

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SIXTH ANNUAL GENERAL MEETING (“36TH AGM”) OF THE COMPANY HELD VIRTUALLY AT THE BROADCAST VENUE LOCATED AT 22ND FLOOR, MENARA KH (PROMET), JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR, MALAYSIA ON WEDNESDAY, 13 JANUARY 2021 AT 10.00 A.M.

The following questions were raised during the 36th AGM of the Company, which were duly responded by the Managing Director of the Company:

A. Question from Minority Shareholders Watch Group:

Operational & Financial Matters

1. Covid-19 Pandemic

To what extent has the pandemic impacted CEPCO ‘s operations and financial position in FY2021?

With the continuous of strict guidelines and SOP, some of the project sites are still unable to proceed with the piling activities. The new orders from domestic and export markets are low during RMCO phase and this have adversely affected the Group’s revenue as most of the projects shall only kick off by mid-2021. Further, with the pressure of downward selling price from competitors and the low volume of production resulted higher production cost and adversely affected the overall gross profit margin of the Group.

Business travelling is also hampered by the need of self-quarantine. This have delayed some of our East Malaysia and overseas projects’ progress. The lack of foreign direct investments into Malaysia due to the pandemic also have an impact to our revenue. This coupled with the rising steel prices and the international inbound charges will certainly offset our performance as substantial amount of our contract are fixed price.

Nevertheless, the Board will take the necessary measures to manage and mitigate these uncertainties in order to optimise the Group performance and will continue to implement any necessary action plans to minimise the Group losses and improve the Group cash flows to mitigate the adverse impact on the Group performance.

2. Financial performance (Page 17 of the AR 2020)

FINANCIAL YEAR ENDED 31 AUGUST	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	80,101	101,865	161,952	179,412	192,375
Profit/(Loss) after Taxation	(18,061)	(11,563)	(5,571)	(5,231)	12,005

In FY2020, CEPCO recorded the lowest revenue since FY2016 and highest loss after tax since FY2017. How does the Board plan to address the Group’s deteriorating financial performance, moving forward?

The growth prospects for FYE 2021 depend heavily on a resilient growth in domestic demands and good performances of major developed economies as well as emerging markets. Due to very strict guidelines and

SOP, some of the project sites are still unable or defer to proceed with the piling activities. Therefore, the big chunk of the projects shall kick off by mid-2021.

Based on the recent Budget 2021 announced in November 2020, close to RM40 billion has been allocated for 'economic development' cover the spending on construction on projects like transport, road infrastructure, buildings that require the usage of our spun pile. Apart from the government initiative projects, privately funded projects are still being carried out. i.e. building high rise service apartments, warehouses, factories, solar farm, power plant and etc.

There are few important areas that CEPCO is focusing on, which we believe could improve our financial performance as well as position in the local market.

- i. Spun poles supply to utility companies.
- ii. Projects undertaken by East Malaysia government.
- iii. Road infrastructure project i.e., ECRL and MRT3.

As for the overseas market, we have business tie-up with large contractor groups in Maldives and Vietnam and CEPCO will continue to export to Asia, Africa, the Oceania and Gulf Region countries.

3. What are the reasons for the sharp increase in Other operating expenses from RM1,081,764 in FY2019 to RM2,364,137 in FY2020 (Page 52 of the Annual Report 2020)?

The sharp increase of the other operating expenses is due to the provision for impairment of trade receivable amounted to RM1.28 million.

4. The Group is constantly undertaking continuous enhancements in production efficiencies and expanded its products offerings to new overseas markets, which is expected to generate better sales and profitability (Page 16 of the Annual Report 2020).

a) What has the Group achieved in terms of production efficiencies?

We have improved our spinning process and went for automation for certain production process. These have increased 15% of our current production efficiencies.

The use of slag in our products have also help to reduce the cement usage and improve our products quality with higher ultimate strength. These have improved our cost efficiencies in production.

b) What are the areas for improvement that the Group has identified?

Automation in our production as well as the R&D for our products.

c) What progress has the Group made expanding its product offerings to new overseas markets to date?

CEPCO constantly requested to quoted for infrastructure and construction projects from overseas countries, and we currently export our products to Asia, Africa, the Oceania and Gulf Region counties.

5. Orderbook

a) What is the Group's current orderbook?

RM140 million.

b) How long will the current order book last?

Up to 24 months

a) What is the targeted order book replenishment for next year?

Around RM100 million.

6. As at FY2020, CEPCO recognised a cumulative allowance for impairment of RM11,655,012 (FY2019: RM10,987,291) in respect of the Group's/the Company's trade receivables (Page 84 of the Annual Report 2020).

Is the amount recoverable? If so, how much of this amount has been recovered to date?

Yes, is recoverable. We are in the final discussion stage with few of the debtors and we foresee we can recover around 10% of the impairment allowance in near future.

Corporate Governance & Sustainability Matters

1. Practice 4.5 of Malaysia Code on Corporate Governance (MCCG) states that "the board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets". The Company in its Corporate Governance Report for FY2020 (Page 14) states that it has applied Practice 4.5 of MCCG. The Company has not applied Practice 4.5 of MCCG, as the Board currently does not have any gender, ethnicity and age policy or target. Please take note of this.

Yes, we will take note on it.

2. In its Corporate Governance Report for FY2020 (Page 17), the Company states that it has applied Practice 5.1 of MCCG. The Company has not applied Practice 5.1 of MCCG, as there is no disclosure made by the Board on how the assessment was carried out to determine the board's effectiveness, its committees, and each individual director and its outcome. Please take note of this.

Yes, we will take note on it.

3. On sustainability, how is the Company intending to manage the environmental aspect, especially in relation to its manufacturing activities?

CEPCO adheres to SOPs 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. We also in the midst to obtain our certification for MS ISO 45001 and OHSAS 18001.

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

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 practiced in our factories. We are also in the midst of discussion with TNB approved contractor to install solar panels in our factories to reduce our electricity cost.

B. Question from shareholders that have read out and answered by the Managing Director:

1. In these difficult times, it will be good CSR if the company can post some e-vouchers or food vouchers to the shareholders who participating in the online AGM.

The Board will consider on the mention proposal.

C. Question from shareholders that did not read out and answered via email to the respective Shareholder:

1. The Company has been making losses for the past four years. Hope there are strategies in place to bring positive financial results for FYE 2021.

The Company business generally depending on local and ASEAN market. In view of the reported local and region economic outlook in foreseeable future and the speed at which the pandemic risk evolved, CEPCO is now focusing on the following area that the Company believe could improve the financial performance as well as position in the local market.

- i. Spun poles supply to utility companies;
- ii. Projects undertaken by East Malaysia government; and
- iii. Road infrastructure project.

As for the export market, CEPCO have business tie-up with large contractor groups in Maldives and Vietnam. CEPCO also trying to venture into markets in Bangladesh, Sri Lanka and Canada. Nevertheless, the Company will continue to export to Asia, Africa, the Oceania and Gulf Region countries.

CEPCO have also implemented cost cutting and austerity measures across all the divisions to improve the bottom line and cash flows status.

D. Comment from shareholders that have read out by the Managing Director:

1. It is excellent that the Company has the least number of directors among all the Bursa listed Companies.

2. The shareholders expressed their sincere thanks to the Share Registrar, Company Secretary and Poll Administrator for well organised on the Remote Piloted.

Conclusion

There being no further question from the shareholders, the Meeting concluded at 10.45 a.m. with a vote of thanks to the Chairman.