

# 34TH 2018 ANNUAL REPORT



**CONCRETE ENGINEERING PRODUCTS BERHAD**  
(88143-P)

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# 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**  
Member

**Dennis Xavier**  
Member

## NOMINATING COMMITTEE

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

**Abdul Khudus bin Mohd Naaim**  
Member

**Dennis Xavier**  
Member

## REMUNERATION COMMITTEE

**Dennis Xavier**  
Chairman

**Abdul Khudus bin Mohd Naaim**  
Member

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

## COMPANY SECRETARY

**Norakhmar binti Baharom**  
LS 0001698

## SHARE REGISTRAR

**Mestika Projek (M) Sdn Bhd** (225545-V)  
22nd Floor Menara Promet (KH)  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-2144 4446  
Fax : 03-2141 8463

## REGISTERED AND HEAD OFFICE

22nd Floor Menara Promet (KH)  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-2144 1066  
Fax : 03-2144 4885  
Web : [www.cepcos.com.my](http://www.cepcos.com.my)

## 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 - **CEPCO**  
Stock Code - **8435**

## FACTORIES

### CENTRAL REGION

PT643 Batu 20 Jalan Ipoh  
48000 Rawang  
Selangor  
Tel : 03-6091 4201  
Fax : 03-6091 4287

Lot 7106  
Kawasan Perindustrian Nilai  
71800 Nilai  
Negeri Sembilan  
Tel : 06-7992 841  
Fax : 06-7992 839

Lot A3  
Kawasan Perindustrian MIEL  
44300 Batang Kali  
Selangor  
Tel : 03-6057 1811  
Fax : 03-6057 1817

### NORTHERN REGION

Lot 63  
Bakar Arang Industrial Estate  
08000 Sungai Petani  
Kedah  
Tel : 04-4210 891  
Fax : 04-4221 263

### SOUTHERN REGION

PLO 337 Jalan Suasu  
Pasir Gudang Industrial Estate  
81700 Pasir Gudang  
Johor  
Tel : 07-2511 048  
Fax : 07-2514 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 ("CEPCO") when it was converted into a public listed company. In January 1992, CEPCO was officially listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia) Second Board and was transferred to the Main Board in 2009.

The Company currently operates 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 ("PC") piles and poles. The Company currently exports substantial quantities of its products to the overseas markets covering Singapore, Brunei, Indonesia, The Maldives and Nigeria.





**PART OF CURRENT PROJECTS UNDERTAKEN BY THE COMPANY**



Expansion of Velana Airport, Maldives



Sugar Refinery Factory, Sg Menang, Palembang, Indonesia



Brunei Fertilizer Plant, Brunei Darussalam



Bridge at Bera, Pahang

# BOARD OF DIRECTORS

Dennis Xavier

Abdul Khudus bin  
Mohd Naaim

Norakhmar  
binti Baharom  
(Company  
Secretary)



To' Puan Seri  
Hajjah Nur  
Rahmah binti  
Mohd Zain

Leong Kway Wah

Dato' Ir Dr  
Abdul Aziz  
bin Arshad



# PROFILE OF DIRECTORS

Encik Abdul Khudus bin Mohd Naa'im 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 Naa'im 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 Naa'im attended all five (5) Board Meetings held during the financial year ended 31 August 2018.



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

Malaysian, aged 64

#### **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 65

**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 2018.

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 2018.



**DENNIS XAVIER**  
**Independent Non-Executive Director**  
Malaysian, aged 67

**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 four (4) out of five (5) Board Meetings held during the financial year ended 31 August 2018.



**TO' PUAN SERI HAJJAH NUR  
RAHMAH BINTI MOHD ZAIN**  
**Independent**  
**Non-Executive Director**  
Malaysian, aged 63

**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 63

**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 all five (5) Board Meetings held during the financial year ended 31 August 2018.

# CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

On behalf of the Board of Directors of Concrete Engineering Products Berhad, I am pleased to present the Thirty-Fourth Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 August 2018.



## OPERATING RESULTS

The Group posted a revenue of RM161,951,674 which was lower by 9.7% compared with the RM179,412,032 achieved in the preceding year mainly due to lower sales from marine piles and poles. The Group's pre-tax loss of RM6,521,653, an increase of 23% over the preceding year, was also caused by lower margin contribution from its marine piles and poles sector. Additionally, the Group incurred a loss in foreign exchange of RM0.8 million as opposed to a gain of RM0.9 million in the last corresponding financial year. During the year, the group was impacted by lack of sales orders and cancellation or suspension of several key infrastructure projects. This coupled with the increase in steel bar prices of about 20% contributed to the lower profit margin.

Further details of the Group's financial performance are contained in the Management Discussion and Analysis section on page 12 of this Annual Report.



# Chairman's Statement and Review of Operations (cont'd)

## INDUSTRY OUTLOOK AND PROSPECTS FOR FINANCIAL YEAR 2019

The escalation of trade conflict between China and the US will have both direct and indirect "knock-on" effects on Malaysia as the US and China are the nation's two biggest trading partners accounting for 9.5% and 13.5% respectively, bringing the cumulative exposure to 23% of trade. The trade war with the imposition of higher import duties to the US would inflict secondary effects on Malaysia because of its integrated supply chains most notably through China, as well as through a shift in demand/supply and price dynamics of key inputs including PC bars and steel materials. This is evident from both the global business sentiment and consumer confidence indexes that started to trend lower in recent months, which would likely affect the growth momentum of the global economy going into second half of 2018 and the year 2019.

On the local front, in the aftermath of the 14th General Election ("GE14"), the ruling government had announced the suspension of various mega projects under planning ranging from the multi-billion Kuala Lumpur-Singapore high-speed rail (HSR) and Klang Valley Mass Rapid Transit Circle Line (MRT 3), East Coast Rail Link (ECRL) and the Gemas-Johor Bahru double-tracking rail project, which would impact private investments. CEPCO is directly affected as those projects' demands for building materials offer a potential source to fill order books. The local political, economic and financial landscapes are likely to remain challenging for 2019 and would likely influence the future prospects of the Malaysian construction and building industries. GDP is expected to grow at a slower pace of 4.3% to 4.8% in year 2019.

In view of the expected slowdown in the local construction scene, we have intensified our efforts to market our products overseas. Our main export markets which are South East Asian and Indian Oceanic countries look relatively well-placed with on-going major infrastructure projects and projects in the pipeline. Countries with external surplus are responding well to the strong USD except for the two main deficit economies, Indonesia and India, who face some strains from the strong USD currency. The strength of the USD against the Ringgit will have a bearing on the Company's export revenue which is mainly denominated in US Dollars.

Looking ahead, the Group is cautiously optimistic of the gradual recovery of local economy against the backdrop of more clarity in the direction the new government is moving. Pressures from rising labour costs and volatility of the USD against local and regional currencies and fluctuation in steel prices will affect the competitiveness of our products in the local and export markets. These will continue to be the key areas that we will actively monitor to mitigate any adverse impact on our businesses. Nevertheless, the Group will continue to focus on developing new marketing strategies whilst leveraging on its operational efficiency to reduce and minimise overall costs of production. With these measures in place, the Group is committed to deliver satisfactory results for the next financial year.

## CORPORATE GOVERNANCE AND SUSTAINABILITY

Our group is focused on maintaining high standards of corporate governance, compliance, business conducts, safety and environmental management – all of which are vital for the Group's performance and business sustainability. It is our belief that good corporate governance supports the long-term value creation for all our stakeholders.

Our Statement of Corporate Governance are detailed on pages 19 to 26 of this Annual Report.

## ACKNOWLEDGEMENT

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

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

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

16 November 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business and Operations

Since its establishment in 1983, CEPCO is principally involved in the manufacturing of prestressed spun concrete piles with annual rated capacity of 1,030,000 tons. The poles manufacturing annual rated capacity is 180,000 pieces. The Group operates five plants which are strategically situated in Peninsular Malaysia. The spun piles are used mainly as foundation piles for buildings, pile embankments, bridges, ports and marine structures, while the poles are used for telecommunication lines, electric power transmission and distribution lines, traffic signal equipments and street lightings.

## B. FINANCIAL REVIEW

The financial highlights of the Group for the past two (2) years are as follows:

	Financial Year Ended 31 August	
	2018 RM'000	2017 RM'000
Revenue	161,952	179,412
Operating loss before provision for decrease in fair value of quoted investment	(5,370)	(2,697)
Provision for decrease in fair value of quoted investment through profit and loss	(1,162)	(2,614)
Loss before taxation	(6,522)	(5,311)
Loss after taxation	(5,571)	(5,231)
Net loss attributable to equity holders	(5,571)	(5,231)
Total assets	216,956	218,187
Total borrowings	63,373	57,436
Total liabilities	108,922	104,581
Total shareholders' equity	108,035	113,606
Net gearing ratio	0.59	0.51
Earnings per share (EPS)	(12.44)	(11.68)
Net asset per share	2.41	2.54

### (i) Revenue

During the financial year ended 31 August 2018 ("FY 2018"), the Group's revenue decreased by 9.7% to RM161.9 million while loss before tax increased by 23%. Its principal product, pre-stressed spun concrete piles suffered margin compression mainly due to low selling prices and higher raw material costs. The lack of infrastructure and development projects coupled with the steep increase in price of PC bars and end plates compounded by the lower sales volume mainly caused the loss. This was exacerbated by intense competition from other spun pile suppliers trying to defend the share of the shrinking market by reducing selling prices.

Local sales decreased by 40% from RM166 million in the financial year ended 31 August 2017 ("FY 2017") to RM99 million in FY 2018 due to fewer high value sales order contracts secured. The major local projects secured during FY 2018 were Fertilizer Warehouse, Pulau Indah, Klang, LRT3 (TD2 Package 1 and GS10) and Simpang 8 Roadwork, Sungai Besar in Selangor, Track 4A Power Plant, Pasir Gudang and TNB Jetty at Senibong in Johor, HUMS Kota Kinabalu in Sabah and Kuching Waste Water Package 2 in Sarawak.

On the export front, CEPCO recorded a revenue of RM62.9 million in FY 2018 compared to RM13.4 million in the previous year, registering a growth of 371% year-on-year. The main contribution to export sales came from Fertilizer Plant in Nigeria, The Maldives Airport expansion, Palembang Highway projects, Ammonia Plant in Brunei and Sugar Mill Refinery in Palembang.

## Management Discussion and Analysis (cont'd)

The need to secure export business in the face of shrinking domestic demands compelled CEPSCO to accept orders with considerably lower margins than those in the previous years. We consider such reduced margins as acceptable because export sales are mostly secured by Letters of Credits. Besides the appreciation of the USD against the Indonesian Rupiah, we have to compete against local manufacturers with logistics and labour costs advantages.

Sales of marine piles which are mainly used for jetty and port foundation also saw a decrease of 73% compared to the preceding year due mainly to the competition from other countries' local manufacturers.

Revenue from poles also saw a drop of 29% year-on-year due to slower off take from its contract order from Tenaga Nasional Berhad. Lower selling price coupled with higher production costs and lower sales volume put a damper on margin contribution from this product segment.

### **(ii) Loss Before Taxation**

The Group's loss before taxation increased by 23% from RM5.3 million in FY 2017 to RM6.5 million in FY 2018. The Loss was due mainly to lower margin contribution from the marine piles and poles segment compared to the preceding financial year. Marine piles sales were lower due to lack of orders for port infrastructures which accounted for the majority of the demands for marine piles. Demand for poles segment by volume also slowed down by 22.6% compared to the preceding year. The pressure of downward selling price from competitors further depressed the margin for poles.

On the operating expenditure, the Group incurred a forex loss of RM0.87 million in FY 2018 compared to a gain of RM0.9 million in FY 2017. The rise in price of steel raw material and the weak RM/USD exchange rate continue to compress our margin due to the inability to pass on the price increase to our customers.

### **(iii) Loss After Taxation**

The tax provision written back of RM0.9 million is attributable to provision for deferred tax written back from the unabsorbed business loss and capital allowances not utilised due to losses incurred during the year.

### **(iv) Assets, Liabilities and Equity**

As at 31 August 2018, the Group's total assets base declined slightly to RM216.9 million from RM218.2 million in the previous year end. Items which had increased were finished goods inventory offset by trade debtors which dropped significantly due to settlement from a single large trade debtor after FY 2017.

The Group's total liabilities increased to RM108.9 million as at 31 August 2018 from RM104.6 million previously due mainly to the increase in trade borrowings to finance working capital.

### **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 2018.



# Management Discussion and Analysis (cont'd)

## Bonus Issue

On 1 November 2018, the Company announced a Proposed Bonus Issue on the basis of two (2) Bonus Shares for every three (3) existing Cepco Shares held by the shareholders on the entitlement date to be determined later upon shareholders approval at the forthcoming Extraordinary General Meeting to be held on 7 January 2019. The Proposed Bonus Issue shall be wholly capitalised from the Company's share premium account at RM1.00 for each Bonus Share, being reference to the par value of CEPCO Shares immediately before the date the Companies Act 2016 (the "Act") came into effect.

The Company's share premium account for the Proposed Bonus Issue shall be based on the latest audited financial statements for the FY 2018.

The Proposed Bonus Issue is an avenue of rewarding the existing shareholders of the Company while at the same time enhance CEPCO's capital base as the exercise will:

- (i) reward our existing shareholders of the Company for their continuous support;
- (ii) enlarge the number of ordinary shares held by the existing shareholders of the Company without increasing the percentage of equity interest;
- (iii) provide marketability and trading liquidity of CEPCO shares on the Main Market of Bursa Securities; and
- (iv) enable the Company to utilise the credit amount which has been transferred from the share premium account to the share capital account within the timeframe allowed under the Act, which is within 24 months from 31 January 2017, being the commencement of the Act.

## C. OPERATION REVIEW

### Performance in Financial Year Ended 2018

FY 2018 got off to a good start with the GE14 around the corner and the previous government pumped priming the economy with commencement of major infrastructure projects like ERCL and LRT3, while announcement of upcoming projects like MRT3, HSR helped to boost investor's sentiment. However, the turn of events arising from the unexpected election results led to cancellations, suspensions and postponements of billions worth of huge infrastructure projects by the new government which sent the construction and building materials sector into a tail spin post GE14. At the same time, the on-going trade war between China and the US had started to adversely impact the economic welfare of emerging countries including Malaysia.

## D. CHALLENGES AND STRATEGIES

We are positive on the outlook for 2019 while being mindful of the challenges ahead for the Group as the spun pile market remains highly price competitive. We will continuously review the risk management and business sustainability framework which includes process and policies aimed at addressing and mitigating risks at the same time sustaining growth to achieve the Group's business objectives.

### Economic and Market Environment

The business condition remained challenging in FY 2018 with lower GDP growth predicted to moderate further in 2019 to 4.3% - 4.8% from the GDP growth forecast of 5% for 2018. This is due to austerity in domestic public spending and risks of increase in global headwind.

CEPCO is looking beyond its traditional market like Indonesia, Brunei and Singapore, while developing new ones like Papua New Guinea, Bangladesh and Vietnam to mitigate the shortfall in its local orders in anticipation of a slowdown in the construction industry.

# Management Discussion and Analysis (cont'd)

## Foreign Currency Exchange Fluctuation Risk

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

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

Almost all our export sales are denominated in USD which give rise to difficulty in trade settlements for importers from countries affected by the strong rise in USD, as in the recent case of Indonesia. In order to assist the buyers from both exporting and importing countries, CEPCO is exploring cross currency trade settlements in their own currencies through appointed banks. Hopefully, with trade settlement in Rupiah instead of USD, CEPCO's pricing to Indonesian buyers would be even more competitive.

## Steel Raw Material Prices

During FY 2018, our production costs were adversely affected by the increase in the prices of PC steel bar and other steel raw materials of about 20% due to the weak Ringgit against USD. Moving forward, price of steel is expected to remain stable in FY 2019. The Group will continue its cost down initiatives to further decrease the production expenditures.

## E. LOOKING FORWARD TO FINANCIAL YEAR ENDED 2019

The growth prospects for FY 2019 depend heavily on a resilient growth in domestic demands and good performances of major developed economies as well as Emerging Market and Developing Economies. A slowdown in private consumption is the main domestically driven downside risk to the growth.

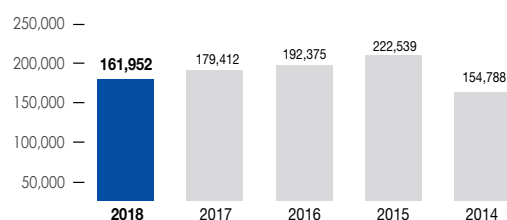
Malaysia's economic outlook is expected to remain strong given its resilient and robust financial system. With higher oil prices and stronger Ringgit, the Group believes the new government will continue stimulating activities especially in the construction sector to keep the economy going.

We are optimistic that we will be able to maintain the growth momentum of our export drive achieved during our last financial year and stem the losses.

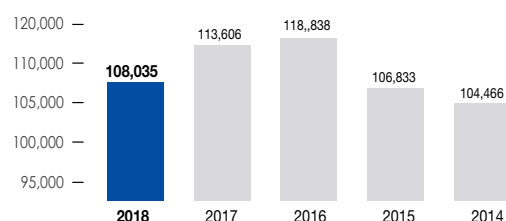
# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 AUGUST	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	161,952	179,412	192,375	222,539	154,788
Profit/(Loss) before Taxation	(6,522)	(5,311)	12,952	4,403	(399)
Profit/(Loss) after Taxation	(5,571)	(5,232)	12,005	2,367	(844)
Total Borrowings	63,372	57,436	53,089	45,368	47,150
Shareholders' Equity	108,035	113,606	118,838	106,833	104,466
Total Assets	216,956	218,187	229,607	212,704	183,296
Earnings (Loss) per Share (sen)	(12.44)	(11.68)	26.81	5.29	(1.88)
Gearing ratio (times)	0.59	0.51	0.45	0.42	0.45
Net Assets per Share (RM)	2.41	2.54	2.65	2.39	2.33

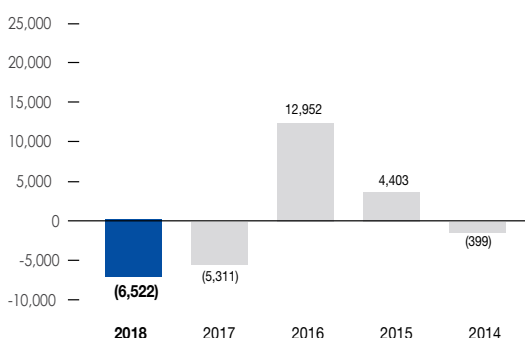
**REVENUE (RM'000)**



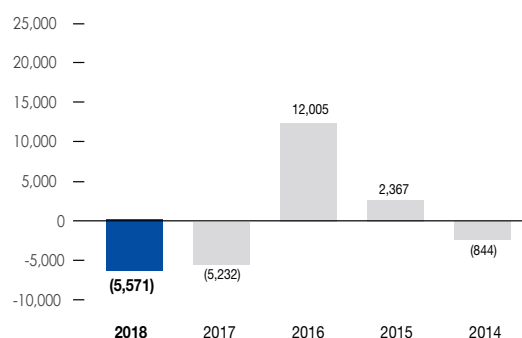
**SHAREHOLDERS' EQUITY (RM'000)**



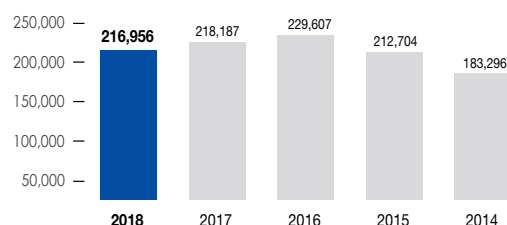
**PROFIT/(LOSS) BEFORE TAXATION (RM'000)**



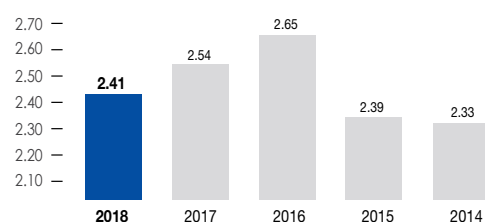
**PROFIT/(LOSS) AFTER TAXATION (RM'000)**



**TOTAL ASSETS (RM'000)**



**NET ASSET PER SHARE (RM)**





# CORPORATE SOCIAL RESPONSIBILITY

CEPCO 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, we continue to implement our Corporate Social Responsibilities ("CSR") for the community by focussing on lending a helping hand and reaching out to others through various forms of social aids.



In September 2018, we made a donation to the National Kidney Foundation of Malaysia to show our support and appreciation for their efforts in providing dialysis treatments to the needy Malaysians suffering from end stage kidney failures.

We also made monetary contribution to Montfort Boys Town, a learning institution dedicated in helping underprivileged youths by providing practical vocational training to equip them with the right skills and guiding them in recognising their talents.



At workplaces, we encourage good social interactions among employees by organising various sports and recreational activities programs. During the financial year 2018, CEPCO headquarters staff organised a bowling competition at Ampang Superbowl.



# CORPORATE 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 the 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.



# STATEMENT ON CORPORATE GOVERNANCE

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

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

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

## **PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

### **Roles and Responsibilities of the Board and Management**

The Board is responsible for the oversight and overall management of the Group. The 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 mitigates measures to address such risks.
- 4) Applies successive planning to ensure all candidates appointed to senior management positions are of sufficient calibre.
- 5) Oversees the development and implementation of a shareholder 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 [www.cepcocom.my](http://www.cepcocom.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 Directors in the Group. The Board is aware of the need for adherence to the Code of Conduct and Employees' Handbook by Directors of the Company and employees in the Group respectively, and will take measures to put in place a process to ensure its compliance.



# Statement on Corporate Governance (cont'd)

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

### Sustainability

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

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

### Access to Information and Advice

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

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

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

### Company Secretary

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

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

### Board Charter

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

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

# Statement on Corporate Governance (cont'd)

## PRINCIPLE 2: STRENGTHEN COMPOSITION

### Board Composition and Balance

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

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

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

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

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

The presence of the Independent Directors shall provide unbiased and independent views and 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.

### 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 Naa'im                    | Member   |
| 3) | Dennis Xavier                                   | Member   |

The Company Secretary is the secretary to the Nominating Committee.

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

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

# Statement on Corporate Governance (cont'd)

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

### Recruitment or Appointment of Directors

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

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

The Board currently does not have any gender, ethnicity and age policy or target. The criteria to be used by the Nominating Committee in the selection and appointment process is mainly to ensure the Board comprises 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 abilities to commit sufficient time to Company matters.

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

### Annual Assessment of Directors

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

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

### 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 them to run the Company successfully. The determination of fees for the Non-Executive Directors will be a matter for the Board as a whole with the Director concerned abstaining from all deliberations and voting in respect of his individual remuneration.

# Statement on Corporate Governance (cont'd)

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

### Directors' Remuneration (cont'd)

The aggregate remuneration of Directors for the financial year ended 31 August 2018 was as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	25,000	144,000
Remuneration and allowances	579,304	-

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

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

## PRINCIPLE 3: REINFORCE INDEPENDENCE

### Annual Assessment of Independence

The Nominating Committee annually assesses the independence of Independent Directors based on the criteria set out in Corporate Governance Guide. According to the assessment carried out in 2018, the Board is of the view that all the Independence Directors fulfil the criteria of independence as defined in the Listing Requirements of Bursa Securities and are able to continue to bring independent and objective judgements to the Board's deliberations.

### Tenure of Independent Director

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

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

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

The Board, with the assessment of the Nominating Committee, is recommending to the shareholders again at the forthcoming Thirty-Fourth AGM ("34th 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 34th AGM on pages 96 to 98 of 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.

# Statement on Corporate Governance (cont'd)

## 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 2018, 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 2017
- 2) 29 November 2017
- 3) 23 January 2018
- 4) 24 April 2018
- 5) 25 July 2018

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	4/5
Dato' Ir Dr Abdul Aziz bin Arshad	5/5

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by their attendance of all five (5) Board Meetings convened during the financial year ended 31 August 2018.

### 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) Advocacy Programme on CG Assessment Using the Revised Asean CG Scorecard Methodology
- 2) Conference on Local Currency Settlement Framework: Future Prospects
- 3) 7th Annual National Procurement Conference 2018 - What's New in Procurement Governance
- 4) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- 5) Audit Committee (AC) Leadership Track
- 6) Best Practices in Planning & Conducting Risk-Based Internal Audit

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



# Statement on Corporate Governance (cont'd)

## 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 review the quarterly and annual audited financial statements of the Company prior to recommendation of the same to the Board for approval and submission to Bursa Securities and/or shareholders.

### External Auditors

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

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

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

The Audit Committee also monitors the independence and qualification of External Auditors and obtains written assurance from them 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 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 on page 32 of this Annual Report.

# Statement on Corporate Governance (cont'd)

## PRINCIPLE 6: RECOGNISE AND MANAGE RISKS (cont'd)

### 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 attend 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.

## PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

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

## PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND STAKEHOLDERS

### Shareholders Participation at General Meetings

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

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

### Communication and Engagement with Shareholders

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

### Encourage Poll Voting

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

# ADDITIONAL COMPLIANCE INFORMATION

## 1) **Share Buy-Backs**

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

## 2) **Options or Convertible Securities**

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

## 3) **Depository Receipt Programme**

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

## 4) **Non-Audit Fees**

The amount of non-audit fees paid/payable to the External Auditors and their affiliated companies by the Company for the year ended 31 August 2018 is set out in Note 4 on page 64.

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

There were no variations of 10% or more between the audited results for the financial year ended 31 August 2018 and the unaudited results for the quarter ended 31 August 2018 of the Group previously announced. The Company did not make any release on the profit estimate, forecast and projections for the year.

## 6) **Profit Guarantee**

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

## 7) **Material Contracts**

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

## 8) **Contract Relating to Loans**

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

## 9) **Revaluation Policy on Landed Properties**

The Group's policy on Revaluation on Landed Properties is set out in Notes 2.3(b) and 2.3(c) on page 54. The Investment Properties were adjusted to reflect their fair values as enumerated in Note 10 on pages 69 to 71.

## 10) **Recurrent Related Party Transactions**

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

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

None of the Directors or the Key Senior Management has convicted offences (other than traffic offences, if any) or public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 August 2018.

# AUDIT COMMITTEE REPORT



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

## COMPOSITION

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

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

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

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 of Bursa Securities that requires at least one (1) of the AC members fulfilling the financial expertise requisite.

# Audit Committee Report (cont'd)

## MEETINGS

During the financial year ended 31 August 2018, the AC met five (5) times and the composition and attendance records of its members were as follows:

Date of Meetings:

- 1) 26 October 2017
- 2) 29 November 2017
- 3) 23 January 2018
- 4) 24 April 2018
- 5) 25 July 2018

Attendance record of the AC members:

Audit Committee Members	Meetings Attendance
Dato' Ir Dr Abdul Aziz bin Arshad	5/5
Abdul Khudus bin Mohd Naaim	5/5
Dennis Xavier	5/5

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

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

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

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

## TERMS OF REFERENCE

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

### Objectives

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

### Constitution

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



# Audit Committee

## Report (cont'd)

### Membership and Meetings

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

### Authority

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

### Duties and Responsibilities

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

### SUMMARY OF ACTIVITIES

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

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

# Audit Committee Report (cont'd)

## TRAINING

During the financial year, the AC members have attended trainings, the details of which are listed in the Statement on Corporate Governance on page 24 of this Annual Report.

## INTERNAL AUDIT FUNCTION

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

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

The activities of the Internal Auditors during the financial year ended 31 August 2018 were as follows:

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

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

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

## BOARD RESPONSIBILITY

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

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

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

## AUDIT COMMITTEE

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

## THE RISK MANAGEMENT PROCESS

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

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

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

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

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

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

## KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

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

- 1) Giving authority to the Board Committee members to investigate and report on any areas of improvement for the betterment of the Group.
- 2) Performing 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 2018 amounted to RM30,946.

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 of Bursa Securities, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report, and reported to the Board that nothing has come to their attention which 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 2018. 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 16 November 2018.



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

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

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

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

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

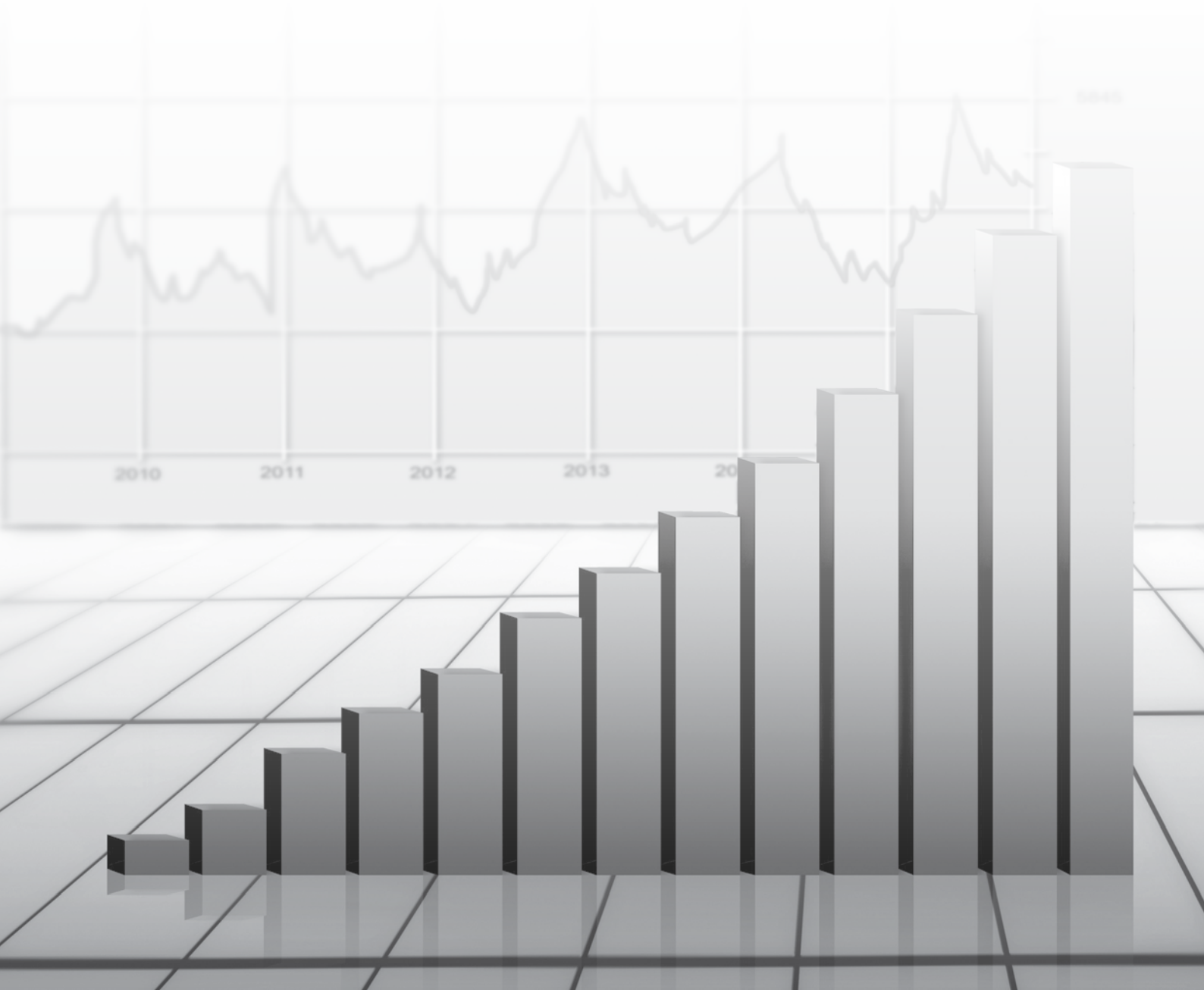
The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Act.

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

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and Company for the financial year ended 31 August 2018.

## 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	(5,571,358)	(5,582,316)

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 beginning of the financial year to the date of this report are:

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

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

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

## Directors' benefits

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

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

## Directors' report (cont'd)

### Directors' benefits (cont'd)

The Directors' benefits are as follows:

	<b>Group/Company RM</b>
Salary	523,000
Fees	169,000
Defined contribution plan	56,304
	<hr/> 748,304 <hr/>

### Indemnities to Directors and officers

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

### Directors' interests

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

- (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) MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards)
- (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.

## Directors' report (cont'd)

### Directors' interests (cont'd)

(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.

### Subsequent event

Details of the subsequent event are disclosed in Note 30 to the financial statements.

### Auditors and auditors' remuneration

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Statutory audit	136,000	133,000
Other services	7,500	7,500
	<hr/> 143,500	<hr/> 140,500

### 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 16 November 2018.

**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 Naa'im 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 44 to 89 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 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 November 2018.

**Abdul Khudus bin Mohd Naa'im**

**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 44 to 89 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 16 November 2018

**Siew Choy Weng**  
(MIA Membership No. 14821)

Before me

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

Kuala Lumpur  
16 November 2018

# INDEPENDENT AUDITORS' REPORT

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

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Concrete Engineering Products Berhad which comprise the statements of financial position as at 31 August 2018 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 44 to 89.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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 financial statements of the current year. This matter was addressed in the context of our audit of the 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 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 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 2018, the trade receivables amounted to RM60,602,358 which represents about 47% of total current assets of the Group and of the Company. The Group and the Company assess at each reporting date whether there is any objective evidence that the trade receivables are impaired as a result of one or 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 RM10,691,910 in respect of the Group's and the Company's trade receivables as at reporting date.

## **Independent auditors' report (cont'd)**

### **to the members of Concrete Engineering Products Berhad**

### **(Incorporated in Malaysia)**

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 and of the Company 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 2018 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)**

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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 and the Company 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 matters**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
16 November 2018

Ng Yee Yee  
No. 03176/05/2019 J  
Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 August 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	2.3(n)(i)	161,951,674	179,412,032	161,951,674	179,412,032
Cost of sales		(125,195,666)	(145,647,825)	(125,195,666)	(145,647,825)
Gross profit		36,756,008	33,764,207	36,756,008	33,764,207
Other operating income		2,422,296	3,370,911	2,422,296	3,370,911
Fair value through profit or loss on other investments		(1,161,760)	(2,613,960)	(1,161,760)	(2,613,960)
Fair value gain on investment properties	10	125,000	153,000	125,000	153,000
Distribution costs		(31,269,982)	(27,005,643)	(31,269,982)	(27,005,643)
Administrative expenses		(8,966,897)	(9,050,947)	(8,977,855)	(9,027,285)
Other operating expenses		(808,029)	(772,086)	(808,029)	(772,086)
Operating loss		(2,903,364)	(2,154,518)	(2,914,322)	(2,130,856)
Finance costs	3	(3,618,289)	(3,156,830)	(3,618,289)	(3,156,830)
Loss before tax	4	(6,521,653)	(5,311,348)	(6,532,611)	(5,287,686)
Taxation	7	950,295	79,815	950,295	79,815
Loss for the year, representing total comprehensive loss for the year		(5,571,358)	(5,231,533)	(5,582,316)	(5,207,871)
Attributable to:					
Owners of the parent		(5,571,358)	(5,231,533)	(5,582,316)	(5,207,871)
Loss earnings per share - basic (sen)	8	(12.44)	(11.68)		

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



# STATEMENTS OF FINANCIAL POSITION

As at 31 August 2018

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	37,112,482	38,702,006	37,112,482	38,702,006
Investment properties	10	12,526,000	12,401,000	12,526,000	12,401,000
Investment in subsidiaries	11	-	-	4	4
Other investments	12	38,918,961	40,080,721	38,918,961	40,080,721
		88,557,443	91,183,727	88,557,447	91,183,731
<b>Current assets</b>					
Inventories	13	53,312,585	45,183,109	53,312,585	45,183,109
Trade and other receivables	14	63,504,355	70,099,120	63,504,355	70,099,120
Amount due from subsidiaries	15	-	-	46,410	48,463
Tax recoverable		2,448,344	1,789,329	2,448,344	1,789,329
Deposits with licensed banks	16	7,959,333	9,579,352	7,959,333	9,579,352
Cash and bank balances		1,174,439	352,404	1,174,439	352,404
		128,399,056	127,003,314	128,445,466	127,051,777
<b>Total assets</b>		216,956,499	218,187,041	217,002,913	218,235,508
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	17	75,344,833	75,344,833	75,344,833	75,344,833
Retained profits	19	32,690,102	38,261,460	32,746,892	38,329,208
<b>Total equity</b>		108,034,935	113,606,293	108,091,725	113,674,041
<b>Non-current liabilities</b>					
Long term borrowings	20	9,312,886	12,595,705	9,312,886	12,595,705
Deferred tax liabilities	22	-	917,943	-	917,943
		9,312,886	13,513,648	9,312,886	13,513,648
<b>Current liabilities</b>					
Trade and other payables	23	45,548,994	46,226,712	45,538,618	46,207,431
Short term borrowings	20	54,059,684	44,840,388	54,059,684	44,840,388
		99,608,678	91,067,100	99,598,302	91,047,819
<b>Total liabilities</b>		108,921,564	104,580,748	108,911,188	104,561,467
<b>Total equity and liabilities</b>		216,956,499	218,187,041	217,002,913	218,235,508

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 2018

	← Attributable to owners of the parent →				
	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total reserves RM	Total equity RM
<b>Group</b>					
<b>At 1 September 2017</b>	75,344,833	-	38,261,460	38,261,460	113,606,293
Total comprehensive loss	-	-	(5,571,358)	(5,571,358)	(5,571,358)
<b>At 31 August 2018</b>	75,344,833	-	32,690,102	32,690,102	108,034,935
<b>At 1 September 2016</b>	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)	-
<b>At 31 August 2017</b>	75,344,833	-	38,261,460	38,261,460	113,606,293
<b>Company</b>					
<b>At 1 September 2017</b>	75,344,833	-	38,329,208	38,329,208	113,674,041
Total comprehensive loss	-	-	(5,582,316)	(5,582,316)	(5,582,316)
<b>At 31 August 2018</b>	75,344,833	-	32,746,892	32,746,892	108,091,725
<b>At 1 September 2016</b>	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)	-
<b>At 31 August 2017</b>	75,344,833	-	38,329,208	38,329,208	113,674,041

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 2018

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<b>Cash flows from operating activities</b>				
Loss before tax	(6,521,653)	(5,311,348)	(6,532,611)	(5,287,686)
Adjustments for:				
Fair value through profit and loss on other investments	1,161,760	2,613,960	1,161,760	2,613,960
Fair value gain on investment properties	(125,000)	(153,000)	(125,000)	(153,000)
Depreciation of property, plant and equipment	3,663,258	3,629,371	3,663,258	3,629,371
Allowance for impairment - receivables	518,123	444,641	518,123	444,641
Reversal of allowance for impairment - receivables	(527,292)	(520,532)	(527,292)	(520,532)
Inventories written down	-	570,908	-	570,908
Loss on disposal of property, plant and equipment	-	874	-	874
Interest expense	3,618,289	3,156,830	3,618,289	3,156,830
Unrealised foreign exchange loss	304,218	309,196	304,218	309,196
Dividend income	(633,159)	(644,777)	(633,159)	(644,777)
Interest income	(275,838)	(348,434)	(275,838)	(348,434)
Operating profit before working capital changes	1,182,706	3,747,689	1,171,748	3,771,351
Working capital changes:				
Increase in inventories	(8,129,476)	(3,799,208)	(8,129,476)	(3,799,208)
Decrease in receivables	6,299,716	18,780,992	6,299,716	18,780,992
Decrease in payables	(677,718)	(10,242,978)	(668,813)	(10,251,839)
Decrease/(increase) in amount due from subsidiaries	-	-	2,053	(14,801)
Cash (used in)/generated from operations	(1,324,772)	8,486,495	(1,324,772)	8,486,495
Taxation paid	(626,663)	(1,360,149)	(626,663)	(1,360,149)
Interest paid	(3,618,289)	(3,156,830)	(3,618,289)	(3,156,830)
Net cash (used in)/generated from operating activities	(5,569,724)	3,969,516	(5,569,724)	3,969,516
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,103,424)	(4,213,396)	(1,103,424)	(4,213,396)
Dividend received	633,159	644,777	633,159	644,777
Interest received	275,838	348,434	275,838	348,434
Withdrawal/(placement) of deposits which are pledged as securities for borrowings	1,345,684	(36,950)	1,345,684	(36,950)
Net cash generated from/(used in) investing activities	1,151,257	(3,257,135)	1,151,257	(3,257,135)

## Statements of Cash Flows (cont'd)

For the year ended 31 August 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from financing activities</b>				
Net drawdown of banking facilities	10,010,411	5,385,000	10,010,411	5,385,000
Net repayment of hire purchase	(1,459,177)	(1,352,026)	(1,459,177)	(1,352,026)
Net (repayment)/drawdown of term loan	(2,583,050)	2,295,471	(2,583,050)	2,295,471
Net cash generated from financing activities	5,968,184	6,328,445	5,968,184	6,328,445
<b>Net change in cash and cash equivalents</b>	1,549,717	7,040,826	1,549,717	7,040,826
<b>Cash and cash equivalents at beginning of year</b>	2,913,896	(4,126,930)	2,913,896	(4,126,930)
<b>Cash and cash equivalents at end of year</b>	4,463,613	2,913,896	4,463,613	2,913,896
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	1,174,439	352,404	1,174,439	352,404
Deposits with licensed banks	7,959,333	9,579,352	7,959,333	9,579,352
Bank overdrafts	(4,670,159)	(5,672,176)	(4,670,159)	(5,672,176)
	4,463,613	4,259,580	4,463,613	4,259,580
Less: Deposit which are pledged as securities for borrowings	-	(1,345,684)	-	(1,345,684)
	4,463,613	2,913,896	4,463,613	2,913,896

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

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2018

## 1. Corporate information

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 November 2018.

## 2. Significant accounting policies

### 2.1 Basis of preparation

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

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 2017, 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 2017, 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 107: Statement of Cash Flow (Disclosure Initiative)	1 January 2017
Amendments to MFRS 12: Disclose of Interests in Other Entities	1 January 2017
Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax	1 January 2017

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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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:

Description	Effective for annual periods beginning on or after
MFRS 2 Share-Based Payment (Classification and Measurement of Share-based Payment Transaction)	1 January 2018
MFRS 4 Insurance Contract: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
MFRS 140 Investment Property: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transaction and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 3 Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)	1 January 2019
MFRS 9 Financial Instruments (Prepayment Features with Negative Compensation)	1 January 2019
MFRS 112 Income taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)	1 January 2019
MFRS 119 Employee Benefits (Plan Amendment, Curtailment or Settlement)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021

##### Deferred yet to be effective

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

##### (a) 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 MFRS 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.



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

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

#### (a) MFRS 15 Revenue from Contracts with Customers (cont'd)

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 manufactures and distributes prestressed spun concrete piles and poles to the customers. In assessing the revenue recognition and measurement under MFRS 15, the principles currently applied by the Group are largely consistent with the requirements of MFRS 15. Other than the enhanced disclosures required, the Group does not anticipate significant changes to the recognition and measurement of revenue upon the application of MFRS 15. The Group is developing additional quantitative and qualitative disclosures that will be required upon the adoption of MFRS 15.

#### (b) MFRS 9 Financial Instruments

MFRS 9 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. During 2018, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9. Based on the analysis of the Group's financial assets and liabilities as at 31 December 2018 on the basis of facts and circumstances that exist at that date, the Directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

##### (i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as hold-and-collect measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The equity shares in non-listed companies are intended to be held for the foreseeable future. Full impairment losses were recognised in profit or loss during prior periods for these investments. Therefore, the application of MFRS 9 will not have a significant impact.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

##### (ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139. Hence, the total expected credit losses allowances computed under MFRS 9 is expected to be higher than the total allowance for impairment on trade and other receivables under MFRS 139. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained profits, which will decrease the equity and net assets of the Group. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

##### (c) MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is in the process of assessing the potential effect of MFRS 16 on its financial statements in year 2019.

#### 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.

**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)**

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

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

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

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

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

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

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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

##### (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).

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

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

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

#### (d) Inventories

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

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

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

#### (e) Cash and cash equivalents

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

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

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

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

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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

##### (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.

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.

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

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

#### (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.

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 definition 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.



# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

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

##### (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.

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 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.

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

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

#### (k) Provisions

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

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

#### (l) Leases

##### (i) As lessee

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

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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

##### (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.

##### (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.

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

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

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

##### (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.

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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

##### (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.

##### (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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

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

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

##### (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 comparison approach. Estimate is required in selecting any comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, property size and other relevant characteristics.

##### (iv) Inventories

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

### 3. Finance costs

	Group/Company	
	2018	2017
	RM	RM
<b>Interest expense</b>		
- term loans	806,636	791,717
- bank overdrafts	422,622	406,641
- revolving credit	287,863	255,698
- bankers' acceptances	1,753,301	1,560,203
- letter of credit	164,612	-
- hire purchase	183,255	142,571
	<b>3,618,289</b>	<b>3,156,830</b>

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 4. Loss before tax

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Staff costs (Note 5)	25,942,748	28,869,473	25,942,748	28,869,473
Non-executive Directors' remuneration (Note 6)	144,000	144,000	144,000	144,000
Auditors' remuneration:				
Statutory audit	136,000	136,000	133,000	133,000
Other services	7,500	7,500	7,500	7,500
Depreciation of property, plant and equipment (Note 9)	3,663,258	3,629,371	3,663,258	3,629,371
Allowance for impairment - receivables (Note 14)	518,123	444,641	518,123	444,641
Reversal of allowance for impairment - receivables (Note 14)	(527,292)	(520,532)	(527,292)	(520,532)
Inventories written down	-	570,908	-	570,908
Rental of buildings	1,087,566	1,092,448	1,087,566	1,092,448
Hire of machinery	1,011,893	1,292,908	1,011,893	1,292,908
Realised foreign exchange loss/(gain)	567,341	(1,254,772)	567,341	(1,254,772)
Unrealised foreign exchange loss	304,218	309,196	304,218	309,196
Rental income	(284,100)	(275,700)	(284,100)	(275,700)
Dividend income	(633,159)	(644,777)	(633,159)	(644,777)
Interest income	(275,838)	(348,434)	(275,838)	(348,434)
Loss on disposal for property, plant and equipment	-	874	-	874

### 5. Staff costs

	Group/Company	
	2018 RM	2017 RM
Wages and salaries	24,402,858	28,003,687
Pension costs - defined contribution plan	826,983	819,814
Social security contributions	90,774	91,734
Provision for short term accumulating compensated absences	(150,970)	(222,308)
Other staff related expenses	773,103	176,546
	25,942,748	28,869,473

Included in staff costs of the Group and of the Company is Executive Directors' remuneration amounting to RM604,304 (2017: RM771,867) as further disclosed in Note 6.



# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 6. Directors' remuneration

	Group/Company 2018 RM	2017 RM
<b>Executive Directors (Note 5)</b>		
Fees	25,000	45,000
Salary and other emoluments	579,304	726,867
	604,304	771,867
<b>Non-executive Directors (Note 4)</b>		
Fees	144,000	144,000
Total Directors' remuneration	748,304	915,867

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 2018	2017
<b>Executive Directors:</b>		
RM100,001 - RM150,000	-	1
RM200,001 - RM250,000	-	-
RM600,001 - RM650,000	1	-
RM650,001 - RM700,000	-	1
<b>Non-executive Directors:</b>		
RM1 - RM50,000	3	4
RM50,001 - RM100,000	1	1

### 7. Taxation

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Current income tax	-	(135,000)	-	(135,000)
Over/(under)provision of income tax in prior years	32,352	(77,267)	32,352	(77,267)
	32,352	(212,267)	32,352	(212,267)
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	948,799	110,197	948,799	110,197
(Under)/overprovision in prior years	(30,856)	181,885	(30,856)	181,885
	917,943	292,082	917,943	292,082
	950,295	79,815	950,295	79,815

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 7. Taxation (cont'd)

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss before tax	(6,521,653)	(5,311,348)	(6,532,611)	(5,287,686)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	1,565,197	1,274,724	1,567,827	1,269,045
Income not subject to tax	154,588	149,067	151,958	154,746
Effect of different tax rate on fair value adjustment on investment properties	23,750	29,070	23,750	29,070
Deferred tax asset recognised on unutilised export allowance	168,195	-	168,195	-
Expenses not deductible for tax purposes	(962,931)	(1,477,664)	(962,931)	(1,477,664)
Over/(under)provision of income tax expense in prior years	32,352	(77,267)	32,352	(77,267)
(Under)/overprovision of deferred tax in prior years	(30,856)	181,885	(30,856)	181,885
Income tax credit for the year	950,295	79,815	950,295	79,815

### 8. Loss per share

Loss per share is calculated by dividing the loss for the year of RM5,571,358 (2017: loss of RM5,231,533) for the Group on the number of ordinary shares in issue during the year of 44,775,000 (2017: 44,775,000).

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

**9. Property, plant and equipment**

Group/Company	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Office, factory and laboratory equipment RM	Furniture, fixtures and fittings RM	Total RM
<b>Cost</b>							
<b>At 1 September 2017</b>	20,307,304	26,815,617	99,357,609	2,729,488	3,228,386	2,364,718	154,803,122
Additions	-	278,204	1,681,964	56,000	42,861	14,705	2,073,734
Write off	-	-	-	-	(1,280)	-	(1,280)
<b>At 31 August 2018</b>	20,307,304	27,093,821	101,039,573	2,785,488	3,269,967	2,379,423	156,875,576
<b>Accumulated depreciation</b>							
<b>At 1 September 2017</b>	6,045,238	9,911,412	92,458,873	2,614,322	2,744,387	2,326,884	116,101,116
Charge for the year (Note 4)	385,344	596,209	2,424,637	66,160	178,614	12,294	3,663,258
Write off	-	-	-	-	(1,280)	-	(1,280)
<b>At 31 August 2018</b>	6,430,582	10,507,621	94,883,510	2,680,482	2,921,721	2,339,178	119,763,094
<b>Net carrying amount</b>	13,876,722	16,586,200	6,156,063	105,006	348,246	40,245	37,112,482

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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 2018 RM	2017 RM
Plant and machinery	88,384,201	88,384,201
Factory building	51,810	51,810
Motor vehicles	2,408,024	2,408,024
Office, factory and laboratory equipment	2,376,605	2,258,857
Furniture, fixtures and fittings	2,307,987	2,279,814
	<b>95,528,627</b>	<b>95,382,706</b>

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

	Group/Company 2018 RM	2017 RM
Leasehold land	7,290,162	7,496,825
Factory buildings	11,352,217	11,367,158
	<b>18,642,379</b>	<b>18,863,983</b>

- (c) The Company acquired property, plant and equipment at aggregate costs of RM2,073,734 (2017: RM7,206,832), of which RM970,310 (2017: RM2,993,436) 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 2018 RM	2017 RM
At 1 September 2016/2017	12,401,000	12,103,000
Additions during the year	-	145,000
Fair value adjustment	125,000	153,000
At 31 August	<b>12,526,000</b>	<b>12,401,000</b>

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 10. Investment properties (cont'd)

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 30 August 2018 by Raine & Horne International, an independent professional valuer. The fair values were determined by the comparison method.

As at 31 August 2018, the fair values of the investment properties were estimated to be RM12,526,000 (2017: RM12,401,000).

Investment properties with fair value of RM6,500,000 (2017: RM6,500,000) are pledged as securities for borrowings (Note 20).

#### Fair value information

Fair values of investment properties are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Group</b>				
<b>2018</b>				
- Shoplots	-	-	6,890,000	6,890,000
- Apartments	-	-	1,748,000	1,748,000
- Houses	-	-	80,000	80,000
- Land			3,808,000	3,808,000
	-	-	12,526,000	12,526,000
<b>2017</b>				
- 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

#### 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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 10. Investment properties (cont'd)

#### 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 -47% and 4% (2017: -37% and 16%) 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.

### 11. Investment in subsidiaries

	Company	
	2018 RM	2017 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	
			2018 %	2017 %
Concrete Engineering Products Management Sdn. Bhd.	Malaysia	Dormant	100	100
Concrete Engineering Products Marketing Sdn. Bhd.	Malaysia	Dormant	100	100



# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 12. Other investments

	2018		Group/Company		2017
	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	38,918,961	38,918,961	40,080,721	40,080,721	

Other investments relate to investment in quoted shares of Inch Kenneth Kajang Rubber Public Limited Company ("IKKR"), a corporate shareholder. This represents 14% (2017: 14%) of the issued and fully paid up capital of IKKR. 40,000,000 units of quoted shares (2017: 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	
	2018 RM	2017 RM
<b>At cost:</b>		
Finished goods	30,329,499	24,673,604
Raw materials	21,580,798	18,886,054
Consumable spares	1,402,288	1,623,451
	53,312,585	45,183,109

During the year, inventories of RM97,997,565 (2017: RM107,661,705) was recognised in the cost of sales.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 14. Trade and other receivables

	Group/Company 2018 RM	2017 RM
Trade receivables	71,294,268	79,017,535
Less: Allowance for impairment	(10,691,910)	(10,701,079)
	60,602,358	68,316,456
Other receivables:		
Deposits	417,357	378,487
Prepayments	445,836	524,057
Goods and services tax	1,592,751	355,944
Sundry receivables	597,757	675,880
Less: Allowance for impairment	(151,704)	(151,704)
	2,901,997	1,782,664
<b>Total trade and other receivables</b>	<b>63,504,355</b>	<b>70,099,120</b>

The Group's and the Company's average trade credit term ranges from 60 to 120 days (2017: 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 RM7,656,248 (2017: RM 11,223,605), arising from a single customer which contributed to approximately 11% (2017: 14%) 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 2018 RM	2017 RM
Neither past due nor impaired	7,243,035	24,295,072
1 to 30 days past due but not impaired	8,324,814	8,731,256
31 to 60 days past due but not impaired	7,284,626	9,650,929
61 to 90 days past due but not impaired	5,436,226	4,600,352
91 to 120 days past due but not impaired	1,462,478	2,601,301
More than 121 days past due but not impaired	30,851,179	18,437,546
	53,359,323	44,021,384
Impaired	10,691,910	10,701,079
	71,294,268	79,017,535

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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:

	<b>Group/Company Individually impaired</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Trade and other receivables - nominal amount	10,843,614	10,852,783
Less: Allowance for impairment	(10,843,614)	(10,852,783)
	-	-

Movement in the allowance accounts:

	<b>Group/Company Individually impaired</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
At 1 September 2016/2017	10,852,783	10,928,674
Charge for the year (Note 4)	518,123	444,641
Reversal of allowance for impairment (Note 4)	(527,292)	(520,532)
At 31 August	10,843,614	10,852,783

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

### 15. Amount due from subsidiaries

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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 16. Deposits with licensed banks

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

	Group/Company 2018 % per annum	2017 % per annum
Licensed banks	2.95 - 3.00	2.55 - 3.80

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

	Group/Company 2018 days	2017 days
Licensed banks	3 - 10	6 - 75

Deposit with licensed banks of the Group and of the Company amounting to RM Nil (2017: RM1,345,684) are pledged as securities for borrowings (Note 20).

### 17. Share capital

	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
<b>Authorised:</b>				
At the beginning of year	-	100,000,000	-	100,000,000
Less: Abolishment under Companies Act 2016	-	(100,000,000)	-	(100,000,000)
At the end of year	-	-	-	-
<b>Issued and fully paid:</b>				
At the beginning of year	44,775,000	44,775,000	75,344,833	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	75,344,833

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 17. Share capital (cont'd)

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.

In prior year, the Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised 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 2017 and 31 August 2018.

### 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.

### 20. Borrowings

	<b>Group/Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Long term borrowings</b>		
Secured:		
- Hire purchase (Note 21)	878,333	1,499,525
- Term loans	8,434,553	11,096,180
	<b>9,312,886</b>	<b>12,595,705</b>
<b>Short term borrowings</b>		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 21)	1,322,759	1,190,434
- Bankers' acceptances	27,280,000	25,342,000
- Invoice financing	2,680,389	918,000
- Term loans	2,671,355	2,592,778
- Letter of credit	6,576,022	-
- Bank overdrafts	4,670,159	5,672,176
	<b>50,200,684</b>	<b>40,715,388</b>

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 20. Borrowings (cont'd)

	Group/Company 2018 RM	2017 RM
Unsecured:		
- Bankers' acceptances	3,748,000	4,125,000
- Contract loans	111,000	-
	3,859,000	4,125,000
Total short term borrowings	54,059,684	44,840,388
<b>Total borrowings</b>		
Secured:		
- Revolving credit facilities	5,000,000	5,000,000
- Hire purchase (Note 21)	2,201,092	2,689,959
- Bankers' acceptances	27,280,000	25,342,000
- Invoice financing	2,680,389	918,000
- Term loans	11,105,908	13,688,958
- Letter of credit	6,576,022	-
- Bank overdrafts	4,670,159	5,672,176
	59,513,570	53,311,093
Unsecured:		
- Bankers' acceptances	3,748,000	4,125,000
- Contract loans	111,000	-
	3,859,000	4,125,000
	63,372,570	57,436,093
Maturity of total borrowings:		
Not later than 1 year	54,059,684	44,840,388
Later than 1 year and not later than 2 years	6,451,318	6,903,892
Later than 2 years and not later than 5 years	2,861,568	5,691,813
	63,372,570	57,436,093

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

	Group/Company 2018 %	2017 %
Hire purchase	3.55 - 3.56	2.40 - 4.03
Bankers' acceptances	4.69 - 6.16	4.68 - 5.44
Invoice financing	6.48 - 6.92	6.23 - 6.66
Revolving credit facilities	5.63 - 5.89	5.62 - 5.96
Term loans	5.33 - 7.92	4.60 - 7.92
Letter of credit	3.30 - 4.30	-
Bank overdrafts	7.70 - 8.41	7.70 - 8.41

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 20. Borrowings (cont'd)

	Note (i) RM	Note (ii) RM	Note (iii) RM	Total secured borrowings RM
<b>Facilities</b>				
<b>31 August 2018</b>				
Revolving credit	-	-	5,000,000	5,000,000
Bankers acceptance	3,666,000	9,447,000	14,167,000	27,280,000
Invoice financing	2,680,389	-	-	2,680,389
Term loans	2,400,000	4,053,950	4,651,958	11,105,908
Letter of credit	4,524,040	2,051,982	-	6,576,022
Bank overdraft	-	3,826,817	843,342	4,670,159
<b>31 August 2017</b>				
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

#### 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 (2017: RM6,500,000) as disclosed in Note 10.

#### Note (ii)

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

	Group/Company 2018 RM	2017 RM
First party second legal charge over properties in Rawang (Note 9):		
- leasehold land	2,882,608	2,982,008
- factory building	7,023,407	6,930,158

#### Note (iii)

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

	Group/Company 2018 RM	2017 RM
(a) First legal charge over properties in Nilai (Note 9):		
- leasehold land	1,621,567	1,644,406
- factory building	2,208,519	2,266,481
(b) First legal charge over properties in Batang Kali (Note 9):		
- leasehold land	2,785,987	2,870,411
- factory building	2,120,291	2,170,519
(c) Letter of set-off over fixed deposit (Note 16)	-	1,345,684

(d) Supplemental memorandum of deposit over investment in quoted shares as disclosed in Note 12.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 21. Hire purchase

	Group/Company 2018 RM	2017 RM
<b>Future minimum lease payments:</b>		
Not later than 1 year	1,426,028	1,334,000
Later than 1 year and not later than 2 years	907,841	1,565,935
Later than 2 years and not later than 5 years	-	10,092
Total future minimum lease payments	2,333,869	2,910,027
Less: Future finance charges	(132,777)	(220,068)
Present value of hire purchase liabilities	2,201,092	2,689,959
<b>Analysis of present value of hire purchase liabilities:</b>		
Not later than 1 year	1,322,759	1,190,434
Later than 1 year and not later than 2 years	878,333	1,489,625
Later than 2 years and not later than 5 years	-	9,900
Less: Amount due within 12 months (Note 20)	2,201,092 (1,322,759)	2,689,959 (1,190,434)
Amount due after 12 months (Note 20)	878,333	1,499,525

### 22. Deferred tax liabilities

	Group/Company 2018 RM	2017 RM
At 1 September 2017/2016	917,943	1,210,025
Recognised in profit or loss (Note 7)	(917,943)	(292,082)
At 31 August	-	917,943
<b>Presented after appropriate offsetting as follows:</b>		
Deferred tax liabilities	1,369,090	1,360,207
Deferred tax assets	(1,369,090)	(442,264)
	-	917,943

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



# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

#### Deferred tax liabilities

	Property, plant and equipment RM	Fair value adjustment on investment properties RM	Others RM	Total RM
At 1 September 2017	1,006,069	166,450	187,688	1,360,207
Charged to profit or loss	75,623	6,250	(72,990)	8,883
At 31 August 2018	1,081,692	172,700	114,698	1,369,090
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

#### Deferred tax assets

	Provisions RM
At 1 September 2017	(442,264)
Charged to profit or loss	(926,826)
At 31 August 2018	(1,369,090)
At 1 September 2016	(153,273)
Charged to profit or loss	(288,991)
At 31 August 2017	(442,264)

Deferred tax asset has not been recognised in respect of the following item:

	Group/ Company 2018 RM
Unutilised allowance for increased export	7,264,383

Deferred tax asset has not been recognised in respect of this item as it is not probable that future taxable profits of the Company will be available against which the deductible temporary differences can be utilised.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 23. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables	42,469,528	42,649,238	42,469,528	42,649,238
Other payables	75,984	84,888	65,608	65,607
Accruals	3,003,482	3,492,586	3,003,482	3,492,586
	45,548,994	46,226,712	45,538,618	46,207,431

The normal trade credit terms granted to the Group and to the Company range from 60 to 120 days (2017: 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:

	2018 RM	2017 RM
Malaysia	99,033,786	166,062,058
Southeast Asia	62,917,888	13,349,974
	161,951,674	179,412,032

#### Information about a major customer

Revenue from one major customer amounted to RM15,018,820 (2017: RM26,587,856).

### 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:

	2018 RM	2017 RM
Short term employee benefits	523,000	666,323
Defined contribution plan	56,304	60,544
Fees	25,000	45,000
	604,304	771,867

Remuneration of Non-Executive Directors is disclosed in Note 6.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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
<b>Group</b>				
<b>31 August 2018</b>				
<b>Assets</b>				
Other investments	-	38,918,961	-	38,918,961
Trade and other receivables	61,465,768	-	-	61,465,768
Deposits with licensed banks	7,959,333	-	-	7,959,333
Cash and bank balances	1,174,439	-	-	1,174,439
Total financial assets	70,599,540	38,918,961	-	109,518,501
Total non-financial assets				107,437,998
Total assets				216,956,499
<b>Liabilities</b>				
Borrowings	-	-	63,372,570	63,372,570
Trade and other payables	-	-	45,548,994	45,548,994
Total financial liabilities	-	-	108,921,564	108,921,564
Total non-financial liabilities				-
Total liabilities				108,921,564
<b>31 August 2017</b>				
<b>Assets</b>				
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	79,506,819	40,080,721	-	119,587,540
Total non-financial assets				98,599,501
Total assets				218,187,041
<b>Liabilities</b>				
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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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
<b>Company</b>				
<b>31 August 2018</b>				
<b>Assets</b>				
Other investments	-	38,918,961	-	38,918,961
Trade and other receivables	61,465,768	-	-	61,465,768
Amount due from subsidiaries	46,410	-	-	46,410
Deposits with licensed banks	7,959,333	-	-	7,959,333
Cash and bank balances	1,174,439	-	-	1,174,439
Total financial assets	70,645,950	38,918,961	-	109,564,911
Total non-financial assets				107,438,002
Total assets				217,002,913
<b>Liabilities</b>				
Borrowings	-	-	63,372,570	63,372,570
Trade and other payables	-	-	45,538,618	45,538,618
Total financial liabilities	-	-	108,911,188	108,911,188
Total non-financial liabilities				-
Total liabilities				108,911,188
<b>31 August 2017</b>				
<b>Assets</b>				
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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

### 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
<b>Company</b>				
<b>31 August 2017</b>				
<b>Liabilities</b>				
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

### 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:

	<b>Note</b>
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.

### 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 2018.

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.

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

#### (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.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
<b>2018</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	45,548,994	-	45,548,994
Borrowings	54,904,948	10,190,177	65,095,125
Total undiscounted financial liabilities	100,453,942	10,190,177	110,644,119
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	45,538,618	-	45,538,618
Borrowings	54,904,948	10,190,177	65,095,125
Total undiscounted financial liabilities	100,443,566	10,190,177	110,633,743
<b>2017</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
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
<b>Company</b>			
<b>Financial liabilities:</b>			
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

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

The investments in financial assets including fixed deposits are mainly short term in nature and they are not held for speculative purposes.

The Group and the Company manage interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing the debt portfolio, taking into account the investment holding period and nature of its assets.

#### Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group/ Company RM
<b>31 August 2018</b>	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(158,431)
Interest rates decrease by 0.25%	158,431
<b>31 August 2017</b>	
Borrowings denominated in Ringgit Malaysia	
Interest rates increase by 0.25%	(143,590)
Interest rates decrease by 0.25%	143,590

#### (d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices.

The Group and the Company are exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Malaysia. These instruments are classified as fair value through profit or loss financial assets. The Group and the Company do not have exposure to commodity price risk.



# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

#### (d) Market price risk (cont'd)

##### Market price sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in market price, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on fair value through profit or loss).

	Group/ Company RM
<b>31 August 2018</b>	
Investment in Malaysia	
Market price increase by 5%	1,945,948
Market price decrease by 5%	(1,945,948)
<b>31 August 2017</b>	
Investment in Malaysia	
Market price increase by 5%	2,004,036
Market price decrease by 5%	(2,004,036)

#### (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.

Functional currency of Group/Company	RM
<b>As at 31 August 2018</b>	
United States Dollar	5,962,201
United Arab Emirates Dirham	1,957,319
Singapore Dollar	17,362
	7,936,882
<b>As at 31 August 2017</b>	
United States Dollar	152,325
United Arab Emirates Dirham	1,451,578
Singapore Dollar	2,114,868
	3,718,771

# Notes to the Financial Statements

## 31 August 2018 (cont'd)

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

#### (e) Foreign currency risk (cont'd)

With all other variables held constant, the following table demonstrates the sensitivity of the Group's and the Company's profit before taxation to a reasonably possible change in those exchange rates against the functional currency of the Group and the Company:

		<b>Group/Company Profit before tax</b>	
		<b>2018</b>	<b>2017</b>
		<b>RM</b>	<b>RM</b>
USD/RM	- strengthen 3%	178,866	4,570
	- weaken 3%	(178,866)	(4,570)
AED/RM	- strengthen 3%	58,720	43,547
	- weaken 3%	(58,720)	(43,547)
SGD/RM	- strengthen 3%	521	63,446
	- weaken 3%	(521)	(63,446)

### 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 2018 and 31 August 2017.

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total debts	63,372,570	57,436,093	63,372,570	57,436,093
Equity attributable to the owners of the parent	108,034,935	113,606,293	108,091,725	113,674,041
<b>Debt to equity ratio</b>	<b>59%</b>	<b>51%</b>	<b>59%</b>	<b>51%</b>

### 30. Subsequent event

On 1 November 2018, the Group proposed for bonus issue of 29,850,000 ordinary shares on the basis of 2 bonus shares for every 3 existing shares held by entitled shareholders. Pursuant to the Section 618(3) of the Companies Act 2016, the Group may use its share premium account to fully pay up the bonus shares within 24 months period from 31 January 2017.

# ANALYSIS OF SHAREHOLDINGS

As at 12 November 2018

Class of Shares : Ordinary shares

## A. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No of Holders	No of Shares	%
Less than 100	40	1,288	0.00
100 - 1,000	402	358,188	0.80
1,001 - 10,000	604	1,923,050	4.29
10,001 - 100,000	81	2,169,250	4.84
100,001 - less than 5% of issued shares	46	27,416,465	61.23
5% and above of issued shares	2	12,906,759	28.83
<b>Total</b>	<b>1,175</b>	<b>44,775,000</b>	<b>100.00</b>

## 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	4,179,000	9.33
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

## Analysis of Shareholdings As at 12 November 2018 (cont'd)

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

Name	No of Shares	%
14) Masmanis Sdn Bhd	780,100	1.74
15) Che Ismail bin Mohd	754,000	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) Amsec Nominees (Tempatan) Sdn Bhd for Mohd Dzaki @ Mohd Zaki bin Jaafar	532,000	1.19
24) TA Nominees (Tempatan) Sdn Bhd for Hassan bin Haji Hussin	517,500	1.16
25) Che Yam @ Rusnah binti Hussin	505,100	1.13
26) Deal Trekker (M) Sdn Bhd	504,800	1.13
27) Maybank Nominees (Tempatan) Sdn Bhd for Ahmad Hamzah bin Mohd Anuar	479,550	1.07
28) Ambank (M) Berhad for Sumber Berkat Sdn Bhd	395,000	0.88
29) General Growth Sdn Bhd	363,100	0.81
30) Farisa binti Che Muhamad Fasir	348,950	0.78

# LIST OF PROPERTIES

As at 31 August 2018

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-18 RM	Date of Acquisition (A) / Revaluation (R)
1	Lot 63, Bakar Arang Industrial Estate Sg Petani Kedah	Leasehold expiring in 2083	65	Land: 13.2 acres Built-up: 5,180 sq m 33 years	Single-storey office, an open sided single storey factory, canteen, laboratory, store and stockyard	3,822,566	31 August 1995 (R)
2	PLO 337, Jln Suasa Pasir Gudang Industrial Estate Johor	Leasehold expiring in 2050	32	Land: 7.5 acres Built-up: 7,000 sq m 26 years	Single-storey office, two single-storey factory buildings, boiler house, canteen, stockyard and jetty	5,215,318	31 August 1995 (R)
3	PLO 461, Jln Suasa Pasir Gudang Industrial Estate Johor	Leasehold expiring in 2053	35	Land: 2.5 acres 26 years	Stockyard	2,485,992	31 August 1995 (R)
4	PT 643, Batu 20 Jalan Ipoh Rawang Selangor	Leasehold expiring in 2047	29	Land: 11.344 acres Built-up: 16,630 sq m 24 years	Double-storey office, canteen, store, laboratory, single-storey factory and stockyard	9,906,015	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	71	Land: 6.707 acres Built-up: 6,370 sq m 23 years	Single-storey factory and office, canteen and stockyard	3,830,087	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	34	Land: 7.981 acres Built-up: 4,842 sq m 24 years	Single-storey factory and office, canteen, stockyard, boiler room, generator room and compressor room	4,906,278	25 August 2010 (A)
<i>*Property is currently charged for financing facilities</i>							
7	11 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	64	Land: 0.035 acres Built-up: 150 sq m 26 years	Residential double-storey house	66,063	30 April 1992 (A)

## List of Properties As at 31 August 2018 (cont'd)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-18 RM	Date of Acquisition (A) / Revaluation (R)
8	31 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	64	Land: 0.035 acres Built-up: 150 sq m 25 years	Residential double-storey house	68,065	8 September 1992 (A)
9	42 Jalan 10/11 Perjiranan 10 Pasir Gudang Johor	Leasehold expiring in 2082	64	Land: 0.035 acres Built-up: 150 sq m 26 years	Residential double-storey house	66,063	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 23 years	Single-storey terrace house	38,880	28 April 1994 (A)
11	A-3-3 Block A Taman Nilai Perdana Nilai, Negeri Sembilan	Freehold		Built-up: 60.7 sq m 18 years	Apartment	18,432	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 18 years	Apartment	20,736	27 May 2009 (A)
13	LA-3-2, Block LA Taman Nilai Perdana Nilai, Negeri Sembilan	Freehold		Built-up: 60.7 sq m 18 years	Apartment	18,432	27 May 2009 (A)
<i>*Property is currently charged for financing facilities</i>							
14	I-G-02, Jln PPK 2 Bandar Kinrara Section 3 Puchong Selangor	Leasehold expiring in 2099	81	Built-up: 114 sq m 12 years	Ground Floor Shoplot	390,000	30 Aug 2018 (R)

## List of Properties

### As at 31 August 2018 (cont'd)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-18 RM	Date of Acquisition (A) / Revaluation (R)
15	Danau Putra Apartments Jln Putra Perdana 5F Taman Putra Sepang, Selangor	Leasehold expiring in 2092	74	15 years	Apartments		30 Aug 2018 (R)
	Unit 48-2A			Built up: 76 sq m		110,000	
	Unit 48-2B			73 sq m		105,000	
	Unit 49-2A			69 sq m		100,000	
	Unit 49-2B			66 sq m		95,000	
	Unit 52-1B			66 sq m		98,000	
	Unit 52-1C			44 sq m		66,000	
	Unit 52-1D			73 sq m		108,000	
	Unit 53-2D			61 sq m		88,000	
	Unit 53-3B			66 sq m		93,000	

16	Unit B1-5-6 Pandan Mewah Heights Jln Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	68	Built-up: 90 sq m 16 years	Condominium	370,000	30 Aug 2018 (R)
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*\*Property is currently charged for financing facilities*

17	Unit B1-5-7 Pandan Mewah Heights Jln Mewah Utara Taman Pandan Mewah Ampang Selangor	Leasehold expiring in 2086	68	Built-up: 90 sq m 16 years	Condominium	370,000	30 Aug 2018 (R)
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*\*Property is currently charged for financing facilities*

## List of Properties As at 31 August 2018 (cont'd)

	Location	Tenure	Residual Lease (Years)	Approximate Area / Age of Property	Description	Net Book Value 31-Aug-18 RM	Date of Acquisition (A) / Revaluation (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	80,000	30 Aug 2018 (R)
19	Lot 7692 PN 10780 Bandar Ulu Kelang District of Gombak Selangor	Leasehold expiring in 2078	60	Land: 1,191 sq m	Vacant detached residential plot	3,000,000	30 Aug 2018 (R)
20	44 & 44A, Jln Telawi 5 Bangsar Baru Kuala Lumpur	Freehold		Built-up: 332 sq m 37 years	Double-storey shop office	6,500,000	30 Aug 2018 (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	30 Aug 2018 (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	30 Aug 2018 (R)



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting ("34th AGM")** of Concrete Engineering Products Berhad ("CEPCO" or the "Company") will be held at Dewan Murni, Ground Floor Menara Integriti, Institut Integriti Malaysia, Persiaran Tuanku Syed Sirajuddin, Off Jalan Tuanku Abdul Halim, 50480 Kuala Lumpur, on Monday, 7 January 2019 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 2018 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 2018.
3. To re-elect the following Directors who retire by rotation pursuant to Article 96 of the Company's Constitution, and being eligible, offer themselves for re-election:  

(a) Encik Abdul Khudus bin Mohd Naeim	<b>Resolution 2a</b>
(b) Dato' Ir Dr Abdul Aziz bin Arshad	<b>Resolution 2b</b>
4. **Resolution 3**  
To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

5. **Approval to Continue in Office as Independent Non-Executive Directors**

#### **Resolution 4a**

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

"THAT 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 4b**

- (b) Mr Dennis Xavier

"THAT 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."

6. **Resolution 5**  
Authority to Allot and Issue Shares Pursuant to the Malaysian Companies Act 2016

"THAT subject to the Malaysian Companies Act 2016 (the "Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and approval of the relevant government regulatory authorities, if required, the Directors be and hereby empowered pursuant to Sections 75 and 76 of the Act, to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company."

# Notice of Annual General Meeting (cont'd)

## OTHER BUSINESS

7. 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  
10 December 2018

## 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 2 January 2019 shall be regarded as Member of the Company entitled to attend the 34th 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 34th AGM will be put to a vote by poll pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities.

## EXPLANATORY NOTES ON ORDINARY BUSINESS

### 1. Audited Financial Statements

The Audited Financial Statements for the financial year ended 31 August 2018 and the Reports of the Directors and Auditors thereon are for discussion only and hence no shareholders' approval is required under Section 340(1)(a) of the Act.

### 2. Resolution 1 - Directors' Fees

Section 230(1) of the Act provides that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The Board agreed that the shareholders' approval shall be sought at the 34th AGM on the Directors' fees.

### 3. Resolution 2(a) & 2(b) - Re-appointment of Encik Abdul Khudus bin Mohd Naa'im and Dato' Ir Dr Abdul Aziz bin Arshad

Pursuant to Section 205(3)(b) of the Act and in accordance to Article 96 of the Company's Constitution provides that both Directors shall retire from office by rotation, and be eligible for re-election.

The Board has recommended that Encik Abdul Khudus bin Mohd Naa'im and Dato' Ir Dr Abdul Aziz bin Arshad be re-appointed as Directors of the Company.

### 4. Resolution 3 - 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

### 5. Resolution 4(a) & 4(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, upon assessment and recommendation of the Nominating Committee, the rest of the Board members were of the unanimous opinion that To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain and Mr Dennis Xavier should continue to act as Independent Non-Executive Directors of the Company based on the following justification:

- a) They fulfil the criteria as Independent Directors as defined in the Listing Requirements of Bursa Securities, and are therefore able to bring independent and objective judgement 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.

### 6. Resolution 5 - Authority to Allot and Issue Shares Pursuant to the Malaysian Companies Act 2016

The proposed Resolution 5, 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 23 January 2018 and which will lapse at the conclusion of the 34th AGM.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises, or in the event of business opportunities, or other arising circumstances which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to 8.27(2) of the Listing Requirements of Bursa Securities

1. The Directors standing for re-election at the 34th AGM of the Company are:

Pursuant to Article 96 of the Company's Constitution

- Encik Abdul Khudus bin Mohd Naaim
- Dato' Ir Dr Abdul Aziz bin Arshad

2. The profiles of the Directors who are standing for re-election are set out on pages 7 and 9 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 Act are set out in Explanatory Note 6 of the Notice of the 34th AGM.

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# FORM OF PROXY

CDS AC NO	
NO OF SHARES HELD	

I/We \_\_\_\_\_ (NRIC/Company No. \_\_\_\_\_)  
(FULL NAME IN CAPITAL LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a shareholder(s) of **Concrete Engineering Products Berhad** hereby appoint \*the Chairman of the Meeting,

or \_\_\_\_\_ (\_\_\_\_\_% )  
(FULL NAME OF PROXY)

of \_\_\_\_\_  
(ADDRESS)

\*and/or failing him/her \_\_\_\_\_ (\_\_\_\_\_% )  
(FULL NAME OF PROXY)

of \_\_\_\_\_  
(ADDRESS)

as \*my/our proxy to vote for \*my/our behalf at the 34th 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 Monday, 7 January 2019 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 the following Directors who retire by rotation pursuant to Article 96 of the Company's Constitution: a) Encik Abdul Khudus bin Mohd Naaim b) Dato' Ir Dr Abdul Aziz bin Arshad		
3)	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
4)	<b>Special Business:</b> Approval to continue in office as Independent Non-Executive Directors: a) To' Puan Seri Hajjah Nur Rahmah binti Mohd Zain b) Mr Dennis Xavier		
5)	<b>Special Business:</b> To empower the Directors of the Company to issue shares pursuant to the Malaysian Companies Act 2016		

Votes are as indicated by an "X" in the appropriate spaces above. If no indication is given, my/our proxy shall vote or abstain from voting as he/she thinks fit.

\*Delete whichever is not applicable.

\_\_\_\_\_  
Signature/Seal of Shareholder(s)

Dated this day \_\_\_\_\_ of \_\_\_\_\_ 20 \_\_\_\_\_

Tel No: \_\_\_\_\_

## NOTE:

A member of the Company entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. 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

AFFIX  
STAMP

**MESTIKA PROJEK (M) SDN BHD**  
(225545-V)

22nd Floor Menara Promet (KH)  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
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1ST FOLD HERE



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