135
- Prior year over provision	-	77
- Deferred tax	-	(292)
	<u>-</u>	<u>(80)</u>

There were no provision for tax during the current quarter due to the operating loss.

## 21. Corporate Proposals

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

## 22. Group Borrowings and Debts Securities

	As at Financial Period Ended 30/11/2017 RM'000	As at Preceding Financial Year Ended 31/8/2017 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	10,461	11,096
Hire purchase - secured	1,293	1,500
	<u>11,754</u>	<u>12,596</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,612	2,593
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,223	1,190
Bankers' Acceptance - secured	26,794	26,260
Bankers' Acceptance - unsecured	2,924	4,125
Bank overdrafts - secured	6,590	5,672
Bank overdrafts - unsecured	-	-
	<u>45,143</u>	<u>44,840</u>
TOTAL BORROWINGS	<u>56,897</u>	<u>57,436</u>
b) No borrowings in foreign currency.	-	-

## 23. Material Litigation

There is no material litigation as at the date of issuance of this quarterly report against the Group.

#### 24. Proposed Dividend

The Board of Directors has not recommended any dividend for the financial quarter under review.

#### 25. Earnings/(Losses) per share

The basic earnings per share is calculated by dividing the Group's (loss)/profit 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 30/11/2017	Preceding Year Corresponding Quarter 30/11/2016	Current Year To Date 30/11/2017	Preceding Year Corresponding Quarter To Date 30/11/2016
Profit attributable to equity holders of the Company (RM'000)	(1,457)	(3,087)	(1,457)	(3,087)
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(3.25)	(6.89)	(3.25)	(6.89)

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.

#### 26. Realised and Unrealised Profits Disclosure

The retained profits as at 30 Nov 2017 and 31 Aug 2017 are analysed as follows:-

	As at end of Current Quarter 30/11/2017 RM'000	As at Preceding Financial Year End 31/8/2017 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	37,485	38,651
- Unrealised	(681)	(390)
Total group retained profits as per consolidated accounts	<u>36,804</u>	<u>38,261</u>

#### 27. 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 30/11/2017 RM'000	Current year-to-date 30/11/2017 RM'000
a) Interest income	54	54
b) Interest expense	(821)	(821)
c) Depreciation and amortization	(867)	(867)
d) Realised foreign exchange gain	121	121
e) Unrealised foreign exchange loss	(231)	(231)
f) Rental income	70	70

By Order of the Board