



**CONCRETE ENGINEERING PRODUCTS BERHAD**  
Registration No. 198201008420 (88143-P)

## **35TH ANNUAL REPORT 2019**





Long Son Petrochemical Jetty, Vietnam

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## CORPORATE INFORMATION

### DIRECTORS

**Abdul Khudus bin Mohd Naa'im**  
*Independent Non-Executive Chairman*

**Leong Kway Wah**  
*Managing Director*

**Dennis Xavier**  
*Independent Non-Executive Director*

**To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain**  
*Independent Non-Executive Director*

**Dato' Ir Dr Abdul Aziz bin Arshad**  
*Independent Non-Executive Director*

### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

**Dennis Xavier**  
*Independent Non-Executive Director*

### AUDIT COMMITTEE

**Dato' Ir Dr Abdul Aziz bin Arshad**  
*Chairman*

**Abdul Khudus bin Mohd Naa'im**  
*Member*

**Dennis Xavier**  
*Member*

### NOMINATING COMMITTEE

**To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain**  
*Chairman*

**Abdul Khudus bin Mohd Naa'im**  
*Member*

**Dennis Xavier**  
*Member*

### REMUNERATION COMMITTEE

**Dennis Xavier**  
*Chairman*

**Abdul Khudus bin Mohd Naa'im**  
*Member*

**Dato' Ir Dr Abdul Aziz bin Arshad**  
*Member*

### COMPANY SECRETARY

**Norakhmar binti Baharom**  
LS 0001698

### SHARE REGISTRAR

**Mestika Projek (M) Sdn Bhd**  
Registration No. 199101015233 (225545-V)  
22nd Floor Menara Promet (KH)  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 603-2144 4446  
Fax : 603-2141 8463

### REGISTERED AND HEAD OFFICE

22nd Floor Menara Promet (KH)  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 603-2144 1066  
Fax : 603-2144 4885

### AUDITORS

Ernst & Young (AF: 0039)  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

### PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd  
Alliance Bank Malaysia Berhad  
Hong Leong Bank Berhad  
RHB Bank Berhad

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Market  
Stock Name - CEPKO  
Stock Code - 8435

### WEBSITE

[www.cepco.com.my](http://www.cepco.com.my)

## Corporate Information (cont'd)



### FACTORIES

#### Central Region

PT643 Batu 20 Jalan Ipoh  
48000 Rawang  
Selangor  
Tel : 603-6091 4201  
Fax: 603-6091 4287

Lot A3  
Kawasan Perindustrian MIEL  
44300 Batang Kali  
Selangor  
Tel : 603-6057 1811  
Fax: 603-6057 1817

Lot 7106  
Kawasan Perindustrian Nilai  
71800 Nilai  
Negeri Sembilan  
Tel : 606-7992 841  
Fax: 606-7992 839

#### Southern Region

PLO 337 Jalan Suasa  
Pasir Gudang Industrial Estate  
81700 Pasir Gudang  
Johor  
Tel : 607-2511 048  
Fax: 607-2514 066

#### Northern Region

Lot 63  
Bakar Arang Industrial Estate  
08000 Sungai Petani  
Kedah  
Tel : 604-4210 891  
Fax: 604-4221 263



## COMPANY'S PROFILE

The Company was incorporated under the name of Speed-Kon Sdn Bhd in August 1982, before changing its name to Concrete Engineering Products Sdn Bhd in January 1983. Its main objective is to produce high quality concrete engineering products to meet the needs of the rapidly developing Malaysia and other ASEAN countries.

In May 1991, the Company assumed the name of Concrete Engineering Products Berhad ("CEPCO") when it was converted into a public listed company. In January 1992, CEPCO was officially listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia) Second Board and was transferred to the Main Board in 2009.

The Company currently operates four factories which are strategically located in Peninsular Malaysia. All factories are fully certified with both the requirements of SIRIM QAS International's MS ISO 9001: 2000 (Quality Management Systems for the Manufacture of Pretensioned Spun Concrete Piles and Poles), and IKRAM QA Services' MS 1314: Part 4: 2004 (Product Certification for Class A, B and C of Precast Pretensioned Spun Concrete Piles from 250mm to 1,000mm diameters).

Since its founding, the Company has been constantly striving for product excellence and today enjoys the reputation of being one of the market leaders in this region for prestressed concrete ("PC") piles and poles. The Company currently exports its products to the overseas markets covering Asia, the Oceania and Gulf region.

In January 2019, the Company has earned a spot in the Malaysia Book of Records for completing the longest prestressed spun concrete pile which has a total of 50 metres in length.





## CURRENT PROJECTS UNDERTAKEN BY THE COMPANY



*Ground Breaking Ceremony, Long Son Petrochemicals Complex, Vietnam*



*Long Son Petrochemicals Jetty, Vungtao, Vietnam*



*Loading of Marine Pile (1000mm x 48m single length) at Pasir Gudang Jetty, Johor*



*Construction of Polder at Areas A and C of Pulau Tekong, Singapore*

## BOARD OF DIRECTORS



*Seated from left to right*

**DATO' IR DR ABDUL AZIZ BIN ARSHAD**  
Independent Non-Executive Director

**ABDUL KHUDUS BIN MOHD NAAIM**  
Independent Non-Executive Chairman

**LEONG KWAY WAH**  
Managing Director

*Standing from left to right*

**NORAKHMAR BINTI BAHAROM**  
Company Secretary

**DENNIS XAVIER**  
Independent Non-Executive Director

**TO' PUAN SERI HAJJAH  
NUR RAHMAH BINTI MOHD ZAIN**  
Independent Non-Executive Director



## PROFILE OF DIRECTORS



### **ABDUL KHUDUS BIN MOHD NAAIM**

Independent Non-Executive Chairman  
Malaysian, aged 65

#### **BOARD COMMITTEE MEMBERSHIP**

- Member of Audit Committee
- Member of Nominating Committee
- Member of Remuneration Committee

#### **OTHER DIRECTORSHIPS IN PUBLIC COMPANIES**

- None

Appointed to the Board on 15 July 2013

Encik Abdul Khudus bin Mohd Naaim is a Chartered Accountant in the Malaysian Institute of Accountants, a Fellow in the Association of Chartered Certified Accountants (ACCA), United Kingdom, an Associate in the Chartered Tax Institute of Malaysia, and an Associate in the Institute of Co-operative & Management Auditors, Malaysia. He holds a Diploma in Accountancy from Mara Institute of Technology, Shah Alam.

His career started as an Audit Junior at Arthur Young & Co, Public Accountants, Kuala Lumpur, from January to December 1976, and he later served as Audit Senior at Ramoss Jassen & Partners, Chartered Accountants, London, from July 1980 to December 1984. He was appointed as Accountant at Islamic Finance House PLC, London, from January to December 1985. He joined Syarikat Takaful Malaysia Berhad in January 1986 until August 1993 with the last position as Senior Finance Manager. From September 1993 to December 1996, he was the Director of Corporate Affairs at Emile Woolf Group of Colleges, Kuala Lumpur. He later joined SKMN Associates, Chartered Accountants, Malaysia, from January 1997 until September 1999 as a Partner.

He has been a Partner at Citi Partners, Chartered Accountants, Malaysia, since October 1999, which has since merged with AKN Arif, Chartered Accountants, in August 2008. He also sits on the Board of Ingress Industrial Thailand Public Limited Company and several private limited companies.

Encik Abdul Khudus bin Mohd Naaim has no family relationship with any Director and/or major shareholder of the Company or its subsidiaries. He has no conflict of interest with the Company or its subsidiaries and has no conviction for any offences within the past five (5) years (other than traffic offences, if any). There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all five (5) Board Meetings held during the financial year ended 31 August 2019.

## Profile of Directors (cont'd)



**LEONG KWAY WAH**  
Managing Director  
Malaysian, aged 66

**BOARD COMMITTEE MEMBERSHIP**

- None

**OTHER DIRECTORSHIPS IN PUBLIC COMPANIES**

- None

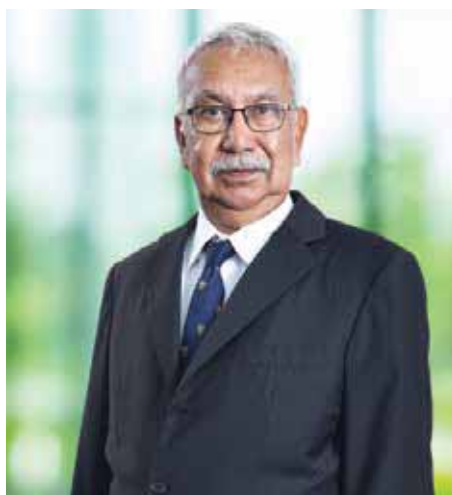
Appointed as Managing Director on 17 March 2005

Mr Leong Kway Wah graduated from the School of Business Studies, Kolej Tunku Abdul Rahman, Kuala Lumpur. He is a member of The Institute of Chartered Secretaries and Administrators, United Kingdom.

He had worked with several commercial and merchant banks and his last posting was Senior Vice President with Southern Investment Bank. He has extensive experience in capital markets, corporate finance and restructuring, and investment banking through his past involvements in the banking industry.

Mr Leong Kway Wah has no family relationship with any Director and/or major shareholder of the Company or its subsidiaries. He has no conflict of interest with the Company or its subsidiaries and has no conviction for any offences within the past five (5) years (other than traffic offences, if any). There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all five (5) Board Meetings held during the financial year ended 31 August 2019.



**DENNIS XAVIER**  
Independent Non-Executive Director  
Malaysian, aged 68

**BOARD COMMITTEE MEMBERSHIP**

- Member of Audit Committee
- Member of Nominating Committee
- Chairman of Remuneration Committee

**OTHER DIRECTORSHIPS IN PUBLIC COMPANIES**

- None

Appointed to the Board on 8 July 1996

Mr Dennis Xavier is an advocate and solicitor by profession and was admitted to the Degree of Utter Barrister of the Society of Lincoln's Inn in 1979. He was called to the Malaysian Bar in September 1980. He was a legal assistant with Messrs Nik Hussain, Ibrahim & Abdullah from 1980 to 1981 and then with Messrs Sethu Ghazali & Gomez until 1984. He now has a legal practice of his own.

Mr Dennis Xavier has no family relationship with any Director and/or major shareholder of the Company or its subsidiaries. He has no conflict of interest with the Company or its subsidiaries and has no conviction for any offences within the past five (5) years (other than traffic offences, if any). There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all five (5) Board Meetings held during the financial year ended 31 August 2019.



## Profile of Directors (cont'd)



### **TO' PUAN SERI HAJJAH NUR RAHMAH BINTI MOHD ZAIN**

Independent Non-Executive Director  
Malaysian, aged 64

#### **BOARD COMMITTEE MEMBERSHIP**

- Chairman of Nominating Committee

#### **OTHER DIRECTORSHIPS IN PUBLIC COMPANIES**

- Prinsiptek Corporation Berhad

Appointed to the Board on 3 November 2008

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain was an Executive Director of Skoga Redimix Sdn Bhd from 1985 to 2004. Currently, she is an Executive Director of Cempaka Anugerah Sdn Bhd, a franchisee of Noor Arfa Batik Sdn Bhd. She has vast experience in the field of marketing, administration, management and strategic planning.

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain has no family relationship with any Director and/or major shareholder of the Company or its subsidiaries. She has no conflict of interest with the Company or its subsidiaries and has no conviction for any offences within the past five (5) years (other than traffic offences, if any). There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She attended three (3) out of five (5) Board Meetings held during the financial year ended 31 August 2019.



### **DATO' IR DR ABDUL AZIZ BIN ARSHAD**

Independent Non-Executive Director  
Malaysian, aged 64

#### **BOARD COMMITTEE MEMBERSHIP**

- Chairman of Audit Committee
- Member of Remuneration Committee

#### **OTHER DIRECTORSHIPS IN PUBLIC COMPANIES**

- None

Appointed to the Board on 14 April 2017

Appointed as Chairman of Audit Committee on 5 July 2017

Dato' Ir Dr Abdul Aziz bin Arshad is a professional engineer, registered with Board of Engineers, Malaysia. His particular expertise is in the development and design aspect of continuous and integral bridges. He had designed numerous bridges around the country.

Dato' Ir Dr Abdul Aziz bin Arshad had been working with JKR Malaysia for nearly 35 years, since 1979 until February 2015. He started his career as Project Engineer and District Engineer. After completing his M.Sc. and Ph.D., he primarily worked as Bridge Designer, attached to the Bridge Unit, Road Division. He was the Head of the Structural Section of East Coast Expressway Phase 2, leading the design team for all structures and supervising the construction of the project. He was also the Director of JKR Selangor State.

In his last posting as Senior Director to Civil, Structural and Bridge Engineering Branch, JKR Headquarters, he was responsible to head and manage the designs and forensic activities for all civil engineering works, structures and bridges throughout the country.

Dato' Ir Dr Abdul Aziz bin Arshad has no family relationship with any Director and/or major shareholder of the Company or its subsidiaries. He has no conflict of interest with the Company or its subsidiaries and has no conviction for any offences within the past five (5) years (other than traffic offences, if any). There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all five (5) Board Meetings held during the financial year ended 31 August 2019.

# CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS



**Dear Shareholders,**

On behalf of the Board of Directors of Concrete Engineering Products Berhad, I am pleased to present the Thirty-Fifth Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 August 2019.

The year 2019 was a challenging period for the Group. The suspension of various mega projects by the government, lack of new infrastructure developments and the downturn in the local construction projects by both private and government sectors, had led the Group to close the financial year with a deficit of RM11.56 million. Despite this difficult period, we are optimistic that our fundamental strengths in producing high quality PC piles and poles will enable us to remain resilient and propel the Group forward.

CEPCO supplied piles to Nigeria, Papua New Guinea and Vietnam during the period under review. On 9 January 2019, we have been recognised by the Malaysia Book of Records for completing the longest prestressed spun concrete pile of 50 meters in length.

## **Economic Landscape**

The global economy has seen moderate growth in 2019, amidst ongoing trade tensions between China and the United States ("US"). Weaker financing conditions, softer commodity and energy prices also continue to impact the business, resulting in a weak growth in advanced economies as well as emerging markets and developing nations.

Against these global headwinds, Malaysia has recorded a positive GDP growth of 4.9%, driven by domestic demands and private sector activities. The services and manufacturing sectors are the key drivers for growth, although these have been offset by disruptions in commodity-related sectors as well as the continuous shrinking of fixed investments.



# Chairman's Statement and Review of Operations

## (cont'd)

### Financial Performance

As a result of trying economic conditions, the Group reported RM101.87 million revenue and a net loss of RM11.56 million for the year ended 31 August 2019. Net assets per share stood at RM1.29 while shareholders' funds came in at RM96.43 million.

### Corporate Governance

We are focused on maintaining high standards of corporate governance, compliance, business conducts, safety and environmental management – all of which are vital for the Group's performance and business sustainability. It is our belief that good corporate governance supports the long-term value creation for all our stakeholders. Our Statement of Corporate Governance are detailed on pages 22 to 30 of this Annual Report.

### Sustainability

As a responsible corporate entity, we are committed to embracing sustainable practices across our organisation which enables us to support the long-term growth of the Group to ensure we make a positive impact in relevant areas.

Sustainability efforts taken under environmental, economic and social pillars encapsulate our vision to building a legacy of sustainable growth as a preferred world class commercial manufacturer and supplier of prestressed spun concrete piles and poles in Malaysia. Our Statement of Corporate Sustainability are detailed on pages 18 to 21 of this Annual Report.

### Moving Forward

With the uncertainties of the global market and the slowdown in the construction industry, the economic environment in the coming year is expected to be trickier and more challenging. This in turn may affect the demands for the Group's products and correspondingly assert a downward pressure on the Group's revenue and margins. The fluctuating cost of raw materials will also affect the pricing decisions and viability of the Group.

The Group's business performance is very much dependent on the growth magnitude in advanced economies as well as the worldwide emerging markets. Global economic growth is projected to soften in 2020, with financial market pressures and ongoing US-China trade war impacting prospects for emerging markets and developing countries. In spite of these continued headwinds, Malaysia's economic fundamentals remain strong. The domestic scenario is set to see a steady expansion with the new and re-launched of government infrastructure projects.

In view of the expected slowdown in the local construction scene, we have intensified our efforts to market our products overseas. The Group is cautiously optimistic of the gradual recovery of local economy against the backdrop of more clarity in the direction the new government is moving. Pressures from rising employee costs and volatility of the US Dollar against local and regional currencies and fluctuation in raw material prices will affect the competitiveness of our products in the local and export markets. These will continue to be the key areas that we will actively monitor to mitigate any adverse impact on our businesses.

Nevertheless, the Group will continue to focus on developing new marketing strategies for our products whilst leveraging on their operational efficiencies to reduce and minimise overall costs of production. With these measures in place, the Group is committed to deliver satisfactory results for the next financial year.

### Acknowledgement

On behalf of the Board of Directors, I would like to thank the management and employees for their dedicated work and commitment in delivering good results and ensuring the success of the Group. I would also like to thank the shareholders, customers, business associates and stakeholders for their unwavering support, trust and confidence in our Group.

May we continue to work together and forge ahead to achieve greater growth and success for the betterment of the Group.

**Abdul Khudus bin Mohd Naa'im**

Chairman

19 November 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") is a review of the Company's operations, business objectives and strategies, discussion of the financial results and condition, risks and uncertainties and the prospects of Concrete Engineering Products Berhad. This MD&A should be read in conjunction with the Company's audited financial statements and the accompanying notes for the financial year ended 31 August 2019 ("FYE 2019").

### A. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The Company was incorporated under the name of Speed-Kon Sdn Bhd in August 1982, before changing its name to Concrete Engineering Products Sdn Bhd in January 1983. Its main objective is to produce high quality concrete engineering products to meet the needs of the rapidly developing Malaysia and other ASEAN countries.

CEPCO was officially listed on Bursa Malaysia in January 1992 after converting into a public limited company, with its present corporate head office in Menara KH, Kuala Lumpur. The Company currently operates four plants which are strategically situated in Peninsular Malaysia and are fully certified with both requirements of SIRIM QAS International MS ISO 9001: 2015 (Quality Management Systems for the Manufacture of Prestressed Spun Concrete Piles and Poles), and the IKRAM QA Services MS 1314 : Part 4 : 2004 (Product Certification for Class A, B and C of Precast Prestressed Spun Concrete Piles from 250mm to 1,000mm diameters).

The prestressed spun concrete piles are used mainly as foundation piles for buildings, pile embankments, bridges, ports and marine structures, and the poles are used for telecommunication lines, electric power transmission and distribution lines, traffic signal equipments and street lightings. The annual rated capacity of piles is 1,030,000 tons and 180,000 pieces for poles.

Since its founding, the Company has been constantly striving for product excellence and today enjoys the reputation of being one of the market leaders in this region on prestressed spun concrete piles and poles. The Company currently exports substantial quantities of its products to the overseas markets covering Asia, the Oceania and Gulf region.

### B. BUSINESS OBJECTIVES AND STRATEGIES

CEPCO's primary objective is to maximise profitability and at the same time committed to create long term value for our shareholders, environment and society through best practices, compliance, innovation and overall operation's excellency.

The major strategy of CEPCO is to look beyond its traditional market like Indonesia, Brunei and Singapore, while developing new ties in Papua New Guinea, Vietnam and Nigeria to mitigate the shortfall in its local orders in anticipation of a slowdown in the construction industry.

To sustain and improve the Company's profit margin and operational efficiency, CEPCO, as far as it is commercially viable and financially possible, invests and upgrades its plants and machineries in order to reduce the machines' downtime, and implements various systems and processes to increase productivity, efficiency and cost saving. CEPCO understands the importance of human capital and have undertaken various training programs to strengthen the Group's human resources.

We will continuously review the risk management and business sustainability framework which includes processes and policies aimed at addressing and mitigating risks and at the same time sustaining growth to achieve the Group's business objectives.



## Management Discussion and Analysis (cont'd)

### C. FINANCIAL REVIEW

The table below shows the financial highlights of the Group for the past two (2) years:

	Financial Year Ended 31 August	
	2019 RM'000	2018 RM'000
Revenue	101,865	161,952
Operating loss before provision for decrease in fair value of quoted investment	(8,659)	(5,360)
Provision for decrease in fair value of quoted investment through profit and loss	(2,904)	(1,162)
Loss before taxation	(11,563)	(6,522)
Loss after taxation	(11,563)	(5,571)
Net loss attributable to equity holders	(11,563)	(5,571)
Total assets	172,829	216,956
Total borrowings	34,200	63,373
Total liabilities	76,401	108,922
Total shareholders' equity	96,429	108,035
Net gearing ratio (times)	0.35	0.59
Earnings per share (Sen)	(15.49)	(12.44)
Net asset per share (RM)	1.29	2.41

#### Revenue

During the year under review, the Group operated principally in Malaysia and generated revenues from both local (63.80%) and export (36.20%) markets to countries in Asia, the Oceania and Gulf region. The Group posted a revenue of RM101,864,722 which was lower by 37.10% compared with RM161,951,674 achieved in the preceding year ("FYE 2018"). This was mainly due to cancellation of local infrastructure projects and very subdued construction market which adversely affected our revenue and hence profitability. The deferment of on-going projects as a result of the new government's aim to review and reduce costs also decreased our outstanding and on-going orders.

#### Gross Profit Margin

The cutback in production impacted by the slow take-off from secured orders and low market demands had put pressure on the gross profit margin resulting in a minor decrease from 22.70% in FYE 2018 to 21.79% in FYE 2019, offset by the changes in the useful life of the plant and machinery.

The higher raw material prices further impacted the gross profit margin of our products. CEPCO was not able to transfer the price increase to customers due to earlier quotations and price competition. The Company also suffered pressure of downward selling price from competitors and this further depressed the margin of our products. As a result, the overall gross profit margin was adversely affected.

#### Other Income

The increase of other income was mainly due to the recovery of doubtful debts.

#### Administrative and Other Operating Expenses

The administrative and other operating expenses showed a marginal increase of 4.50% as compared to FYE 2018 mainly due to increase in legal fees and transaction cost for issuance of bonus shares.

## Management Discussion and Analysis (cont'd)

### Finance Cost

The finance cost had reduced by 32.64% as compared to FYE 2018 mainly due lower utilisation of trade facilities and gradual repayment of bank borrowings.

### Loss Before Taxation

The Group's loss before taxation increased by 77.30% from RM6.52 million in FYE 2018 to RM11.56 million in FYE 2019. The loss was mainly due to lower revenue resulted from the lack of local infrastructure projects and slow take-off from secured orders.

The rise in price of raw materials and the weak RM against USD exchange rate continued to compress our margin due to the inability to pass on the price increase to our customers.

Severe price competition from other manufacturers to secure jobs from the declining local infrastructure and construction projects caused a downward pressure on our selling price.

The Group's losses were further compounded by impairment of fair value of quoted investment through profit and loss result amounting to RM2.90 million.

### Taxes

As the Group suffered a financial loss of RM11.56 million, there is no provision for income and deferred tax for FYE 2019.

### Financial Position and Liquidity

Total assets of the Group stood at RM172.83 million at FYE 2019, a decrease of RM44.13 million from FYE 2018 mainly due to decrease in trade and other receivables, inventories and cash and bank balances.

Total liabilities of the Group decreased by RM32.52 million to RM76.40 million in FYE 2019 mainly due to lower bank borrowing arising from reduced utilisation of trade facilities and gradual repayment.

Equity attributable to equity holders of the Group was RM96.43 million at FYE 2019 with net assets per share at RM1.29. The Group's cash and cash equivalents decreased by RM6.35 million in FYE 2019 as compared to FYE 2018. This was mainly due to payment delays by customers and partly offset by lower utilisation of trade facilities and gradual repayments of bank borrowings.

### Dividend

No dividend was proposed, declared or paid by the Group in FYE 2018. The Board of Directors do not recommend any dividend in respect of the FYE 2019.

## D. RISKS AND UNCERTAINTIES

### Slowdown in Economy

Our business has generally been depending on local and ASEAN markets. In view of the reported local economic outlook in foreseeable future and the speed at which the risks evolved, CEPCO is now looking beyond its traditional market and developing new ties in Papua New Guinea, Vietnam and Nigeria. We are also trying to venture into markets in Bangladesh, Sri Lanka and Canada.

To establish regional presence in ASEAN counties in securing new projects, we have successfully appointed a marketing agent in Maldives to promote our products. This would mitigate the shortfall in its local orders in anticipation of the slowdown in the local construction industry and improve the Company's overall financial performance.



## Management Discussion and Analysis (cont'd)

### Competition from Existing Players

Rivalry among industry players could affect industry profits through downward pressure on prices and declining profit margin. To improve the Group's market position, CEPCO constantly seeks to uphold and further improve our products' qualities and standards of services to our customers. We are confident our technology, knowhow and ingenuity would enable us to provide world class products to meet customers' requirements. This has undoubtedly increased our competitiveness in the industry. We will continue to participate in both domestic and international trade expos to market our products.

### Increasing Cost of Sales

The fluctuation costs of our raw materials will directly impact our cost of sales. Any increase in cost that does not flow through to our products prices is due to various reasons such as the time lag which will also leave an impact on our gross profit margin. We therefore monitor our cost of materials by working closely with our suppliers to secure a more stable supplies with reasonable prices which is crucial to our profitability.

We had taken necessary steps towards cost-effective measure by temporarily closing down our Batang Kali plant. The workers were relocated to other plants to enhance their productivity.

We further strive to increase the productivity of the employees via trainings and workshop activities. Our investment in machineries with more advanced technologies have enabled us to reduce processing and utilities costs.

### Credit Risk

Slow payment and bad debt due to the deterioration in the economic conditions of our country will have an impact on our cash flows and losses with regards to credit provided to customers. The management has a system in place on the approval of customers credit applications and actively monitor the outstanding receivables in order to minimise the potential of debt turning bad.

### Foreign Currency Fluctuation Risk

The Group is exposed to foreign currency exchange losses or gains arising from any appreciation or depreciation of the denominated foreign currencies against the Group's reporting currency as most of the Group's export revenue is derived in USD.

In order to alleviate the risk of foreign currency exchange fluctuations, the Group implements procurement and purchasing strategies to include local and foreign suppliers and import in other currencies to provide flexibility and ensure a continuous supply of materials.

## E. PROSPECT

The growth prospects for financial year 2020 depend heavily on a resilient growth in domestic demands and good performances of major developed economies as well as emerging markets. A slowdown in private consumption is the main domestically driven downside risk to the growth. This in turn may affect the demands for the Group's products and further assert a downward pressure on the Group's revenue and margins.

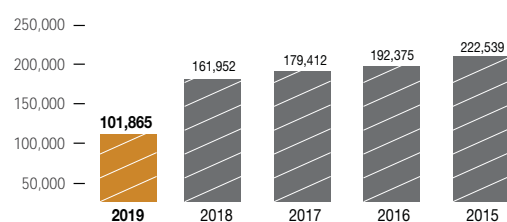
Malaysia's economic outlook is expected to remain strong given its resilient and robust financial system. With higher GDP growth, the Group believes the government will continue stimulating activities especially in the construction sector to keep the economy going.

Nonetheless, the Group is constantly undertaking continuous enhancements in production efficiencies, overhead and production cost management. Furthermore, the Group has expanded its products offerings to new overseas markets, which is expected to generate better sales and profitability.

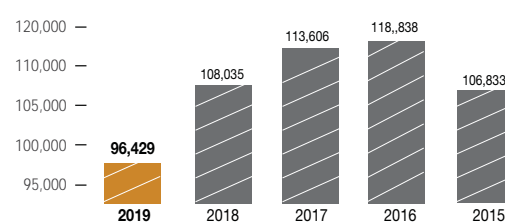
## FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 AUGUST	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	101,865	161,952	179,412	192,375	222,539
Profit/(Loss) before Taxation	(11,563)	(6,522)	(5,311)	12,952	4,403
Profit/(Loss) after Taxation	(11,563)	(5,571)	(5,231)	12,005	2,367
Profit/(Loss) for the Year Attributable to Owners of the Parent	(11,563)	(5,571)	(5,231)	12,005	2,367
Total Shareholders' Equity	96,429	108,035	113,606	118,838	106,833
Total Assets	172,829	216,956	218,187	229,607	212,704
Earnings (Loss) per Share (sen)	(15.49)	(12.44)	(11.68)	26.81	5.29
Dividend per Share (sen)	-	-	-	-	-
Net Assets per Share (RM)	1.29	2.41	2.54	2.65	2.39

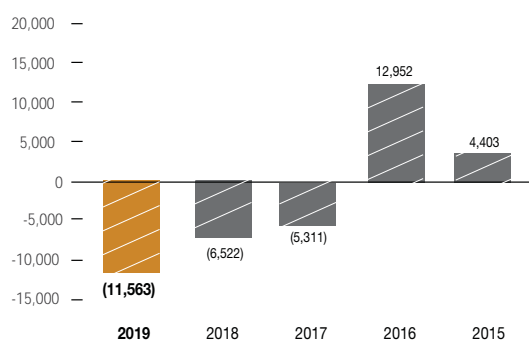
REVENUE (RM'000)



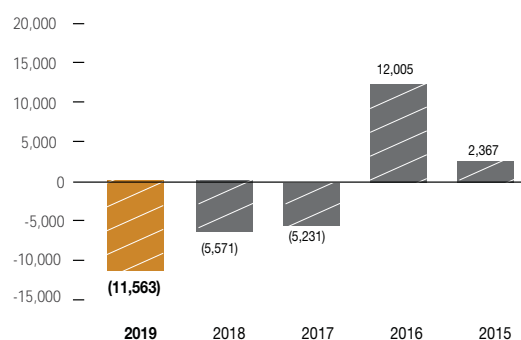
TOTAL SHAREHOLDERS' EQUITY (RM'000)



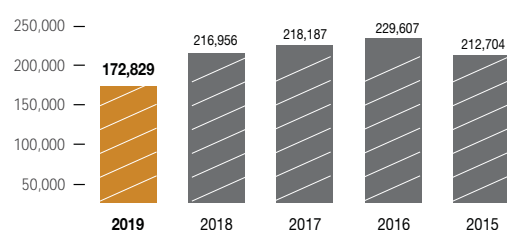
PROFIT/(LOSS) BEFORE TAXATION (RM'000)



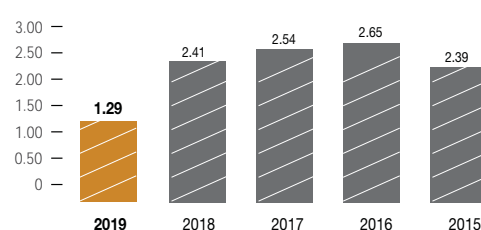
PROFIT/(LOSS) AFTER TAXATION (RM'000)



TOTAL ASSETS (RM'000)



NET ASSET PER SHARE (RM)





## CORPORATE SOCIAL RESPONSIBILITY

CEPCO aims to add value to the community growth and wellness by playing the role as a socially responsible corporate citizen and creating business sustainability. The Group carried out various Corporate Social Responsibility activities during the financial year 2019.

In October 2018, CEPCO made a donation to the Bald & Beautiful 3.0 event organised by Khind Starfish Foundation with the aim to promote cancer awareness, raise funds to support the vital services provided and for research on the best available treatments to help cancer patients. The funds would be channelled to support Cancer Research Malaysia, Sarawak Children's Cancer Society and Kuching Life Care Society.



In March 2019, CEPCO was involved in the clean-up exercise in the area affected by the recent toxic chemical waste pollution in Pasir Gudang, Johor. The exercise was done in conjunction with Badan Bertindak Penduduk Isu Pencemaran Alam (BBPIPA), an NGO under Johor state government. The Company also distributed UHT fresh milk to employees in Pasir Gudang factory with the aim of providing welfare and promoting health within the organisation.



In August 2019, CEPCO had collaborated with Kechara Soup Kitchen by taking part in "Hunger Knows No Barriers" program to feed 750 number of homeless and urban poor around Kuala Lumpur city centre. Eight members of our staff volunteered to distribute the foods in areas of Chow Kit and Petaling Street.



# CORPORATE SUSTAINABILITY STATEMENT

## Introduction

Corporate sustainability is an integral part of our organisation. The Group aims to maintain positive relations with all stakeholders through long term sustainable returns. The existing and continuing development of the Group is guided by the philosophy of development which “meets the needs of the present, without compromising its ability to provide for the needs of future generation”. CEPCO’s sustainable development aims at improving the economy, while preserving the environment and the social wellbeing of the people.

In order to achieve these objectives, the Group needs to comply with regulatory laws throughout its business activities. This Sustainability Statement outlines our Group’s efforts in upholding regulatory compliance, adopting best practices and human resource development. These values are intrinsic in helping us to avoid or mitigate risks that may have material and financial impacts on our business.

## Sustainable Vision

Our constant vision is to be the preferred world class commercial manufacturer and supplier of prestressed spun concrete piles and poles in Malaysia.

## Sustainability Mission

We are committed to be a successful and responsible corporate citizen in delivering quality products and services, and generating attractive environment, economic and social returns to all our stakeholders.

## Sustainability Maturity

Our core area of sustainability is on Compliance and Risk Management with emphasis on value protection in relation to operation and reputation risks and regulatory compliance. However, this does not limit our views on the justified level of sustainability as it is the core of our organisation’s way of carrying out our operations and the driver of our business decisions.

## Risk Management

Risk management is firmly embedded in the Group’s Management System as the Board firmly believes it is critical to the Group’s sustainability. Key management employees and department heads are delegated with the responsibilities to manage sustainability risks. However, our main justification of sustainability risks does not lie solely on top-down approach, but also on all employees from various operations and functions. Thus, our risk management is a two-way flow approach. In addition, our outsourced independent Internal Auditor plays a part as second line of defence on the risk management issues.

Further information on the Group’s risk management are disclosed in the Statement on Risk Management and Internal Control on pages 36 to 38 of this Annual Report.

## Governance

Our Board of Directors is the highest governing body of CEPCO and is responsible for determining the strategic direction of the Group. The Board has Directors with unique skills and knowledge on our type of business and also other skills and qualifications such as legal, engineering, banking, finance and accounting.

Currently, the Board consists of five (5) members, comprising of one (1) Independent Non-Executive Chairman, a Group Managing Director/Non-Independent Executive Director, and three (3) Independent Non-Executive Directors.

The Board has taken steps to integrate sustainability issues as the core of its strategic formulation. The Board is supported by general managers, who enable it to assess and ensure that governance sustainability is well structured and functioning effectively through the various levels of management. Further information on the Group’s Corporate Governance practices are detailed in the Statement on Corporate Governance on pages 22 to 30 of this Annual Report.



## Corporate Sustainability Statement (cont'd)

### Materiality Process

CEPCO has adopted the Materiality Assessment Process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits.

### Stakeholder Engagement

The Company carries out the following engagements with the respective stakeholders where communication methods are regularly assessed through information requests to ensure they are transparent and effective.

Stakeholders group	Type of engagement	Key topic
Customers	<ul style="list-style-type: none"> <li>• Site visit</li> <li>• One-to-one meeting</li> <li>• Annual review</li> </ul>	<ul style="list-style-type: none"> <li>• Improve customer service and satisfaction</li> <li>• Feedbacks on products and services for quality improvement</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Operations and environment management</li> <li>• Occupational safety and health awareness</li> <li>• Internal and external training</li> <li>• Annual appraisal and feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Improve employees' engagement and performance</li> <li>• Enhance employees' career advancement</li> <li>• Company's strategies and performance</li> </ul>
Government agencies	<ul style="list-style-type: none"> <li>• One-to-one meeting as and when required</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to local laws and regulations</li> </ul>
Vendors	<ul style="list-style-type: none"> <li>• Site visit</li> <li>• One-to-one meeting</li> <li>• Annual review</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of goods and services provided by vendors</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• One-to-one meeting as and when required</li> <li>• Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Feedbacks on the Group's performance</li> </ul>

Based on the Stakeholders engagements, CEPCO gains better understanding on which sustainability factor matters to each stakeholder, its significance and impact.

### Materiality Assessment

CEPCO has a view on sustainability matters prior to Stakeholders Engagements and has identified a list of sustainability issues relating to Environmental, Economical and Social that matters to the Group's business. The Company has considered, amongst others, the followings:

- 1) the nature of CEPCO's business;
- 2) statutory laws and regulations;
- 3) both local and global industrial trends.

Stakeholders Engagements enable CEPCO to appreciate each stakeholder's sustainability concern. Materiality Assessment allows CEPCO to prioritise these concerns. This will be aided by analysis of internal documents and our Risk Register. We also take consideration on the indicators stated in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative G4-Sustainability Reporting Guidelines to better understand the scope and potential topics that may involve.

Based on this exercise, CEPCO comes out with material theme topics on Environmental, Economical and Social Analysis that matters to the Group.

## Corporate Sustainability Statement (cont'd)

### Environmental

Everyone is responsible for healthy and quality ecosystem without pollution and there is no exception for CEPCO. We are serious in making sure our business will have a positive impact to the environmental, economical and social wellbeing.

CEPCO adheres to Standard Operating Procedures which result to low environmental impacts and in compliance with the legal requirements to manufacture the best quality products that are accredited by SIRIM QAS International MS ISO 9001: 2015 and IKRAM QA Services MS 1314.

Our spun piles can be installed by hydraulic jacking method, which is environmental friendly with low noise and vibration and less air pollution. Throughout the year, monitoring services such as noise controlling, health risks and Chemical Hazardous Risk Assessment have been conducted with satisfactory results as CEPCO has complied with prevailing rules and regulations.

We are continuously working on finding ways to reduce our carbon footprint. As part of our green initiative, CEPCO is encouraging all factories to ensure sustainable consumption and efficiency of water usage for production processes. A system to collect rain water for general outdoor cleaning has been practised in our factories.

In our offices, the employees have developed a culture of efficient consumption of electricity and recyclable materials. Paper usage has been reduced by recycling paper from renewable sources and adopting a paperless system for selected processes. This is to ensure we can minimise our energy consumption and waste products.

Our Safety, Health and Environmental Department is responsible to create awareness and promote good working practices for employees to ensure CEPCO complies with environmental legislation regarding safety in the workplaces. All our employees are educated to express their discomforts in their working environment where its effectiveness and quality are consistently monitored.

In our supply chain, we assess and monitor our top supplier by Vendor Self-Regulation Assessment to identify their environmental impacts on resources used, waste management and biodiversity among others.

With more stringent laws, regulations, standards, and requirements of local government as well as the international bodies enacted to protect the environment, we at CEPCO have been continuously keeping ourselves updated on the changes in order to comply with any regulatory requirements and standards in force.

### Economic

With the accreditation of ISO 9001 : 2015, this sets out the criteria for a quality management system based on a number of quality management principles including a strong customer focus, motivation and implication of top management, the approach process and continuous improvement. This is to ensure our customers get consistent quality products and services.

CEPCO's products can be customised to suit any construction projects' requirements. Our spinning process compacts the concrete resulting in a denser mixture, making it strong, durable and with high resistance to corrosion. This provides a higher capacity for an economical solution to our customers. With higher quality end products, they would stay competitive in the market.

The current export rate of our products is 36.20% of the total revenue. This has positively contributed to foreign exchange inflows to the country. The Group intends to enhance its products offering to more overseas markets, which is expected to generate better sales and profitability.

Our spending on local supplies is significant to develop the local economic. Currently 93.44% of our total purchases are sourced locally.

Our voluntary contributions have also enhanced the socio-economic benefits and created a positive social-economic impact in our country. Information on our voluntary contributions are included in the Corporate Social Responsibility activities on page 17 of this Annual Report.



## Corporate Sustainability Statement (cont'd)

### Social

The Group is committed to meritocracy system and we treat each employee regardless of race, age, gender, ethnicity, nationality, physical abilities and religion with respect. All employees are fairly paid according to their skills, performance and local market conditions. We have zero tolerance for harassment of any kind in the workplace.

Employees are vital component to CEPCO as their performance and commitments are not only the key elements of survival but also for achieving the Group's objectives of sustainability and returns in the long run. We aim to be the employer of choice in the industry we operate in. We believe that dedicated and competent workforce is paramount to the success of the Group's business. CEPCO subscribes to the idea of knowledgeable and constantly learning workforce. Therefore, we will continue to invest in human resource developments by providing periodic trainings and opportunities for professional development.

Our Annual Training Plan for FYE 2019 covered the following areas:

1. Integrated Management System and Internal Auditing
2. Organisation's Discipline Procedures and Domestic Inquiry
3. Advanced Quality Assurance and Quality Control Inspector
4. Practical Marketing Strategies and Planning Skills
5. Sage 300 ERP
6. Environmental, Health and Safety Laws Interpretation and Applications
7. Local Currency Settlement Framework
8. Business Transformation Initiatives
9. Embark on Industry 4.0 Journey
10. Using Artificial Intelligence to Analyse Financial and Business Trends
11. Foreign Exchange Administration Rules on Export of Goods
12. Integrated Reporting
13. Asset Integrity Management for Manufacturers

We are committed to provide a safer and healthier environment for our employees and minimise any preventable accidents and health hazards that may occur at our business premises. Our Safety, Health and Environmental Department from time to time improve on employee safety, reduce workplace risks and create safer working environment to all employees. They are continuously trained and updated with safety procedures, while business operations are subjected to regular safety and health reviews to further embed a safety culture within the Group.

CEPCO is committed to maintain a proper framework to ensure that the business is run in an efficient and transparent manner in the interest of all its stakeholders. We ensure that the business is conducted in a fair, transparent, sustainable and professional manner, without affecting consumer's choice, pricing and market efficiency.

Our business imperative is to carry out our activities responsibly and with integrity. Our employees are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines. CEPCO promotes transparency and guards against various forms of misconducts including corruption, bribery and fraud.

CEPCO focuses on the wellbeing of society, including personal's health and safety. We also assess and monitor our top suppliers by Vendor Self-Regulation Assessment to identify their existing or potential negative social impacts as well as human right policies and practices.

We hold ourselves accountable to our stakeholders and are dedicated to delivering value to them while conducting our operations in a conscientious manner. Despite the economic challenges, we continue to implement our Corporate Social Responsibilities for the community by focussing on lending a helping hand and reaching out to others through various forms of social aids which are included in the Corporate Social Responsibilities section on page 17 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Concrete Engineering Products Berhad (the "Board") is committed towards good corporate governance practices throughout the Group to safeguard the interest of its stakeholders and enhance the share value.

The Group's corporate governance practices will be continuously evaluated to ensure its practices and systems are in line with the underlying tenets of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 ("the Code" or "MCCG").

The Code sets out the broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of the business dealings and culture. Unless otherwise stated in this Statement, the Company is in compliance with the requirements of the Code.

## PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Roles and Responsibilities of the Board and Management

The Board is responsible for the oversight and overall management of the Group. The principal responsibilities of the Board are as follows:

- 1) Reviews and adopts a strategic plan for the Company and addresses the sustainability of the Group's business.
- 2) Oversees the conduct of the Group's business and evaluates whether its business is being properly managed.
- 3) Identifies principal risks faced by the Group and ensures the implementation of appropriate internal controls and mitigates measures to address such risks.
- 4) Applies successive planning to ensure all candidates appointed to senior management positions are of sufficient calibre.
- 5) Oversees the development and implementation of a shareholder's communication policy.
- 6) Reviews the adequacy and the integrity of the Group's internal control, management information systems and regulatory compliance.

The Managing Director is responsible to ensure the management adheres to the guidelines and policies set by the Board.

The Directors have full access to information pertaining to all matters requiring the Board's decision. Prior to any Board meeting, all Directors shall be furnished with proper Board papers which contain the necessary information for each of the meeting agenda in advance to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting. Matters to be discussed are not limited to financial performance of the Group but also to address major investment decisions as well as operational issues and problems encountered by the Group.

To assist in the discharge of its stewardship role, the Board has delegated specific responsibilities to three (3) established Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee. These Committees examine specific issues within their respective terms of reference as approved by the Board, and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

### Code of Ethics and Whistle-Blower Policy

The Board has adopted a Code of Ethics for Company Directors. The Code of Ethics provides good guidance for a standard of ethical behaviour for Directors based on trustworthiness and values that can be accepted and to uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company.

The Code of Ethics is available on the Company's website at [www.cepc.com.my](http://www.cepc.com.my).

## Statement on Corporate Governance (cont'd)

### PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### Code of Ethics and Whistle-Blower Policy (cont'd)

The Board has also adopted Whistle-Blowing Policies and Procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employees, management or Directors in the Group. The Board is aware of the need for adherence to the Code of Conduct and Employees' Handbook by Directors of the Company and employees in the Group respectively, and will take measures to put in place a process to ensure its compliance.

#### Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices, and exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economics success.

The Group has no immediate plan to implement a diversity policy for its workforce in terms of gender, ethnicity and age as in its view, employment is depended on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. However, the Group is committed to diversify and apply equal employment for its development and improvement as a whole.

#### Access to Information and Advice

All Directors are provided with an agenda and a set of Board papers prior to each Board Meeting to be convened. Board papers are required to be circulated at least seven (7) days prior to the date of each Board Meeting to enable Directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting. Board members are supplied with full and timely information necessary to enable them to discharge their responsibilities. Senior management staff are also invited to attend Board Meetings when necessary to provide the Board with further explanation and clarification on matters being tabled for consideration by the Board.

The Board convenes at least four (4) Board Meetings a year to consider the quarterly financial results and review operational performance. Additional meetings are convened as and when necessary.

All Directors have access to the advice and services of the Company Secretary and are updated on new statutory or regulatory requirements concerning their duties and responsibilities.

#### Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, the Board's policies and procedures, and the compliance with relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended trainings and seminars conducted by relevant regulatory bodies to keep abreast with the significant updates on statutory and regulatory requirements and updates on the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Companies Act 2016, Malaysia (the "Act").

Deliberations during the Board Meetings were properly minuted and documented by the Company Secretary.

#### Board Charter

The Board has adopted a Board Charter which provides guidance for Directors and Management regarding the responsibilities of the Board, its Committee and management. The Board Charter is reviewed regularly to ensure it complies with legislation and best practices, and remains relevant and effective in the light of the Board's objective.

The Board Charter is available on the Company's website at [www.cepco.com.my](http://www.cepco.com.my).



## Statement on Corporate Governance (cont'd)

### PRINCIPLE 2: STRENGTHEN COMPOSITION

#### Board Composition and Balance

The Board currently has five (5) members comprising of:

- |    |   |                                    |
|----|---|------------------------------------|
| 1) | Abdul Khudus bin Mohd Naaim                     | Independent Non-Executive Chairman |
| 2) | Leong Kway Wah                                  | Managing Director                  |
| 3) | Dennis Xavier                                   | Independent Non-Executive Director |
| 4) | To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain | Independent Non-Executive Director |
| 5) | Dato' Ir Dr Abdul Aziz bin Arshad               | Independent Non-Executive Director |

This composition fulfils the requirements as set out under the Listing Requirements of Bursa Securities which stipulate that at least two (2) Directors or one-third of the Board, whichever is the higher, to be Independent Directors.

The Company's Constitution provides that all the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. In the event of any vacancy in the Board, the Company must fill the vacancy within three (3) months pursuant to Paragraph 15.02(3) of Bursa Securities Listing Requirements.

The profile of each Director is presented on pages 7 to 9 of this Annual Report. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as engineering, entrepreneurship, finance, taxation, accounting and audit, legal and economics.

The presence of the Independent Directors shall provide unbiased and independent views and judgements in the decision making process at the Board level and to ensure that no significant decisions and policies are made by any individual, and that the interest of minority shareholders are safeguarded.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities.

#### Nominating Committee

The Nominating Committee was established on 30 May 2002 which comprises the following members:

- |    |   |          |
|----|---|----------|
| 1) | To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain | Chairman |
| 2) | Abdul Khudus bin Mohd Naaim                     | Member   |
| 3) | Dennis Xavier                                   | Member   |

The Company Secretary is the secretary to the Nominating Committee.

The Nominating Committee's terms of reference include the authority delegated by the Board to oversee the selection and assessment of Directors. The Nominating Committee shall:

- 1) Recommend to the Board for the appointment of new Director in accordance to the nomination and selection policies.
- 2) Assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual Director, in terms of the appropriate size and skills, balance between Executive, Non-Executive and Independent Directors, the mixture of skills and other core competencies required.
- 3) Assess the independence of Independent Directors to consider whether the Director can continue to bring independent and objective judgement to Board deliberations.
- 4) To recommend to the Board if an Independent Director who serves the Board for more than nine (9) years is justifiable to remain as an Independent Director on the Board.

## Statement on Corporate Governance (cont'd)

### PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

#### Recruitment or Appointment of Directors

The Nominating Committee is responsible to recommend to the Board for the appointment of new Directors in accordance to the nomination and selection policies. The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Director. During the financial year under review, the Nominating Committee met once, attended by all members. During the meeting and as at the date of this Statement, the Nominating Committee has carried out the following activities within its terms of reference and reported the outcome to the Board:

- 1) Reviewed trainings undertaken by Directors as well as those trainings that are available for Directors for the ensuing year.
- 2) Following the assessment of the Board by each individual Director, the Committee recommended for the Board's consideration to move for shareholders' approval the re-appointment and/or re-election of those Directors retiring at the forthcoming Annual General Meeting ("AGM").

The Board currently does not have any gender, ethnicity and age policy or target. The criteria to be used by the Nominating Committee in the selection and appointment process is mainly to ensure the Board comprises of Directors with a good mix of skills and experience to discharge its responsibilities in an effective and competent manner, as well as the candidates' competencies and abilities to commit sufficient time to Company's matters.

Nevertheless, the Board is supportive of gender diversity in the boardroom as recommended by the MCCG to promote the representation of women in the composition of the Board. The Board will endeavour to ensure that gender, ethnicity and age diversity will be taken into account in nominating and selecting new Directors to be appointed on the Board. Presently, To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain is the only female Director comprised in the Board of five (5) Directors.

#### Annual Assessment of Directors

The Nominating Committee reviews annually the required mix of skills and experience of Directors, including core competencies which Non-Executive Directors should bring to the Board. The Committee also assesses annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director based on the criteria set out in Corporate Governance Guide.

During the financial year under review, the Nominating Committee had carried out the annual assessment and was satisfied that the Board and Board Committees were effective as a whole, considering the required mix of skills, size and composition, experience, core competencies and other qualities. The Nominating Committee was also satisfied that each of its Directors had the character, experience, integrity, competence and time to effectively discharge their respective role.

#### Directors' Remuneration

The Remuneration Committee was established on 30 May 2002 which comprises the following members:

- |    |                                   |          |
|----|-----------------------------------|----------|
| 1. | Dennis Xavier                     | Chairman |
| 2. | Abdul Khudus bin Mohd Naaim       | Member   |
| 3. | Dato' Ir Dr Abdul Aziz bin Arshad | Member   |

The Company Secretary is the secretary to the Remuneration Committee.

The Remuneration Committee's primarily responsibilities are to recommend to the Board the remuneration package and terms of employment of Executive Directors to ensure the remuneration is sufficiently attractive to retain and motivate the Executive Directors to run the Company successfully. The determination of fees for the Non-Executive Directors will be a matter for the Board as a whole with the Director concerned abstaining from all deliberations and voting in respect of his individual remuneration.

## Statement on Corporate Governance (cont'd)

### PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

#### Directors' Remuneration (cont'd)

The aggregate remuneration of Directors for the financial year ended 31 August 2019 was as follows:

Name of Directors	Fee/Salaries and Other Emoluments (RM)
<b>Executive Directors</b>	
Leong Kway Wah	606,544
<b>Non-Executive Directors</b>	
Abdul Khudus bin Mohd Naaim	66,000
Dennis Xavier	20,000
To' Puan Seri Hjeh Nur Rahmah binti Mohd Zain	36,500
Dato' Ir Dr Abdul Aziz bin Arshad	20,000

The number of Directors whose total remuneration fell within the following bands was as follows:

Band of Remuneration (RM)	Executive Directors	Non-Executive Directors
1 - 50,000	-	3
50,001 - 100,000	-	1
100,001 - 150,000	-	-
200,001 - 250,000	-	-
600,001 - 650,000	1	-
650,001 - 700,000	-	-

### PRINCIPLE 3: REINFORCE INDEPENDENCE

#### Annual Assessment of Independence

The Nominating Committee annually assesses the independence of Independent Directors based on the criteria set out in Corporate Governance Guide. According to the assessment carried out in 2019, the Board is of the view that all the Independent Directors fulfil the criteria of independence as defined in the Listing Requirements of Bursa Securities and are able to continue to bring independent and objective judgements to the Board's deliberations.

#### Tenure of Independent Director

The Board is aware that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. In the event the Board wishes to retain such Director as an Independent Director, the Board will seek shareholders' approval.

#### Justify and Seek Shareholders' Approval to Retain an Independent Director of More Than Nine (9) Years in the Same Capacity

Dennis Xavier and To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain had served on the Board for more than nine (9) years and had obtained shareholders' approval at last year's AGM to continue to serve as Independent Directors of the Company.

The Board, with the assessment of the Nominating Committee, is recommending to the shareholders again at the forthcoming Thirty-Fifth AGM to approve the retention of Dennis Xavier and To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain as Independent Directors for the ensuing year. Details of the assessment are disclosed in the Notice of the 35th AGM enclosed on pages 109 to 112 of this Annual Report.



## Statement on Corporate Governance (cont'd)

### PRINCIPLE 3: REINFORCE INDEPENDENCE (cont'd)

#### Separation of Positions of the Chairman and Managing Director

The roles of the Chairman of the Board and Managing Director are separate and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability. The Chairman is responsible for ensuring the Board's effectiveness and conduct, leading the Board in the oversight of management, whilst the Managing Director has overall responsibilities over the Company's operating units, organisational effectiveness and implementation of Board policies and decisions on a day-to-day basis.

### PRINCIPLE 4: FOSTER COMMITMENTS

#### Time Commitment

The Board convenes at least four (4) Board Meetings a year to consider the quarterly financial results and review operational performance. Additional meetings are convened as and when necessary.

During the financial year ended 31 August 2019, the Board met five (5) times and the composition and attendance records of the Board members were as follows:

Date of Meetings:

- 1) 23 October 2018
- 2) 16 November 2018
- 3) 7 January 2019
- 4) 23 April 2019
- 5) 23 July 2019

Attendance record of the Board members:

Directors	Meetings Attendance
Abdul Khudus bin Mohd Naaim	5/5
Leong Kway Wah	5/5
Dennis Xavier	5/5
To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain	3/5
Dato' Ir Dr Abdul Aziz bin Arshad	5/5

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by their attendance of all five (5) Board Meetings convened during the financial year ended 31 August 2019.

#### Directors' Training

The Board encourages its Directors to attend talks, seminars, workshops and in-house conferences to update and enhance their skills and knowledge and to keep abreast with developments in regulatory and corporate governance issues.

All the Directors of the Company have attended the Mandatory Accreditation Programme within the stipulated time frame required by the Listing Requirements of Bursa Securities.

## Statement on Corporate Governance (cont'd)

### PRINCIPLE 4: FOSTER COMMITMENTS (cont'd)

#### Directors' Training (cont'd)

During the financial year under review, the Board members attended the following training programmes:

- 1) Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity
- 2) MICG: Assessment of the Board, Board Committees & Individual Directors
- 3) Bursa Malaysia Breakfast Series: "Non-Financials - Does it Matter?"
- 4) MIA: MPERS - Practical Financial Reporting Issues
- 5) MIA: MPERS - Practical Issues and Fair Value Measurements
- 6) PIARC International Seminar on Towards Advanced Technology & Material in Bridge Engineering

The Directors are notified periodically by the Company Secretary on the types of training courses available in the market which the Directors may consider attending in order to enhance their skills and knowledge in the discharge of their stewardship roles.

### PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Directors' Responsibilities in Financial reporting

The Board is responsible for ensuring the quarterly and annual audited financial statements of the Company present a true and fair view and assessment of the Company's financial position, performance and prospects and comply with applicable financial reporting standards.

The Audit Committee assists the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards. The Audit Committee members reviewed the quarterly and annual audited financial statements of the Company prior to recommendation of the same to the Board for approval and submission to Bursa Securities and/or shareholders.

#### External Auditors

The Company's independent External Auditors fill an essential role by enhancing the reliability of the Company's annual audited financial statements and giving assurance to stakeholders of the reliability of the annual audited financial statements.

The External Auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management, and if necessary, to the Audit Committee and the Board.

The Audit Committee also meets with the External Auditors at least twice during each financial year to exchange free and honest views on issues which the External Auditors may wish to discuss in relation to their audit and findings.

The Audit Committee also monitors the independence and qualification of External Auditors and obtains written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

## Statement on Corporate Governance (cont'd)

### PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

#### External Auditors (cont'd)

The suitability and independence of External Auditors are assessed annually based on the following key factors in order for the Audit Committee to recommend to the Board on the proposal of the External Auditors' re-appointment for the ensuing year:

- 1) The adequacy of the experience and resources of the audit firm.
- 2) The level and nature of review procedures, the approach to audit judgements and issues, independent quality control reviews and approach to risks.
- 3) The adequacy of the scope of the audit plan.
- 4) The External Auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the audit plan.
- 5) Whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the External Auditors.
- 6) Whether there are professional and open dialogues between the External Auditors and the Audit Committee.

The Audit committee is of the view that Messrs Ernst & Young ("EY") is suitable and independent to be re-appointed for the ensuing year and has recommended the same to the Board of Directors. The Board of Directors, having considered the Audit Committee's recommendation and feedback, is satisfied with the suitability and independence of EY as the External Auditors and have recommended their re-appointment to the shareholders for approval at the forthcoming AGM.

### PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

#### Establish a Sound Framework to Manage Risks

The Board is committed to determine the Company's level of risk tolerance and to actively identify, assess and observe key business risks to safeguard shareholders' investments and the Company's assets by monitoring the internal controls in place, with the assistance of the Audit Committee and the external and internal auditors. The Board will be briefed on the effectiveness and efficiency of the internal control processes and procedures periodically to ensure that the system is viable and robust. Information on the Company's risk management framework and internal control system is presented in the Statement on Risk Management and Internal Control on pages 36 to 38 of this Annual Report.

#### Internal Control

The internal audit function is outsourced to a professional firm, Messrs Crowe Horwath, and is reported directly to the Audit Committee. The head of the internal audit function or his representatives attends the Audit Committee meetings quarterly to report to the Audit Committee on their findings of the effectiveness of the governance, risk management and internal control processes within the Company. The information on the Internal Control is presented in the Statement on Risk Management and Internal Control on pages 36 to 38 of this Annual Report.



## Statement on Corporate Governance (cont'd)

### PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### Ensure the Company Has Appropriate Corporate Disclosure Policies and Procedures

The Board ensures that all material information and corporate disclosure are discussed with the Management prior to dissemination to ensure compliance with the Listing Requirements of Bursa Securities. In deciding on the necessary disclosures and announcements, the Board is also guided by the corporate disclosure guides as published by Bursa Securities from time to time.

#### Encourage the Company to Leverage on Information Technology for Effective Dissemination of Information

The Board acknowledges the use of information technology to communicate with its stakeholders. Timely announcements are made through Bursa Link online with regard to the Company's quarterly results, corporate proposals and other required announcements. The same are also available on the Company's website at [www.cepcoco.com.my](http://www.cepcoco.com.my) to ensure effective dissemination of information relating to the Company and that accurate information are provided to the public at large.

### PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND STAKEHOLDERS

#### Shareholders Participation at General Meetings

Notice of the AGM, annual reports and circulars are sent out with sufficient time before the date of the meeting to enable the shareholders to have full information about the meeting to facilitate informed decision-making. The explanatory notes on the proposed resolutions under Special Business are given to help the shareholders vote on the resolutions.

All notices of general meetings are served within the minimum prescribed notice period as the Board is of the view that serving of such notices earlier than the minimum notice period does not tantamount to encouragement of shareholders participation. All resolutions set out in the notice of the last AGM were put to vote and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day of the meeting.

#### Communication and Engagement with Shareholders

The AGM remains the principal forum for dialogue with shareholders where they may seek clarifications on the Company's business and reports. During the AGM, the Chairman will open the floor to questions shareholders may have for the Board before receiving the annual audited financial statements. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board will respond to any questions raised during general meetings and also share with the shareholders the Company's responses to question submitted in advance of the AGM by the Minority Shareholder Watchdog Group, if any.

#### Encourage Poll Voting

Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities requires that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll.

## ADDITIONAL COMPLIANCE INFORMATION

### 1) Share Buy-Backs

During the year, there were no share buy-backs by the Company.

### 2) Options or Convertible Securities

There were no exercises of options, warrants or convertible securities during the year.

### 3) Depository Receipt Programme

The Company did not sponsor any depository programme during the year.

### 4) Non-Audit Fees

The amount of non-audit fees paid/payable to the External Auditors and their affiliated companies by the Company for the year ended 31 August 2019 is set out in Note 5 on page 76.

### 5) Profit Estimate, Forecast, Projections and Variations in Results

There were no variations of 10% or more between the audited results for the financial year ended 31 August 2019 and the unaudited results for the quarter ended 31 August 2019 of the Group previously announced. The Company did not make any release on the profit estimate, forecast and projections for the year.

### 6) Profit Guarantee

The Company did not give any profit guarantee during the year.

### 7) Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

### 8) Contract Relating to Loans

There were no contracts relating to loans by the Company and its subsidiaries involving Directors' and shareholders' interests.

### 9) Revaluation Policy on Landed Properties

The Group's policy on Revaluation on Landed Properties is set out in Notes 2.4(b) and 2.4(c) on pages 60 to 61. The Investment Properties were adjusted to reflect their fair values as enumerated in Note 11 on pages 82 to 83.

### 10) Recurrent Related Party Transactions

There were no recurrent transactions with related parties undertaken by the Group during the year under review.

### 11) Imposition of Fines and/or Penalties

None of the Directors or the Key Senior Management has convicted offences (other than traffic offences, if any) or public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 August 2019.

## AUDIT COMMITTEE REPORT



The Audit Committee is committed to assist the Board in ensuring the integrity of the Group's financial procedures and internal control systems for safeguarding assets, managing risks and promoting sound and profitable business operations.

### COMPOSITION

The Audit Committee ("AC") comprises the following members, all of whom are Non-Executive Directors:

- 1) Dato' Ir Dr Abdul Aziz bin Arshad  
Independent Non-Executive Director/Chairman
- 2) Abdul Khudus bin Mohd Naaim  
Independent Non-Executive Director
- 3) Dennis Xavier  
Independent Non- Executive Director

The composition of the AC complies the requirements of Paragraph 15.09(1)(a) and (b) of Bursa Securities Listing Requirements.

Encik Abdul Khudus bin Mohd Naaim is a member of the Malaysian Institute of Accountants (MIA), thereby complying with paragraph 15.09(1)(c)(i) of the Bursa Securities Listing Requirements that requires at least one (1) of the AC members fulfilling the financial expertise requisite.



## Audit Committee Report (cont'd)

### MEETINGS

During the financial year ended 31 August 2019, the AC met five (5) times and the composition and attendance records of its members were as follows:

Date of Meetings:

- 1) 23 October 2018
- 2) 16 November 2018
- 3) 7 January 2019
- 4) 23 April 2019
- 5) 23 July 2019

Attendance record of the AC members:

Audit Committee Members	Meetings Attendance
<b>Chairman</b>	
Dato' Ir Dr Abdul Aziz bin Arshad Independent Non-Executive Director	5/5
<b>Members</b>	
Abdul Khudus bin Mohd Naaim Independent Non-Executive Director	5/5
Dennis Xavier Independent Non-Executive Director	5/5

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, Managing Director and Senior Management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required for items on the agenda. Representatives of the External Auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they have noted in the course of their audit.

Issues raised, discussion, deliberations, decisions and conclusion made at the Committee meetings are recorded in the minutes of the meetings.

After each Committee meeting, the Chairman of the Committee shall update and report to the Board on significant issues and concerns discussed during the meeting and to convey the recommendations on the quarterly reports and annual financial statements with or without amendments as the case may be, to be approved and adopted by the Board for release to Bursa Securities.

### TERMS OF REFERENCE

Terms of Reference of the AC comprise mainly the constitution, membership, authority and duties and responsibilities of the Committee.

### Objectives

The primary objective of the Committee is to assist the Board in discharging its statutory duties and responsibilities for corporate governance, timely and accurate financial reporting and adequacy of internal controls within the Company and its subsidiaries.

## Audit Committee Report (cont'd)

### Constitution

The Board of Directors shall establish a Committee of the Board to be known as Audit Committee.

### Membership and Meetings

The Committee shall be appointed by the Directors and shall comprise not less than three (3) members of whom the majority shall be Non-Executive Directors. The Chairman of the Committee must be an Independent Non-Executive Director and shall be appointed by the Committee members. The Company Secretary shall act as the Secretary to the Committee. There shall be at least four (4) meetings per year.

### Authority

The AC has the authority to investigate any activity within its terms of reference, and shall obtain the cooperation of other Board members, employees and External Auditors, and any other external professional bodies, which it considers necessary.

### Duties and Responsibilities

- 1) Reviews with the External Auditors on the audit plan.
- 2) Reviews with the External Auditors on the adequacy and effectiveness of the accounting and internal control system.
- 3) Acts upon problems and reservations arising from interim and final audits.
- 4) Reviews the financial statements prior to the Directors' approval to ensure a fair and full presentation of the financial affairs of the Company.
- 5) Assists in establishing appropriate control procedures.
- 6) Assists in the conducting of management audit or other sensitive matters.
- 7) Recommends to retain or replace the firm of External Auditors and the audit fee for the ensuing year.

### SUMMARY OF ACTIVITIES

During the financial year, the following activities were carried out by the AC in discharging its duties and functions:

- 1) Reviewed the External Auditors' scope of work and audit plan for the financial year and made recommendations to the Board on their re-appointment and remuneration.
- 2) Reviewed the quarterly and audited financial reports of the Company and the Group prior to submission to the Board for approval and subsequent release to Bursa Securities.
- 3) Reviewed any related party transactions and ensured that they were not favourable to the related parties than those generally available to the public and complied with Bursa Securities Listing Requirements.
- 4) Reviewed the internal audit plans for the financial year for the Company and Group as prepared by the Internal Auditors.
- 5) Reviewed the internal audit reports, audit recommendations made and management's responses to these recommendations for the Company and Group as prepared by the Internal Auditors.

## Audit Committee Report (cont'd)

### SUMMARY OF ACTIVITIES (cont'd)

- 6) Reviewed the AC Report and Statement on Risk Management and Internal Control and recommended to the Board for approval prior to their inclusion in the Company's Annual Report.
- 7) Reviewed and recommended the proposed final audit fees for the External and Internal Auditors in respect of their audit of the Company and the Group.
- 8) Tabled the minutes of each Committee Meeting to the Board for information and further direction by the Board, where necessary.

### TRAINING

During the financial year, the AC members have attended trainings, the details of which are listed in the Statement on Corporate Governance on page 28 of this Annual Report.

### INTERNAL AUDIT FUNCTION

In discharging its function, the AC is supported by an internal audit function whose primary responsibility is to evaluate and report on the adequacy and effectiveness of the overall system of internal control of the Group.

The scope of internal audit works is conducted on a rotation basis and as and when directed by the Management. The internal audit reports generated were reviewed and discussed at each of the AC meetings.

The activities of the Internal Auditors during the financial year ended 31 August 2019 were as follows:

- 1) Conducted discussions with the management in identifying significant concerns and risk areas perceived by the management for inclusion in Internal Audit Plan for the Group.
- 2) Developed and proposed an Internal Audit Plan for the year which was discussed and accepted by the AC and the Board.
- 3) Conducted periodic audits on internal controls relating to operating system and standard operating procedures to monitor compliance and assess the adequacy and effectiveness of controls implemented by the Group.
- 4) Attended and reported to the AC at all the meetings held during the financial year.
- 5) Highlighted areas of concern to the AC and ensuring that recommendations provided by the Internal Auditors were duly attended to and adhered by the management within the stipulated time frame. In the Internal Audit Progress Reports, the Internal Auditors had reported their findings in their subsequent follow-up reviews to the AC.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises the importance of good corporate governance and is committed in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. In doing so, the Board acknowledges its responsibility to identify major risks faced by the Group and ensure that relevant internal controls are in place in order to manage these risks.

In view of the above, the Board is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility in establishing a sound risk management and internal control system as well as adequacy and effectiveness of those systems to safeguard shareholders' interests and the Group's assets.

The Group's system of risk management and internal control is designed as a tool to manage rather than eliminate the risks completely. In view of the limitation inherent in any system of risk management and internal control, the actions taken in managing the risks could only provide reasonable but not absolute assurance against risks of material mismanagement, fraud or losses from occurring in achieving the Group's objectives.

The Board has received assurance from the Managing Director and the Financial Controller that the Group's risk management and internal control system is operating adequately and effectively in all material aspects. The Board is of the view that the risk management and internal control system in the Group are satisfactory and have been successful in their functions with no significant problems noted during the period under review.

## AUDIT COMMITTEE

The Audit Committee is assisted by an outsourced independent Internal Audit which performs regular independent reviews. It monitors and ensures compliance with the Group's policies, procedures and systems of risk management and internal control. In each of its meetings, the Committee reviews the internal audit reports for the Group prepared by the Internal Auditor. It will consider major findings of the Internal Auditor's and management's responses thereto. Monitoring on the corrective actions of any outstanding audit issues are ongoing to ensure that all the risks and control lapses have been addressed.

## THE RISK MANAGEMENT PROCESS

The Board has endeavoured to identify the relevant major risks faced by the Group on a regular basis and in order to prevent the occurrence of the identified risks or mitigate the impact of these risks so as to ensure that the Group achieves its business goals.

In managing the major risks, the Board has always carried out necessary preliminary studies and evaluation on various projects which will be undertaken by the Group. This entails proper delegation of duties and responsibilities from the Board to the Managing Director and Senior Management ("Management") in running the main operating functions of the Group within its strategic business plans.

In this respect, the Management comprises personnel with many years of hands-on experience who are able to identify business risks relevant to the Group and design the appropriate internal controls to manage these risks.

At the same time, the Management also attends various management and operation meetings in order to discuss matters of concern in relation to various projects undertaken by the Group as well as any obstacles in achieving the Group's strategic business plans.

The Management has also adopted the open discussion approach in the day-to-day running of the Group. This has enabled various major business risks being identified easily and dealt with in a prompt manner.

## Statement on Risk Management and Internal Control (cont'd)

### KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The Group has incorporated various key elements into its system of internal control in order to safeguard shareholders' investment and the Group's assets by:

- 1) Giving authority to the Board Committee members to investigate and report on any areas of improvement for the betterment of the Group.
- 2) Performing an in depth study on major variances and deliberating irregularities in the Board Meetings and AC Meetings so as to identify the causes of the problems and formulate solutions to resolve them.
- 3) Arranging regular interactive meetings with the External Auditors, Internal Auditors and/or other consultants to identify and rectify any weaknesses in the system of internal control. The Board would also be informed on the matters brought up at the AC Meetings on a timely basis.
- 4) Delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and the Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations.
- 5) Determining proactive actions to create awareness on the importance of employees' and line management's involvements in the system of internal control as well as risk management by providing various training courses, seminars and workshops conducted by the external consultants.
- 6) Keeping the Management informed on the development of action plans for enhancing system of internal control and allowing various management personnel to have access to important information for better decision making.
- 7) Making frequent on-site visits to the business and operations premises by the management personnel so as to acquire a first-hand view on various operational matters and addressing the issues accordingly.
- 8) Monitoring key commercial, operational and financial risks through reviewing the system of internal control and other operational structures in order to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board.

### INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

The Group's internal audit function is outsourced to an independent audit firm, Messrs Crowe Horwath. The duty of the internal audit is to examine and evaluate major processes of operations of the Group in order to assist the Board in the effective discharge of the Board's responsibilities. The total cost incurred for the outsourced internal audit functions in respect of the financial year ended 31 August 2019 amounted to RM70,232.

During the financial year under review, the Internal Auditors carried out reviews on the core areas based on the approved internal audit plan to assess the adequacy and effectiveness of internal controls within the Group.

The Internal Auditor will report directly to the AC. Being an independent third party, the Internal Auditor is able to perform the internal audit function with impartiality, proficiency and due professional care.

The internal audit function facilitates the Board in carrying out its responsibility to review and evaluate the adequacy and integrity of the Group's internal control system. The full Board, through the AC, will meet to review, discuss and direct actions on matters pertaining to the Internal Auditor's report, which among other matters, include findings relating to the adequacy and integrity of the internal control system of the Group. Internal audit will be carried out annually to provide independent assessments on the sufficiency, efficiency and effectiveness of the Group's internal control system in anticipating potential risk exposures over key business systems and processes and in controlling the proper conduct of business within the Group.

## Statement on Risk Management and Internal Control (cont'd)

The Internal Auditor adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the Group. The audit plan will be presented to the AC for approval annually. The resulting reports from the audits undertaken will be reviewed by the Committee and then forwarded to the operational management for attention and necessary corrective actions. The operational management is responsible for ensuring the corrective actions on reported weaknesses are taken within the required time frame.

### REVIEW OF EFFECTIVENESS

The Board is satisfied with the procedures outlined above and believes, with assurance from the Managing Director and Head of Finance, that the risk management and system of internal controls had continued to operate adequately and effectively in the financial year under review.

The Board also relies on the assessment by internal auditor to evaluate the state of internal controls and risks management at each operating unit. The Board is committed to the continuous improvement of internal controls and risk management practices within the Group to meet its business objectives.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Securities Listing Requirements, the External Auditors have reviewed the Statement on Risk and Internal Control for inclusion in the 2019 Annual Report, and reported to the Board that nothing has come to their attention which causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

### ADDITIONAL INFORMATION

Apart from internal audit, the Board has put in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The monitoring and management of the Group is delegated to the Managing Director and senior operational management. The Managing Director, through his involvement in the business operations and attendance at the management level meetings, manages and monitors the Group's financial performance, key business indicators, operational effectiveness and efficiency. The Managing Director also discusses and resolves significant business issues and ensures compliance with applicable laws, regulations, rules, directives and guidelines. The management meetings serve as a two-way platform for the Board, through the Managing Director, to communicate and address significant matters in relation to the Group's business and financial affairs, and provide updates on significant changes in the business and the external environment that may result in any significant risks.

Internal control procedures have been set out in a series of standard operating practice manuals and business process manuals to serve as guidance for proper measures to be undertaken and are subject to regular review, enhancement and improvement.

### CONCLUSION

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report 2019. The Board will continue to review and take measures to strengthen the internal control environment from time to time based on the recommendations proposed by the Internal Auditors.

The Board recognises that the development of the system of internal control is an ongoing process as part of its efforts in managing the risk faced by the Group. Consequently, the Board maintains an ongoing commitment to further strengthen the control environment within the Group.

This Statement is made on behalf of the Board in accordance with a resolution of the Directors dated 19 November 2019.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities to ensure that the financial statements of the Company and the Group are prepared in accordance with the provisions of the Act, the Listing Requirements of Bursa Securities and approved accounting standards in Malaysia.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its result and cash flow for the year then ended.

The Directors consider that in preparing the financial statements, the Group has:

- 1) Adopted suitable accounting policies and has been applying them consistently.
- 2) Made judgements and estimates that are prudent and reasonable.
- 3) Ensured applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for safeguarding the assets of the Company, and to take reasonable steps for the prevention and detection of fraud and other irregularities.



# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and Company for the financial year ended 31 August 2019.

### Principal activities

The principal activities of the Company consist of manufacturing and distribution of prestressed spun concrete piles and poles. The subsidiary companies are dormant.

There have been no significant changes in the nature of the principal activities during the financial year.

### Results

	Group RM	Company RM
Loss for the year, attributable to owners of the parent	(11,562,662)	(11,556,435)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend to be paid in respect of the current financial year.

### Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Abdul Khudus bin Mohd Naa'im  
 Leong Kway Wah  
 Dennis Xavier  
 To' Puan Seri Hj Nur Rahmah binti Mohd Zain  
 Dato' Ir Dr Abdul Aziz Bin Arshad

The names of the Directors of the subsidiaries in office since the beginning of the financial year to the date of this report are:

Leong Kway Wah  
 Mohd Izanee bin Ismail  
 Aishah @ Norazizah binti Awang

### Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' REPORT

(cont'd)

The Directors' benefits are as follows:

	Group/Company RM
Executive:	
Salary	525,000
Fees	25,000
Defined contribution plan	56,544
	<hr/>
Total Executive Director's remuneration	606,544
Non-executive:	
Other emoluments	52,500
Fees	90,000
	<hr/>
Total Non-Executive Directors' remuneration	142,500
	<hr/>
Total Directors' remuneration	749,044
	<hr/>

### Indemnities to Directors and officers

The Company does not maintain a Directors' and Officers' Liability Insurance in respect of any legal action taken against the Directors and officers in the discharge of their duties while holding office for the Company. No insurance has been effected for any Director and officer of the Company during the financial year.

### Directors' interests

None of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

### Issue of bonus shares

Pursuant to the requirement of the Section 618(2) of the Act, the Company may, within 24 months from the commencement of this Act on 31 January 2017, utilise the amount standing to the credit of share premium account.

Accordingly, during the year, the Company issued 29,850,000 bonus ordinary shares on the basis of 2 bonus shares for every 3 existing shares held by entitled shareholders by utilising its share premium account to offset the bonus shares pursuant to Section 618(3) of the Act. There is no impact on the value of the share capital.

### Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.



## DIRECTORS' REPORT

(cont'd)

### Other statutory information (cont'd)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Auditors and auditors' remuneration

The auditors, Ernst & Young have expressed their willingness to continue in office. The auditors' remuneration for the Group and the Company for the current financial year are RM153,000 and RM150,000 respectively

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 November 2019.

**Abdul Khudus bin Mohd Naaaim**

**Leong Kway Wah**

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Abdul Khudus bin Mohd Naaim and Leong Kway Wah, being two of the Directors of Concrete Engineering Products Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 49 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 November 2019.

Abdul Khudus bin Mohd Naaim

Leong Kway Wah

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lilian Au Yong, being the officer primarily responsible for the financial management of Concrete Engineering Products Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 102 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Lilian Au Yong  
at Kuala Lumpur in the Federal Territory  
on 19 November 2019

Lilian Au Yong  
(MIA Membership No. 27630)

Before me

**HJ. WAN AZMAN BIN HJ. WAN ABDULLAH (W728)**  
Commissioner for Oath

Kuala Lumpur, Malaysia  
19 November 2019

# INDEPENDENT AUDITORS' REPORT

## to the members of Concrete Engineering Products Berhad (Incorporated in Malaysia)

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Concrete Engineering Products Berhad, which comprise the statements of financial position as at 31 August 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 102.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### **Impairment of trade receivables**

We draw your attention to Note 2.4(h) and Note 15 to the financial statements. As at 31 August 2019, trade receivables of the Group and the Company amounted to RM32,367,432 which represents approximately 38% of total current assets of the Group and of the Company. The said amount is net of allowance for impairment of RM10,987,291. We focused on this area due to the magnitude of the amount and because significant judgements and estimations were involved in assessing the timing of recognition and the amount of the expected credit loss ("ECL"). In reviewing the ECL, our procedures included, amongst others:

- (i) tested subsequent collections from customers, inspected settlement agreements, analysed the payment history of the slow paying customers and reviewed the status of legal actions taken against the customers; and
- (ii) for the collective ECL computations, we evaluated the appropriateness of management's key assumptions and inputs used, including the probability of default rate and loss given default rate by benchmarking the inputs to past trends and industry growth rate.

We also evaluated the adequacy of the disclosures of the trade receivables as disclosed in Note 2.4(h) and Note 15 to the financial statements.

# INDEPENDENT AUDITORS' REPORT (cont'd)

## to the members of Concrete Engineering Products Berhad (Incorporated in Malaysia)

### *Key Audit Matters (cont'd)*

#### **Impairment of property, plant, and equipment**

The Group and the Company recorded continued losses since the previous financial years and as at the end of the financial year, the carrying amount of the net assets of the Group and of the Company exceeded its market capitalisation indicating that the carrying amount of the Group's and of the Company's property, plant and equipment may be impaired.

In accordance with MFRS 136: Impairment of Assets, the Group and the Company are required to perform impairment test for its cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

The Group and the Company estimated the recoverable amount of all its CGUs based on FVLCD method by relying on management expert to determine the recoverable amount. We considered this as an area of audit focus due to the magnitude of the carrying value of property, plant and equipment which amounted to RM37,329,021, representing approximately 22% of total assets of the Group and of the Company as at 31 August 2019. Further, the assessment process is based on assumptions and estimates that are judgmental.

In reviewing the impairment assessment based on FVLCD method, our procedures included, amongst others:

- (i) considered the objectivity, independence and expertise of the independent valuer;
- (ii) obtained an understanding of the methodology adopted by the independent valuer in estimating the fair value of the leasehold lands and buildings and assessed whether such methodology is consistent with those used in the industry; and
- (iii) as part of our evaluation of the fair value of leasehold lands and buildings, we discussed the valuation with the independent valuers to obtain an understanding of the properties related data used as input to the valuation model.

We also evaluated the adequacy of the disclosures of the property, plant and equipment as disclosed in Note 2.4(b) and Note 10 to the financial statements.

#### ***Information other than the financial statements and auditors' report thereon***

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditor's report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## INDEPENDENT AUDITORS' REPORT (cont'd) to the members of Concrete Engineering Products Berhad (Incorporated in Malaysia)

### *Responsibilities of Directors for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT** (cont'd)  
**to the members of Concrete Engineering Products Berhad**  
**(Incorporated in Malaysia)*****Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)***

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
19 November 2019

Nurida Salwa Binti Mohd Muhili  
No. 03371/06/2020 J  
Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 August 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	3	101,864,722	161,951,674	101,864,722	161,951,674
Cost of sales		(79,665,740)	(125,195,666)	(79,665,740)	(125,195,666)
Gross profit		22,198,982	36,756,008	22,198,982	36,756,008
Other operating income		2,714,553	2,422,296	2,714,553	2,422,296
Fair value through profit or loss on other investments		(2,904,401)	(1,161,760)	(2,904,401)	(1,161,760)
Fair value gain on investment properties	11	433,000	125,000	433,000	125,000
Distribution costs		(21,352,374)	(31,269,982)	(21,352,374)	(31,269,982)
Administrative expenses		(9,133,475)	(8,966,897)	(9,127,248)	(8,977,855)
Other operating expenses		(1,081,764)	(808,029)	(1,081,764)	(808,029)
Operating loss		(9,125,479)	(2,903,364)	(9,119,252)	(2,914,322)
Finance costs	4	(2,437,183)	(3,618,289)	(2,437,183)	(3,618,289)
Loss before tax	5	(11,562,662)	(6,521,653)	(11,556,435)	(6,532,611)
Taxation	8	-	950,295	-	950,295
Loss for the year, representing total comprehensive loss for the year		(11,562,662)	(5,571,358)	(11,556,435)	(5,582,316)
Attributable to: Owners of the parent		(11,562,662)	(5,571,358)	(11,556,435)	(5,582,316)
Loss earnings per share - basic (sen)	9	(15.49)	(12.44)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF FINANCIAL POSITION****As at 31 August 2019**

	Note	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	37,329,021	37,112,482	37,329,021	37,112,482
Investment properties	11	13,395,600	12,526,000	13,395,600	12,526,000
Investment in subsidiaries	12	-	-	4	4
Other investment	13	36,014,560	38,918,961	36,014,560	38,918,961
		86,739,181	88,557,443	86,739,185	88,557,447
<b>Current assets</b>					
Inventories	14	45,277,709	53,312,585	45,277,709	53,312,585
Trade and other receivables	15	35,051,328	63,504,355	35,051,328	63,504,355
Amount due from subsidiaries	16	-	-	52,655	46,410
Tax recoverable		1,648,344	2,448,344	1,648,344	2,448,344
Cash and bank balances	17	4,112,847	9,133,772	4,112,847	9,133,772
		86,090,228	128,399,056	86,142,883	128,445,466
<b>Total assets</b>		172,829,409	216,956,499	172,882,068	217,002,913
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	18	75,344,833	75,344,833	75,344,833	75,344,833
Retained profits	20	21,083,997	32,690,102	21,147,014	32,746,892
<b>Total equity</b>		96,428,830	108,034,935	96,491,847	108,091,725
<b>Non-current liabilities</b>					
Long term borrowings	21	5,813,396	9,312,886	5,813,396	9,312,886
<b>Current liabilities</b>					
Trade and other payables	24	42,200,915	45,548,994	42,190,557	45,538,618
Short term borrowings	21	28,386,268	54,059,684	28,386,268	54,059,684
		70,587,183	99,608,678	70,576,825	99,598,302
<b>Total liabilities</b>		76,400,579	108,921,564	76,390,221	108,911,188
<b>Total equity and liabilities</b>		172,829,409	216,956,499	172,882,068	217,002,913

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 August 2019

Group	← Attributable to owners of the parent →		
	Share capital RM	Distributable Retained profits RM	Total equity RM
<b>At 1 September 2017</b>	75,344,833	38,261,460	113,606,293
Total comprehensive loss	-	(5,571,358)	(5,571,358)
<b>At 31 August 2018</b>	75,344,833	32,690,102	108,034,935
<b>At 1 September 2018</b>			
As previously stated	75,344,833	32,690,102	108,034,935
Effect on adoption of MFRS 9 (Note 2.2(a)(ii))	-	(43,443)	(43,443)
<b>At 1 September 2018 (Restated)</b>	75,344,833	32,646,659	107,991,492
Total comprehensive loss	-	(11,562,662)	(11,562,662)
<b>At 31 August 2019</b>	75,344,833	21,083,997	96,428,830

Company	← Attributable to owners of the parent →		
	Share capital RM	Retained profits RM	Total equity RM
<b>At 1 September 2017</b>	75,344,833	38,329,208	113,674,041
Total comprehensive loss	-	(5,582,316)	(5,582,316)
<b>At 31 August 2018</b>	75,344,833	32,746,892	108,091,725
<b>At 1 September 2018</b>			
As previously stated	75,344,833	32,746,892	108,091,725
Effect on adoption of MFRS 9 (Note 2.2(a)(ii))	-	(43,443)	(43,443)
<b>At 1 September 2018 (Restated)</b>	75,344,833	32,703,449	108,048,282
Total comprehensive loss	-	(11,556,435)	(11,556,435)
<b>At 31 August 2019</b>	75,344,833	21,147,014	96,491,847

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS**

For the year ended 31 August 2019

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>				
Loss before tax	(11,562,662)	(6,521,653)	(11,556,435)	(6,532,611)
Adjustments for:				
Fair value through profit and loss on other investments	2,904,401	1,161,760	2,904,401	1,161,760
Fair value gain on investment properties	(433,000)	(125,000)	(433,000)	(125,000)
Depreciation of property, plant and equipment	1,797,270	3,663,258	1,797,270	3,663,258
Allowance for impairment - receivables	904,861	518,123	904,861	518,123
Reversal of allowance for impairment:				
- trade receivables	(652,923)	(527,292)	(652,923)	(527,292)
- other receivables	(16,224)	-	(16,224)	-
Gain on disposal of property, plant and equipment	(471,058)	-	(471,058)	-
Interest expense	2,437,183	3,618,289	2,437,183	3,618,289
Unrealised foreign exchange (gain)/loss	(150,447)	304,218	(150,447)	304,218
Dividend income	(621,542)	(633,159)	(621,542)	(633,159)
Interest income	(114,699)	(275,838)	(114,699)	(275,838)
Operating (loss)/profit before working capital changes	(5,978,840)	1,182,706	(5,972,613)	1,171,748
Working capital changes:				
Decrease/(increase) in inventories	8,034,876	(8,129,476)	8,034,876	(8,129,476)
Decrease in receivables	27,887,717	6,299,716	27,887,717	6,299,716
Decrease in payables	(3,397,526)	(677,718)	(3,397,508)	(668,813)
(Increase)/decrease in amount due from subsidiaries	-	-	(6,245)	2,053
Cash generated from/(used in) operations	26,546,227	(1,324,772)	26,546,227	(1,324,772)
Taxation refund/(paid)	800,000	(626,663)	800,000	(626,663)
Interest paid	(2,387,736)	(3,618,289)	(2,387,736)	(3,618,289)
Net cash generated from/(used in) operating activities	24,958,491	(5,569,724)	24,958,491	(5,569,724)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,013,809)	(2,073,734)	(2,013,809)	(2,073,734)
Dividend received	621,542	633,159	621,542	633,159
Interest received	114,699	275,838	114,699	275,838
Proceeds from sale of property, plant and equipment	471,058	-	471,058	-
Withdrawal of deposits which are pledged as securities for borrowings	-	1,345,684	-	1,345,684
Net cash (used in)/generated from investing activities	(806,510)	180,947	(806,510)	180,947

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS (cont'd)

For the year ended 31 August 2019

	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
<b>Cash flows from financing activities</b>				
Net (repayment)/drawdown of banking facilities	(26,524,273)	10,010,411	(26,524,273)	10,010,411
Net repayment of hire purchase	(1,317,955)	(488,867)	(1,317,955)	(488,867)
Net repayment of term loan	(2,658,046)	(2,583,050)	(2,658,046)	(2,583,050)
Net cash (used in)/generated from financing activities	(30,500,274)	6,938,494	(30,500,274)	6,938,494
<b>Net change in cash and cash equivalents</b>	(6,348,293)	1,549,717	(6,348,293)	1,549,717
<b>Cash and cash equivalents at beginning of year</b>	4,463,613	2,913,896	4,463,613	2,913,896
<b>Cash and cash equivalents at end of year</b>	(1,884,680)	4,463,613	(1,884,680)	4,463,613
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	4,112,847	9,133,772	4,112,847	9,133,772
Bank overdrafts	(5,997,527)	(4,670,159)	(5,997,527)	(4,670,159)
	(1,884,680)	4,463,613	(1,884,680)	4,463,613

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Securities. The registered office and principal place of business of the Company is located at 22nd Floor, Menara KH, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal activities of the Company consist of manufacturing and distribution of prestressed spun concrete piles and poles. The subsidiaries are dormant. There have been no significant changes in the nature of the principal activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 November 2019.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Act in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, unless otherwise disclosed in the significant accounting policies below or other notes to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Group and of the Company.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

As of 1 September 2018, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB"):

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 September 2018**

- Annual Improvements to MFRS Standards 2014 – 2016 Cycle (Amendments to MFRS 1)
- MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 15 Revenue from Contracts with Customers: Clarifications
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Amendments to MFRS 140 Investment Properties: Transfers of Investment Properties
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration



# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

The application of the above pronouncements has no material impact on the financial results and disclosures in the Group's and the Company's financial statements other than as set out below:

##### (a) MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 September 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company has applied MFRS 9 prospectively, with the initial application date of 1 September 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139.

##### (i) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 September 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables (excluding prepayments), deposits with licensed banks and cash and bank balances previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group and the Company have not designated any financial assets at FVOCI.

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**2. Significant accounting policies (cont'd)****2.2 Changes in accounting policies (cont'd)****(a) MFRS 9 Financial Instruments (cont'd)****(i) Classification and measurement (cont'd)**

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications:

**As at 1 September 2018**

	<b>MFRS 139 measurement category</b>	<b>MFRS 9 measurement category</b>
	<b>Loan and receivables RM</b>	<b>Amortised cost RM</b>
<b>Group/Company</b>		
Total trade and other receivables (excluding prepayments)	63,058,519	63,058,519
Cash and bank balances	9,133,772	9,133,772
	<b>72,192,291</b>	<b>72,192,291</b>

**(ii) Impairment**

The adoption of MFRS 9 has changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL and contract assets.

As allowed by the transitional provision of MFRS 9, the Group and the Company elected not to restate the comparatives. Adjustments will be made to the opening balance of the retained earnings instead.

Effects arising from the initial application of MFRS 9 to the statement of financial position are as follows:

	<b>MFRS 139 31 August 2018 RM</b>	<b>Decrease RM</b>	<b>MFRS 9 1 September 2018 RM (Restated)</b>
<b>Group</b>			
Trade and other receivables	63,504,355	(43,443)	63,460,912
Retained profits	32,690,102	(43,443)	32,646,659
<b>Company</b>			
Trade and other receivables	63,504,355	(43,443)	63,460,912
Retained profits	32,746,892	(43,443)	32,703,449

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

##### (b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue - Barter Transactions Involving Advertising Services. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company adopted MFRS 15 using modified retrospective method of adoption with the effective date of initial adoption of 1 September 2018. Under this standard, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply this standard only to contracts that are not completed as at 1 September 2018.

The adoption of MFRS 15 has no material impact on the financial results but required additional disclosures in the Group's and the Company's financial statements.

#### 2.3 Standard issued but not yet effective

The new and amendments to MFRSs and IC Interpretation that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128: Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
MFRS 17 Insurance Contracts (Amendments to MFRS 128)	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.3 Standard issued but not yet effective (cont'd)

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:

##### **MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 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 leases 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 asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date. Upon adoption of MFRS 16, the impact on financial statements will arise from long term leasehold land and operating lease commitment of properties used by the Group as office and staff houses. A preliminary assessment indicates that this arrangement will meet the definition of a lease under MFRS 16 and hence, the Group will recognise the right of use assets and a corresponding liability in respect of this lease.

As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and the cumulative adjustment resulting from the initial application of MFRS 16 to be recognised in retained profits and reserves as at 1 September 2019.

#### 2.4 Summary of significant accounting policies

##### **(a) Subsidiaries and basis of consolidation**

###### **(i) Subsidiaries**

Subsidiaries are entities controlled by the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (a) Subsidiaries and basis of consolidation (cont'd)

###### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (a) Subsidiaries and basis of consolidation (cont'd)

###### (ii) Basis of consolidation (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

##### (b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised with any corresponding gain or loss recognised in profit or loss accordingly. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy of impairment losses is as stated in Note 2.4(f).

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each assets to its residual value over its estimated useful life as follows:

Leasehold land	27 - 83 years
Buildings	25 - 50 years
Plant and machinery	5 - 15 years
Motor vehicles	5 years
Office, factory and laboratory equipment	5 - 7 years
Furniture, fixtures and fittings	5 - 7 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (c) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction (IPUC) are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gain or loss arising from changes in the fair values of investment properties is recognised in profit or loss in the year in which it arises.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year in which it arises.

##### (d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and raw materials are determined using the first-in-first-out method.

Cost includes actual cost of materials and incidentals in bringing inventories into store and in the case of manufactured inventories and work in progress, it also includes direct labour and attributable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.

##### (f) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (f) Impairment of non-financial assets (cont'd)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

##### (g) Financial assets

#### Accounting policies applied from 1 September 2018

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, and measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group and Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (g) Financial assets (cont'd)

##### Accounting policies applied from 1 September 2018 (cont'd)

##### Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in three categories:

##### (i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and the Company's financial assets at amortised cost consists of cash and bank balances, trade and other receivables (excluding prepayment) and amounts due from related companies.

##### (ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("OCI"), debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with the net changes in fair value recognised in the statements of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (g) Financial assets (cont'd)

###### Accounting policies applied from 1 September 2018 (cont'd)

###### Subsequent measurement (cont'd)

##### (iii) Financial assets at fair value through other comprehensive income (no recycling)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to income statement. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company have not designated any financial assets in this category.

###### Accounting policies applied up to 31 August 2018

###### Initial recognition and measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at initial recognition, and the categories include financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

###### Subsequent measurement

##### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. The financial assets at fair value through profit or loss comprise other investments.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (g) Financial assets (cont'd)

##### Accounting policies applied from 1 September 2018 (cont'd)

##### Subsequent measurement (cont'd)

##### (i) Financial assets at FVTPL (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

##### (ii) Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. These loans and receivables comprise trade and other receivables, amount due from subsidiaries, deposits with licensed banks and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

##### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (g) Financial assets (cont'd)

###### Accounting policies applied from 1 September 2018 (cont'd)

###### Derecognition (cont'd)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

##### (h) Impairment of financial assets

###### Accounting policies applied from 1 September 2018

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (if any).

The Group and the Company consider a financial asset in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (h) Impairment of financial assets (cont'd)

###### Accounting policies applied up to 31 August 2018

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio which past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### (i) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade payables, other payables and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (i) Financial liabilities (cont'd)

###### Accounting policies applied up to 31 August 2018

###### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

##### (ii) Financial liabilities at amortised cost

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (j) Foreign currencies

###### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

###### (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (k) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### (l) Leases

###### (i) As lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (l) Leases (cont'd)

###### (i) As lessee (cont'd)

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

###### (ii) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.4 (n)(ii).

##### (m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

##### (n) Revenue recognition

The Group and the Company are in the business of manufacturing and distribution of prestressed spun concrete piles and poles. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company have generally concluded that they are the principal in their revenue arrangements because they typically controls the goods or services before transferring them to the customer.

###### (i) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The sale of goods is either on cash terms or on credit terms of up to 90 to 120 days.

###### (ii) Rental income

Rental income from operating leases (net of any incentives given to the lessee) is recognised in statement of comprehensive income on a straight line basis over the lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (n) Revenue recognition (cont'd)

###### (iii) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

###### (iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

##### (o) Employee benefits

###### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

###### (ii) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### (p) Income taxes

###### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

###### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.4 Summary of significant accounting policies (cont'd)

##### (p) Income taxes (cont'd)

##### (ii) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (q) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

##### (r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

##### (s) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

## 2. Significant accounting policies (cont'd)

### 2.5 Significant accounting estimates and judgements

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### (a) Judgements made in applying accounting policies

##### Classification between operating lease and finance lease for leasehold land

The Group and the Company have developed certain criteria based on MFRS 117 in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an assets and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the finance lease, the lease will be classified as property, plant and equipment if it is for own use or will be classified as investment property if it is to earn rentals or for capital appreciation or both.

The Group and the Company evaluated based on the terms and conditions of the arrangement, whether the land were operating leases or finance leases and judged that it retains all the significant risk and reward of these properties, thus accounted for as finance leases.

#### (b) Key sources of estimation uncertainty

##### (i) Useful lives of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescences and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimate of useful lives and residual values of property, plant and equipment brought about by changes in factors mentioned above. The Group and the Company also perform annual review of the assumptions made on useful lives and residual values to ensure that they continue to be valid.

During the year, the Group and the Company revised the estimated useful life of certain plant and machineries from 5 to 15 years. The revision was accounted for prospectively as a change in estimate and the effect of these changes in depreciation expense charged in current and future periods are disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 2. Significant accounting policies (cont'd)

#### 2.5 Significant accounting estimates and judgements (cont'd)

##### (b) Key sources of estimation uncertainty (cont'd)

###### (ii) Impairment losses of receivables

As at 31 August 2019, the Group's and Company's trade receivables are grouped based on days past due, with expected loss rates assessed based on the Group's and Company's historical credit loss experience.

The Group and the Company further evaluate the expected credit loss ("ECL") on customers on a case-by-case basis, which may be assessed based on indicators such as changes in financial capability of the debtor, and default or significant delay in payments.

###### (iii) Valuation of investment properties

The investment properties of the Group and the Company are measured at fair value. This requires an estimation of the fair values. The fair values of investment properties have been derived using the comparison approach. Estimate is required in selecting any comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, property size and other relevant characteristics.

###### (iv) Inventories

In determining the costing of inventories, management's judgement is required in determining the basis of finished goods valuation which comprise costs of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

###### (v) Impairment of property, plant and equipment

The Group and the Company assessed at each reporting date whether there is any indication that the CGU of the property, plant and equipment may be impaired. The Group and the Company estimated the recoverable amount of all its CGU based on fair value less costs of disposal method.

Fair value is obtained from valuation reports performed by independent professional valuer based on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 3. Revenue

	Group/Company	
	2019 RM	2018 RM
Sales of goods	101,864,722	161,951,674
<b>Geographical markets</b>		
Malaysia	64,988,730	99,033,786
Other Asian Countries	35,421,844	47,899,068
Africa	1,454,148	15,018,820
<b>Total revenue from contracts with customers</b>	<b>101,864,722</b>	<b>161,951,674</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	101,864,722	161,951,674

### Performance obligation

The Group is in the business of manufacturing and distribution of prestressed spun concrete piles and poles.

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 to 120 days (2018: 90 to 120 days).

## 4. Finance costs

	Group/Company	
	2019 RM	2018 RM
<b>Interest expense</b>		
- term loans	648,036	806,636
- bank overdrafts	465,603	422,622
- revolving credit	290,966	287,863
- bankers' acceptances	880,680	1,753,301
- letter of credit	48,629	164,612
- hire purchase	103,269	183,255
	<b>2,437,183</b>	<b>3,618,289</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**5. Loss before tax**

Loss before tax is stated after charging/(crediting):

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Staff costs (Note 6)	19,982,182	26,184,048	19,982,182	26,184,048
Non-Executive Directors' remuneration (Note 7)	142,500	144,000	142,500	144,000
Auditors' remuneration:				
Statutory audit	153,000	136,000	150,000	133,000
Other services	12,500	7,500	12,500	7,500
Depreciation of property, plant and equipment (Note 10)	1,797,270	3,663,258	1,797,270	3,663,258
Allowance for impairment - receivables (Note 15)	904,861	518,123	904,861	518,123
Reversal of allowance for impairment (Note 15):				
- trade receivables	(652,923)	(527,292)	(652,923)	(527,292)
- other receivables	(16,224)	-	(16,224)	-
Rental of buildings	1,093,171	1,087,566	1,093,171	1,087,566
Hire of machinery	576,950	1,011,893	576,950	1,011,893
Realised foreign exchange loss	356,883	567,341	356,883	567,341
Unrealised foreign exchange (gain)/loss	(150,447)	304,218	(150,447)	304,218
Rental income	(296,575)	(284,100)	(296,575)	(284,100)
Dividend income	(621,542)	(633,159)	(621,542)	(633,159)
Interest income	(114,699)	(275,838)	(114,699)	(275,838)
Gain on disposal for property, plant and equipment	(471,058)	-	(471,058)	-

**6. Staff costs**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Wages and salaries	18,217,543	24,402,858
Pension costs - defined contribution plan	956,518	1,068,283
Social security contributions	109,548	90,774
Other staff related expenses	698,573	622,133
	<b>19,982,182</b>	<b>26,184,048</b>

Included in staff costs of the Group and of the Company is Executive Director's remuneration amounting to RM606,544 (2018: RM604,304) as further disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 7. Directors' remuneration

	Group/Company	
	2019 RM	2018 RM
<b>Executive Director (Note 6)</b>		
- Leong Kway Wah	606,544	604,304
<b>Non-Executive Directors (Note 5)</b>		
- Abdul Khudus bin Mohd Naaim	66,000	66,000
- Dennis Xavier	20,000	20,000
- To' Puan Seri Hjh Nur Rahmah binti Mohd Zain	36,500	38,000
- Dato' Ir Dr Abdul Aziz bin Arshad	20,000	20,000
	142,500	144,000
Total Directors' remuneration	749,044	748,304

## 8. Taxation

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current income tax	-	-	-	-
Overprovision of income tax in prior years	-	32,352	-	32,352
	-	32,352	-	32,352
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	-	948,799	-	948,799
Underprovision in prior years	-	(30,856)	-	(30,856)
	-	917,943	-	917,943
	-	950,295	-	950,295

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**8. Taxation (cont'd)**

Reconciliations of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Loss before tax	(11,562,662)	(6,521,653)	(11,556,435)	(6,532,611)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	2,775,039	1,565,197	2,773,544	1,567,827
Income not subject to tax	36,116	154,588	36,116	151,958
Effect of different tax rate on fair value adjustment on investment properties	28,139	23,750	28,139	23,750
Deferred tax asset recognised on unutilised export allowance	-	168,195	-	168,195
Expenses not deductible for tax purposes	(1,219,660)	(962,931)	(1,218,165)	(962,931)
Deferred tax asset not recognised	(1,619,634)	-	(1,619,634)	-
Over provision of income tax expense in prior years	-	32,352	-	32,352
Under provision of deferred tax in prior years	-	(30,856)	-	(30,856)
Income tax credit for the year	-	950,295	-	950,295

**9. Loss per share**

Loss per share is calculated by dividing the loss for the year of RM11,562,662 (2018: loss of RM5,571,358) for the Group on the number of ordinary shares in issue during the year of 74,625,000 (2018: 44,775,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 10. Property, plant and equipment

Group/Company	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office, factory and laboratory equipment RM	Furniture, fixtures and fittings RM	Total RM
<b>Cost</b>							
At 1 September 2018	20,307,304	27,093,821	101,039,573	2,785,488	3,269,967	2,379,423	156,875,576
Additions	-	203,365	1,611,520	-	130,496	68,428	2,013,809
Disposals	-	-	(3,057,447)	(380,000)	-	-	(3,437,447)
At 31 August 2019	20,307,304	27,297,186	99,593,646	2,405,488	3,400,463	2,447,851	155,451,938
<b>Accumulated depreciation</b>							
At 1 September 2018	6,430,582	10,507,621	94,883,510	2,680,482	2,921,721	2,339,178	119,763,094
Charge for the year (Note 5)	385,343	600,076	633,802	36,632	123,349	18,068	1,797,270
Disposals	-	-	(3,057,447)	(380,000)	-	-	(3,437,447)
At 31 August 2019	6,815,925	11,107,697	92,459,865	2,337,114	3,045,070	2,357,246	118,122,917
<b>Net carrying amount</b>	13,491,379	16,189,489	7,133,781	68,374	355,393	90,605	37,329,021



**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**10. Property, plant and equipment (cont'd)**

Group/Company	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office, factory and laboratory equipment RM	Furniture, fixtures and fittings RM	Total RM
<b>Cost</b>							
At 1 September 2017	20,307,304	26,815,617	99,357,609	2,729,488	3,228,386	2,364,718	154,803,122
Additions	-	278,204	1,681,964	56,000	42,861	14,705	2,073,734
Write off	-	-	-	-	(1,280)	-	(1,280)
At 31 August 2018	20,307,304	27,093,821	101,039,573	2,785,488	3,269,967	2,379,423	156,875,576
<b>Accumulated depreciation</b>							
At 1 September 2017	6,045,238	9,911,412	92,458,873	2,614,322	2,744,387	2,326,884	116,101,116
Charge for the year (Note 5)	385,344	596,209	2,424,637	66,160	178,614	12,294	3,663,258
Write off	-	-	-	-	(1,280)	-	(1,280)
At 31 August 2018	6,430,582	10,507,621	94,883,510	2,680,482	2,921,721	2,339,178	119,763,094
<b>Net carrying amount</b>	13,876,722	16,586,200	6,156,063	105,006	348,246	40,245	37,112,482

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 10. Property, plant and equipment (cont'd)

- (a) Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use as follows:

	Group/Company	
	2019	2018
	RM	RM
Plant and machinery	85,326,754	88,384,201
Factory building	51,810	51,810
Motor vehicles	2,028,024	2,408,024
Office, factory and laboratory equipment	2,376,605	2,376,605
Furniture, fixtures and fittings	2,307,987	2,307,987
	92,091,180	95,528,627

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 21) are as follows:

	Group/Company	
	2019	2018
	RM	RM
Leasehold land	7,083,498	7,290,162
Factory buildings	11,096,731	11,352,217
	18,180,229	18,642,379

- (c) During the financial year, the Group and the Company acquired property, plant and equipment by the following means:

	Group/Company	
	2019	2018
	RM	RM
Cash	2,013,809	1,103,424
Hire purchase	-	970,310
	2,013,809	2,073,734

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 22.

- (d) During the year, the Group and the Company revised the estimated useful life of its plant and machineries based on the consideration of the expected level of usage of these machineries. The Group and the Company have increased the useful life of these machineries from 5 to 15 years.

The revision in estimate has been applied prospectively from 1 September 2018. The effect of the above revision on depreciation expense in current and future periods are as follows:

	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Decrease in depreciation expense	1,642,139	1,642,139	1,642,139	1,642,139

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**11. Investment properties**

	<b>Lands and buildings RM</b>	<b>Investment property under construction RM</b>	<b>Total RM</b>
<b>Group/Company</b>			
At 1 September 2018	12,526,000	-	12,526,000
Additions	-	436,600	436,600
Fair value adjustment	433,000	-	433,000
At 31 August 2019	12,959,000	436,600	13,395,600
At 1 September 2017	12,401,000	-	12,401,000
Fair value adjustment	125,000	-	125,000
At 31 August 2018	12,526,000	-	12,526,000

The lands and buildings are stated at fair value, which have been determined based on valuation performed by an independent professional valuer.

Investment property under construction are stated at fair value which is derived from the percentage of completion based on the fair value of the completed unit of the property.

Included in investment properties are residential properties received in settlement of certain trade receivables in current and prior years and commercial properties leased to third parties.

Investment property under construction is residential property under construction received in settlement of certain trade receivables in current year.

Investment properties with fair value of RM6,750,000 (2018: RM6,500,000) are pledged as securities for borrowings (Note 21).

The following are recognised in profit or loss in respect of investment properties:

	<b>Group/Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Rental income derived from investment property	296,575	284,100
Direct operating expenses generating rental income (included in other operating expenses)	(17,533)	(14,269)
Profit arising from investment property carried at fair value	279,042	269,831

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 11. Investment properties (cont'd)

### Fair value information

Fair values of investment properties are categorised as follows:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2019</b>				
- Shoplots	-	-	7,150,000	7,150,000
- Apartments	-	-	1,829,000	1,829,000
- Houses	-	-	90,000	90,000
- Land	-	-	3,890,000	3,890,000
	-	-	12,959,000	12,959,000
<b>2018</b>				
- Shoplots	-	-	6,890,000	6,890,000
- Apartments	-	-	1,748,000	1,748,000
- Houses	-	-	80,000	80,000
- Land	-	-	3,808,000	3,808,000
	-	-	12,526,000	12,526,000

### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can assess at the measurement date.

### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 3 fair values of investment properties have been generally derived using the sales comparison approach with adjustments made for differences such as location, size, condition, accessibility and design ("adjustment factors") and are categorised as Level 3 in the fair value hierarchy. The significant unobservable inputs for this category of investment properties are the adjustment factors, range between -28% and 4% (2018: -47% and 4%) of the respective comparative prices.

### Significant unobservable valuation input

	Group/Company	
	2019 RM	2018 RM
Price per square foot		
- Shoplots	314 - 3,809	18 - 3,569
- Apartments	142 - 397	135 - 378
- Houses	29	26
- Land	25 - 238	18 - 238

Significant increase/(decrease) in estimated price per square foot would result in a significant higher/(lower) fair value.

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**12. Investment in subsidiaries**

	<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Unquoted shares, at cost	4	4

Details of subsidiary companies are as follows:

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Group effective equity interest</b>	
			<b>2019 %</b>	<b>2018 %</b>
Concrete Engineering Products Management Sdn. Bhd.	Malaysia	Dormant	100	100
Concrete Engineering Products Marketing Sdn. Bhd.	Malaysia	Dormant	100	100

**13. Other investment**

	<b>Group/Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Fair value through profit or loss investment:		
Quoted shares in Malaysia	36,014,560	38,918,961

Other investment relate to investment in quoted shares of Inch Kenneth Kajang Rubber Public Limited Company ("IKKR"), a corporate shareholder. This represents 15% (2018: 14%) of the issued and fully paid up capital of IKKR. 40,000,000 units of quoted shares (2018: 40,000,000 units) are pledged as security for bank facilities as disclosed in Note 21.

As at the reporting date, the fair values of Group's and the Company's other investment are classified as Level 1 in the fair value hierarchy.

**14. Inventories**

	<b>Group/Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
<b>At cost:</b>		
Finished goods	29,023,316	30,329,499
Raw materials	14,869,463	21,580,798
Consumable spares	1,384,930	1,402,288
	<b>45,277,709</b>	<b>53,312,585</b>

During the year, inventories of RM55,418,636 (2018: RM97,997,565) was recognised in the cost of sales.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 15. Trade and other receivables

	Group/Company	
	2019	2018
	RM	RM
Trade receivables	43,354,723	71,294,268
Less: Allowance for impairment	(10,987,291)	(10,691,910)
	32,367,432	60,602,358
Other receivables:		
Deposits	430,559	417,357
Prepayments	2,242,402	445,836
Goods and services tax	-	1,592,751
Sundry receivables	146,415	597,757
Less: Allowance for impairment	(135,480)	(151,704)
	2,683,896	2,901,997
<b>Total trade and other receivables</b>	<b>35,051,328</b>	<b>63,504,355</b>

The Group's and the Company's average trade credit term ranges from 60 to 120 days (2018: 60 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group and the Company are amounts of RM6,619,648 (2018: RM7,656,248), arising from a single customer which contributed to approximately 15% (2018: 11%) of the total trade receivables as at the reporting date. Other than the above, the Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

### Ageing analysis of trade receivables

The ageing analysis of the Group's and Company's trade receivables is as follows:

	Group/Company	
	2019	2018
	RM	RM
Neither past due nor impaired	10,075,510	7,243,035
Past due but not impaired		
1 to 30 days past due but not impaired	3,609,717	8,324,814
31 to 60 days past due but not impaired	580,703	7,284,626
61 to 90 days past due but not impaired	1,254,815	5,436,226
91 to 120 days past due but not impaired	194,228	1,462,478
More than 121 days past due but not impaired	16,652,459	30,851,179
	22,291,922	53,359,323
Impaired	10,987,291	10,691,910
	43,354,723	71,294,268

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 15. Trade and other receivables (cont'd)

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

The receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realised in full without material losses in the ordinary course of business.

#### Receivables that are impaired

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, and product type, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Movement in the trade receivables allowance account:

	Group/Company	
	2019	2018
	RM	RM
At 1 September 2018/2017 (MFRS 139)	10,691,910	10,701,079
Adjustment on initial application of MFRS 9	43,443	-
At 1 September 2018/2017 (Restated)	10,735,353	10,701,079
Allowance for impairment (Note 5)	904,861	518,123
Reversal of allowance for impairment (Note 5)	(652,923)	(527,292)
At 31 August	10,987,291	10,691,910

Movement in the other receivables allowance account:

	Group/Company	
	2019	2018
	RM	RM
At 1 September 2018/2017	151,704	151,704
Reversal of allowance for impairment (Note 5)	(16,224)	-
At 31 August	135,480	151,704

There was no significant impact on the adoption of MFRS 9 on other receivables.

Trade and other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 16. Amount due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

## 17. Cash and bank balances

	Group/Company	
	2019	2018
	RM	RM
Cash at banks and on hand	275,455	1,174,439
Deposits with licensed banks	3,837,392	7,959,333
	4,112,847	9,133,772

The range of interest rates of deposits during the financial year was as follows:

	Group/Company	
	2019	2018
	% per annum	% per annum
Licensed banks	1.50 - 3.00	2.95 - 3.00

The range of number of days remaining to maturities as at reporting date is as follows:

	Group/Company	
	2019	2018
	days	days
Licensed banks	3 - 5	3 - 10

## 18. Share capital

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
			RM	RM
<b>Issued and fully paid:</b>				
At the beginning of year	44,775,000	44,775,000	75,344,833	75,344,833
Add: Bonus issue	29,850,000	-	-	-
At the end of year	74,625,000	44,775,000	75,344,833	75,344,833

Pursuant to the requirement of the Section 618(2) of the Act, the Company may, within 24 months from the commencement of this Act on 31 January 2017, utilise the amount standing to the credit of share premium account.

Accordingly, during the year, the Company issued 29,850,000 bonus ordinary shares on the basis of 2 bonus shares for every 3 existing shares held by entitled shareholders by utilising its share premium account to offset the bonus shares pursuant to Section 618(3) of the Act. There is no impact on the value of the share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**19. Dividends**

The Directors do not propose any dividend for the financial years ended 31 August 2018 and 31 August 2019.

**20. Retained profits**

Under the single tier system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Under this system, all the Company's retained earnings are distributable by way of single tier dividends and tax on the Company's profit is the final tax and dividend distributed to shareholders will be exempted from tax.

**21. Borrowings**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Long term borrowings</b>		
Secured:		
- Hire purchase (Note 22)	107,245	878,333
- Term loans	5,706,151	8,434,553
	5,813,396	9,312,886
<b>Short term borrowings</b>		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 22)	775,892	1,322,759
- Bankers' acceptances	6,616,000	27,280,000
- Invoice financing	3,448,138	2,680,389
- Term loans	2,741,711	2,671,355
- Letter of credit	-	6,576,022
- Bank overdrafts	5,997,527	4,670,159
	24,579,268	50,200,684
Unsecured:		
- Bankers' acceptances	3,807,000	3,748,000
- Contract loans	-	111,000
	3,807,000	3,859,000
<b>Total short term borrowings</b>	<b>28,386,268</b>	<b>54,059,684</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 21. Borrowings (cont'd)

	Group/Company	
	2019	2018
	RM	RM
<b>Total borrowings</b>		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 22)	883,137	2,201,092
- Bankers' acceptances	6,616,000	27,280,000
- Invoice financing	3,448,138	2,680,389
- Term loans	8,447,862	11,105,908
- Letter of credit	-	6,576,022
- Bank overdrafts	5,997,527	4,670,159
	30,392,664	59,513,570
Unsecured:		
- Bankers' acceptances	3,807,000	3,748,000
- Contract loans	-	111,000
	3,807,000	3,859,000
	34,199,664	63,372,570
Maturity of total borrowings:		
Not later than 1 year	28,386,268	54,059,684
Later than 1 year and not later than 2 years	5,387,944	6,451,318
Later than 2 years and not later than 5 years	425,452	2,861,568
	34,199,664	63,372,570

The range of effective interest rates during the financial year for borrowings were as follows:

	Group/Company	
	2019	2018
	%	%
Hire purchase	2.40 - 3.56	2.40 - 3.56
Bankers' acceptances	4.77 - 6.16	4.69 - 6.16
Invoice financing	6.69 - 6.89	6.48 - 6.92
Revolving credit facilities	5.70 - 5.88	5.63 - 5.89
Term loans	4.32 - 7.92	5.33 - 7.92
Letter of credit	3.62 - 8.07	3.60 - 4.98
Bank overdrafts	7.98 - 8.39	7.70 - 8.41

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**21. Borrowings (cont'd)**

	Note (i) RM	Note (ii) RM	Note (iii) RM	Total secured borrowings RM
<b>Facilities</b>				
<b>31 August 2019</b>				
Revolving credit	-	-	5,000,000	5,000,000
Bankers acceptance	1,153,000	-	5,463,000	6,616,000
Invoice financing	3,448,138	-	-	3,448,138
Term loans	1,688,426	3,190,764	3,568,672	8,447,862
Bank overdrafts	-	3,824,562	2,172,965	5,997,527
<b>31 August 2018</b>				
Revolving credit	-	-	5,000,000	5,000,000
Bankers acceptance	3,666,000	9,447,000	14,167,000	27,280,000
Invoice financing	2,680,389	-	-	2,680,389
Term loans	2,400,000	4,053,950	4,651,958	11,105,908
Letter of credit	4,524,040	2,051,982	-	6,576,022
Bank overdrafts	-	3,826,817	843,342	4,670,159

**Note (i)**

The term loan facility with a licensed bank are secured by way of first legal charge over an investment property in Bangsar with a net book value of RM6,750,000 (2018: RM6,500,000) as disclosed in Note 11.

**Note (ii)**

The facilities with a licensed bank are secured by way of:

	Group/Company	
	2019 RM	2018 RM
First party second legal charge over properties in Rawang (Note 10):		
- leasehold land	2,783,207	2,882,608
- factory building	6,876,321	7,023,407

**Note (iii)**

The facilities with a licensed bank are secured by way of:

	Group/Company	
	2019 RM	2018 RM
(a) First legal charge over properties in Nilai (Note 10):		
- leasehold land	1,598,728	1,621,567
- factory building	2,150,557	2,208,519
(b) First legal charge over properties in Batang Kali (Note 10):		
- leasehold land	2,701,563	2,785,987
- factory building	2,069,853	2,120,291

(c) Supplemental memorandum of deposit over investment in quoted shares as disclosed in Note 13.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 21. Borrowings (cont'd)

### Change in liabilities arising from financing activities

2019:

	At 1 September 2018 RM'000	Net addition/ (repayment) RM'000	At 31 August 2019 RM'000
<b>Group/Company</b>			
Hire purchase	2,201,092	(1,317,955)	883,137
Term loans	11,105,908	(2,658,046)	8,447,862
Revolving credit facilities	5,000,000	-	5,000,000
Bankers' acceptances	31,028,000	(20,605,000)	10,423,000
Invoice financing	2,680,389	767,749	3,448,138
Letter of credit	6,576,022	(6,576,022)	-
Others	111,000	(111,000)	-
	58,702,411	(30,500,274)	28,202,137

2018:

	At 1 September 2017 RM'000	Net addition/ (repayment) RM'000	At 31 August 2018 RM'000
<b>Group/Company</b>			
Hire purchase	2,689,959	(488,867)	2,201,092
Term loan	13,688,958	(2,583,050)	11,105,908
Revolving credit facilities	5,000,000	-	5,000,000
Bankers' acceptances	29,467,000	1,561,000	31,028,000
Invoice financing	918,000	1,762,389	2,680,389
Letter of credit	-	6,576,022	6,576,022
Others	-	111,000	111,000
	51,763,917	6,938,494	58,702,411

## 22. Hire purchase

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Future minimum lease payments:</b>		
Not later than 1 year	803,891	1,426,028
Later than 1 year and not later than 2 years	108,754	907,841
Total future minimum lease payments	912,645	2,333,869
Less: Future finance charges	(29,508)	(132,777)
Present value of hire purchase liabilities	883,137	2,201,092

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**22. Hire purchase (cont'd)**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Analysis of present value of hire purchase liabilities:</b>		
Not later than 1 year	775,892	1,322,759
Later than 1 year and not later than 2 years	107,245	878,333
	883,137	2,201,092
Less: Amount due within 12 months (Note 21)	(775,892)	(1,322,759)
Amount due after 12 months (Note 21)	107,245	878,333

**23. Deferred tax liabilities**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At 1 September 2018/2017	-	917,943
Recognised in profit or loss (Note 8)	-	(917,943)
At 31 August	-	-
<b>Presented after appropriate offsetting as follows:</b>		
Deferred tax liabilities	2,188,860	1,369,090
Deferred tax assets	(2,188,860)	(1,369,090)
	-	-

The components and movements of deferred tax liabilities and assets during the year for the Group and the Company were as follows:

**Deferred tax liabilities**

	<b>Property, plant and equipment RM</b>	<b>Fair value adjustment on investment properties RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 September 2018	1,081,692	172,700	114,698	1,369,090
Charged to profit or loss	590,863	192,800	36,107	819,770
At 31 August 2019	1,672,555	365,500	150,805	2,188,860
At 1 September 2017	1,006,069	166,450	187,688	1,360,207
Charged to profit or loss	75,623	6,250	(72,990)	8,883
At 31 August 2018	1,081,692	172,700	114,698	1,369,090

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 23. Deferred tax liabilities (cont'd)

### Deferred tax assets

	Provisions RM
At 1 September 2018	(1,369,090)
Charged to profit or loss	(819,770)
At 31 August 2019	(2,188,860)
At 1 September 2017	(442,264)
Charged to profit or loss	(926,826)
At 31 August 2018	(1,369,090)

Deferred tax assets have not been recognised in respect of the following items:

	Group/Company 2019 RM	2018 RM
Unabsorbed capital allowances	5,388,629	-
Unutilised allowance for increased export	8,683,292	7,323,446
	14,071,921	7,323,446

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits of the Company will be available against which the deductible temporary differences can be utilised.

## 24. Trade and other payables

	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
<b>Trade payables</b>				
Third parties	38,469,971	42,469,528	38,469,971	42,469,528
Accruals	507,926	996,651	507,926	996,651
	38,977,897	43,466,179	38,977,897	43,466,179
<b>Other payables</b>				
Third parties	90,666	75,984	80,308	65,608
Accruals	3,132,352	2,006,831	3,132,352	2,006,831
	3,223,018	2,082,815	3,212,660	2,072,439
<b>Total trade and other payables</b>	42,200,915	45,548,994	42,190,557	45,538,618

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**24. Trade and other payables (cont'd)**

The normal trade credit terms granted to the Group and to the Company range from 60 to 120 days (2018: 60 to 120 days).

**25. Segment reporting**

The activities of the Group comprise principally the manufacturing and distribution of prestressed spun concrete piles and poles and are conducted predominantly in Malaysia.

Geographical information

Revenue information based on geographical location of customers' country of incorporation are as follows:

	2019 RM	2018 RM
Malaysia	64,988,730	99,033,786
Southeast Asia	35,421,844	47,899,068
Africa	1,454,148	15,018,820
	101,864,722	161,951,674

Information about a major customer

Revenue from one major customer amounted to RM13,177,715 (2018: RM15,018,820).

**26. Key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include certain members of senior management of the Group and the Company.

The remuneration of key management personnel during the financial year is as follows:

	2019 RM	2018 RM
Short term employee benefits	525,000	523,000
Defined contribution plan	56,544	56,304
Fees	25,000	25,000
	606,544	604,304

Remuneration of Non-Executive Directors are disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 27. Financial instruments

### Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies of the Group described how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analysed the financial assets and liabilities at the reporting date by the classes of financial instruments to which they are assigned, and therefore by the measurement basis.

	Amortised cost RM	Fair value through profit or loss RM	Financial liabilities at amortised cost RM	Total RM
<b>Group</b>				
<b>31 August 2019</b>				
<b>Assets</b>				
Other investments	-	36,014,560	-	36,014,560
Trade and other receivables	32,808,926	-	-	32,808,926
Cash and bank balances	4,112,847	-	-	4,112,847
Total financial assets	36,921,773	36,014,560	-	72,936,333
Total non-financial assets				99,893,076
Total assets				172,829,409
<b>Liabilities</b>				
Borrowings	-	-	34,199,664	34,199,664
Trade and other payables	-	-	42,200,915	42,200,915
Total financial liabilities	-	-	76,400,579	76,400,579
Total non-financial liabilities				-
Total liabilities				76,400,579
<b>31 August 2018</b>				
<b>Assets</b>				
Other investments	-	38,918,961	-	38,918,961
Trade and other receivables	61,465,768	-	-	61,465,768
Cash and bank balances	9,133,772	-	-	9,133,772
Total financial assets	70,599,540	38,918,961	-	109,518,501
Total non-financial assets				107,437,998
Total assets				216,956,499
<b>Liabilities</b>				
Borrowings	-	-	63,372,570	63,372,570
Trade and other payables	-	-	45,548,994	45,548,994
Total financial liabilities	-	-	108,921,564	108,921,564
Total non-financial liabilities				-
Total liabilities				108,921,564

**NOTES TO THE FINANCIAL STATEMENTS**  
31 August 2019 (cont'd)**27. Financial instruments (cont'd)****Classification of financial instruments (cont'd)**

	Amortised cost RM	Fair value through profit or loss RM	Financial liabilities at amortised cost RM	Total RM
<b>Company</b>				
<b>31 August 2019</b>				
<b>Assets</b>				
Other investments	-	36,014,560	-	36,014,560
Trade and other receivables	32,808,926	-	-	32,808,926
Amount due from subsidiaries	52,655	-	-	52,655
Cash and bank balances	4,112,847	-	-	4,112,847
Total financial assets	36,974,428	36,014,560	-	72,988,988
Total non-financial assets				99,893,080
Total assets				172,882,068
<b>Liabilities</b>				
Borrowings	-	-	34,199,664	34,199,664
Trade and other payables	-	-	42,190,557	42,190,557
Total financial liabilities	-	-	76,390,221	76,390,221
Total non-financial liabilities				-
Total liabilities				76,390,221
<b>31 August 2018</b>				
<b>Assets</b>				
Other investments	-	38,918,961	-	38,918,961
Trade and other receivables	61,465,768	-	-	61,465,768
Amount due from subsidiaries	46,410	-	-	46,410
Cash and bank balances	9,133,772	-	-	9,133,772
Total financial assets	70,645,950	38,918,961	-	109,564,911
Total non-financial assets				107,438,002
Total assets				217,002,913
<b>31 August 2018</b>				
<b>Liabilities</b>				
Borrowings	-	-	63,372,570	63,372,570
Trade and other payables	-	-	45,538,618	45,538,618
Total financial liabilities	-	-	108,911,188	108,911,188
Total non-financial liabilities				-
Total liabilities				108,911,188



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 28. Fair value of financial instruments

### (a) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Receivables	15
Amount due from subsidiaries	16
Cash and bank balances	17
Borrowings (current and non-current)	21
Payables	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the relatively short term nature of these financial instruments.

The carrying amount of the current portion of borrowings are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair value of quoted other investments is determined directly by reference to their published market price at the reporting date.

The fair value of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

	2019		2018	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Group/Company</b>				
<b>Financial liabilities</b>				
Long term borrowing				
- Hire purchase	107,245	101,089	878,333	803,819
- Term loans	5,706,151	4,791,059	8,434,553	6,680,834
	5,813,396	4,892,148	9,312,886	7,484,653

### (b) Fair value hierarchy

The Group's and the Company's financial instruments carried at fair value are analysed as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

As at reporting date, the Group's and the Company's other investments and borrowings are classified as Level 1 and 2 respectively. The Group and the Company do not have any financial instrument classified as Level 3 as at 31 August 2019.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 29. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and market price risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with reputable financial institutions.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

#### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several banks.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 29. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
<b>2019</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	42,200,915	-	42,200,915
Borrowings	28,880,016	6,074,999	34,955,015
Total undiscounted financial liabilities	71,080,931	6,074,999	77,155,930
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	42,190,557	-	42,190,557
Borrowings	28,880,016	6,074,999	34,955,015
Total undiscounted financial liabilities	71,070,573	6,074,999	77,145,572
<b>2018</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	45,548,994	-	45,548,994
Borrowings	54,904,948	10,190,177	65,095,125
Total undiscounted financial liabilities	100,453,942	10,190,177	110,644,119
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	45,538,618	-	45,538,618
Borrowings	54,904,948	10,190,177	65,095,125
Total undiscounted financial liabilities	100,443,566	10,190,177	110,633,743

# NOTES TO THE FINANCIAL STATEMENTS

## 31 August 2019 (cont'd)

### 29. Financial risk management objectives and policies (cont'd)

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

The investments in financial assets including fixed deposits are mainly short term in nature and they are not held for speculative purposes.

The Group and the Company manage interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing the debt portfolio, taking into account the investment holding period and nature of its assets.

#### Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group/Company RM
<b>31 August 2019</b>	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(85,499)
Interest rates decrease by 0.25%	85,499
<b>31 August 2018</b>	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(158,431)
Interest rates decrease by 0.25%	158,431

#### (d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices.

The Group and the Company are exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Malaysia. These instruments are classified as fair value through profit or loss financial assets. The Group and the Company do not have exposure to commodity price risk.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2019 (cont'd)

## 29. Financial risk management objectives and policies (cont'd)

### (d) Market price risk (cont'd)

#### Market price sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in market price, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on fair value through profit or loss).

	Group/Company RM
<b>31 August 2019</b>	
Investment in Malaysia	
Market price increase by 5%	1,800,728
Market price decrease by 5%	(1,800,728)
<b>31 August 2018</b>	
Investment in Malaysia	
Market price increase by 5%	1,945,948
Market price decrease by 5%	(1,945,948)

### (e) Foreign currency risk

The Group and the Company are exposed to transactional currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD), United Arab Emirates Dirham (AED), Singapore Dollars (SGD) and Indonesian Rupiah (IDR). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

#### Functional currency of Group/Company

	RM
<b>As at 31 August 2019</b>	
United States Dollar	3,094,707
United Arab Emirates Dirham	2,009,880
Singapore Dollar	707,624
Indonesian Rupiah	1,454,155
	<b>7,266,366</b>
<b>As at 31 August 2018</b>	
United States Dollar	5,962,201
United Arab Emirates Dirham	1,957,319
Singapore Dollar	17,362
	<b>7,936,882</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 August 2019 (cont'd)

**29. Financial risk management objectives and policies (cont'd)****(e) Foreign currency risk (cont'd)**

With all other variables held constant, the following table demonstrates the sensitivity of the Group's and the Company's profit before taxation to a reasonably possible change in those exchange rates against the functional currency of the Group and the Company:

		<b>Group/Company Profit before tax</b>	
		<b>2019 RM</b>	<b>2018 RM</b>
USD/RM	- strengthen 3%	92,841	178,866
	- weaken 3%	(92,841)	(178,866)
AED/RM	- strengthen 3%	60,296	58,720
	- weaken 3%	(60,296)	(58,720)
SGD/RM	- strengthen 3%	21,229	521
	- weaken 3%	(21,229)	(521)
IDR/RM	- strengthen 3%	217,991	-
	- weaken 3%	(217,991)	-

**30. Capital management**

The primary objective of the Group's and the Company's capital management is to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 August 2019 and 31 August 2018.

The Group and the Company monitor capital using debt to equity ratio, which is total debts divided by total equity.

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Total debts	34,199,664	63,372,570	34,199,664	63,372,570
Equity attributable to the owners of the parent	96,428,830	108,034,935	96,491,847	108,091,725
Debt to equity ratio	35%	59%	35%	59%

**31. Significant event during the year**

On 7 January 2019, the Company proposed to undertake a bonus issue of 29,850,000 new ordinary shares ("Bonus shares") on the basis of two (2) Bonus Shares for every three (3) existing ordinary shares in the Company, utilising its share premium account to offset the bonus shares pursuant to Section 618(3) of the Act.

Accordingly, on 23 January 2019, the issuance of Bonus shares has been completed and the number of shares has increased from 44,775,000 to 74,625,000 ordinary shares.



# ANALYSIS OF SHAREHOLDINGS

As at 20 November 2019

Class of Shares : Ordinary shares

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No of Holders	No of Shares	%
Less than 100	39	1,850	0.00
100 - 1,000	68	37,339	0.05
1,001 - 10,000	875	2,875,123	3.85
10,001 - 100,000	139	3,891,623	5.21
100,001 - less than 5% of issued shares	48	46,307,408	62.05
5% and above of issued shares	2	21,511,265	28.83
<b>Total</b>	<b>1,171</b>	<b>74,624,608</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name	No of Shares	%
1) Inch Kenneth Kajang Rubber Public Limited Company	16,718,264	22.40
2) Progressive Metal Works Sdn Bhd	6,965,000	9.33

## THIRTY (30) LARGEST SHAREHOLDERS

Name	No of Shares	%
1) Inch Kenneth Kajang Rubber Public Limited Company	14,546,265	19.49
2) Progressive Metal Works Sdn Bhd	6,965,000	9.33
3) Md Rushdi bin Taib	3,370,450	4.52
4) Mohd Ridzwan bin Jamaludin	3,353,535	4.49
5) SJ Securities Nominees (Tempatan) Sdn Bhd for Zuraini binti Alias	2,890,083	3.87
6) HLIB Nominees (Tempatan) Sdn Bhd for Che Muhamad Fasir bin Samsudin	2,805,500	3.76
7) FA Securities Sdn Bhd	2,500,000	3.35
8) General Growth Sdn Bhd	1,937,333	2.60
9) Ahmad Hamzah bin Mohd Anuar	1,916,666	2.57
10) Inch Kenneth Kajang Rubber Public Limited Company	1,669,000	2.24
11) Good Health Pharmacy Sdn Bhd	1,493,333	2.00
12) Amsec Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	1,438,166	1.93
13) Masmanis Sdn Bhd	1,419,500	1.90

**Analysis Of Shareholdings**

As at 20 November 2019 (cont'd)

**THIRTY (30) LARGEST SHAREHOLDERS (cont'd)**

Name	No of Shares	%
14) Muhammad Fadhil Al Nassir bin Muhamad Fasri	1,305,833	1.75
15) Masmanis Sdn Bhd	1,300,166	1.74
16) AllianceGroup Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	1,184,916	1.59
17) Usaki Sdn Bhd	1,166,666	1.56
18) AllianceGroup Nominees (Tempatan) Sdn Bhd for Mohd Dzaki @ Mohd Zaki bin Jaafar	1,088,583	1.46
19) TA Nominees (Tempatan) Sdn Bhd for Hassan bin Haji Hussin	994,166	1.33
20) AllianceGroup Nominees (Tempatan) Sdn Bhd for Latifah binti Abdul Hamid	989,333	1.33
21) Kenanga Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	979,166	1.31
22) Miss Asura Salaeh	975,100	1.31
23) Amsec Nominees (Tempatan) Sdn Bhd for Mohd Dzaki @ Mohd Zaki bin Jaafar	886,666	1.19
24) Che Yam @ Rusnah binti Hussin	841,833	1.13
25) Deal Trekker (M) Sdn Bhd	841,333	1.13
26) Maybank Nominees (Tempatan) Sdn Bhd for Ahmad Hamzah bin Mohd Anuar	799,250	1.07
27) Ambank (M) Berhad for Sumber Berkat Sdn Bhd	658,333	0.88
28) General Growth Sdn Bhd	605,166	0.81
29) Farisa binti Che Muhamad Fasir	584,583	0.78
30) Temenggong Hotel Sdn Bhd	518,083	0.69

# LIST OF PROPERTIES

As at 31 August 2019

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Property Usage	Net Book Value 31-Aug-19 RM	Date of Acquisition (A) / Revaluation (R)
1	Lot 63 Bakar Arang Industrial Estate Sg Petani Kedah	Leasehold expiring in 2083	64	Land: 13.2 acres Built-up: 5,180 sqm	Single-storey office, an open sided single storey factory, canteen, laboratory, store and stockyard	Plant	3,671,119	31 August 1995 (R)
2	PLO 337 Jln Suas Pasir Gudang Industrial Estate Pasir Gudang Johor	Leasehold expiring in 2050	31	Land: 7.5 acres Built-up: 7,000 sqm	Single-storey office, two single-storey factory buildings, boiler house, canteen, stockyard and jetty	Plant	5,127,315	31 August 1995 (R)
3	PLO 461 Jln Suas Pasir Gudang Industrial Estate Pasir Gudang Johor	Leasehold expiring in 2053	34	Land: 2.5 acres	Stockyard	Stockyard	2,448,955	31 August 1995 (R)
4	PT 643 Batu 20 Jalan Ipoh Rawang Selangor	Leasehold expiring in 2047	28	Land: 11.344 acres Built-up: 16,630 sqm	Double-storey office, canteen, store, laboratory, single-storey factory and stockyard	Plant	9,622,088	23 June 1993 (A)
<i>*Property is currently charged for financing facilities</i>								
5	Lot 7106 Kawasan Perindustrian Nilai, Nilai Negeri Sembilan	Leasehold expiring in 2089	70	Land: 6.707 acres Built-up: 6,370 sqm	Single-storey factory and office, canteen and stockyard	Plant	3,749,286	16 March 2007 (A)
<i>*Property is currently charged for financing facilities</i>								
6	HS(M) 1653 PT2100 Mukim Batang Kali District of Hulu Selangor Selangor	Leasehold expiring in 2052	33	Land: 7.981 acres Built-up: 4,842 sqm	Single-storey factory and office, canteen, stockyard, boiler, generator and compressor rooms	Plant	4,771,416	25 August 2010 (A)
<i>*Property is currently charged for financing facilities</i>								
7	No. 11 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	63	Land: 0.035 acres Built-up: 150 sqm	Residential double-storey house	Hostel	65,039	30 April 1992 (A)

**List Of Properties**  
**As at 31 August 2019 (cont'd)**

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Property Usage	Net Book Value 31-Aug-19 RM	Date of Acquisition (A) / Revaluation (R)
8	No. 31 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	63	Land: 0.035 acres Built-up: 150 sqm	Residential double-storey house	Hostel	67,010	8 September 1992 (A)
9	No. 42 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	63	Land: 0.035 acres Built-up: 150 sqm	Residential double-storey house	Hostel	65,039	30 April 1992 (A)
10	No. 8 Jalan 2/11 Jalan Bukit Rawang Jaya Rawang Selangor	Freehold		Land: 0.030 acres Built-up: 90 sqm	Single-storey terrace house	Hostel	37,440	28 April 1994 (A)
11	A-3-3, Block A Taman Nilai Perdana Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sqm	Apartment	Hostel	17,971	27 May 2009 (A)
12	A-1-6, Block A Taman Nilai Perdana Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sqm	Apartment	Hostel	20,218	27 May 2009 (A)
13	LA-3-2, Block LA Taman Nilai Perdana Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sqm	Apartment	Hostel	17,971	27 May 2009 (A)
14	No. I-G-02 Jalan PPK 2 Bandar Kinrara Section 3 Puchong Selangor	Leasehold expiring in 2099	80	Built-up: 114 sqm	Ground Floor Shoplot	Rental property	400,000	30 August 2019 (R)

\*Property is currently charged for financing facilities

## List Of Properties

As at 31 August 2019 (cont'd)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Property Usage	Net Book Value 31-Aug-19 RM	Date of Acquisition (A) / Revaluation (R)
15	Danau Putra Apartments Jalan Putra Perdana 5F Taman Putra Sepang Selangor	Leasehold expiring in 2092	73	Built up: 76 sqm	Apartments	Rental property - Vacant	115,000	30 August 2019 (R)
	Unit 48-2A			73 sqm			110,000	
	Unit 49-2A			69 sqm			105,000	
	Unit 49-2B			66 sqm			98,000	
	Unit 52-1B			66 sqm			100,000	
	Unit 52-1C			44 sqm			70,000	
	Unit 52-1D			73 sqm			115,000	
	Unit 53-2D			61 sqm			90,000	
	Unit 53-3B			66 sqm			96,000	
16	B1-5-6 Pandan Mewah Heights Jalan Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	67	Built-up: 90 sqm	Condominium	Hostel	390,000	30 August 2019 (R)
<i>*Property is currently charged for financing facilities</i>								
17	B1-5-7 Pandan Mewah Heights Jalan Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	67	Built-up: 90 sqm	Condominium	Rental property	390,000	30 August 2019 (R)
<i>*Property is currently charged for financing facilities</i>								
18	No. 2 Jln Chamar 1B/2 Lembah Beringin Kuala Kubu Baru Selangor	Freehold		Built-up: 151 sqm	Residential one and half-storey terrace house	Rental property - Vacant	90,000	30 August 2019 (R)
19	Lot 7692 Jalan 14/2A Taman Tun Abdul Razak Ampang Selangor	Leasehold expiring in 2078	59	Land: 1,191 sqm	Vacant detached residential plot	Rental property - Vacant	3,000,000	30 August 2019 (R)

**List Of Properties**  
**As at 31 August 2019 (cont'd)**

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Property Usage	Net Book Value 31-Aug-19 RM	Date of Acquisition (A) / Revaluation (R)
20	44 & 44A Jalan Telawi 5 Bangsar Baru Kuala Lumpur	Freehold	37	Built-up: 332 sqm	Double-storey shop office	Rental property	6,750,000	30 August 2019 (R)
<i>*Property is currently charged for financing facilities</i>								
21	8 plots of vacant detached house lots Pekan Lukut District of Port Dickson Negeri Sembilan Lot No. 7354 Lot No. 7759 Lot No. 7760 Lot No. 7765 Lot No. 7766 Lot No. 7769 Lot No. 7783 Lot No. 7784	Freehold		Built-up: 280 sqm 661 sqm 697 sqm 720 sqm 570 sqm 748 sqm 353 sqm 334 sqm	Vacant detached residential plot	Rental property - Vacant	890,000	30 August 2019 (R)
22	No. 1-4B Block C Jalan SP 5/4 Taman Serdang Perdana Seksyen 5 Seri Kembangan Selangor	Freehold		Built up: 60 sqm	Residential apartment	Rental property - Vacant	150,000	30 August 2019 (R)
23	No. B-C-06-05 Impression U-Thant Jalan U-Thant Taman U-Thant Kuala Lumpur	Freehold		Built up: 117 sqm	Residential condominium	Constuction in progress	436,600 (progress billing)	19 October 2018 (A)



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting ("35th AGM")** of Concrete Engineering Products Berhad ("CEPCO" or the "Company") will be held at Dewan Murni, Ground Floor Menara Integriti, Institut Integriti Malaysia, Persiaran Tuanku Syed Sirajuddin, Off Jalan Tuanku Abdul Halim, 50480 Kuala Lumpur, on Wednesday, 15 January 2020 at 10:00 a.m. for the following purposes:

## AGENDA

### ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 August 2019 together with the Reports of the Directors and the Auditors thereon.
2. **Resolution 1**  
To approve the payment of Directors' fees in respect to the financial year ended 31 August 2019.
3. **Resolution 2**  
To re-elect Mr Leong Kway Wah who retires pursuant to Article 102 of the Company's Constitution, and being eligible, offers himself for re-election.
4. To re-elect the following Directors who retire by rotation pursuant to Article 96 of the Company's Constitution, and being eligible, offer themselves for re-election:

**Resolution 3a** - To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain

**Resolution 3b** - Mr Dennis Xavier

5. **Resolution 4**  
To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

6. **Approval to Continue in Office as Independent Non-Executive Directors**

#### **Resolution 5a**

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain

"THAT subject to the passing of the Resolution 3a, authority be and is hereby given to To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain who has served as an Independent Non- Executive Director of the Company for a cumulative term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting ("AGM").

#### **Resolution 5b**

Mr Dennis Xavier

"THAT subject to the passing of the Resolution 3b, authority be and is hereby given to Mr Dennis Xavier who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

**Notice of Annual General Meeting**  
(cont'd)**7. Resolution 6****Authority to Allot and Issue Shares Pursuant to the Malaysian Companies Act 2016**

"THAT subject to the Malaysian Companies Act 2016 (the "Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and approval of the relevant government regulatory authorities, if required, the Directors be and hereby empowered pursuant to Sections 75 and 76 of the Act, to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company."

**OTHER BUSINESS**

8. To transact any other business of which due notice shall have been given.

**By order of the Board**

**NORAKHMAR BINTI BAHAROM (LS 0001698)**

Secretary

Kuala Lumpur

18 December 2019

**NOTES:****Appointment of Proxy**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney duly authorised.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting, and where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority shall be deposited at the Registrar's office at 22nd Floor Menara Promet (KH), Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. A member whose name appears in the Record of Depositors as at 9 January 2020 shall be regarded as Member of the Company entitled to attend the 35th AGM or appoint a proxy to attend and vote on his/her behalf.
6. Any alteration in the Form of Proxy must be initialled.
7. All the Resolutions set out in the Notice of the 35th AGM will be put to a vote by poll pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities.

## Notice of Annual General Meeting (cont'd)

### EXPLANATORY NOTES ON ORDINARY BUSINESS

#### 1. Audited Financial Statements

The Audited Financial Statements for the financial year ended 31 August 2019 and the Reports of the Directors and Auditors thereon are for discussion only and hence no shareholders' approval is required under Section 340(1)(a) of the Act.

#### 2. Resolution 1 - Directors' Fees

Section 230(1) of the Act provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The Board agreed that the shareholders' approval shall be sought at the 35th AGM on the Directors' fees.

#### 3. Resolution 2- Re-appointment of Mr Leong Kway Wah

In accordance to Article 102 of the Company's Constitution provides that a Managing Director is subjected to retirement once every three years and be eligible for re-election.

The Board has recommended that Mr Leong Kway Wah be re-appointed as Director of the Company.

#### 4. Resolution 3(a) & 3(b) - Re-appointment of To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier

Pursuant to Section 205(3)(b) of the Act and in accordance to Article 96 of the Company's Constitution provides that both Directors shall retire from office by rotation, and be eligible for re-election.

The Board has recommended that To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier be re-appointed as Directors of the Company.

#### 5. Resolution 4 - Re-appointment of Auditors

The Board has recommended that Messrs Ernst & Young be re-appointed as Auditors of the Company.

## Notice of Annual General Meeting (cont'd)

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 6. Resolution 5(a) & 5(b) - Continuing in Office as Independent Non-Executive Directors

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. In line with the Malaysian Code on Corporate Governance, and upon assessment and recommendation of the Nominating Committee, the rest of the Board members are of the unanimous opinion that To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier should continue to act as Independent Non-Executive Directors of the Company based on the following justification:

- a) They fulfil the criteria as Independent Directors as defined in the Listing Requirements of Bursa Securities, and are therefore able to bring independent and objective judgements to the Board.
- b) Their vast experience, and their business and legal background enable them to provide the Board with a diverse set of expertise, skills and competence.
- c) They understand the Company's business operations which allow them to participate actively and contribute positively during deliberations or discussions at both the Committee and Board meetings.
- d) They devote sufficient time and effort and attend all the Committees and Board Meetings for informed and balanced decision making.
- e) They exercise due care as Independent Directors of the Company and carry out their professional and fiduciary duties in the interest of the Company and its shareholders.

#### 7. Resolution 6 - Authority to Allot and Issue Shares Pursuant to the Malaysian Companies Act 2016

The proposed Resolution 6, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 7 January 2019 and which will lapse at the conclusion of the 35th AGM.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises, or in the event of business opportunities, or other arising circumstances which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to 8.27(2) of the Listing Requirements of Bursa Securities

1. The Directors standing for re-election at the 35th AGM of the Company are:
  - a. Pursuant to Article 102 of the Company's Constituion
    - Mr Leong Kway Wah
  - b. Pursuant to Article 96 of the Company's Constitution
    - To' Puan Hajjah Nur Rahmah binti Mohd Zain
    - Mr Dennis Xavier
2. The profiles of the Directors who are standing for re-election are set out on pages 8 and 9 of this Annual Report.
3. The abovenamed Directors do not hold any interest in the securities of the Company or its subsidiaries. None of their family members have direct or indirect relationship with any Director and/or major shareholder of the Company. They have not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. They have not been convicted for any criminal offences other than traffic offences, if any, within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Statement relating to the general mandate for issue of securities is in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Securities.

Details of general mandate to issue and allot securities in the Company pursuant to Sections 75 and 76 of the Act are set out in Explanatory Note 7 of the Notice of the 35th AGM.

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# FORM OF PROXY

CDS AC NO	
NO OF SHARES HELD	

I/We \_\_\_\_\_ (NRIC/Company No. \_\_\_\_\_)  
(FULL NAME IN CAPITAL LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a shareholder(s) of **Concrete Engineering Products Berhad** hereby appoint \*the Chairman of the Meeting,

or \_\_\_\_\_ (\_\_\_\_\_% )  
(FULL NAME OF PROXY)

of \_\_\_\_\_  
(ADDRESS)

\*and/or failing him/her \_\_\_\_\_ (\_\_\_\_\_% )  
(FULL NAME OF PROXY)

of \_\_\_\_\_  
(ADDRESS)

as \*my/our proxy to vote for \*my/our behalf at the 35th Annual General Meeting of the Company to be held at Dewan Murni, Ground Floor Menara Integriti, Institut Integriti Malaysia, Persiaran Tuanku Syed Sirajuddin, Off Jalan Tuanku Abdul Halim, 50480 Kuala Lumpur, on Wednesday, 15 January 2020 at 10:00 a.m. for the following purposes:

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
1)	To approve the payment of Directors' fees		
2)	To re-elect Mr Leong Kway Wah who retires pursuant to Article 102 of the Company's Constitution		
3)	To re-elect the following Directors who retire by rotation pursuant to Article 96 of the Company's Constitution: a) To' Puan Hajjah Nur Rahmah binti Mohd Zain b) Mr Dennis Xavier		
4)	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
5)	<b>Special Business:</b> Approval to continue in office as Independent Non-Executive Directors: a) To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain b) Mr Dennis Xavier		
6)	<b>Special Business:</b> To empower the Directors of the Company to issue shares pursuant to the Malaysian Companies Act 2016		

Votes are as indicated by an "X" in the appropriate spaces above. If no indication is given, my/our proxy shall vote or abstain from voting as he/she thinks fit.

\*Delete whichever is not applicable.

\_\_\_\_\_  
Signature/Seal of Shareholder(s)

Dated this day \_\_\_\_\_ of \_\_\_\_\_ 20 \_\_\_\_\_

Tel No: \_\_\_\_\_

## NOTE:

A member of the Company entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. A member shall appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall not be valid unless he/she specifies the proportion of his/her holding to be represented by each proxy. The instrument appointing a proxy must be deposited at the Registrar's office of the Company, not less than forty-eight (48) hours before the time for holding the meeting.

FOLD THIS FLAP FOR SEALING

AFFIX  
STAMP

**MESTIKA PROJEK (M) SDN BHD**

Registration No. 199101015233 (225545-V)

22nd Floor Menara Promet (KH)

Jalan Sultan Ismail

50250 Kuala Lumpur

Malaysia

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1ST FOLD HERE



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## **CONCRETE ENGINEERING PRODUCTS BERHAD**

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