

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 May 2018.

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Third Financial Quarter Ended 31 May 2018.

	2018 Current Quarter Ended 31/5/2018 (RM'000)	2017 Comparative Quarter Ended 31/5/2017 (RM'000)	2018 9 months Cumulative to date 31/5/2018 (RM'000)	2017 Comparative 9 months Cumulative to date 31/5/2017 (RM'000)
Continuing Operations				
Revenue	42,793	50,042	126,064	136,655
Cost of sales	(31,329)	(40,958)	(96,922)	(110,308)
Gross profit	11,464	9,084	29,142	26,347
Other income	815	203	1,294	681
Increase/(Decrease) in fair value of quoted investment through profit and loss	-	(290)	(291)	(3,484)
Provision for increase in fair value of investment properties through profit and loss	-	-	-	-
Administrative and other expenses	(13,714)	(8,989)	(32,058)	(26,501)
Finance cost	(908)	(828)	(2,680)	(2,512)
(Loss)/profit before taxation	(2,343)	(820)	(4,593)	(5,469)
Taxation	-	-	-	(135)
(Loss)/profit after taxation	(2,343)	(820)	(4,593)	(5,604)
Other comprehensive income for the period				
Dividend paid	-	-	-	-
Total comprehensive income for the period	(2,343)	(820)	(4,593)	(5,604)
(Loss)/profit for the period attributable to:				
Owners of the Company	(2,343)	(820)	(4,593)	(5,604)
Minority interest	-	-	-	-
	(2,343)	(820)	(4,593)	(5,604)
Total comprehensive income attributable to:				
Owners of the Company	(2,343)	(820)	(4,593)	(5,604)
Minority interest	-	-	-	-
	(2,343)	(820)	(4,593)	(5,604)
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(5.23)	(1.83)	(10.26)	(12.52)
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)	2.43		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)

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 31 May 2018.
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the Third Financial Quarter Ended 31 May 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/ %)	9 months Cumulative to date	Comparative 9 months Cumulative to date	changes (amount/ %)		
		31/5/2018	31/5/2017		31/5/2018	31/5/2017			
		(RM'000)	(RM'000)		(RM'000)	(RM'000)			
Continuing Operations									
Revenue		42,793	50,042	-14%	126,064	136,655	-8%		
Cost of sales		(31,329)	(40,958)	-24%	(96,922)	(110,308)	-12%		
Gross profit		11,464	9,084	26%	29,142	26,347	11%		
Other income		815	203	301%	1,294	681	90%		
(Decrease)/Increase in fair value of quoted investment through profit and loss		-	(290)	-100%	(291)	(3,484)	-92%		
Provision for increase in fair value of investment properties through profit and loss		-	-		-	-			
Administrative and other expenses		(13,714)	(8,989)	53%	(32,058)	(26,501)	21%		
Finance cost		(908)	(828)	10%	(2,680)	(2,512)	7%		
(Loss)/Profit before taxation		(2,343)	(820)	186%	(4,593)	(5,469)	-16%		
Taxation		-	-	0%	-	(135)	-100%		
(Loss)/Profit after taxation		(2,343)	(820)	186%	(4,593)	(5,604)	-18%		
Other comprehensive income for the period									
Dividend paid		-	-		-	-			
Total comprehensive income for the period		(2,343)	(820)		(4,593)	(5,604)			
(Loss)/Profit for the period attributable to:									
Owners of the Company		(2,343)	(820)		(4,593)	(5,604)			
Minority interest		-	-		-	-			
Total comprehensive income attributable to:		(2,343)	(820)		(4,593)	(5,604)			
Owners of the Company		(2,343)	(820)		(4,593)	(5,604)			
Minority interest		-	-		-	-			
Earnings per RM1.00 share									
Basic (based on ordinary shares - sen)	9	(5.23)	(1.83)		(10.26)	(12.52)			
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		2.43			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/ %)
	31/5/2018	28/2/2018	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	42,793	42,524	1%
Cost of sales	(31,329)	(31,995)	-2%
Gross profit	11,464	10,529	9%
Other income	815	194	320%
(Decrease)/Increase in fair value of quoted investment through profit and loss	-	-	0%
Provision for increase in fair value of investment properties through profit and loss	-	-	
Administrative and other expenses	(13,714)	(10,565)	30%
Finance cost	(908)	(951)	-5%
(Loss)/Profit before taxation	(2,343)	(793)	195%
Taxation	-	-	0%
(Loss)/Profit after taxation	(2,343)	(793)	195%

(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 31 May 2018**

	Notes	AS AT 31 May 2018 RM '000	AS AT 31 Aug 2017 RM '000
ASSETS			
Non-current assets			
Property, Plant and Equipment		37,691	38,702
Investment properties		12,401	12,401
Other investment		39,790	40,081
		<u>89,882</u>	<u>91,184</u>
Current Assets			
Stocks		55,882	45,183
Trade receivables		58,841	68,316
Other receivables, Deposit and Prepayments		1,488	1,427
Tax recoverable		2,416	1,790
GST Receivables		1,940	356
Deposit with licensed banks		11,798	9,579
Cash and bank balances		845	352
		<u>133,210</u>	<u>127,003</u>
TOTAL ASSETS		<u>223,092</u>	<u>218,187</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75,345	75,345
Retained profits		33,668	38,261
Total equity		<u>109,013</u>	<u>113,606</u>
Non-current Liabilities			
Bank borrowings - Long term		10,366	12,596
Deferred taxation		918	918
		<u>11,284</u>	<u>13,514</u>
Current Liabilities			
Trade payables		47,750	42,649
Other payables		4,436	3,578
Bank borrowings - short term		44,351	39,168
Bank overdraft		6,258	5,672
		<u>102,795</u>	<u>91,067</u>
Total Liabilities		<u>114,079</u>	<u>104,581</u>
TOTAL EQUITY AND LIABILITIES		<u>223,092</u>	<u>218,187</u>
Net Assets Per Share (RM)	10	2.43	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 31 May 2018

	← 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
<u>3rd quarter ended 31 May 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	-	-	-	(4,593,458)	(4,593,458)
Balance at 31 May 2018	44,775,000	30,569,833	75,344,833	33,668,002	109,012,835

* 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
<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 loss	-	-	(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

(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 31 May 2018

	9 months ended	
	31/5/2018	31/5/2017
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(4,593)	(5,469)
Adjustments for:-		
Fair value through profit and loss on other investments	291	3,484
Fair value gain on investment properties	-	-
Depreciation of property, plant and equipment	2,721	2,860
Allowance for impairment - receivables	-	-
Reversal of allowance for impairment - receivables	-	-
Bad Debts written off	-	-
Interest expenses	2,680	2,512
Dividend income	(633)	-
Interest income	(124)	(291)
Unrealised foreign exchange loss/(gain)	93	317
Operating profit before changes in working capital	<u>435</u>	<u>3,413</u>
Changes in working capital:		
Net change in inventories	(10,699)	(6,169)
Net change in receivables	7,737	17,792
Net change in payables	5,959	(7,480)
Cash generated from/(used in) from operating activities	<u>3,432</u>	<u>7,556</u>
Net income tax paid	(626)	506
Interest paid	(2,680)	(2,512)
Net cash flows (used in)/generated from operating activities	<u>126</u>	<u>5,550</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,710)	(4,440)
Dividend received	633	-
Interest received	124	291
Uplift of deposit which are pledged with a licensed bank	1,345	(29)
Net cash used in investing activities	<u>392</u>	<u>(4,178)</u>
Cash flows from financing activities		
Drawdown of term loan	-	-
(Repayment)/drawdown of term loan	(2,230)	1,590
(Repayment)/drawdown of short term borrowings	5,183	6,694
Net cash flows generated (used in)/from financing activities	<u>2,953</u>	<u>8,284</u>
Net (decrease)/increase in cash and cash equivalents	3,471	6,827
Cash and cash equivalents at the beginning of financial period	2,914	(4,127)
Cash and cash equivalents at end of financial period	<u>6,385</u>	<u>2,700</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	845	1,623
Deposits with licensed banks	11,798	9,053
Bank overdraft	(6,258)	(6,639)
	<u>6,385</u>	<u>4,037</u>
Deposit pledged with licensed bank	-	(1,337)
	<u>6,385</u>	<u>2,700</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 (RM2,343,155) (FY2017 Q3 : (RM820,261)) 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 31 May 2018 of RM109,012,835 (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 31/5/2018 RM'000	As at Preceding Corresponding Financial Quarter Ended 31/5/2017 RM'000
Malaysia	22,039	48,331
Others	20,754	1,711
	<u>42,793</u>	<u>50,042</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 lower by 14% compared to the preceding year quarter. (FYE'18 Q3 RM42.8 Million versus FYE'17 Q3 : RM50 Million). The decrease in sales value was largely attributable to lower local sales during the current quarter. During the current quarter local sales dropped 54% compared to the preceding corresponding quarter.

Even though export sales was higher compared to the preceding year's quarter, the appreciation of the Ringgit against the US Dollar had impacted our profits as the earlier quotation to overseas customer was based on the higher US Dollar exchange rate. On the local front, the group faced intense price competition, higher steel raw material prices and production costs hikes. Local sales were also affected by slower delivery during May 2018 due to companies deferring delivery when the Malaysian Government announced zero rated GST after the May 2018 election. Raw material 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 marginally higher in the current quarter compared with the preceding quarter in FY 2018 Q2. Export sales were lower by 20% compared with previous quarter while local sales increased 30% over the previous quarter. The drop in profit margin for local sales was due to intense price competition amidst fewer local projects.

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 31/5/2018 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 31/5/2018 RM'000	As at Preceding Financial Year Ended 31/8/2017 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	9,169	11,096
Hire purchase - secured	1,197	1,500
	<u>10,366</u>	<u>12,596</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,603	2,593
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,382	1,190
Bankers' Acceptance - secured	28,810	26,260
Bankers' Acceptance - unsecured	4,402	4,125
LC Discounting	2,154	
Bank overdrafts - secured	6,258	5,672
Bank overdrafts - unsecured	-	
	<u>50,609</u>	<u>44,840</u>
TOTAL BORROWINGS	<u>60,975</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 31/5/2018	Preceding Year Corresponding Quarter 31/5/2017	Current Year To Date 31/5/2018	Preceding Year Corresponding Quarter To Date 31/5/2017
Profit attributable to equity holders of the Company (RM'000)	(2,343)	(820)	(4,593)	(5,604)
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(5.23)	(1.83)	(10.26)	(12.52)

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 31 May 2018 and 31 Aug 2017 are analysed as follows:-

	As at end of Current Quarter 31/5/2018 RM'000	As at Preceding Financial Year End 31/8/2017 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	34,058	38,651
- Unrealised	(390)	(390)
Total group retained profits as per consolidated accounts	<u>33,668</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 31/5/2018 RM'000	Current year-to-date 31/5/2018 RM'000
a) Interest income	82	206
b) Interest expense	(909)	(2,680)
c) Depreciation and amortization	(937)	(2,721)
d) Realised foreign exchange (loss)/gain	(563)	(457)
e) Unrealised foreign exchange (loss)/gain	17	(92)
f) Rental income	72	213

By Order of the Board