

CONCRETE ENGINEERING PRODUCTS BERHAD
Registration No.: 198201008420 (88143-P)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the first quarter ended 30 November 2021.

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the First Financial Quarter Ended 30 November 2021

	2022 Current Quarter Ended 30/11/2021 <u>(RM'000)</u>	2021 Comparative Quarter Ended 30/11/2020 <u>(RM'000)</u>	2022 3 months Cumulative to date 30/11/2021 <u>(RM'000)</u>	2021 3 months Cumulative to date 30/11/2020 <u>(RM'000)</u>
<u>Continuing Operations</u>				
Revenue	33,483	19,163	33,483	19,163
Cost of sales	(27,649)	(17,729)	(27,649)	(17,729)
Gross profit	5,834	1,434	5,834	1,434
Other income	414	1,133	414	1,133
Increase/(Decrease) in fair value of quoted investment through profit and loss	(290)	581	(290)	581
Provision for increase/(decrease) in fair value of investment properties through profit and loss	-	-	-	-
Administrative and other expenses	(8,258)	(5,315)	(8,258)	(5,315)
Finance cost	(358)	(416)	(358)	(416)
Profit/(Loss) before taxation	(2,658)	(2,583)	(2,658)	(2,583)
Taxation	-	-	-	-
Profit/(Loss) after taxation	(2,658)	(2,583)	(2,658)	(2,583)
Other comprehensive income for the period				
Dividend paid	-	-	-	-
Total comprehensive income/(loss) for the period	(2,658)	(2,583)	(2,658)	(2,583)
Profit/(Loss) for the period attributable to:				
Owners of the Company	(2,658)	(2,583)	(2,658)	(2,583)
Minority interest	-	-	-	-
	(2,658)	(2,583)	(2,658)	(2,583)
Total comprehensive income attributable to:				
Owners of the Company	(2,658)	(2,583)	(2,658)	(2,583)
Minority interest	-	-	-	-
	(2,658)	(2,583)	(2,658)	(2,583)
Earnings per share				
Basic (based on ordinary shares - sen)	(3.56)	(3.46)	(3.56)	(3.46)
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)	0.79		0.83	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the First Financial Quarter Ended 30 November 2021

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

	Notes	2022		2021		changes (%)	2022		2021		changes (%)
		Current Quarter Ended	Comparative Quarter Ended	3 months Cumulative to date	Comparative Cumulative to date		3 months Cumulative to date	Comparative Cumulative to date			
		30/11/2021	30/11/2020	30/11/2021	30/11/2020		30/11/2021	30/11/2020	30/11/2021	30/11/2020	
		(RM'000)	(RM'000)	(RM'000)	(RM'000)		(RM'000)	(RM'000)	(RM'000)	(RM'000)	
Continuing Operations											
Revenue		33,483	19,163	74.73			33,483	19,163	74.73		
Cost of sales		(27,649)	(17,729)	55.95			(27,649)	(17,729)	55.95		
Gross profit		5,834	1,434	306.83			5,834	1,434	306.83		
Other income		414	1,133	(63.46)			414	1,133	(63.46)		
Increase/(Decrease) in fair value of quoted investment through profit and loss		(290)	581	(149.91)			(290)	581	(149.91)		
Provision for increase/(decrease) in fair value of investment properties through profit and loss		-	-				-	-			
Administrative and other expenses		(8,258)	(5,315)	55.37			(8,258)	(5,315)	55.37		
Finance cost		(358)	(416)	(13.94)			(358)	(416)	(13.94)		
Profit/(Loss) before taxation		(2,658)	(2,583)	2.90			(2,658)	(2,583)	2.90		
Taxation		-	-				-	-			
Profit/(Loss) after taxation		(2,658)	(2,583)	2.90			(2,658)	(2,583)	2.90		
Other comprehensive income/(loss) for the period											
Dividend paid		-	-				-	-			
Total comprehensive income/(loss) for the period		(2,658)	(2,583)				(2,658)	(2,583)			
Profit/(Loss) for the period attributable to:											
Owners of the Company		(2,658)	(2,583)				(2,658)	(2,583)			
Minority interest		-	-				-	-			
Total comprehensive income/(loss) attributable to:		(2,658)	(2,583)				(2,658)	(2,583)			
Owners of the Company		(2,658)	(2,583)				(2,658)	(2,583)			
Minority interest		-	-				-	-			
		(2,658)	(2,583)				(2,658)	(2,583)			
Earnings per share											
Basic (based on ordinary shares - sen)	A9	(3.56)	(3.46)				(3.56)	(3.46)			
AS AT END OF CURRENT QUARTER											
Net assets per share attributable to ordinary equity holders of the parent (RM)	A10		0.79					0.83			
AS AT PRECEDING FINANCIAL YEAR END											

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

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

	Current Quarter Ended	Immediate Preceding Quarter Ended	changes (%)
	30/11/2021	31/8/2021	
	(RM'000)	(RM'000)	
<u>Continuing Operations</u>			
Revenue	33,483	23,912	40.03%
Cost of sales	(27,649)	(21,182)	30.53%
Gross profit	5,834	2,730	113.70%
Other income	414	873	52.58%
Increase/(Decrease) in fair value of quoted investment through profit and loss	(290)	1,743	-116.64%
Provision for increase/(decrease) in fair value of investment properties through profit and loss	-	(341)	0.00%
Administrative and other expenses	(8,258)	(8,627)	-4.28%
Finance cost	(358)	(401)	-10.72%
Profit/(Loss) before taxation	(2,658)	(4,023)	-33.93%
Taxation	-	(25)	0.00%
Profit/(Loss) after taxation	(2,658)	(4,048)	-34.34%

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2021

	Notes	AS AT 30/11/2021 RM '000	AS AT 31/8/2021 RM '000
ASSETS			
Non-current assets			
Property, plant and equipment		23,429	23,537
Right of use assets		14,297	14,400
Investment properties		12,948	12,948
Other investment		28,173	28,463
		<u>78,847</u>	<u>79,348</u>
Current Assets			
Inventories		32,443	32,236
Trade receivables	B8	27,128	16,754
Other receivables, deposit and prepayments		1,785	2,179
Tax recoverable	B6	1,396	1,375
Fixed deposit with licensed banks		1,116	5,420
Cash and bank balances		1,278	2,157
		<u>65,146</u>	<u>60,121</u>
TOTAL ASSETS		<u>143,993</u>	<u>139,469</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75,345	75,345
Retained profit/(loss)		(16,402)	(13,744)
Total equity		<u>58,943</u>	<u>61,601</u>
Non-current Liabilities			
Lease liabilities		752	752
Long term borrowings	B7	313	405
		<u>1,065</u>	<u>1,157</u>
Current Liabilities			
Trade payables		30,144	26,342
Other payables		24,563	21,270
Lease liabilities		805	805
Short term borrowings	B7	24,008	26,148
Bank overdraft	B7	4,465	2,215
		<u>83,985</u>	<u>76,780</u>
Total Liabilities		<u>85,050</u>	<u>77,937</u>
TOTAL EQUITY AND LIABILITIES		<u>143,993</u>	<u>139,469</u>
Net Assets Per Share (RM)	A10	0.79	0.83

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period ended 30 November 2021

	Attributable to equity holders of the Company		
	<u>Non-distributable</u>	<u>Distributable</u>	Total RM'000
	Share capital RM'000	Accumulated profit/(loss) RM'000	
<u>1st quarter ended 30 November 2021</u>			
Balance at 1 September 2021	75,345	(13,744)	61,601
Total comprehensive income/(loss)	-	(2,658)	(2,658)
Balance at 30 November 2021	<u>75,345</u>	<u>(16,402)</u>	<u>58,943</u>
<u>1st quarter ended 30 November 2020</u>			
Balance at 1 September 2020	75,345	3,022	78,367
Total comprehensive income/(loss)	-	(2,583)	(2,583)
Balance at 30 November 2020	<u>75,345</u>	<u>439</u>	<u>75,784</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 November 2021

	3 months ended	
	30/11/2021	30/11/2020
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
Profit/(Loss) before taxation	(2,658)	(16,811)
Adjustments for:		
Fair value through profit and loss on other investments	290	1,452
Fair value (gain)/loss on investment properties	-	341
Depreciation of property, plant and equipment	480	1,911
Depreciation of right of use assets	314	1,203
Allowance/(Reversal) for impairment - trade receivables	199	(9,924)
Interest expenses	358	1,687
Interest income	(17)	(365)
Unrealised foreign exchange (gain)/loss	(116)	773
Operating profit before changes in working capital	<u>(1,150)</u>	<u>(19,733)</u>
Changes in working capital:		
Net change in inventories	(207)	7,337
Net change in receivables	(10,063)	13,497
Net change in payables	7,095	7,825
Cash generated from operating activities	<u>(4,325)</u>	<u>8,926</u>
Net income tax paid/(recover)	(21)	513
Interest paid	(358)	(1,687)
Net cash generated from/(used in) operating activities	<u>(4,704)</u>	<u>7,752</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(372)	(1,619)
Interest received	17	365
Placement/(Uplift) of deposit with a licensed bank	1,834	(3,732)
Net cash generated from/(used in) investing activities	<u>1,479</u>	<u>(4,986)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of trade credit facilities	(3,868)	4,156
Net drawdown/(repayment) of hire purchase	(158)	(2,493)
Net drawdown/(repayment) of term loan	(182)	(195)
Net cash generated from/(used in) financing activities	<u>(4,208)</u>	<u>1,468</u>
Net changes in cash and cash equivalents	(7,433)	4,234
Cash and cash equivalents at the beginning of financial period	5,362	1,128
Cash and cash equivalents at end of financial period	<u>(2,071)</u>	<u>5,362</u>
Cash and cash equivalent comprise the following:		
Bank and cash balances	1,278	2,157
Deposits with licensed banks	1,116	5,420
Bank overdraft	(4,465)	(2,215)
	<u>(2,071)</u>	<u>5,362</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2021.)

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 August 2021.

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 2021, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations:

Description	period beginning on or
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendment to MFRS 16: Covid-19 Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform Phase 2	1 January 2021
Amendments to MFRS 16: Leases (Covid-19-Related Rent Concession beyond 30 June 2021)	1 April 2021

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.

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:

Pronouncements yet in effect

Amendments to MFRS 3: Business Combinations (Reference to Conceptual Framework)	1 January 2022
Amendments to MFRS 116: Property, plant and equipment	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 2021 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 is a decrease in fair value of quoted investments totalling RM0.29 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. Earning/(Loss) per share

Basis earnings/(loss) per share is calculated by dividing the loss for the year amounting to RM2.66 million for the Group on the number of ordinary shares in issue of 74,625,000 during the current financial period. There were no movement of issue shares of 74,625,000 during and since the previous financial quarter.

Fully diluted earnings/(loss) 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 30 November 2021 of RM58.94 million (31 August 2021: RM61.60 million) for the Group on the number of shares in issue during the year of 74,625,000 (30 November 2021: 74,625,000).

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 30/11/2021 RM'000	As at Preceding Corresponding Financial Quarter Ended 30/11/2020 RM'000
Malaysia	30,929	14,657
Other countries	2,554	4,506
	<u>33,483</u>	<u>19,163</u>

12. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been bought forward without amendment from the audited financial statements for the year ended 31 August 2021.

13. Subsequent material events

There were no material events subsequent to the end of the current quarter under review, which required disclosure or adjustments to the quarterly financial statements.

14. Changes in composition of the 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 assets

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

16. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for financial year ended 31 August 2021.

17. Status of corporate exercise

The Company is undertaking a private placement of new ordinary shares of up to 20% of the total number of it issued shares. Approval from Bursa Malaysia Securities Berhad have been obtained on 10 March 2021. Followed by the extension letter on enhanced general mandate dated 23 December 2021, Bursa have granted CEPCO an extension of time until 31 December 2022 to complete the implementation of the Private placement.

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

1. Review of Performance

FYE 1Q2022 compared with FYE 1Q2021

The Group's revenue and gross profit margin for the current quarter increase 74.73% and 306.83% as compared to the preceding year quarter due to recovery from several MCO phases.

2. Comparisons with preceding quarter's results

There is an increase of sales and gross profit margin of 40.03% and 113.70% in the current quarter compared with the preceding quarter in FY 4Q2021 mainly due to recovery from several MCO phases and product mix.

3. Financial position and liquidity

Total assets of the Group stood at RM143.99 million at 1Q2022, an increase of RM4.52 million from 4Q2021 mainly due to the increase in trade receivables and off set with fixed deposit.

Total liabilities of the Group increase RM7.11 million to RM85.05 million at 1Q2022 as compare to 4Q2021, mainly due to increase in trade and other payables and offset with bank borrowings.

Equity attributable to equity holders of the Group was RM58.94 million as at 1Q2022 with net assets per share at RM0.79.

The Group's cash and cash equivalents has decrease by RM7.43 million in 1Q2022 as compare to 4Q2021, this was mainly due to the payment delay from trade debtor and decrease in fixed deposit placement.

4. Current year prospects

The current year prospects remain challenging due to uncertainty of local and global economy impacted by the Covid-19 pandemic and on-going trade wars between China and the United States. This in turn may affect the demand for the Group's products and correspondingly assert a downward pressure on the Group's revenue and margins.

The current political climate and the lack of foreign direct investments into Malaysia also have an impact to our revenue. This coupled with the rising steel prices and international inbound charges will certainly offset our performance as substantial amount of our contract are fixed price. The price fluctuation of other major raw material will also have an impact on our selling price and profitability of the Group.

The Group will continue to be vigilant on its capital expenditure and cash conservation measures in its business and will focus on securing sales in both local and overseas market. The Board will take the necessary measures to manage and mitigate these uncertainties in order to optimise the Group performance and will continue to implement any necessary action plans to minimise the Group losses and improve the Group cash flows to mitigate the adverse impact on the Group performance.

5. Variance from profit forecast and profit guarantee

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

6. Taxation

	As at end of Current Financial Period Ended 30/11/2021 RM'000	As at Preceding Financial Year Ended 31/08/2021 RM'000
<u>Malaysian taxation</u>		
Income tax	-	-
- Current year overprovision	-	-
- Prior year over provision	-	-
- Deferred tax	-	-
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The Group did not provide any tax for the current quarter.

7. Group borrowings and debts securities

	As at Financial Year Ended 30/11/2021 RM'000	As at Preceding Financial Year Ended 31/08/2021 RM'000
a) <u>Long term borrowings:</u>		
Term loan - secured	223	405
Hire purchase - secured	90	-
<u>Short term borrowings:</u>		
Term loan - secured	3,477	3,635
Hire purchase - secured	127	145
Trade credit facilities - secured	16,938	20,788
- unsecured	3,466	1,580
Bank overdraft	4,465	2,215
	<u>28,473</u>	<u>28,363</u>
Total borrowings	<u>28,786</u>	<u>28,768</u>

b) There were no borrowings in foreign currency.

8. Trade receivables

	As at end of Current Quarter 30/11/2021 RM'000	As at Preceding Financial Year Ended 31/08/2021 RM'000
Trade receivable	29,058	18,485
Less: Accumulated impairment losses	(1,731)	(11,655)
Add/(Less): Reversal/(Allowance) for impairment	(199)	9,924
	<u>27,128</u>	<u>16,754</u>

The Group's normal trade credit terms range from 60 to 120 (2020: 60 to 120) days. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represents their value on initial recognition.

9. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

10. Material litigation

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

11. Proposed dividend

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

12. 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 30/11/2021	Preceding Year Corresponding Quarter 30/11/2020	Current Year To Date 30/11/2021	Preceding Year Corresponding Quarter To Date 30/11/2020
Profit/(Loss) attributable to equity holders of the Company (RM'000)	(2,658)	(2,583)	(2,658)	(2,583)
Weighted average number of ordinary shares in issue ('000)	74,625	74,625	74,625	74,625
Basic Earnings per share (sen)	(3.56)	(3.46)	(3.56)	(3.46)

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.

13. 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	Current year-to-date
	30/11/2021	30/11/2021
	RM'000	RM'000
a) Interest income	(17)	(17)
b) Interest expense	358	358
c) Depreciation & amortisation of property, plant and equipme	480	480
d) Depreciation of right of use assets	314	314
e) Unrealised foreign exchange (gain)/loss	(116)	(116)
f) Rental income	(76)	(76)
g) Allowance/(Reversal) for impairment - trade receivables	199	199

By Order of the Board.