



CONCRETE ENGINEERING PRODUCTS BERHAD
(88143P)



33RD ANNUAL REPORT
2017



Toll Highway Permatang Panggang to Kayu Agung - Seksi 3, Palembang, Indonesia

CONTENTS

2

Corporate
Information

3

Company's
Profile

4

Board of
Directors

5

Profile of
Directors

8

Chairman's
Statement and
Review of
Operations

10

Management
Discussion
and Analysis

14

Financial
Highlights

15

Projects
Undertaken
and Activities
During the
Year Under
Review

16

Corporate
Social
Responsibility

17

Sustainability
Statement

18

Statement on
Corporate
Governance

27

Additional
Compliance
Information

28

Audit
Committee
Report

32

Statement on
Risk
Management
and Internal
Control

35

Statement of
Directors'
Responsibilities
in Relation to
the Financial
Statements

36

Financial
Statements

86

Analysis of
Shareholdings

88

List of
Properties

92

Notice of
Annual
General Meeting

**Form of
Proxy**

CORPORATE INFORMATION

DIRECTORS

Abdul Khudus bin Mohd Naaim
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 Naaim
Dennis Xavier
Members

NOMINATING COMMITTEE

To' Puan Seri Hajjah Nur Rahmah
binti Mohd Zain
Chairman

Abdul Khudus bin Mohd Naaim
Dennis Xavier
Members

REMUNERATION COMMITTEE

Dennis Xavier
Chairman

Abdul Khudus bin Mohd Naaim
Dato' Ir Dr Abdul Aziz bin Arshad
Members

COMPANY SECRETARY

Norakhmar binti Baharom
LS 0001698

REGISTERED OFFICE

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

WEBSITE: <http://www.cepcocom.my>

SHARE REGISTRAR

Mestika Projek (M) Sdn Bhd
(225545V)
22nd Floor Menara Promet (KH)
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 603-2144 4446
Fax: 603-2141 8463

AUDITORS

Ernst & Young
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

HEAD OFFICE

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

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

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

Southern Region
PLO 337 Jalan Suas
Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor
Tel : 607-2511 048
Fax: 607-2514 066

COMPANY'S PROFILE

The Company was established in 1983 under the name of Concrete Engineering Products Sdn Bhd with the objective of producing 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 when it was converted into a public listed company. In January 1992, the Company was officially listed on the Kuala Lumpur Stock Exchange board, (now known as Bursa Malaysia).

The Company currently operates five 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 Prestensioned Spun Concrete Piles and Poles), and IKRAM QA Services' MS 1314: Part 4: 2004 (Product Certification for Class A, B and C of Precast Prestensioned 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 piles and poles.

The Company currently exports substantial quantities of its products to the overseas markets covering Singapore, Indonesia, Myanmar and the Gulf region.



BOARD OF DIRECTORS

Abdul Khudus bin Mohd Naaim

Dennis Xavier

Norakhmar binti Baharom
(Company Secretary)

Dato' Ir Dr Abdul Aziz
bin Arshad

To' Puan Seri Hajjah Nur
Rahmah binti Mohd Zain

Leong Kway Wah



PROFILE OF DIRECTORS

Encik Abdul Khudus bin Mohd Naaim was appointed to the Board on 15 July 2013.

He 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 KS & Associates, 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.

Encik Abdul Khudus bin Mohd Naaim attended all five (5) Board Meetings held during the financial year ended 31 August 2017.

Abdul Khudus bin Mohd Naaim
Independent Non-Executive Chairman
Malaysian, aged 63

BOARD COMMITTEE MEMBERSHIP

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

OTHER DIRECTORSHIPS IN PUBLIC COMPANIES

- None



PROFILE OF DIRECTORS (CONT'D)



Leong Kway Wah
Managing Director
Malaysian, aged 64

BOARD COMMITTEE MEMBERSHIP

- None

OTHER DIRECTORSHIPS IN PUBLIC COMPANIES

- None

Mr Leong Kway Wah was appointed as Managing Director on 17 March 2005.

He 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 involvement 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.

Mr Leong Kway Wah attended all five (5) Board Meetings held during the financial year ended 31 August 2017.

Mr Dennis Xavier was appointed to the Board on 8 July 1996.

He 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.

Mr Dennis Xavier attended all five (5) Board Meetings held during the financial year ended 31 August 2017.



Dennis Xavier
Independent Non-Executive Director
Malaysian, aged 66

BOARD COMMITTEE MEMBERSHIP

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

OTHER DIRECTORSHIPS IN PUBLIC COMPANIES

- None

PROFILE OF DIRECTORS (CONT'D)

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain was appointed to the Board on 3 November 2008.

She 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.

To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain attended three (3) out of five (5) Board Meetings held during the financial year ended 31 August 2017.



To' Puan Seri Hajjah Nur Rahmah
binti Mohd Zain
Independent Non-Executive Director
Malaysian, aged 62

BOARD COMMITTEE MEMBERSHIP

- Chairman of Nominating Committee

OTHER DIRECTORSHIPS IN PUBLIC COMPANIES

- Prinsiptek Corporation Berhad



Dato' Ir Dr Abdul Aziz bin Arshad
Independent Non-Executive Director
Malaysian, aged 62

BOARD COMMITTEE MEMBERSHIP

- Chairman of Audit Committee
- Member of Remuneration Committee

OTHER DIRECTORSHIPS IN PUBLIC COMPANIES

- None

Dato' Ir Dr Abdul Aziz bin Arshad was appointed to the Board on 14 April 2017. He was appointed as Chairman of Audit Committee on 5 July 2017.

He 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.

Dato' Ir Dr Abdul Aziz bin Arshad attended one (1) Board Meeting subsequent to his appointment to the Board during the financial year ended 31 August 2017.

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

Dear Shareholders

On behalf of the Board of Directors of Concrete Engineering Products Berhad ("CEPCO"), it gives me great pleasure to present the Thirty-Third Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 August 2017.

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS (CONT'D)

BUSINESS ENVIRONMENT

The construction sector's outlook remains promising this year due to the anticipated implementation of many large-scale developments. The upcoming East Coast Rail Line and High Speed Rail as well as on-going infrastructure projects such as the MRT Line 2 and LRT3, and Pan Borneo Highway are among the high-impact projects that would drive the industry to another high-performance year. However, sizeable infrastructure and construction projects have also attracted foreign contractors from Singapore, China, South Korea and other European players. Their presence has resulted in a very challenging environment for local construction players who are compelled to lower tender prices to brave the competition. Consequently, our margins are also being squeezed.

FINANCIAL PERFORMANCE

The financial year ended 31 August 2017 ("FYE 2017") had been the most challenging year for the Group. For FYE 2017, the Group's revenue decreased by 6.7% to RM179.4 million from RM192.4 million for the previous year ("FYE 2016"). Loss before taxation for FYE 2017 was RM5.3 million compared with a profit of RM12.9 million for FYE 2016. However, the loss before taxation was substantially impacted by the loss provision for fair value of quoted investment amounting to RM2.6 million for FYE 2017 compared to a gain of RM4.9 million for FYE 2016. The quoted investment is held for long term.

FUTURE OUTLOOK AND PROSPECTS

The 2017/2018 Economic Report forecasts the construction industry to grow at 7.5 per cent in 2018 (2017: 7.6 per cent) supported by on-going infrastructure projects. The Malaysian Government had just announced a slew of infrastructure projects under the 2018 Budgets which are expected to benefit the construction industry in 2018. CEPCO's management team will endeavour to secure a fair share of these local projects. In addition to that, the Company will continue to strengthen regional presence by establishing marketing offices overseas and have strategic alliances with established foreign construction groups.

On the export front, CEPCO believes that there are potential new markets in the ASEAN region left untapped such as in the Indo-China countries and at the same time will enhance its marketing efforts to push exports to Singapore, Brunei, Indonesia and The Maldives.

APPRECIATION

On behalf of the Board, I wish to record our thanks to Mr Khoo Kay Ong who had resigned as Non-Independent and Non-Executive Director on 18 January 2017, and Miss Davina a/p Rajadurai who had resigned as Independent and Non-Executive Director on 14 April 2017. We wish both of them all the very best in their future endeavours.

We take this opportunity to welcome Dato' Ir Dr Abdul Aziz bin Arshad who was appointed to the Board as Independent and Non-Executive Director on 14 April 2017.

We also wish to express our gratitude and appreciation to all stakeholders, management team and employees of the group for their continuous support and contribution.

Abdul Khudus bin Mohd Naa'im
Chairman
29 November 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Since its establishment in 1983, CEPCO has expanded to five (5) strategically located factories in the country namely Sungai Petani, Rawang, Batang Kali, Nilai and Pasir Gudang. The Company's sales target group comprises mainly of construction companies, piling contractors and project owners. Its products are primarily used as foundation piles for inland structures of high rise buildings, factories, embankments, bridges and marine structures such as ports and jetties.

During the year under review, the Group derived approximately 92% of sales revenue from projects in Malaysia and the remaining 8% sales were from exports. Major projects completed during the year include TNB Power Plant at Jimah, Highway Bridge at Teluk Intan, West Port Container Port at Pulau Indah, Aspen Vision City at Bukit Tengah, Impression Theatre mixed development project in Melaka, and Pan Borneo highway project. Deliveries to Pan Borneo Highway project and mixed development project in Melaka are still on-going during the financial year 2018.

On the export front, the Group's deliveries to overseas market covered high rise HDB buildings in Singapore, highway projects in Indonesia and resort projects in The Maldives.

The Year 2017 had been a challenging year with new players aggressively making inroads into the local market. Price competition was intense, driving profit margins down as the focus was on generating cash flow and filling up idle capacity. The sharp rise in the price of Prestressed Concrete Steel bar (PC bar) weighed in heavily on our costs and we were unable to pass it on to our customers in the form of higher selling price.

The Group focused on consistently delivering good value products and services to our customers from the enhancement of work processes and controls, improving efficiency and lowering operational cost. The Group took a prudent stand on credit control and credit management to ensure that the orders accepted were within our collection risk parameters. This hard decision impacted the sales performance of the Group to a certain extent and delayed payments by certain customers had affected our cash flow.

Besides spun piles, the Group also manufactures utility poles for use by electricity and telephone utilities companies on contract basis. Due to slow off take, the poles segment saw a drop in sales of 40% compared to the previous financial year.

The Group operates in a challenging market environment and is always on the look out to expand its customers base and offers innovative products sought by the market. We are expanding our product range by developing higher grade piles to offer more choices to the customers.

The Malaysian economy continues to face challenges from slowdown in business and consumer sentiments due to international financial market volatility. Our Malaysian Ringgit depreciated from USD1 : RM4.08 on 1 September 2017 to USD1 : RM4.20 currently, thus affecting the cost of inputs of steel products.

The Group remains steadfast in reinforcing its sales export to the existing market in Singapore, Brunei, Indonesia and The Maldives. It is also making inroads into Myanmar and at the same time exploring the promising markets in Indo-China.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

The following table is the financial highlights of the Group for the past two (2) years:

Financial Year Ended 31 August	2017 RM'000	2016 RM'000
Revenue	179,412	192,375
Operating loss/(profit) before provision for increase/(decrease) in fair value of quoted investment	(2,697)	8,015
Provision for increase/(decrease) in fair value of quoted investment through profit and loss	(2,614)	4,937
Profit/(Loss) before taxation	(5,311)	12,952
Net profit/(loss) after taxation	(5,231)	12,005
Net profit/(loss) attributable to equity holders	(5,231)	12,005
Total assets	218,187	229,607
Total liabilities	104,581	110,769
Total shareholders' equity	113,606	118,838
Net gearing ratio	0.51	0.45
(Loss)/Earnings per share (EPS) (sen)	(11.68)	26.81
Net asset per share (RM)	2.54	2.65

(a) Revenue

The Group's revenue decreased from RM192.4 million in FYE 2016 to RM179.4 million in the current FYE 2017 mainly due to the 40% drop in poles sales attributable to slower off take from Tenaga Nasional Berhad.

Due to the appreciation of the USD, imports by foreign companies also declined. Export sales for FYE 2017 contributed about 7.5% of the total revenue compared to 18.9% for FYE 2016.

(b) Loss Before Taxation

The Group's profit before taxation decreased by 141% from a profit of RM12.9 million in FYE 2016 to a loss of RM5.3 million in FYE 2017. The loss before taxation was due mainly to lower revenue coupled with loss provision for fair value of quoted investment amounting to RM2.6 million (FYE 2017: RM2.6 million loss versus FYE 2016 gain of RM4.9 million) and inventories written down amounting to RM0.57 million. Steel prices sharp volatile rise in FYE 2017 and the weak Ringgit against other foreign currencies had also decreased our profit margin. The higher costs were not able to be passed on to customers due to the stiff price competition from other players and projects which were already added in before the price increase suffered cuts in margin. Lower export sales and associated lower foreign exchange gains and lower volume of sales from our poles segment also contributed to the loss for the year. The poles segment which carries a higher margin saw a drop in sales of 40% compared with the previous financial year, and as a result had decreased our overall margin.

(c) Financial Position

The Group's total assets decreased by 5% to RM218.2 million compared to RM229.6 million for FYE 2016. Trade receivables decreased by RM16.7 million compared with FYE 2016 due to full payment from a single customer with RM28.9 million outstanding balance as at FYE 2016. Inventories increased due to built-up of PC steel bars stocks during the year to hedge against price escalation.

On the liabilities side, the Group's total liabilities decreased by 6% mainly due to reduction in trade payables to RM42.6 million from RM53.8 million in FYE 2016. However, borrowings increased to RM57.4 million compared to RM53.1 million in FYE 2016 due to the addition of borrowings to finance a leasehold land's lease extension, higher utilisation of trade facilities and financing of raw material purchases.

The group's gearing ratio increased to 0.51 compared to 0.45 at end of FYE 2016 due to the additional term loan to finance the leasehold land's lease extension and decrease in shareholders fund due to the loss in FYE 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's strategy is to manage its gearing ratio through control over its capital resources in order to achieve long term business objectives and to maximise shareholders' value. A low gearing ratio would enable the Group more leeway in getting new source of fund in the event of arising new business opportunity.

ANTICIPATED BUSINESS RISKS

The Group is exposed to several business risks such as market competition, rise in raw material prices, volatility in foreign exchange rates and political condition.

a) Market Competition

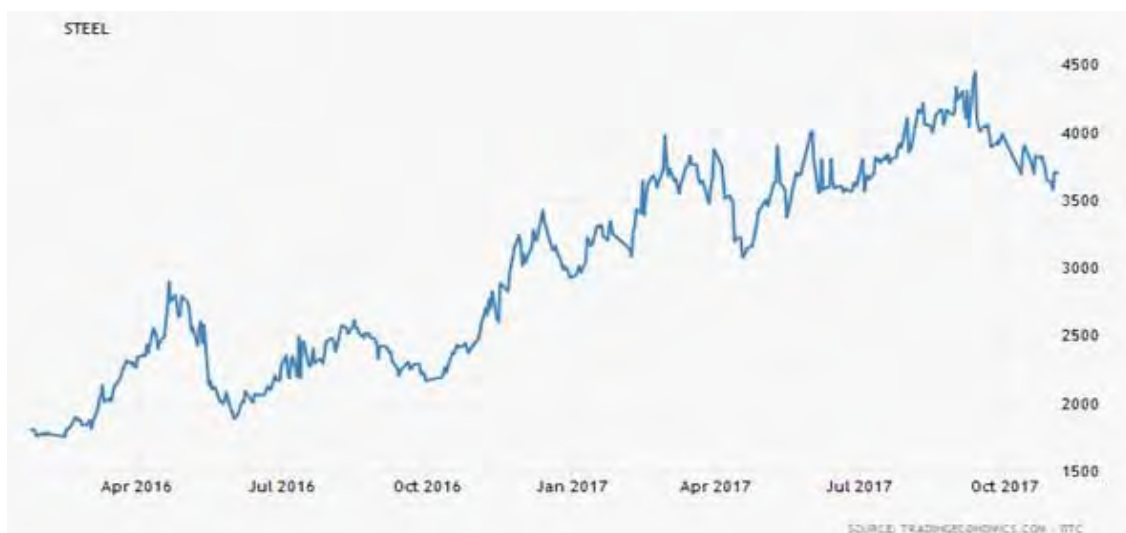
Spun piles are used mainly as foundation piles in retaining walls, oil and gas industries, factories, bridges and marine structures. Competition is mainly from other manufacturers with construction group backing and also substitute foundation piles such as bored and square piles.

In handling this challenging market situation, the Group has adopted a two-prong proactive approach by expanding its production capacity and capitalising on its marketing strength to exploit niche markets in less competitive areas.

b) Rise in Raw Material Prices

The Group's main raw materials are cement, sand, aggregate, steel PC bars and end plates. All of them are purchased locally, except for the steel bars which are also sourced from overseas. Other than global consumption and production volume output, the prices of steel products are also affected by factors such as interruption in supply chain, changes in economy and fluctuation in the foreign exchange rate. When the price of raw materials increases, the Group's gross margin will be reduced as the Group are constrained on passing on the cost through price increase.

Steel Average Prices in RMB/Mt



The Group is constantly monitoring the price movement of steel raw material prices and will minimise the impact by hedging or requiring upfront deposits from customers to mitigate the price fluctuation of steel prices for big projects.

c) Volatility in Foreign Exchange Rates

The Group is exposed to foreign exchange fluctuation on imports of steel products which is quoted in Renminbi ("RMB"). The Group also imports moulds and machineries which are quoted in USD.

In order to mitigate against the impact of fluctuation in USD exchange rate, the Group imports the raw materials denominated in RMB and targets the exports to countries with prices denominated in USD.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

d) Uncertainty in Economic and Political Stability

The bulk of the Group's sales were derived from Malaysia (2017: 92%; 2016: 80%) and the Group's performance depends on construction projects undertaken by government and private sector. The Group takes cognizance of the economic condition at the home front, and ensures that any potential downside risk arising from economic conditions will be timely detected and action plans will be in place to minimise the impact to the Group.

FORWARD LOOKING STATEMENT

The construction sector in particular will exhibit a positive growth outlook in a larger part due to the roll-out of large infrastructure projects. Numerous public transportation, rail, road, skyscrapers and mixed development projects are already in progress such as the Pan-Borneo highway in East Malaysia, LRT 3 and MRT2 projects. While projects in the pipeline such as a high-speed rail to Singapore is already in the planning stage and East Coast Rail Line will be kicking off next year. All these coupled with new infrastructure projects just announced in the 2018 Budget will further improve on the Group's future prospects.

Despite the positive construction outlook for year 2018, the Group remains cautiously optimistic on its prospect in facing the challenges mainly from intense price competition, volatile raw material prices, tight labour market and fluctuating exchange rates. The Group remains steadfast in its continuous efforts to reduce overall production costs in order to increase productivity, enhance operational efficiencies and price competitiveness. For its export segment, the Group will place strong focus in nurturing and enhancing existing relationship with business partners, taking advantage of the mutually beneficial value chain linkages. In order to facilitate the marketing forces to those countries, the Group will set up overseas marketing offices. With these strengths, revenue streams are expected to improve to maintain a sustainable and positive growth going forward.

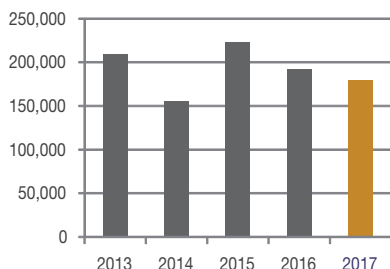
DIVIDEND

As the Group continues to consolidate and strengthen its business and operations in order to ensure long-term growth, the Board will not be recommending any dividend for the financial year ended 31 August 2017.

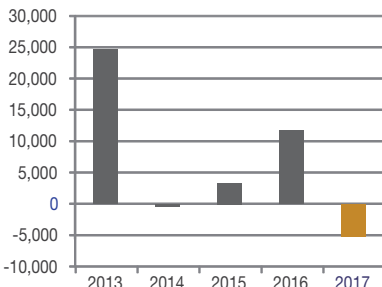
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 AUGUST	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	179,412	192,375	222,539	154,788	209,192
Profit/(Loss) before Taxation	(5,311)	12,952	4,403	(399)	27,148
Profit/(Loss) after Taxation	(5,231)	12,005	2,367	(844)	25,163
Profit/(Loss) for the Year Attributable to Owners of the Parent	(5,231)	12,005	2,367	(844)	25,163
Total Equity Attributable to Owners of the Parent	113,606	118,838	106,833	104,466	109,004
Total Assets	218,187	229,607	212,704	183,296	197,828
(Loss)/Earnings per Share (sen)	(11.68)	26.81	5.29	(1.88)	56.20
Dividend per Share (sen)	-	-	-	-	11
Net Assets per Share (RM)	2.54	2.65	2.39	2.33	2.43

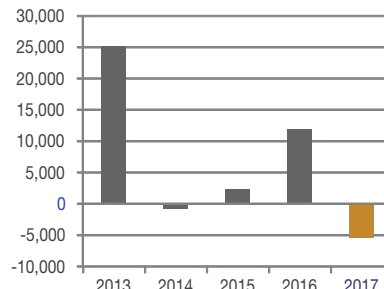
Revenue (RM'000)



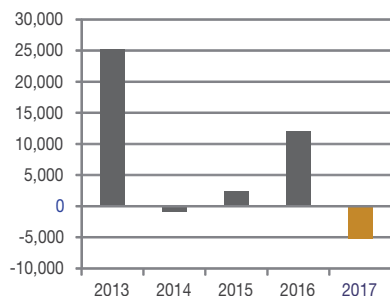
Profit/(Loss) before Taxation (RM'000)



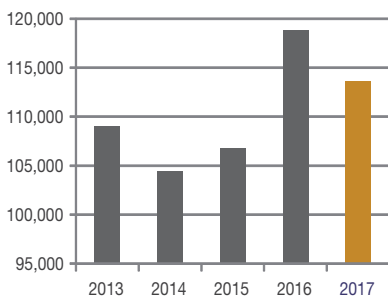
Profit/(Loss) after Taxation (RM'000)



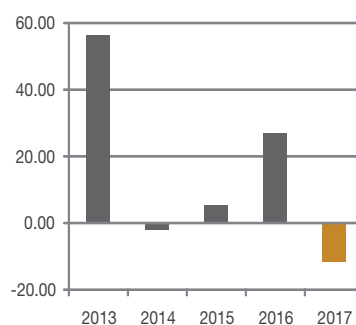
Profit/(Loss) for the Year Attributable to Owners of the Parent (RM'000)



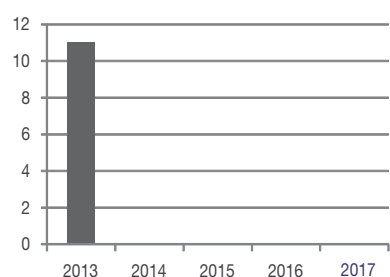
Total Equity Attributable to Owners of the Parent (RM'000)



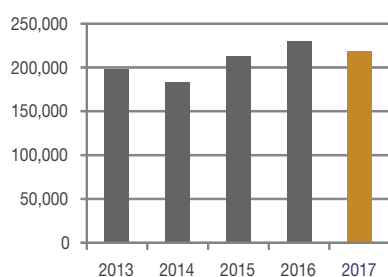
(Loss)/Earnings per Share (sen)



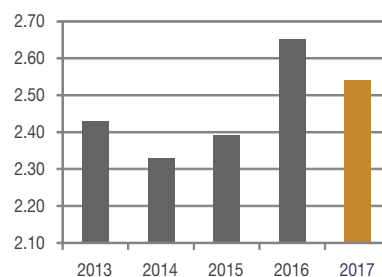
Dividen per Share (sen)



Total Asset (RM'000)



Net Asset per Share (RM)



PROJECTS UNDERTAKEN AND ACTIVITIES

DURING THE YEAR UNDER REVIEW



Toll Highway Permatang Panggang to Kayu Agung - Seksi 3, Palembang, Indonesia



LRT3 - Package GS10, Johan Setia



Impression Theatre, Melaka



Spun Pile Axial and Flexural Test Rig, CREAM Laboratory



Instrumented Pile Load Test with Distributed Fibre Optic Sensor (BOTDA)

LANKABUILD'17 Exhibition, Sri Lanka

CORPORATE SOCIAL RESPONSIBILITY

CEPCO is deeply committed to growth and profitability in a sustainable manner within our operations. 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, CEPCO continues to implement Corporate Social Responsibilities ("CSR") in our workplace and community.

We focus on lending a helping hand and reaching out to others through various forms of social aids. Our commitment towards CSR is reflected through the following activities:



In July 2017, our CSR team visited the Society for the Prevention of Cruelty to Animal ("SPCA"), Selangor, and were briefed on the roles, functions and activities of the SPCA, which is a well-respected non-profit organisation. SPCA not only assists in the prevention of cruelty to animals, but also in rehabilitation and finding new homes for those which are maltreated and unwanted. During our visit, we made a cash donation of RM20,000 towards the SPCA fund.



Playing our part towards noise environment control, we have completed the construction of a sound barrier wall at Rawang factory to comply with the noise regulations and mitigate against disturbances and unpleasant surroundings towards the community by our machinery activities.

During the financial year, we also made a contribution of RM50,000 through Lembaga Zakat Selangor and were briefed by the zakat officers on how the funds would be utilised towards the noble aim to assist the needy Muslims.

SUSTAINABILITY STATEMENT

We are committed to be a successful and responsible corporate citizen in delivering quality products and services and generating attractive economic returns to our customers and shareholders. We also recognise it is our corporate social responsibility to ensure that we conduct our business activities ethically and professionally. In order to achieve this aim, we will periodically review our policies, monitor and where necessary, improve on our performance.

We are committed to continuous improvements in our CSR program. Our commitment towards our social responsibility is reflected through the following policies:

Workforce

We aim to be the employer of choice in the industries we operate in. We believe that dedicated and competent workforce is paramount to the success of the businesses of our Group. Therefore, we will continue to invest in human resource developments to ensure proper trainings are given to the employees to further enhance their skills and knowledge.



Safety and Health

We are committed to provide a safer and healthier environment for our employees and customers and minimise any preventable accidents and health hazards that may occur at our business premises.

Environment

We are committed to seek continuous improvements in our operations to minimise any negative impact on the environment. We will ensure that our business activities are conducted in compliance with the applicable environmental rules and regulations.

Community

We are committed to provide continuous support to various activities carried out by local charities and organisations.



CONCRETE ENGINEERING PRODUCTS BERHAD

(88143-P)

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Concrete Engineering Products Berhad 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 principle responsibilities 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 mitigation measures to address such risks.
- 4) Succession planning by ensuring all candidates appointed to senior management positions are of sufficient calibre.
- 5) Oversees the development and implementation of a shareholder communications 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 <http://www.cepco.com.my>.

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 Director 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 to 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 it is of view that 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 or development in the Group because of an individual's gender, race and age.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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

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 compliance with the 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 to keep abreast with the relevant 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.

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 <http://www.cepcos.com.my>.

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 profile of each Director is presented on pages 5 to 7 of the 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 judgement 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

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 and 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.

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) Evaluated the appointment of an Independent Non-Executive Director, namely Dato' Ir Dr Abdul Aziz bin Arshad, and recommended to the Board for approval.
- 2) Resignation of an Independent Non-Executive Director, Miss Davinia a/p Rajadurai.
- 3) Re-designation and appointment of Remuneration Committee.
- 4) Reviewed training undertaken by Directors as well as those training that are available for Directors for the ensuing year.
- 5) 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 a good mix of skill and experience of Directors to discharge its responsibilities in an effective and competent manner, as well as the candidates' competencies and ability to commit sufficient time to the Company's matters.

Nevertheless, the Board is supportive of gender diversity in the boardroom as recommended by the MCGG 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

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 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.

The aggregate remuneration of Directors for the financial year ended 31 August 2017 was as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	45,000	144,000
Remuneration and allowances	726,867	-

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	-	4
50,001 - 100,000	-	1
100,001 - 150,000	1	-
200,001 - 250,000	-	-
600,001 - 650,000	-	-
650,001 - 700,000	1	-

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 2017, the Board is of the view that all the Independence Directors fulfil the criteria of Independence as defined in the Listing Requirements 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 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 an Independent Director of the Company.

The Board, with the assessment of the Nominating Committee, is recommending to the shareholders again at the forthcoming Thirty-Third 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 Thirty-Third AGM enclosed in this Annual Report.

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 2017, the Board met five (5) times and the composition and attendance records of the Board members were as follows:

Date of Meetings:

- 1) 26 October 2016
- 2) 15 November 2016
- 3) 18 January 2017
- 4) 14 April 2017
- 5) 20 July 2017

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 4: FOSTER COMMITMENTS (cont'd)

Time Commitment (cont'd)

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 (appointed wef 14 April 2017)	1/1
Davinia a/p Rajadurai (resigned wef 14 April 2017)	3/4

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 2017.

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.

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

- 1) Audit Conference 2017
- 2) Audit Committee (AC) Leadership Track
- 3) Mandatory Accreditation Programme
- 4) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- 5) Borrowings - Secured or Unsecured
- 6) Capital Market Conference 2017
- 7) Companies Act 2016
- 8) Management Discussion & Analysis Statement: What & How to Disclose
- 9) MPERS - Interpretation and Application
- 10) National Tax Conference 2017

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 role.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Directors' Responsibility 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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

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.

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 risk.
- 3) The adequacy of the scope of the audit plan.
- 4) The External Auditors' ability to meet deadlines in providing services and responding to issue 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 has 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 monitor key business risks to safeguard shareholders' investments and the Company's assets by monitoring the internal controls in place with assistance of the Audit Committee, the external and the internal auditors, who will report 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 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 of this Annual Report.



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.

AUDIT COMMITTEE REPORT (CONT'D)

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
(Appointed as Chairman wef 5 July 2017) |
| 2) | Encik Abdul Khudus bin Mohd Naaim | Independent Non-Executive Director
(Redesignated as member wef 5 July 2017) |
| 3) | Dennis Xavier | Independent Non-Executive Director |

The composition of the AC complies with the requirements of Paragraphs 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 Listing Requirements that requires at least one (1) of the AC members fulfilling the financial expertise requisite.

MEETINGS

During the financial year ended 31 August 2017, the AC met five (5) times and the composition and attendance records of its members were as follows:

Date of Meetings:

- 1) 26 October 2016
- 2) 15 November 2016
- 3) 18 January 2017
- 4) 14 April 2017
- 5) 20 July 2017

Attendance record of the AC members:

Audit Committee Members	Meetings Attendance
Chairman Dato' Ir Dr Abdul Aziz bin Arshad Independent Non-Executive Director (Appointed as Chairman wef 5 July 2017)	1/1
Members Abdul Khudus bin Mohd Naaim Independent Non-Executive Director (Redesignated as member wef 5 July 2017)	5/5
Dennis Xavier Independent Non-Executive Director	5/5
Davinia a/p Rajadurai Independent Non-Executive Director (Resigned wef 14 April 2017)	3/4

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.

AUDIT COMMITTEE REPORT (CONT'D)

MEETINGS (cont'd)

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 report and update to the Board on significant issues and concern 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.

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.

AUDIT COMMITTEE REPORT (CONT'D)

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.
- 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.

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 2017 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 outsourced independent Internal Audit which performs regular independent reviews, 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 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 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 so as 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 2017 amounted to RM36,542.

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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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 Listing Requirements, the External Auditors have reviewed the Statement on Risk and Internal Control for inclusion in the 2017 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that 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 update 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 2017. 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 29 November 2017.

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 Companies Act 2016, 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 applying them consistently.
- 2) Made judgement 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 Companies Act 2016.

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

37
Directors'
Report

40
Statement by
Directors

40
Statutory
Declaration

41
Independent
Auditors'
Report

45
Statements of
Comprehensive
Income

46
Statements of
Financial
Position

47
Statements of
Changes in
Equity

48
Statements of
Cash Flows

50
Notes to the
Financial
Statements

DIRECTORS' REPORT

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 2017.

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	(5,231,533)	(5,207,871)

There were no material transfers to or from reserves or provisions during the financial year.

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 date of the last report and at the date of this report are:

Abdul Khudus bin Mohd Naa'im
Leong Kway Wah
Dennis Xavier
To' Puan Seri Hjh Nur Rahmah Mohd Zain
Dato' Ir Dr Abdul Aziz Bin Arshad (appointed on 14 April 2017)
Khoo Kay Ong (resigned on 18 January 2017)
Davinia A/P Rajadurai (resigned on 14 April 2017)

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 in Notes 5 and 6 to the financial statements) 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)

Indemnities to Directors or 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.

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.
- (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 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.

DIRECTORS' REPORT (CONT'D)

Auditors and auditors' remuneration

The auditors, Ernst & Young have expressed their willingness to continue in office.

Auditor's remuneration are disclosed in Note 4 to the financial statements.

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 29 November 2017.

Abdul Khudus bin Mohd Naaim

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 45 to 84 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 2017 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 30 on page 85 to the financial statements have been prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 November 2017.

Abdul Khudus bin Mohd Naaim

Leong Kway Wah

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Siew Choy Weng, 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 45 to 85 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 Siew Choy Weng
at Kuala Lumpur in the Federal Territory
on 29 November 2017

Siew Choy Weng

Before me

Mohd Zainal Abidin bin Mohd Zainuddin (W292)
Commissioner for Oaths

Kuala Lumpur
29 November 2017

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 consolidated financial statements of Concrete Engineering Products Berhad ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 August 2017 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 consolidated financial statements, including a summary of significant accounting policies, as set out on pages 45 to 84.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. 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 Consolidated Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of trade receivables

We would like to draw your attention to Note 2.3(h) and Note 14 to the financial statements. As at 31 August 2017, the trade receivables amounted to approximately RM68,316,456 which represents about 54% of total current assets of the Group. The Group assesses at each reporting date whether there is any objective evidence that the trade receivables are impaired as a result of one of more events that occurred after the initial recognition (a "loss event"). If such evidence exists, an impairment assessment for trade receivables is required.

The assessment for impairment of trade receivables involves significant management judgement by taking into consideration the age of the trade debts, historical payment patterns, existence of disputes and other available information concerning the recoverability of the receivables. Accordingly, impairment of trade receivables has been identified as a key audit matter. Based on the impairment assessment, the management recognised a cumulative allowance for impairment loss of RM10,701,079 in respect of the Group's trade receivables as at reporting date.

INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF CONCRETE ENGINEERING PRODUCTS BERHAD (INCORPORATED IN MALAYSIA)

Impairment of trade receivables (cont'd)

For past due trade receivables, we evaluated management's assessment whether the trade receivables are impaired by determining the existence of objective evidence of impairment.

We looked into the observable data that came into the attention of the Group about the loss of events in particular:

- (i) significant financial difficulty of the customers; and
- (ii) default or delinquency in the repayment by customers where legal action has been taken.

In addition, we tested subsequent collections from customers, settlement agreements, analysed the payment history of the slow paying customers and reviewed the status of legal actions taken against the customers. We also evaluated the adequacy of the disclosures of the trade receivables as disclosed in Note 2.3(h) and Note 14 to the financial statements.

Other Information

Other information consists of the information included in the Company's 2017 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 MFRS, IFRS 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.

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)

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

- a) Identify and assess the risks of material misstatement of the financial statements, 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.
- b) 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 entity's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's 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 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 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 to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 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 reporting responsibilities

The supplementary information set out in Note 30 on page 85 is disclosed to meet the requirement of Bursa Securities and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF CONCRETE ENGINEERING PRODUCTS BERHAD (INCORPORATED IN MALAYSIA)

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

Ng Yee Yee

No. 03176/05/2019 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

29 November 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	2.3(n)(i)	179,412,032	192,375,450	179,412,032	192,375,450
Cost of sales		(145,647,825)	(147,043,002)	(145,647,825)	(147,043,002)
Gross profit		33,764,207	45,332,448	33,764,207	45,332,448
Other operating income		3,370,911	5,787,985	3,370,911	5,787,985
Fair value through profit or loss on other investments		(2,613,960)	4,937,480	(2,613,960)	4,937,480
Fair value gain on investment properties	10	153,000	235,000	153,000	235,000
Distribution costs		(27,005,643)	(28,443,487)	(27,005,643)	(28,443,487)
Administrative expenses		(9,050,947)	(10,767,532)	(9,027,285)	(10,761,528)
Other operating expenses		(772,086)	(1,013,555)	(772,086)	(1,013,555)
Operating (loss)/profit		(2,154,518)	16,068,339	(2,130,856)	16,074,343
Finance costs	3	(3,156,830)	(3,116,312)	(3,156,830)	(3,116,312)
(Loss)/profit before tax	4	(5,311,348)	12,952,027	(5,287,686)	12,958,031
Taxation	7	79,815	(947,294)	79,815	(947,294)
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year		(5,231,533)	12,004,733	(5,207,871)	12,010,737
Attributable to:					
Owners of the parent		(5,231,533)	12,004,733	(5,207,871)	12,010,737
(Loss)/earnings per share - basic (sen)	8	(11.68)	26.81		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 AUGUST 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Non-current assets					
Property, plant and equipment	9	38,702,006	35,125,419	38,702,006	35,125,419
Investment properties	10	12,401,000	12,103,000	12,401,000	12,103,000
Investment in subsidiaries	11	-	-	4	4
Other investments	12	40,080,721	42,694,681	40,080,721	42,694,681
Trade receivables	14	-	793,641	-	793,641
		91,183,727	90,716,741	91,183,731	90,716,745
Current assets					
Inventories	13	45,183,109	41,954,809	45,183,109	41,954,809
Trade and other receivables	14	70,099,120	88,464,776	70,099,120	88,464,776
Amount due from subsidiaries	15	-	-	48,463	33,662
Tax recoverable		1,789,329	641,447	1,789,329	641,447
Deposits with licensed banks	16	9,579,352	7,014,541	9,579,352	7,014,541
Cash and bank balances		352,404	814,662	352,404	814,662
		127,003,314	138,890,235	127,051,777	138,923,897
Total assets		218,187,041	229,606,976	218,235,508	229,640,642
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	17	75,344,833	44,775,000	75,344,833	44,775,000
Share premium		-	30,569,833	-	30,569,833
Retained profits	19	38,261,460	43,492,993	38,329,208	43,537,079
Total equity		113,606,293	118,837,826	113,674,041	118,881,912
Non-current liabilities					
Long term borrowings	20	12,595,705	9,972,827	12,595,705	9,972,827
Deferred tax liabilities	22	917,943	1,210,025	917,943	1,210,025
		13,513,648	11,182,852	13,513,648	11,182,852
Current liabilities					
Trade and other payables	23	46,226,712	56,469,690	46,207,431	56,459,270
Short term borrowings	20	44,840,388	43,116,608	44,840,388	43,116,608
		91,067,100	99,586,298	91,047,819	99,575,878
Total liabilities		104,580,748	110,769,150	104,561,467	110,758,730
Total equity and liabilities		218,187,041	229,606,976	218,235,508	229,640,642

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 2017

Group	<-----Attributable to owners of the parent----->				
	Share capital RM	Non-distributable share premium RM	Distributable retained profits RM	Total reserves RM	Total equity RM
At 1 September 2016	44,775,000	30,569,833	43,492,993	74,062,826	118,837,826
Total comprehensive loss	-	-	(5,231,533)	(5,231,533)	(5,231,533)
Transfer arising from Companies Act 2016	30,569,833	(30,569,833)	-	(30,569,833)	-
At 31 August 2017	75,344,833	-	38,261,460	38,261,460	113,606,293
At 1 September 2015	44,775,000	30,569,833	31,488,260	62,058,093	106,833,093
Total comprehensive income	-	-	12,004,733	12,004,733	12,004,733
At 31 August 2016	44,775,000	30,569,833	43,492,993	74,062,826	118,837,826
Company					
At 1 September 2016	44,775,000	30,569,833	43,537,079	74,106,912	118,881,912
Total comprehensive loss	-	-	(5,207,871)	(5,207,871)	(5,207,871)
Transfer arising from Companies Act 2016	30,569,833	(30,569,833)	-	(30,569,833)	-
At 31 August 2017	75,344,833	-	38,329,208	38,329,208	113,674,041
At 1 September 2015	44,775,000	30,569,833	31,526,342	62,096,175	106,871,175
Total comprehensive income	-	-	12,010,737	12,010,737	12,010,737
At 31 August 2016	44,775,000	30,569,833	43,537,079	74,106,912	118,881,912

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 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
(Loss)/profit before tax	(5,311,348)	12,952,027	(5,287,686)	12,958,031
Adjustments for:				
Fair value through profit and loss on other investments	2,613,960	(4,937,480)	2,613,960	(4,937,480)
Fair value gain on investment properties	(153,000)	(235,000)	(153,000)	(235,000)
Depreciation of property, plant and equipment	3,629,371	3,651,705	3,629,371	3,651,705
Allowance for impairment - receivables	444,641	716,219	444,641	716,219
Reversal of allowance for impairment - receivables	(520,532)	(63,848)	(520,532)	(63,848)
Inventories written down	570,908	-	570,908	-
Loss on disposal of property, plant and equipment	874	-	874	-
Interest expense	3,156,830	3,116,312	3,156,830	3,116,312
Unrealised foreign exchange loss	309,196	2,211,128	309,196	2,211,128
Dividend income	(644,777)	(673,821)	(644,777)	(673,821)
Interest income	(348,434)	(405,535)	(348,434)	(405,535)
Operating profit before working capital changes	3,747,689	16,331,707	3,771,351	16,337,711
Working capital changes:				
Increase in inventories	(3,799,208)	(9,820,701)	(3,799,208)	(9,820,701)
Decrease/(increase) in receivables	18,780,992	(12,401,927)	18,780,992	(12,401,927)
Decrease in payables	(10,242,978)	(2,379,879)	(10,251,839)	(2,379,944)
Increase in amount due from subsidiaries	-	-	(14,801)	(5,939)
Cash generated from/(used in) operations	8,486,495	(8,270,800)	8,486,495	(8,270,800)
Taxation paid	(1,360,149)	(1,564,285)	(1,360,149)	(1,564,285)
Interest paid	(3,156,830)	(3,116,312)	(3,156,830)	(3,116,312)
Net cash generated from/(used in) operating activities	3,969,516	(12,951,397)	3,969,516	(12,951,397)
Cash flows from investing activities				
Purchase of property, plant and equipment	(4,213,396)	(3,181,133)	(4,213,396)	(3,181,133)
Dividend received	644,777	673,821	644,777	673,821
Interest received	348,434	405,535	348,434	405,535
Placement of deposits which are pledged and more than 90 days with a licensed bank	(36,950)	(125,256)	(36,950)	(125,256)
Net cash used in investing activities	(3,257,135)	(2,227,033)	(3,257,135)	(2,227,033)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 AUGUST 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from financing activities				
Net drawdown/(repayment) of bankers acceptance and invoice financing	5,385,000	(1,467,000)	5,385,000	(1,467,000)
Net repayment of hire purchase	(1,352,026)	(1,004,474)	(1,352,026)	(1,004,474)
Net repayment of revolving credit	-	(1,600,000)	-	(1,600,000)
Net drawdown of term loan	2,295,471	2,880,263	2,295,471	2,880,263
Net cash generated from/ (used in) financing activities	6,328,445	(1,191,211)	6,328,445	(1,191,211)
Net change in cash and cash equivalents	7,040,826	(16,369,641)	7,040,826	(16,369,641)
Cash and cash equivalents at beginning of year	(4,126,930)	12,242,711	(4,126,930)	12,242,711
Cash and cash equivalents at end of year	2,913,896	(4,126,930)	2,913,896	(4,126,930)
Cash and cash equivalents comprise:				
Cash and bank balances	352,404	814,662	352,404	814,662
Deposits with licensed banks	9,579,352	7,014,541	9,579,352	7,014,541
Bank overdrafts	(5,672,176)	(10,647,399)	(5,672,176)	(10,647,399)
	4,259,580	(2,818,196)	4,259,580	(2,818,196)
Less: Deposit which are pledged and more than 90 days with a licensed bank	(1,345,684)	(1,308,734)	(1,345,684)	(1,308,734)
	2,913,896	(4,126,930)	2,913,896	(4,126,930)

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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017

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 Promet (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 29 November 2017.

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 Companies Act 2016 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.

As of 1 September 2016, the Group and Company have adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in note 2.2.

2.2 Changes in accounting policies

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

On 1 September 2016, the Group and the Company have adopted the following new and amended MFRS and IC Interpretations:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Annual improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

Pronouncements yet in effect

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

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Amendments to MFRS 1)	1 January 2018
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 128 Investments in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2018
MFRS 140 Investment Property: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The initial applications of the above are expected to have no significant impact on the financial statements of the Group and the Company in the period of initial application except for those discussed below:

(i) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company are in the process of assessing the impact of MFRS 15 application on the amounts reported and disclosures made in the Group's and the Company's financial statements.

(ii) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(iii) 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 plans to assess the potential effect of MFRS 16 on its financial statements in year 2018.

2.3 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

(ii) Basis of consolidation (cont'd)

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.

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 2.3(f).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(b) Property, plant and equipment and depreciation (cont'd)

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 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.

(c) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(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")).

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

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 instrument.

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

(i) Financial assets at fair value through profit or loss

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 (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(g) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss (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) Loans 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.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

(h) Impairment of financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities 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 instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(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 held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(ii) Other financial liabilities

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(i) Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(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.

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 2.3 (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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(n) Revenue recognition (cont'd)

(ii) Rental and interest income

Rental and interest income is recognised on accrual basis.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(p) Income taxes (cont'd)

(ii) Deferred tax (cont'd)

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.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

2. Significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

(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.

(ii) Impairment losses of receivables

The Group and the Company make a provision for impairment losses based on an assessment of receivables recovery. Provisions are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, management has given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables.

(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 sales comparison approach. Judgement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

3. Finance costs

	Group/Company	
	2017	2016
	RM	RM
Interest expense		
- term loans	791,717	959,959
- bank overdrafts	406,641	339,960
- revolving credit	255,698	431,107
- bankers' acceptances	1,560,203	1,293,665
- hire purchase	142,571	91,621
	<u>3,156,830</u>	<u>3,116,312</u>

4. (Loss)/profit before tax

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Staff costs (Note 5)	28,869,473	28,808,680	28,869,473	28,808,680
Non-executive Directors' remuneration (Note 6)	144,000	144,000	144,000	144,000
Auditors' remuneration:				
Statutory audit	133,000	105,500	133,000	102,500
Other services	7,500	7,500	7,500	7,500
Depreciation of property, plant and equipment (Note 9)	3,629,371	3,651,705	3,629,371	3,651,705
Allowance for impairment				
- receivables (Note 14)	444,641	716,219	444,641	716,219
Reversal of allowance for impairment				
- receivables (Note 14)	(520,532)	(63,848)	(520,532)	(63,848)
Inventories written down	570,908	-	570,908	-
Rental of buildings	1,092,448	1,310,336	1,092,448	1,310,336
Hire of machinery	1,292,908	1,541,956	1,292,908	1,541,956
Realised foreign exchange gain	(1,254,772)	(3,688,586)	(1,254,772)	(3,688,586)
Unrealised foreign exchange loss	309,196	2,211,128	309,196	2,211,128
Rental income	(275,700)	(265,000)	(275,700)	(265,000)
Dividend income	(644,777)	(673,821)	(644,777)	(673,821)
Interest income	(348,434)	(405,535)	(348,434)	(405,535)
Loss in disposal of property, plant and equipment	874	-	874	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

5. Staff costs

	Group/Company	
	2017 RM	2016 RM
Wages and salaries	28,003,687	27,510,558
Pension costs - defined contribution plan	819,814	751,375
Social security contributions	91,734	75,064
Provision for short term accumulating compensated absences	(222,308)	48,859
Other staff related expenses	176,546	422,824
	<u>28,869,473</u>	<u>28,808,680</u>

Included in staff costs of the Group and of the Company is Executive Directors' remuneration amounting to RM726,867 (2016: RM836,975) as further disclosed in Note 6.

6. Directors' remuneration

	Group/Company	
	2017 RM	2016 RM
Executive Directors (Note 5)		
Fees	45,000	45,000
Remuneration and allowances	<u>726,867</u>	<u>836,975</u>
	<u>771,867</u>	<u>881,975</u>
Non-executive Directors (Note 4)		
Fees	<u>144,000</u>	<u>144,000</u>
Total Directors' remuneration	<u>915,867</u>	<u>1,025,975</u>

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2017	2016
Executive Directors:		
RM100,001 - RM150,000	1	-
RM200,001 - RM250,000	-	1
RM600,001 - RM650,000	-	1
RM650,001 - RM700,000	1	-
Non-executive Directors:		
RM1 - RM50,000	4	3
RM50,001 - RM100,000	1	1

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

7. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current income tax	(135,000)	(2,140,069)	(135,000)	(2,140,069)
(Under)/overprovision of income tax in prior years	(77,267)	749,261	(77,267)	749,261
	(212,267)	(1,390,808)	(212,267)	(1,390,808)
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	110,197	249,091	10,197	249,091
Relating to reduction in Malaysian income tax rate	-	54,670	-	54,670
Overprovision in prior years	181,885	139,753	181,885	139,753
	292,082	443,514	292,082	443,514
	79,815	(947,294)	79,815	(947,294)

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Reconciliations of income tax expense applicable to (loss)/profit 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:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/profit before tax	(5,311,348)	12,952,027	(5,287,686)	12,958,031
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	1,274,724	(3,108,486)	1,269,045	(3,109,927)
Income not subject to tax	149,067	1,345,271	154,746	1,346,712
Effect of changes in tax rate on opening balance of deferred tax	-	54,670	-	54,670
Effect of different tax rate on fair value adjustment on investment properties	29,070	44,650	29,070	44,650
Utilisation of allowance for increased export	-	577,945	-	577,945
Expenses not deductible for tax purposes	(1,477,664)	(750,358)	(1,477,664)	(750,358)
(Under)/overprovision of income tax expense in prior years	(77,267)	749,261	(77,267)	749,261
Overprovision of deferred tax in prior years	181,885	139,753	181,885	139,753
Income tax credit/(expense) for the year	79,815	(947,294)	79,815	(947,294)

8. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss for the year of RM5,231,533 (2016: profit of RM12,004,733) for the Group on the number of ordinary shares in issue during the year of 44,775,000 (2016: 44,775,000).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

9. Property, plant and equipment

	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
Group/Company							
Cost							
At 1 September 2016	17,932,424	26,681,232	94,947,501	2,729,488	2,979,687	2,344,347	147,614,679
Additions	2,374,880	134,385	4,410,108	-	267,088	20,371	7,206,832
Disposal	-	-	-	-	(18,389)	-	(18,389)
At 31 August 2017	20,307,304	26,815,617	99,357,609	2,729,488	3,228,386	2,364,718	154,803,122
Accumulated depreciation							
At 1 September 2016	5,659,895	9,316,408	90,119,810	2,507,212	2,572,658	2,313,277	112,489,260
Charge for the year (Note 4)	385,343	595,004	2,339,063	107,110	189,244	13,607	3,629,371
Disposal	-	-	-	-	(17,515)	-	(17,515)
At 31 August 2017	6,045,238	9,911,412	92,458,873	2,614,322	2,744,387	2,326,884	116,101,116
Net carrying amount	14,262,066	16,904,205	6,898,736	115,166	483,999	37,834	38,702,006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

9. 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
Cost							
At 1 September 2015	17,932,424	26,669,072	91,164,421	2,602,325	2,775,227	2,337,529	143,480,998
Additions	-	12,160	3,783,080	127,163	204,460	6,818	4,133,681
At 31 August 2016	17,932,424	26,681,232	94,947,501	2,729,488	2,979,687	2,344,347	147,614,679
Accumulated depreciation							
At 1 September 2015	5,274,552	8,723,863	87,740,404	2,400,102	2,400,729	2,297,905	108,837,555
Charge for the year (Note 4)	385,343	592,545	2,379,406	107,110	171,929	15,372	3,651,705
At 31 August 2016	5,659,895	9,316,408	90,119,810	2,507,212	2,572,658	2,313,277	112,489,260
Net carrying amount	12,272,529	17,364,824	4,827,691	222,276	407,029	31,070	35,125,419

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

9. 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	
	2017 RM	2016 RM
Plant and machinery	88,384,201	85,600,427
Factory building	51,810	51,810
Motor vehicles	2,408,024	2,193,939
Office, factory and laboratory equipment	2,258,857	2,078,874
Furniture, fixtures and fittings	2,279,814	2,257,721
	<u>95,382,706</u>	<u>92,182,771</u>

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 20) are as follows:

	Group/Company	
	2017 RM	2016 RM
Leasehold land	7,496,825	7,703,488
Factory buildings	11,367,158	11,640,619
	<u>18,863,983</u>	<u>19,344,107</u>

The Company acquired property, plant and equipment at aggregate costs of RM7,206,832 (2016: RM4,133,681), of which RM2,993,436 (2016: RM952,548) was acquired by means of hire purchase arrangements.

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 21.

10. Investment properties

	Group/Company	
	2017 RM	2016 RM
At 1 September 2016/2015	12,103,000	11,060,000
Additions during the year	145,000	808,000
Fair value adjustment	153,000	235,000
At 31 August	<u>12,401,000</u>	<u>12,103,000</u>

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 properties were revalued on 22 August 2017 by Raine & Horne International, an independent professional valuer. The fair values were determined by the comparison method.

As at 31 August 2017, the fair values of the investment properties were estimated to be RM12,401,000 (2016: RM12,103,000).

Investment properties with fair value of RM6,500,000 (2016: RM6,500,000) are pledged as securities for borrowings (Note 20).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

10. Investment properties (cont'd)

Fair value information

Fair values of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2017				
- Shoplots	-	-	6,840,000	6,840,000
- Apartments	-	-	1,678,000	1,678,000
- Houses	-	-	75,000	75,000
- Land	-	-	3,808,000	3,808,000
	-	-	12,401,000	12,401,000
2016				
- Shoplots	-	-	6,840,000	6,840,000
- Apartments	-	-	1,380,000	1,380,000
- Houses	-	-	75,000	75,000
- Land	-	-	3,808,000	3,808,000
	-	-	12,103,000	12,103,000

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 -37% and 16% (2016: -55% and 88%) of the respective comparative prices.

Sensitivity analysis

The increase in the price per square feet of comparable properties in the surrounding vicinity will result in an increase of fair value of these properties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

11. Investment in subsidiaries

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	4	4

Details of subsidiary companies are as follows:

Name of Company	Country of incorporation	Principal activities	Group effective equity interest	
			2017 %	2016 %
Concrete Engineering Products Management Sdn. Bhd.	Malaysia	Dormant	100	100
Concrete Engineering Products Marketing Sdn. Bhd.	Malaysia	Dormant	100	100

12. Other investments

	Group/Company			
	2017		2016	
	Carrying amount RM	Market value of quoted investment RM	Carrying amount RM	Market value of quoted investment RM

Fair value through profit
or loss investments:

Quoted shares in Malaysia	40,080,721	40,080,721	42,694,681	42,694,681
------------------------------	------------	------------	------------	------------

Other investments relate to investment in quoted shares of Inch Kenneth Kajang Rubber Public Limited Company ("IKKR"), a corporate shareholder. This represents 14% (2016: 14%) of the issued and fully paid up capital of IKK. 40,000,000 units of quoted shares (2016: 40,000,000 units) are pledged as security for bank facilities as disclosed in Note 20.

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

13. Inventories

	Group/Company	
	2017 RM	2016 RM
At cost:		
Finished goods	24,673,604	27,310,210
Raw materials	18,886,054	13,268,307
Consumable spares	1,623,451	1,376,292
	45,183,109	41,954,809

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

13. Inventories (cont'd)

During the year, inventories of RM107,661,705 (2016: RM117,514,209) was recognised in the cost of sales.

14. Trade and other receivables

	Group/Company	
	2017 RM	2016 RM
Non-current		
Trade receivables	-	793,641
Current		
Trade receivables	79,017,535	95,975,942
Less: Allowance for impairment	(10,701,079)	(10,928,674)
	68,316,456	85,047,268
Other receivables:		
Deposits	378,487	373,987
Prepayments	524,057	244,882
Goods and services tax	355,944	1,228,029
Sundry receivables	675,880	1,570,610
Less: Allowance for impairment	(151,704)	-
	1,782,664	3,417,508
Total current	70,099,120	88,464,776
Total trade and other receivables	70,099,120	88,464,776

The Group's and the Company's average trade credit term ranges from 60 to 120 days (2016: 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 RM11,223,605 (2016: RM 28,973,511), arising from a single customer which contributed to approximately 14% (2016: 31%) 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	
	2017 RM	2016 RM
Neither past due nor impaired	24,295,072	25,068,269
1 to 30 days past due but not impaired	8,731,256	17,903,568
31 to 60 days past due but not impaired	9,650,929	16,901,750
61 to 90 days past due but not impaired	4,600,352	5,304,864
91 to 120 days past due but not impaired	2,601,301	5,308,621
More than 121 days past due but not impaired	18,437,546	15,353,837
	44,021,384	60,772,640
Impaired	10,701,079	10,928,674
	79,017,535	96,769,583

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

14. 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

The Group's and Company's trade and other receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group/Company Individually impaired	
	2017 RM	2016 RM
Trade and other receivables - nominal amount	10,852,783	10,928,674
Less: Allowance for impairment	(10,852,783)	(10,928,674)
	-	-

Movement in the allowance accounts:

	Group/Company Individually impaired	
	2017 RM	2016 RM
At 1 September 2016/2015	10,928,674	10,276,303
Charge for the year (Note 4)	444,641	716,219
Reversal of allowance for impairment (Note 4)	(520,532)	(63,848)
At 31 August	10,852,783	10,928,674

Trade 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.

15. Amount due from subsidiaries

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

16. Deposits with licensed banks

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

	Group/Company	
	2017 % per annum	2016 % per annum
Licensed banks	2.55 - 3.80	2.90 - 3.80

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

16. Deposits with licensed banks (cont'd)

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

	Group/Company	
	2017	2016
	days	days
Licensed banks	6 - 75	2 - 75

Deposit with licensed banks of the Group and of the Company amounting to RM1,345,684 (2016: RM1,308,734) are pledged as securities for borrowings (Note 20).

17. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2017	2016	2017 RM	2016 RM
Authorised:				
At the beginning of year	100,000,000	100,000,000	100,000,000	100,000,000
Less: Abolishment under Companies Act 2016	(100,000,000)	-	(100,000,000)	-
At the end of year	-	100,000,000	-	100,000,000
Issued and fully paid:				
At the beginning of year	44,775,000	44,775,000	44,775,000	44,775,000
Add: Transition to no-par value regime	-	-	30,569,833	-
At the end of year	44,775,000	44,775,000	75,344,833	4,775,000

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.

The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amounts standing to the credit of share premium account become part of the Company's share capital, pursuant to the transitional provisions as set out in Section 618(2) of the Act. Notwithstanding the requirement of Section 618(2), the Company may, within 24 months from the commencement of this Act, use the amount standing to the credit of share premium account of RM30,569,833 for purposes as set out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a results of this transition.

18. Dividends

The Directors do not propose any dividend for the financial years ended 31 August 2016 and 31 August 2017.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

20. Borrowings

	Group/Company	
	2017	2016
	RM	RM
Long term borrowings		
Secured:		
- Hire purchase (Note 21)	1,499,525	433,422
- Term loans	11,096,180	9,539,405
	<u>12,595,705</u>	<u>9,972,827</u>
Short term borrowings		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 21)	1,190,434	615,127
- Bankers' acceptances	25,342,000	20,272,000
- Invoice financing	918,000	-
- Term loans	2,592,778	1,854,082
- Bank overdrafts	5,672,176	10,647,399
	<u>40,715,388</u>	<u>38,388,608</u>
Unsecured:		
- Bankers' acceptances	4,125,000	4,728,000
	<u>4,125,000</u>	<u>4,728,000</u>
Total short term borrowings	<u>44,840,388</u>	<u>43,116,608</u>
Total borrowings		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 21)	2,689,959	1,048,549
- Bankers' acceptances	25,342,000	20,272,000
- Invoice financing	918,000	-
- Term loans	13,688,958	11,393,487
- Bank overdrafts	5,672,176	10,647,399
	<u>53,311,093</u>	<u>48,361,435</u>
Unsecured:		
- Bankers' acceptances	4,125,000	4,728,000
	<u>4,125,000</u>	<u>4,728,000</u>
	<u>57,436,093</u>	<u>53,089,435</u>
Maturity of total borrowings:		
Not later than 1 year	44,840,388	43,116,608
Later than 1 year and not later than 2 years	6,903,892	4,360,469
Later than 2 years and not later than 5 years	5,691,813	5,374,278
Later than 5 years	-	238,080
	<u>57,436,093</u>	<u>53,089,435</u>

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

	Group/Company	
	2017	2016
	%	%
Hire purchase	2.40 - 4.03	2.40 - 4.15
Bankers' acceptances	4.68 - 5.44	4.50 - 5.90
Invoice financing	6.23 - 6.66	-
Revolving credit facilities	5.62 - 5.96	5.61 - 8.00
Term loans	4.60 - 7.92	6.05 - 8.35
Bank overdrafts	7.70 - 8.41	7.70 - 8.41

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

20. Borrowings (cont'd)

	Note (i) RM	Note (ii) RM	Note (iii) RM	Total secured borrowings RM
Facilities				
31 August 2017				
Revolving credit	-	-	5,000,000	5,000,000
Bankers acceptance	3,731,000	8,206,000	13,405,000	25,342,000
Invoice financing	918,000	-	-	918,000
Term loans	3,134,945	4,852,355	5,701,658	13,688,958
Bank overdraft	-	3,876,918	1,795,258	5,672,176
31 August 2016				
Revolving credit	-	-	5,000,000	5,000,000
Bankers acceptance	-	3,172,000	17,100,000	20,272,000
Term loans	1,113,999	5,532,488	4,747,000	11,393,487
Bank overdraft	-	8,351,471	2,295,928	10,647,399

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 RM6,500,000 (2016: RM6,500,000) as disclosed in Note 10.

Note (ii)

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

	Group/Company	
	2017 RM	2016 RM
First party second legal charge over a property in Rawang (Note 9):		
- leasehold land	2,982,008	3,081,408
- factory building	6,930,158	7,109,219

Note (iii)

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

	Group/Company	
	2017 RM	2016 RM
(a) First legal charge over a property in Nilai (Note 9):		
- leasehold land	1,644,406	1,667,245
- factory building	2,266,481	2,324,443
(b) First legal charge over a property in Batang Kali (Note 9):		
- leasehold land	2,870,411	2,954,835
- factory building	2,170,519	2,206,957
(c) Letter of set-off over fixed deposit (Note 16)	1,345,684	1,308,734
(d) Supplemental memorandum of deposit over investment in quoted shares as disclosed in Note 12.		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

21. Hire purchase

	Group/Company	
	2017 RM	2016 RM
Future minimum lease payments:		
Not later than 1 year	1,334,000	664,920
Later than 1 year and not later than 2 years	1,565,935	335,001
Later than 2 years and not later than 5 years	10,092	121,472
Total future minimum lease payments	2,910,027	1,121,393
Less: Future finance charges	(220,068)	(72,844)
Present value of hire purchase liabilities	2,689,959	1,048,549
Analysis of present value of hire purchase liabilities:		
Not later than 1 year	1,190,434	615,127
Later than 1 year and not later than 2 years	1,489,625	316,145
Later than 2 years and not later than 5 years	9,900	117,277
	2,689,959	1,048,549
Less: Amount due within 12 months (Note 20)	(1,190,434)	(615,127)
Amount due after 12 months (Note 20)	1,499,525	433,422

22. Deferred tax liabilities

	Group/Company	
	2017 RM	2016 RM
At 1 September 2016/2015	1,210,025	1,653,539
Recognised in profit or loss (Note 7)	(292,082)	(443,514)
At 31 August	917,943	1,210,025
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	1,360,207	1,363,298
Deferred tax assets	(442,264)	(153,273)
	917,943	1,210,025

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

	Property, plant and equipment RM	Fair value adjustment on investment properties RM	Others RM	Total RM
At 1 September 2016	942,602	158,800	261,896	1,363,298
Charged to profit or loss	63,467	7,650	(74,208)	(3,091)
At 31 August 2017	1,006,069	166,450	187,688	1,360,207
At 1 September 2015	828,344	147,050	825,591	1,800,985
Charged to profit or loss	114,258	11,750	(563,695)	(437,687)
At 31 August 2016	942,602	158,800	261,896	1,363,298

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

22. Deferred tax liabilities (cont'd)

Deferred tax assets

	Provisions RM
At 1 September 2016	(153,273)
Charged to profit or loss	(288,991)
At 31 August 2017	(442,264)
At 1 September 2015	(147,446)
Charged to profit or loss	(5,827)
At 31 August 2016	(153,273)

23. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	42,649,238	53,864,110	42,649,238	53,864,110
Other payables	84,888	76,028	65,607	65,608
Accruals	3,492,586	2,529,552	3,492,586	2,529,552
	46,226,712	56,469,690	46,207,431	56,459,270

The normal trade credit terms granted to the Group and to the Company range from 60 to 120 days (2016: 60 to 120 days).

24. 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:

	2017 RM	2016 RM
Malaysia	166,062,058	156,035,712
Southeast Asia	13,349,974	36,339,738
	179,412,032	192,375,450

Information about a major customer

Revenue from one major customer amounted to RM26,587,856 (2016: RM33,384,611).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

25. 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:

	2017 RM	2016 RM
Short term employee benefits	666,323	769,253
Defined contribution plan	60,544	67,722
Fees	45,000	45,000
	<u>771,867</u>	<u>881,975</u>

Remuneration of non-executive Directors is disclosed in Note 6.

26. 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.

	Loans and receivables RM	Fair value through profit or loss RM	Financial liabilities at amortised cost RM	Total RM
Group				
31 August 2017				
Assets				
Other investments	-	40,080,721	-	40,080,721
Trade and other receivables	69,575,063	-	-	69,575,063
Deposits with licensed banks	9,579,352	-	-	9,579,352
Cash and bank balances	352,404	-	-	352,404
Total financial assets	<u>79,506,819</u>	<u>40,080,721</u>	<u>-</u>	<u>119,587,540</u>
Total non-financial assets				<u>98,599,501</u>
Total assets				<u>218,187,041</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

26. Financial instruments (cont'd)

Classification of financial instruments (cont'd)

	Loans and receivables RM	Fair value through profit or loss RM	Financial liabilities at amortised cost RM	Total RM
Group				
31 August 2017				
Liabilities				
Borrowings	-	-	57,436,093	57,436,093
Trade and other payables	-	-	46,226,712	46,226,712
Total financial liabilities	-	-	103,662,805	103,662,805
Total non-financial liabilities				917,943
Total liabilities				104,580,748
31 August 2016				
Assets				
Other investments	-	42,694,681	-	42,694,681
Trade and other receivables	89,013,535	-	-	89,013,535
Deposits with licensed banks	7,014,541	-	-	7,014,541
Cash and bank balances	814,662	-	-	814,662
Total financial assets	96,842,738	42,694,681	-	139,537,419
Total non-financial assets				90,069,557
Total assets				229,606,976
Liabilities				
Borrowings	-	-	53,089,435	53,089,435
Trade and other payables	-	-	56,469,690	56,469,690
Total financial liabilities	-	-	109,559,125	109,559,125
Total non-financial liabilities				1,210,025
Total liabilities				110,769,150
Company				
31 August 2017				
Assets				
Other investments	-	40,080,721	-	40,080,721
Trade and other receivables	69,575,063	-	-	69,575,063
Amount due from subsidiaries	48,463	-	-	48,463
Deposits with licensed banks	9,579,352	-	-	9,579,352
Cash and bank balances	352,404	-	-	352,404
Total financial assets	79,555,282	40,080,721	-	119,636,003
Total non-financial assets				98,599,505
Total assets				218,235,508
Liabilities				
Borrowings	-	-	57,436,093	57,436,093
Trade and other payables	-	-	46,207,431	46,207,431
Total financial liabilities	-	-	103,643,524	103,643,524
Total non-financial liabilities				917,943
Total liabilities				104,561,467

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

26. Financial instruments (cont'd)

Classification of financial instruments (cont'd)

	Loans and receivables RM	Fair value through profit or loss RM	Financial liabilities at amortised cost RM	Total RM
Company				
31 August 2016				
Assets				
Other investments	-	42,694,681	-	42,694,681
Trade and other receivables	89,013,535	-	-	89,013,535
Amount due from subsidiaries	33,662	-	-	33,662
Deposits with licensed banks	7,014,541	-	-	7,014,541
Cash and bank balances	814,662	-	-	814,662
Total financial assets	96,876,400	42,694,681	-	139,571,081
Total non-financial assets				90,069,561
Total assets				229,640,642
Liabilities				
Borrowings	-	-	53,089,435	53,089,435
Trade and other payables	-	-	56,459,270	56,459,270
Total financial liabilities	-	-	109,548,705	109,548,705
Total non-financial liabilities				1,210,025
Total liabilities				110,758,730

27. 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	14
Amount due from subsidiaries	15
Deposits with licensed banks	16
Cash and bank balances	
Borrowings (current and non-current)	20
Payables	23

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

27. Fair value of financial instruments (cont'd)

(a) Determination of fair value (cont'd)

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

(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 are classified as Level 1. The Group and the Company do not have any financial instrument classified as Level 2 and Level 3 as at 31 August 2017.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

28. 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 (CONT'D)

31 AUGUST 2017

28. 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
2017			
Group			
Financial liabilities:			
Trade and other payables	46,226,712	-	46,226,712
Borrowings	45,760,327	14,458,640	60,218,967
Total undiscounted financial liabilities	91,987,039	14,458,640	106,445,679
Company			
Financial liabilities:			
Trade and other payables	46,207,431	-	46,207,431
Borrowings	45,760,327	14,458,640	60,218,967
Total undiscounted financial liabilities	91,967,758	14,458,640	106,426,398
2016			
Group			
Financial liabilities:			
Trade and other payables	56,469,690	-	56,469,690
Borrowings	43,938,772	11,479,271	55,418,043
Total undiscounted financial liabilities	100,408,462	11,479,271	111,887,733
Company			
Financial liabilities:			
Trade and other payables	56,459,270	-	56,459,270
Borrowings	43,938,772	11,479,271	55,418,043
Total undiscounted financial liabilities	100,398,042	11,479,271	111,877,313

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

28. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

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
31 August 2017	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(143,590)
Interest rates decrease by 0.25%	<u>143,590</u>
31 August 2016	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(132,724)
Interest rates decrease by 0.25%	<u>132,724</u>

(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 Securities. 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.

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
31 August 2017	
Investment in Malaysia	
Market price increase by 5%	2,004,036
Market price decrease by 5%	<u>(2,004,036)</u>
31 August 2016	
Investment in Malaysia	
Market price increase by 5%	2,134,734
Market price decrease by 5%	<u>(2,134,734)</u>

(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) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

28. Financial risk management objectives and policies (cont'd)

(e) Foreign currency risk (cont'd)

Functional currency of Group/Company	RM
As at 31 August 2017	
United States Dollar	152,325
United Arab Emirates Dirham	1,451,578
Singapore Dollar	2,114,868
	<u>3,718,771</u>
As at 31 August 2016	
United States Dollar	1,430,730
United Arab Emirates Dirham	1,927,435
Singapore Dollar	8,338,413
	<u>11,696,578</u>

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:

		Group/Company Profit before tax	
		2017 RM	2016 RM
USD/RM	- strengthen 3%	4,570	42,922
	- weaken 3%	(4,570)	(42,922)
AED/RM	- strengthen 3%	43,547	57,823
	- weaken 3%	(43,547)	(57,823)
SGD/RM	- strengthen 3%	63,446	250,152
	- weaken 3%	(63,446)	(250,152)

29. 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 2017 and 31 August 2016.

The Group and the Company monitor capital using debt to equity ratio, which is total debts divided by total equity.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total debts	57,436,093	53,089,435	57,436,093	53,089,435
Equity attributable to the owners of the parent	113,606,293	118,837,826	113,674,041	118,881,912
Debt to equity ratio	51%	45%	51%	45%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 AUGUST 2017

30. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 August 2017 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings of the Company and its subsidiaries				
- Realised	38,651,138	41,404,597	38,718,886	41,448,683
- Unrealised	(389,678)	2,088,396	(389,678)	2,088,396
Retained profits as per financial statements	38,261,460	43,492,993	38,329,208	43,537,079

ANALYSIS OF SHAREHOLDINGS

AS AT 20 NOVEMBER 2017

Class of Shares : Ordinary Shares of RM1.00 each

A) DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No of Holders	No of Shares	%
Less than 100	40	1,238	0.00
100 - 1,000	418	375,088	0.84
1,001 - 10,000	622	1,986,200	4.44
10,001 - 100,000	82	2,164,550	4.83
100,001 - less than 5% of issued shares	48	27,881,165	62.27
5% and above of issued shares	2	12,366,759	27.62
Total	1,212	44,775,000	100.00

B) SUBSTANTIAL SHAREHOLDERS

Name	No of Shares	%
1) Inch Kenneth Kajang Rubber Public Limited Company	10,030,959	22.40
2) Progressive Metal Works Sdn Bhd	4,179,000	9.33

C) THIRTY (30) LARGEST SHAREHOLDERS

Name	No of Shares	%
1) Inch Kenneth Kajang Rubber Public Limited Company	8,727,759	19.49
2) Progressive Metal Works Sdn Bhd	3,639,000	8.13
3) Md Rushdi bin Taib	2,022,270	4.52
4) Mohd Ridzwan bin Jamaludin	2,012,121	4.49
5) SJ Sec Nominees (Tempatan) Sdn Bhd for Zuraini binti Alias	1,734,050	3.87
6) HLIB Nominees (Tempatan) Sdn Bhd for Che Muhamad Fasir bin Samsudin	1,683,300	3.76
7) General Growth Sdn Bhd	1,162,400	2.60
8) Ahmad Hamzah bin Mohd Anuar	1,150,000	2.57
9) Inch Kenneth Kajang Rubber Public Limited Company	1,001,400	2.24
10) Muhamad Faris bin Muhamad Fasri	899,350	2.01
11) Good Health Pharmacy Sdn Bhd	896,000	2.00
12) Amsec Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	862,900	1.93
13) Masmanis Sdn Bhd	851,700	1.90
14) Masmanis Sdn Bhd	780,100	1.74

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 20 NOVEMBER 2017

C) THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	Name	No of Shares	%
15)	EB Nominees (Tempatan) Sendirian Berhad for Che Ismail bin Mohd	750,000	1.68
16)	Alliancegroup Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	710,950	1.59
17)	Usaki Sdn Bhd	700,000	1.56
18)	Alliancegroup Nominees (Tempatan) Sdn Bhd for Mohd Dzaki @ Mohd Zaki bin Jaafar	653,150	1.46
19)	Alliancegroup Nominees (Tempatan) Sdn Bhd for Latifah binti Abdul Hamid	593,600	1.33
20)	Kenanga Nominees (Tempatan) Sdn Bhd for Norazlina binti Awang	587,500	1.31
21)	Miss Asura Salaeh	559,800	1.25
22)	Norani binti Supar	547,800	1.22
23)	EB Nominees (Tempatan) Sendirian Berhad for Progressive Metal Works Sdn Bhd	540,000	1.21
24)	Amsec Nominees (Tempatan) Sdn Bhd for Mohd Dzaki @ Mohd Zaki bin Jaafar	532,000	1.19
25)	TA Nominees (Tempatan) Sdn Bhd for Hassan bin Haji Hussin	517,500	1.16
26)	Che Yam @ Rusnah binti Hussin	505,100	1.13
27)	Deal Trekker (M) Sdn Bhd	504,800	1.13
28)	Ambank (M) Berhad for Sumber Berkat Sdn Bhd	395,000	0.88
29)	General Growth Sdn Bhd	363,100	0.81
30)	Maybank Nominees (Tempatan) Sdn Bhd for Norhazlina binti Ibrahim	361,300	0.81

LIST OF PROPERTIES

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-17 RM	Date of Acquisition (A) / Revaluation(R)
1)	Lot 63 Bakar Arang Industrial Estate Sg Petani, Kedah	Leasehold expiring in 2083	66	Land: 13.2 acres Built-up: 5,180 sq m 32 years	Single-storey office, an open sided single storey factory, canteen, laboratory, store and stockyard	3,969,367	31 August 1995 (R)
2)	PLO 337 Jln Suasa Pasir Gudang Industrial Estate Johor	Leasehold expiring in 2050	33	Land: 7.5 acres Built-up: 7,000 sq m 25 years	Single-storey office, two single -storey factory buildings, boiler house, canteen, stockyard and jetty	5,507,037	31 August 1995 (R)
3)	PLO 461 Jln Suasa Pasir Gudang Industrial Estate Johor	Leasehold expiring in 2053	36	Land: 2.5 acres 25 years	Stockyard	2,523,029	31 August 1995 (R)
4)	PT 643 Batu 20 Jalan Ipoh Rawang Selangor	Leasehold expiring in 2047	30	Land: 11.344 acres Built-up: 16,630 sq m 23 years	Double-storey office, canteen, store, laboratory, single-storey factory and stockyard	9,912,166	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	72	Land: 6.707 acres Built-up: 6,370 sq m 22 years	Single-storey factory and office, canteen and stockyard	3,910,887	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	35	Land: 7.981 acres Built-up: 4,842 sq m 23 years	Single-storey factory and office, canteen, stockyard, boiler room, generator room and compressor room	5,040,930	25 August 2010 (A)
<i>*Property is currently charged for financing facilities</i>							

LIST OF PROPERTIES (CONT'D)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-17 RM	Date of Acquisition (A) / Revaluation(R)
7)	11 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	65	Land: 0.035 acres Built-up: 150 sq m 25 years	Residential double-storey house	67,087	30 April 1992 (A)
8)	31 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	65	Land: 0.035 acres Built-up: 150 sq m 24 years	Residential double-storey house	69,121	8 September 1992 (A)
9)	42 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	65	Land: 0.035 acres Built-up: 150 sq m 25 years	Residential double-storey house	67,087	30 April 1992 (A)
10)	8 Jalan 2/11 Jalan Bukit Rawang Jaya Rawang, Selangor	Freehold		Land: 0.030 acres Built-up: 90 sq m 22 years	Single-storey terrace house	40,320	28 April 1994 (A)
11)	A-3-3 Block A Taman Nilai Perdana, Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sq m 17 years	Apartment	18,893	27 May 2009 (A)
12)	A-1-6, 1st Floor Block A Taman Nilai Perdana, Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sq m 17 years	Apartment	21,254	27 May 2009 (A)
13)	LA-3-2, Block LA Taman Nilai Perdana, Nilai Negeri Sembilan	Freehold		Built-up: 60.7 sq m 17 years	Apartment	18,893	27 May 2009 (A)
14)	I-G-02, Jln PPK 2 Bandar Kinrara Section 3 Puchong Selangor	Leasehold expiring in 2099	82	Built-up: 114 sq m 11 years	Ground Floor Shoplot	340,000	22 Aug 2017 (R)

LIST OF PROPERTIES (CONT'D)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-17 RM	Date of Acquisition (A) / Revaluation(R)
15)	Danau Putra Apartments Jln Putra Perdana 5F Taman Putra Sepang Selangor Unit 48-2A Unit 48-2B Unit 49-2A Unit 49-2B Unit 52-1B Unit 52-1C Unit 52-1D Unit 53-2D Unit 53-3B	Leasehold expiring in 2092	75	14 years Built up: 76 sq m Built up: 73 sq m Built up: 69 sq m Built up: 66 sq m Built up: 66 sq m Built up: 44 sq m Built up: 73 sq m Built up: 61 sq m Built up: 66 sq m	Apartments	 100,000 96,000 90,000 87,000 90,000 60,000 100,000 80,000 90,000	22 Aug 2017 (R)
16)	Unit B1-5-6 Pandan Mewah Heights Jln Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	69	Built-up: 90 sq m 15 years	Condominium	370,000	22 Aug 2017 (R)
17)	Unit B1-5-7 Pandan Mewah Heights Jln Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	69	Built-up: 90 sq m 15 years	Condominium	370,000	22 Aug 2017 (R)
18)	Unit No.40 Type Lavender Lembah Beringin Zone 2-1 Geran 8039 Lot 610 and Geran 11709 Lot 863 Mukim of Kerling Daerah Hulu Selangor Selangor	Freehold		Built-up: 151 sq m	Residential one and half-storey terrace house	75,000	22 Aug 2017 (R)
19)	Lot 7692 PN 10780 Bandar Ulu Kelang District of Gombak Selangor	Leasehold expiring in 2078	61	Land: 1,191 sq m	Vacant detached residential plot	3,000,000	22 Aug 2017 (R)

LIST OF PROPERTIES (CONT'D)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-17 RM	Date of Acquisition (A) / Revaluation(R)
20)	44 & 44A, Freehold Jln Telawi 5 Bangsar Baru Kuala Lumpur			Built-up: 332 sq m 36 years	Double-storey shop office	6,500,000	22 Aug 2017 (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		280 sq. m 661 sq. m 697 sq. m 720 sq. m 570 sq. m 748 sq. m 353 sq. m 334 sq. m	Vacant detached residential plot	808,000	22 Aug 2017 (R)
22)	No. 1-4B, Block C Jln SP 5/4 Taman Serdang Perdana Seksyen 5 43300 Seri Kembangan Selangor	Freehold		Built up: 60 sq m	Residential apartment atop shopapartment building	145,000	9 Aug 2017 (A)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting (“33rd AGM”) of 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 Tuesday, 23 January 2018 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 2017 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 2017.
- 3) **Resolution 2**
To re-elect Dato’ Ir Dr Abdul Aziz bin Arshad who retires pursuant to Article 90 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
- 4) **Resolution 3**
To re-elect Mr Leong Kway Wah who retires pursuant to Article 102 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
- 5) To re-elect the following Directors who retire by rotation pursuant to Article 96 of the Company’s Articles of Association, and being eligible, offer themselves for re-election:
 - (a) To’ Puan Seri Hajjah Nur Rahmah binti Mohd Zain
 - (b) Mr Dennis Xavier
- 6) **Resolution 5**
To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 4a

Resolution 4b

SPECIAL BUSINESS

- 7) **Approval to Continue in Office as Independent Non-Executive Directors**

Resolution 6a

- (a) To’ Puan Seri Hajjah Nur Rahmah binti Mohd Zain

“THAT subject to the passing of the Resolution 4a, 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 6b

- (b) Mr Dennis Xavier

“THAT subject to the passing of the Resolution 4b, 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)

8) **Resolution 7**
Authority to Allot and Issue Shares Pursuant to the Companies Act 2016

“THAT subject to the Companies Act 2016, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company’s Articles of Associations and approval of the relevant government regulatory authorities, if required, the Directors be and hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, 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

- 9) 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
22 December 2017

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) Where a member appoints more than one 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 18 January 2018 shall be regarded as Member of the Company entitled to attend the 33rd 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 33rd 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 2017 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 Malaysian Companies Act 2016.

2) **Resolution 1 - Directors' Fees**

Section 230(1) of the Malaysian Companies Act 2016 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 agrees that the shareholders' approval shall be sought at the 33rd AGM on the Directors' fees.

3) **Resolution 2 - Re-appointment of Dato' Ir Dr Abdul Aziz bin Arshad**

Pursuant to Section 205(3)(a) of the Malaysian Companies Act 2016, and in accordance to Article 90 of the Company's Articles of Association, a Director shall retire from office at his/her first AGM and be eligible for re-election.

The Board has recommended that Dato' Ir Dr Abdul Aziz bin Arshad be re-appointed as Director of the Company.

4) **Resolution 3 - Re-appointment of Mr Leong Kway Wah**

In accordance to Article 102 of the Company's Articles of Association provides that a Managing Director is subjected to retirement once every three (3) years, and be eligible for re-election.

The Board has recommended that Mr Leong Kway Wah be re-appointed as Director of the Company.

5) **Resolution 4(a) & 4(b) - Re-appointments of To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier**

Pursuant to Section 205(3)(b) of the Malaysian Companies Act 2016, and in accordance to Article 96 of the Company's Articles of Association 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.

6) **Resolution 5 - 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

7) **Resolution 6(a) & 6(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 justifications:

- 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.

8) **Resolution 7 - Authority to Allot and Issue Shares Pursuant to the Companies Act 2016**

The proposed Resolution 7, 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 18 January 2017 and which will lapse at the conclusion of the 33rd 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 MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

- 1) The Directors standing for re-election at the 33rd AGM of the Company are:
 - a) Pursuant to Article 90 of the Company's Articles of Association
 - Dato' Ir Dr Abdul Aziz bin Arshad
 - b) Pursuant to Article 102 of the Company's Articles of Association
 - Leong Kway Wah
 - c) Pursuant to Article 96 of the Company's Articles of Association
 - To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain
 - Dennis Xavier
- 2) The profiles of the Directors who are standing for re-election are set out on pages 6 and 7 of the 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 Malaysian Companies Act 2016 are set out in Explanatory Note 8 of the Notice of the 33rd AGM.

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 33rd 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 Tuesday, 23 January 2018 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 Dato Ir Dr Abdul Aziz bin Arshad who retires pursuant to Article 90 of the Company's Articles of Association		
3)	To re-elect Mr Leong Kway Wah who retires pursuant to Article 102 of the Company's Articles of Association		
4)	To re-elect the following Directors who retire by rotation pursuant to Article 96 of the Company's Articles of Association: a) To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain b) Mr Dennis Xavier		
5)	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
6)	Special Business: Approval to continue in office as Independent Non-Executive Directors: a) To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain b) Mr Dennis Xavier		
7)	Special Business: To empower the Directors of the Company to issue shares pursuant to the 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. Where a member appoints more than one 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



MESTIKA PROJEK (M) SDN BHD
(225545V)
22nd Floor Menara Promet (KH)
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

2ND FOLD HERE

1ST FOLD HERE



CONCRETE ENGINEERING PRODUCTS BERHAD
(88143P)

22nd Floor Menara Promet (KH)
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Tel: (603)-2144 1066 Fax: (603)-2144 4885
Homepage: www.cepc.com.my