

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 28 February 2018

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Second Financial Quarter Ended 28 February 2018

	2018 Current Quarter Ended 28/2/2018 <u>(RM'000)</u>	2017 Current Quarter Ended 28/2/2017 <u>(RM'000)</u>	2018 6 months Cumulative to date 28/2/2018 <u>(RM'000)</u>	2017 Comparative 6 months Cumulative to date 28/2/2017 <u>(RM'000)</u>
Continuing Operations				
Revenue	42,524	34,744	83,271	86,613
Cost of sales	(31,995)	(27,986)	(65,593)	(69,350)
Gross profit	10,529	6,758	17,678	17,263
Other income	194	305	479	478
(Decrease)/Increase in fair value of quoted investment through profit and loss		-	(291)	(3,194)
Provision for increase in fair value of investment properties through profit and loss	-	-	-	
Administrative and other expenses	(10,565)	(7,893)	(18,344)	(17,512)
Finance cost	(951)	(867)	(1,772)	(1,684)
(Loss)/Profit before taxation	(793)	(1,697)	(2,250)	(4,649)
Taxation	-	-	-	(135)
(Loss)/Profit after taxation	(793)	(1,697)	(2,250)	(4,784)
Other comprehensive (loss)/income for the period				
Dividend paid	-	-	-	-
Total comprehensive (loss)/income for the period	(793)	(1,697)	(2,250)	(4,784)
(Loss)/Profit for the period attributable to:				
Owners of the Company	(793)	(1,697)	(2,250)	(4,784)
Minority interest	-	-	-	-
Total comprehensive (loss)/income attributable to:	(793)	(1,697)	(2,250)	(4,784)
Owners of the Company	(793)	(1,697)	(2,250)	(4,784)
Minority interest	-	-	-	-
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	9	(1.77)	(3.79)	(10.68)
Fully diluted (based on ordinary shares - sen)				
Net assets per share attributable to ordinary equity holders of the parent (RM)	10	2.49	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 Second Financial Quarter Ended 28 February 2018

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

	Notes	2018	2017			2018	2017
		Current Quarter Ended	Comparative Quarter Ended	changes (amount/ %)	6 months Cumulative to date	Comparative 6 months Cumulative to date	changes (amount/ %)
		28/2/2018	28/2/2017		28/2/2018	28/2/2017	
		(RM'000)	(RM'000)		(RM'000)	(RM'000)	
Continuing Operations							
Revenue		42,524	34,744	22%	83,271	86,613	-4%
Cost of sales		(31,995)	(27,986)	14%	(65,593)	(69,350)	-5%
Gross profit		10,529	6,758	56%	17,678	17,263	2%
Other income		194	305	-36%	479	478	0%
(Decrease)/Increase in fair value of quoted investment through profit and loss		-	-		(291)	(3,194)	-91%
Provision for increase in fair value of investment properties through profit and loss		-	-		-	-	
Administrative and other expenses		(10,565)	(7,893)	34%	(18,344)	(17,512)	5%
Finance cost		(951)	(867)	9.7%	(1,772)	(1,684)	5.2%
(Loss)/Profit before taxation		(793)	(1,697)	-53%	(2,250)	(4,649)	-52%
Taxation		-	-		-	(135)	
(Loss)/Profit after taxation		(793)	(1,697)	-53%	(2,250)	(4,784)	-53%
Other comprehensive income for the period							
Dividend paid		-	-		-	-	
Total comprehensive income for the period		(793)	(1,697)	-53%	(2,250)	(4,784)	-53%
(Loss)/Profit for the period attributable to:							
Owners of the Company		(793)	(1,697)	-53%	(2,250)	(4,784)	-53%
Minority interest		-	-		-	-	
Total comprehensive income attributable to:		(793)	(1,697)	-53%	(2,250)	(4,784)	-53%
Owners of the Company		(793)	(1,697)	-53%	(2,250)	(4,784)	-53%
Minority interest		-	-		-	-	
Earnings per RM1.00 share							
Basic (based on ordinary shares - sen)	9	(1.77)	(3.79)		(5.03)	(10.68)	
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)	10	2.49			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/ %)
	28/2/2018	31/11/2017	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	42,524	40,747	4%
Cost of sales	(31,995)	(33,598)	-5%
Gross profit	10,529	7,149	47%
Other income	194	285	-32%
(Decrease)/Increase in fair value of quoted investment through profit and loss	-	(291)	-100%
Provision for increase in fair value of investment properties through profit and loss	-	-	
Administrative and other expenses	(10,565)	(7,779)	36%
Finance cost	(951)	(821)	16%
(Loss)/Profit before taxation	(793)	(1,457)	-46%
Taxation	-	-	
(Loss)/Profit after taxation	(793)	(1,457)	-46%

(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 28 February 2018**

	Notes	AS AT 28 Feb 2018 RM '000	AS AT 31 Aug 2017 RM '000
ASSETS			
Non-current assets			
Property, Plant and Equipment		38,292	38,702
Investment properties		12,401	12,401
Other investment		39,790	40,081
		<u>90,483</u>	<u>91,184</u>
Current Assets			
Stocks		54,274	45,183
Trade receivables		65,731	68,316
Other receivables, Deposit and Prepayments		1,494	1,427
Tax recoverable		2,206	1,790
GST Receivables		1,298	356
Deposit with licensed banks		10,731	9,579
Cash and bank balances		721	352
		<u>136,455</u>	<u>127,003</u>
TOTAL ASSETS		<u>226,938</u>	<u>218,187</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75,345	75,345
Retained profits		36,011	38,261
Total equity		<u>111,356</u>	<u>113,606</u>
Non-current Liabilities			
Bank borrowings - Long term		11,152	12,596
Deferred taxation		918	918
		<u>12,070</u>	<u>13,514</u>
Current Liabilities			
Trade payables		48,134	42,649
Other payables		5,158	3,578
Bank borrowings - short term		44,126	39,168
Bank overdraft		6,094	5,672
		<u>103,512</u>	<u>91,067</u>
Total Liabilities		<u>115,582</u>	<u>104,581</u>
TOTAL EQUITY AND LIABILITIES		<u>226,938</u>	<u>218,187</u>
Net Assets Per Share (RM)	10	2.49	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 28 February 2018

	← Attributable to equity holders of the Company →				
	<----Non-distributable ---->		Distributable		
	<u>Share capital</u>	<u>Share premium *</u>	<u>Total Share capital</u>	<u>Accumulated profits</u>	<u>Total equity</u>
	RM	RM	RM	RM	RM
<u>2nd quarter ended 28 Feb 2018</u>					
Balance at 1 Sep 2017	44,775,000	30,569,833	75,344,833	38,261,460	113,606,293
Total comprehensive income	-	-	-	(2,250,303)	(2,250,303)
Balance at 28 February 2018	44,775,000	30,569,833	75,344,833	36,011,157	111,355,990

* 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		
	<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>2nd quarter ended 28 Feb 2017</u>					
Balance at 1 Sep 2016	44,775,000	30,569,833	43,492,994	74,062,827	118,837,827
Total comprehensive loss	-	-	(4,783,905)	(4,783,905)	(4,783,905)
Balance at 28 Feb 2017	44,775,000	30,569,833	38,709,089	69,278,922	114,053,922

(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 28 February 2018

	6 months ended	
	28/2/2018	28/2/2017
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(2,250)	(4,649)
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	1,784	1,802
Allowance for impairment - receivables	-	-
Reversal of allowance for impairment - receivables	-	-
Bad Debts written off	-	-
Interest expenses	1,772	1,684
Dividend income	-	-
Interest income	(124)	(206)
Unrealised foreign exchange loss/(gain)	305	(170)
Operating profit before changes in working capital	<u>1,778</u>	<u>1,655</u>
Changes in working capital:		
Net change in inventories	(9,091)	(10,107)
Net change in receivables	1,271	33,710
Net change in payables	7,065	(13,157)
Cash generated from/(used in) from operating activities	<u>1,023</u>	<u>12,101</u>
Net income tax paid	(416)	(1,360)
Interest paid	(1,772)	(1,684)
Net cash flows (used in)/generated from operating activities	<u>(1,165)</u>	<u>9,057</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,374)	(2,792)
Dividend received	-	-
Interest received	124	206
Uplift of deposit which are pledged with a licensed bank	1,345	(20)
Net cash used in investing activities	<u>95</u>	<u>(2,606)</u>
Cash flows from financing activities		
Drawdown of term loan	-	-
(Repayment)/drawdown of term loan	(1,444)	1,983
(Repayment)/drawdown of short term borrowings	4,958	9,056
Net cash flows generated (used in)/from financing activities	<u>3,514</u>	<u>11,039</u>
Net (decrease)/increase in cash and cash equivalents	2,444	17,490
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>5,358</u>	<u>13,363</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	721	3,650
Deposits with licensed banks	10,731	17,710
Bank overdraft	(6,094)	(6,669)
	<u>5,358</u>	<u>14,691</u>
Deposit pledged with licensed bank	-	(1,328)
	<u>5,358</u>	<u>13,363</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 :

As of 1 September 2016, the Company adopted the following new and amended MFRSs and IC Interpretations:

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, 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

Description	Effective for annual period beginning on or after
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	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	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 were no exceptional items for 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 amounting to RM793,226 (FY2017 Q2 : (RM1,697,115)) 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 28 February 2018 of RM111,355,990 (31 August 2017: RM113,606,293) for the Group on the number of shares in issue during the year of 44,775,000 (31 August 2017 : 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 28/2/2018 RM'000	As at Preceding Corresponding Financial Quarter Ended 28/2/2017 RM'000
Malaysia	16,912	29,841
Others	25,612	4,903
	<u>42,524</u>	<u>34,744</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 for the current quarter was higher by 22% compared to the preceding year quarter. (FYE'18 Q2 RM42.5 Million versus FYE'17 Q2 : RM34.7 Million). The increase in sales volume was largely attributable to higher export sales during the current quarter. Compared to the preceding year's 2nd quarter local sales dropped 14% while export sales saw an increase of 245%.

Even though export sales was higher compared to the preceding year's quarter, the appreciation of the Ringgit against the USD eroded gross margin. On the local front the group faced intense price competition, higher steel raw material prices and production costs hikes. These costs were not able to be passed on to buyers fully due to price competition. As a result overall gross margin was adversely affected.

17. Comparisons with Preceding Quarter's Results

Sales were higher by RM1.8 Million in the current quarter compared with the preceding quarter in FY 2018 Q1. Local sales decrease by RM4.1 Million while export sales were up by RM5.9 Million.

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 28/2/2018 RM'000	As at Preceding Financial Year 31/8/2017 RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year	-	135
- Prior year over provision	-	77
- Deferred tax		(292)
	<u>-</u>	<u>(80)</u>

The Group did not provide for any tax for the current quarter.

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 28/2/2018 RM'000	As at Preceding Financial Year Ended 31/8/2017 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	9,811	11,096
Hire purchase - secured	1,341	1,500
	<u>11,152</u>	<u>12,596</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,611	2,593
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,368	1,190
Bankers' Acceptance - secured	29,824	26,260
Bankers' Acceptance - unsecured	3,478	4,125
LC Discounting	1,845	
Bank overdrafts - secured	6,094	5,672
Bank overdrafts - unsecured	-	
	<u>50,220</u>	<u>44,840</u>
TOTAL BORROWINGS	<u>61,372</u>	<u>57,436</u>
b) There were 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 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 28/2/2018	Preceding Year Corresponding Quarter 28/2/2017	Current Year To Date 28/2/2018	Preceding Year Corresponding Quarter To Date 28/2/2017
Profit attributable to equity holders of the Company (RM'000)	(793)	(1,697)	(2,250)	(1,697)
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(1.77)	(3.79)	(5.03)	(3.79)

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 28 Feb 2017 and 31 Aug 2017 are analysed as follows:-

	As at end of Current Quarter 28/2/2018 RM'000	As at Preceding Financial Year End 31/8/2017 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	36,692	38,651
- Unrealised	(681)	(390)
Total group retained profits as per consolidated accounts	<u>36,011</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 28/2/2018 RM'000	Current year-to-date 28/2/2018 RM'000
a) Interest income	70	124
b) Interest expense	(951)	(1,772)
c) Depreciation and amortization	(917)	(1,784)
d) Realised foreign exchange (loss)/gain	(50)	71
e) Unrealised foreign exchange (loss)/gain	(75)	(306)
f) Rental income	71	141

By Order of the Board