

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **For the Fourth Financial Quarter Ended 31 August 2018.**

	2018 Current Quarter Ended 31/8/2018 (RM'000)	2017 Comparative Quarter Ended 31/8/2017 (RM'000)	2018 12 months Cumulative to date 31/8/2018 (RM'000)	2017 Comparative 12 months Cumulative to date 31/8/2017 (RM'000)
<u>Continuing Operations</u>				
Revenue	35,888	42,757	161,952	179,412
Cost of sales	(28,235)	(35,340)	(125,157)	(145,648)
Gross profit	7,653	7,417	36,795	33,764
Other income	1,089	2,690	2,383	3,371
(Decrease)/Increase in fair value of quoted investment through profit and loss	(871)	870	(1,162)	(2,614)
Provision for increase in fair value of investment properties through profit and loss	125	153	125	153
Administrative and other expenses	(8,986)	(10,304)	(41,044)	(36,828)
Finance cost	(938)	(645)	(3,618)	(3,157)
(Loss)/profit before taxation	(1,928)	181	(6,521)	(5,311)
Taxation	950	215	950	80
(Loss)/profit after taxation	(978)	396	(5,571)	(5,231)
Other comprehensive income for the period				
Dividend paid	-	-	-	-
Total comprehensive (loss)/income for the period	(978)	396	(5,571)	(5,231)
(Loss)/profit for the period attributable to:				
Owners of the Company	(978)	396	(5,571)	(5,231)
Minority interest	-	-	-	-
	(978)	396	(5,571)	(5,231)
Total comprehensive income attributable to:				
Owners of the Company	(978)	396	(5,571)	(5,231)
Minority interest	-	-	-	-
	(978)	396	(5,571)	(5,231)
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(2.18)	0.88	(12.44)	(11.68)
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)	2.41		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 Fourth Financial Quarter Ended 31 August 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/%)	12 months Cumulative to date	Comparative 12 months Cumulative to date	changes (amount/%)		
		31/8/2018	31/8/2017		31/8/2018	31/8/2017			
		(RM'000)	(RM'000)		(RM'000)	(RM'000)			
Continuing Operations									
Revenue		35,888	42,757	-16%	161,952	179,412	-10%		
Cost of sales		(28,235)	(35,340)	-20%	(125,157)	(145,648)	-14%		
Gross profit		7,653	7,417	3%	36,795	33,764	9%		
Other income		1,089	2,690	-60%	2,383	3,371	-29%		
(Decrease)/Increase in fair value of quoted investment through profit and loss		(871)	870	-200%	(1,162)	(2,614)	-56%		
Provision for increase in fair value of investment properties through profit and loss		125	153		125	153			
Administrative and other expenses		(8,986)	(10,304)	-13%	(41,044)	(36,828)	11%		
Finance cost		(938)	(645)	45%	(3,618)	(3,157)	15%		
(Loss)/Profit before taxation		(1,928)	181	-1165%	(6,521)	(5,311)	23%		
Taxation		950	215	0%	950	80	1088%		
(Loss)/Profit after taxation		(978)	396	-347%	(5,571)	(5,231)	6%		
Other comprehensive income for the period									
Dividend paid		-	-		-	-			
Total comprehensive income for the period		(978)	396		(5,571)	(5,231)			
(Loss)/Profit for the period attributable to:									
Owners of the Company		(978)	396		(5,571)	(5,231)			
Minority interest		-	-		-	-			
Total comprehensive income attributable to:		(978)	396		(5,571)	(5,231)			
Owners of the Company		(978)	396		(5,571)	(5,231)			
Minority interest		-	-		-	-			
		(978)	396		(5,571)	(5,231)			
Earnings per RM1.00 share									
Basic (based on ordinary shares - sen)	9	(2.18)	0.88		(12.44)	(11.68)			
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		2.41			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/ %)
	31/8/2018	31/5/2018	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	35,888	42,793	-16%
Cost of sales	(28,235)	(31,329)	-10%
Gross profit	7,653	11,464	-33%
Other income	1,089	815	34%
(Decrease)/Increase in fair value of quoted investment through profit and loss	(871)	-	0%
Provision for increase in fair value of investment properties through profit and loss	125	-	
Administrative and other expenses	(8,986)	(13,714)	-34%
Finance cost	(938)	(908)	3%
(Loss)/Profit before taxation	(1,928)	(2,343)	-18%
Taxation	950	-	0%
(Loss)/Profit after taxation	(978)	(2,343)	-58%

(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 August 2018**

	Notes	AS AT 31 August 2018 RM '000	AS AT 31 Aug 2017 RM '000
ASSETS			
Non-current assets			
Property, Plant and Equipment		37,112	38,702
Investment properties		12,526	12,401
Other investment		38,919	40,081
		<u>88,557</u>	<u>91,184</u>
Current Assets			
Stocks		53,313	45,183
Trade receivables		60,602	68,316
Other receivables, Deposit and Prepayments		1,309	1,427
Tax recoverable		2,448	1,790
GST Receivables		1,594	356
Deposit with licensed banks		7,959	9,579
Cash and bank balances		1,174	352
		<u>128,399</u>	<u>127,003</u>
TOTAL ASSETS		<u>216,956</u>	<u>218,187</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75,345	75,345
Retained profits		32,690	38,261
Total equity		<u>108,035</u>	<u>113,606</u>
Non-current Liabilities			
Bank borrowings - Long term		9,313	12,596
Deferred taxation		-	918
		<u>9,313</u>	<u>13,514</u>
Current Liabilities			
Trade payables		42,470	42,649
Other payables		3,079	3,578
Bank borrowings - short term		49,389	39,168
Bank overdraft		4,670	5,672
Tax payable		-	-
		<u>99,608</u>	<u>91,067</u>
Total Liabilities		<u>108,921</u>	<u>104,581</u>
TOTAL EQUITY AND LIABILITIES		<u>216,956</u>	<u>218,187</u>
Net Assets Per Share (RM)	10	2.41	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 year ended 31 August 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>4th quarter ended 31 Aug 2018</u>					
Balance at 1 Sep 2017	44,775,000	30,569,833	75,344,833	38,261,461	113,606,294
Total comprehensive income	-	-	-	(5,571,360)	(5,571,360)
Balance at 31 Aug 2018	44,775,000	30,569,833	75,344,833	32,690,101	108,034,934

* 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>4th quarter ended 31 Aug 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	-	-	(5,231,533)	(5,231,533)	(5,231,533)
Balance at 31 August 2017	44,775,000	30,569,833	38,261,461	68,831,294	113,606,294

(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 year ended 31 August 2018

	12 months ended	
	31/8/2018	31/8/2017
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(6,521)	(5,311)
Adjustments for:-		
Fair value through profit and loss on other investments	1,162	2,614
Fair value gain on investment properties	(125)	(153)
Depreciation of property, plant and equipment	3,663	3,629
Allowance for impairment - receivables	518	444
Reversal of allowance for impairment - receivables	(527)	(520)
Inventories written down	-	571
Loss on Disposal of Fixed Assets	-	1
Interest expenses	3,618	3,157
Dividend income	(633)	(645)
Interest income	(275)	(348)
Unrealised foreign exchange loss/(gain)	304	309
Operating profit before changes in working capital	<u>1,184</u>	<u>3,748</u>
Changes in working capital:		
Net change in inventories	(8,130)	(3,799)
Net change in receivables	6,299	18,781
Net change in payables	(678)	(10,243)
Cash (used in)/generated from from operating activities	<u>(1,325)</u>	<u>8,487</u>
Net income tax paid	(626)	(1,360)
Interest paid	(3,618)	(3,157)
Net cash (used in)/generated from operating activities	<u>(5,569)</u>	<u>3,970</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,077)	(4,213)
Dividend received	633	645
Interest received	275	348
Uplift/(Placement) of deposit which are pledged with a licensed bank	1,345	(37)
Net cash generated from/(used in) investing activities	<u>1,176</u>	<u>(3,257)</u>
Cash flows from financing activities		
Net drawdown of bankers acceptance and invoice financing	10,010	5,385
Net repayment of hire purchase	(1,484)	(1,352)
Net (repayment)/drawdown of term loan	(2,584)	2,295
Net cash generated from financing activities	<u>5,942</u>	<u>6,328</u>
Net changes in cash and cash equivalents	1,549	7,041
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>4,463</u>	<u>2,914</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	1,174	352
Deposits with licensed banks	7,959	9,579
Bank overdraft	(4,670)	(5,672)
	<u>4,463</u>	<u>4,259</u>
Deposit pledged with licensed bank	-	(1,345)
	<u>4,463</u>	<u>2,914</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, 2016 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 2017, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations:

Description	Effective for annual period beginning on or after
Amendments to MFRS 107: Statement of Cash Flow (Disclosure Initiative)	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
Amendments to MFRS 112 : Income Taxes : Recognition of Deferred Tax	1 January 2017

The application of these amendments has had no material impact on the financial results and disclosures in the Group and Company's financial statements.

Pronouncements yet in effect

The following pronouncements that have been issued by MASB will become effective in future financial reporting periods and have not been adopted by the Group or Company :

MFRS 2 Share-Based Payments (Classification and Measurement of Share-based Payment Transaction)	1 January 2018
MFRS 4: Insurance Contracts : Applying MFRS 9: Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
MFRS 140: Investment Property: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
MFRS 15 Revenue form Contracts with Customers	1 January 2018
MFRS 9 Financial Statements	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 3 Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)	1 January 2019
MFRS 9 Financial Instruments (Prepayment Features with Negative Compensation)	1 January 2019
MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)	
MFRS 119 Employee Benefits (Plan Amendment, Curtailment or Settlement)	1 January 2019
MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)	1 January 2019

Deferred yet to be effective

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates of Joint Venture	Deferred
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The initial applications of the above are expected to have no significant impact on the financial statements of the Group and the Company in the period of initial application except for those discussed below :-

(i) MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. Restrospective application is required, but comparative information is not compulsory. The adoption of MFRS will have an effect on the classification and measurement of the Group's financial assets, but no impact on the Group's financial liabilities

(i) MFRS 15 Revenue from Contracts wih Customers

MFRS 15 establishes a new five step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related intepretations when it becomes effective. The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

(ii) MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under MFRS 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying assets during the lease term. Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117 and distinguish between two types of leases: operating and finance leases.

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 (RM977,900) 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 August 2018 of RM108,034,934 (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	As at Preceding Corresponding Financial Quarter Ended
	31/8/2018	31/8/2017
	RM'000	RM'000
Malaysia	21,597	39,618
Others	14,291	3,139
	<u>35,888</u>	<u>42,757</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

FYE 2018 Q4 compared with FYE 2017 Q4

The Group's revenue for the current quarter was lower by 16% compared to the preceding year quarter. (FYE'18 Q4 RM35.8 Million versus FYE'17 Q4 : RM42.7 Million). After the 14th General Election in May, project reviews, deferment or cancellation of a number of mega infrastructure project affect market sentiments and caused local deliveries to slow considerably. The lackluster local sales which were lower by 45% were bolstered by higher exports sales which increased 4.5 times compared to FYE 2017 Q4.

Despite the increase in export sales lower overall sales volume and production cutbacks in anticipation of subdued local market demand put pressure on margins. The Group posted a net loss of RM1.9 Million before tax compared with a profit before tax of RM0.2 Million during the corresponding Quarter of FYE 2018.

17. Comparisons with Preceding Quarter's Results

Sales were lower in the current quarter compared with the preceding quarter in FY 2018 Q3. The drop in sales were due mainly to lower local sales post General Election 14 caused by review of major infrastructures projects by the new government which affect sentiments in the construction sector.

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	As at Preceding Financial Year
	31/8/2018	31/8/2017
	RM'000	RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year overprovision	-	135
- Prior year over provision	32	77
- Deferred tax	918	(292)
	<u>950</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 Year Ended 31/8/2018 RM'000	As at Preceding Financial Year Ended 31/8/2017 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	8,434	11,096
Hire purchase - secured	878	1,500
	<u>9,313</u>	<u>12,596</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,671	2,593
Revolving credit - secured	5,000	5,000
Hire purchase - secured	1,323	1,190
Bankers' Acceptance - secured	29,960	26,260
Bankers' Acceptance - unsecured	3,748	4,125
LC Discounting	6,576	-
Bank overdrafts - secured	4,670	5,672
Others	111	-
	<u>54,059</u>	<u>44,840</u>
TOTAL BORROWINGS	<u>63,372</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 31/8/2018	Preceding Year Corresponding Quarter 31/8/2017	Current Year To Date 31/8/2018	Preceding Year Corresponding Quarter To Date 31/8/2017
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(978)	396	(5,571)	(5,231)
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(2.18)	0.88	(12.44)	(11.68)

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

	As at end of Current Quarter 31/8/2018 RM'000	As at Preceding Financial Year End 31/8/2017 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	33,503	38,651
- Unrealised	(813)	(390)
Total group retained profits as per consolidated accounts	<u>32,690</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 31/8/2018 RM'000	Current year-to-date 31/8/2018 RM'000
a) Interest income	69	275
b) Interest expense	(938)	(3,618)
c) Depreciation and amortization	(941)	(3,663)
d) Realised foreign exchange (loss)/gain	(110)	(567)
e) Unrealised foreign exchange (loss)/gain	(212)	(304)
f) Rental income	71	284

By Order of the Board