CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT
THIRD QUARTER ENDED 30TH SEPTEMBER 2017

CHIN HIN GROUP BERHAD
Company No.: 1097507-W
(Incorporated in Malaysia under the Companies Act, 1965)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2017

(The figures have not been audited)

		Individual Quarter			Cumulative Quarter		
		30 Sep 2017	30 Sep 2016	Changes	30 Sep 2017	30 Sep 2016	Changes
	Note	RM'000	RM'000	%	RM'000	RM'000	%
Revenue		260,899	241,807	8%	759,732	794,831	-4%
Cost of sales		(235,918)	(219,318)		(682,926)	(720,249)	
Gross profit		24,981	22,489		76,806	74,582	
Other operating income		1,556	3,652		4,997	7,349	
Administrative expenses		(14,324)	(11,990)		(41,968)	(36,933)	
Operating profit		12,213	14,151	-14%	39,835	44,998	-11%
Finance costs		(4,002)	(3,790)		(11,854)	(12,772)	
Profit before taxation (before listing expenses)		8,211	10,361		27,981	32,226	
Listing expenses		(82)	-		(82)	(2,920)	
Share of results of associates		559	-		559	-	
Profit before taxation (after listing expenses)		8,688	10,361	-16%	28,458	29,306	-3%
Taxation	B5	(2,677)	(2,221)		(7,359)	(7,434)	
Profit after taxation		6,011	8,140	-26%	21,099	21,872	-4%
Other comprehensive income							
Exchange translation differences		381	63		198	(15)	
Total comprehensive income for the financial period		6,392	8,203		21,297	21,857	
PROFIT AFTER TAX ATTRIBUTABLE TO:							
-Owners of the Company		6,011	8,140	-26%	21,099	21,872	-4%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
- Owners of the Company		6,392	8,203		21,297	21,857	
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	1.17	1.66		4.11	4.45	
- Diluted	B11	1.17	1.66		4.11	4.45	
Profit Before Interest and Tax		12,213	14,151	-14%	39,835	44,998	-11%

Notes:

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

(The figures have not been audited)

	30 September 2017 RM'000	(Audited) 31 December 2016 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	351,040	293,703
Investment properties	71,280	71,280
Investment in an associate	25,309	-
Goodwill	37,276	-
Hire purchase receivables	-	82
Other investment	40	-
TOTAL NON-CURRENT ASSETS	484,945	365,065
CURRENT ASSETS		
Inventories	68,123	52,796
Trade receivables	311,636	295,479
Other receivables	24,618	24,344
Hire purchase receivables	2,145	5,402
Tax recoverable	2,743	2,256
Fixed deposits with licensed banks	15	1,597
Cash and bank balances	33,397	73,502
TOTAL CURRENT ASSETS	442,677	455,376
TOTAL ASSETS	**927,622**	**820,441**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	318,594	252,944
Share premium	7,202	7,656
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	743	545
Revaluation reserve	8,768	8,768
Retained earnings	217,563	207,592
TOTAL EQUITY	399,678	324,313

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (Cont'd)

(The figures have not been audited)

	30 September 2017 RM'000	(Audited) 31 December 2016 RM'000
CURRENT LIABILITIES		
Trade payables	123,172	126,821
Other payables	50,201	35,666
Amount owing to directors	57	2
Finance lease payables	2,133	3,617
Bank borrowings	315,567	284,066
Tax payable	2,349	2,871
TOTAL CURRENT LIABILITIES	493,479	453,043
NON-CURRENT LIABILITIES		
Finance lease payables	371	1,670
Bank borrowings	28,381	36,251
Deferred tax liabilities	5,713	5,164
TOTAL NON-CURRENT LIABILITIES	34,465	43,085
TOTAL LIABILITIES	527,944	496,128
TOTAL EQUITY AND LIABILITIES	**927,622**	**820,441**
NET ASSET PER SHARE (sen)	0.78	0.66

Notes:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

(2) Net asset per share for the current quarter and comparative financial period is calculated based on the total equity divided by the weighted average number of ordinary shares in issue for the quarter and comparative financial period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2017

(The figures have not been audited)

	------------	------------	Non-Distributable	------------	------------	Distributable	
	Share Capital RM'000	* Share Premium RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 January 2016	221,345	-	(153,192)	453	8,768	183,873	261,247
Issue of shares	31,599	9,480	-	-	-	-	41,079
Share issuance expenses #	-	(1,824)	-	-	-	-	(1,824)
Total comprehensive income for the financial year	-	-	-	-	-	21,872	21,872
Foreign exchange translation	-	-	-	(15)	-	-	(15)
Dividend paid	-		-	-	-	(7,588)	(7,588)
Balance as at 30 Sep 2016	252,944	7,656	(153,192)	438	8,768	198,157	314,771
Balance as at 1 January 2017	252,944	7,656	(153,192)	545	8,768	207,592	324,313
Issue of shares	65,650	-	-	-	-	-	65,650
Share issuance expenses #	-	(454)	-	-	-	-	(454)
Total comprehensive income for the financial year	-	-	-	-	-	21,099	21,099
Foreign exchange translation	-	-	-	198	-	-	198
Dividend paid	-	-	-	-	-	(11,128)	(11,128)
Balance as at 30 Sep 2017	318,594	7,202	(153,192)	743	8,768	217,563	399,678

Notes:

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

 # Share issue expenses for the issue of the new CHINHIN shares of approximately RM1.82million during Initial Public Offering ("IPO") were written-off against the share premium account under Section 60 of the Companies Act, 1965 and for private placement was written-off against the share premium account under Section 618 of the Companies Act, 2016.

** Pursuant to subsection 618(3) and 618(4) of the Companies Act, 2016, the Group may exercise its right to use the share premium amount within 24 months after the commencement of the Companies Act, 2016. The Board of Directors will make a decision thereon by 31 January 2019.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2017

(The figures have not been audited)

	Cumulative quarter	
	30 Sep 2017 RM'000	30 Sep 2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	28,458	29,306
Adjustment for:		
Bad debts written off	210	-
Depreciation of property, plant and equipment	13,364	12,413
Gain on disposal of assets held for sale	(2)	-
Gain on disposal of property, plant and equipment	(286)	(1,542)
Gain on disposal of investment properties	-	(892)
Impairment on trade receivables	793	492
Impairment on trade receivables written back	(211)	(757)
Interest expense	11,854	12,772
Interest income	(684)	(550)
Inventories written off	33	6
Loss on derivative financial assets	-	38
Property, plant and equipment written off	-	13
Share of results of associates	(559)	-
Unrealised loss on foreign exchange	2	232
Operating profit before working capital changes	52,972	51,531
Changes in working capital:		
Inventories	(12,777)	(3,270)
Trade receivables	(1,235)	22,702
Other receivables	1,661	(12,786)
Hire purchase receivables	3,338	(5,665)
Trade payables	(13,749)	(4,839)
Other payables	112	560
Exchange differences	(430)	-
Amount due to directors	55	(196)
	(23,025)	(3,494)
Cash generated from operations	29,947	48,037
Interest paid	(11,854)	(12,772)
Interest received	684	550
Tax paid	(10,325)	(7,351)
Tax refund	64	-
	(21,431)	(19,573)
Net cash generated from operating activities	8,516	28,464

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2017 (Cont'd)
(The figures have not been audited)

	Cumulative Quarter	
	30 Sep 2017 RM'000	30 Sep 2016 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(68,841)	(31,763)
Purchase of investment properties	-	(2,627)
Acquisition of associate companies	(24,750)	
Acquisition of subsidiaries	(32,025)	-
Proceeds from disposal of assets held for sales	1,235	-
Proceeds from disposal of investment properties	-	1,575
Proceeds from disposal of property, plant and equipment	542	2,368
Net cash used in investing activities	(123,839)	(30,447)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	1,260	748
Dividend paid	(10,118)	(7,588)
Net changes on bankers' acceptance, trust receipt and revolving credits	41,312	(37,566)
Release in fixed deposits pledged	1,582	6,243
Repayment of finance lease payables	(3,203)	(7,418)
Repayment of bank borrowings	(19,591)	(38,452)
Payment of listing expenses	(454)	(1,824)
Proceeds from issue of share capital	65,650	41,079
Net cash generated from/(used in) financing activities	76,438	(44,778)
Net decrease in cash and cash equivalents	(38,885)	(46,761)
Cash and cash equivalents at the beginning of the financial period	69,352	165,883
Effect of exchange translation differences on cash and cash equivalents	8	(248)
Cash and cash equivalents at the end of the financial period	30,475	118,874
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	33,397	121,856
Bank overdrafts	(2,922)	(2,982)
Fixed deposits with licensed banks	15	5,072
	30,490	123,946
Less: Fixed deposits pledged to licensed banks	(15)	(5,072)
	30,475	118,874

Notes:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

Chin Hin Group Berhad was listed on the Main Market of the Bursa Malaysia Securities Berhad on 8 March 2016.

NOTES TO THE INTERIM FINANCIAL REPORT- THIRD QUARTER ENDED 30 SEPTEMBER 2017

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134- Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements ("Listing Requirements").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2016. The Group has also adopted those standards, amendments and interpretations that have become effective 1 July 2017 and such adoptions do not have a material impact on the financial position and performance of the Group.

The Group has not applied the following standards, amendments and interpretations under MFRS framework that have been issued by the Malaysia Accounting Standards Board as they have yet to be effective for the Group.

MFRSs AND IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
MFRS 1 – Amendments to MFRS 1 (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 10 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred
MFRS 15 – Revenue from Contracts with Customers	1 January 2018
MFRS 15 – Clarifications to MFRS 15	1 January 2018
MFRS 16 – Leases	1 January 2019
MFRS 17 – Insurance Contracts	1 January 2021
MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred
MFRS 128 – Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 140 – Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 – Uncertainty over Income Tax Treatments	1 January 2019

A2. Auditors' report of preceding annual audited financial statements

The auditors' report on the preceding year's audited financial statements of the Company and of the Group was not subject to any qualification.

A3. Seasonal or cyclical factors

The businesses of the Group were not affected by seasonal or cyclical factors during the current financial quarter and financial period-to-date.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A5. Material changes in estimates

There were no material changes in estimates used in reporting the current financial quarter and financial period-to-date as compared to the audited financial statements of the Group for the financial year ended 31 December 2016.

A6. Debt and equity securities

There were no other issuances, cancellation, repurchase resale and repayment of debt and equity securities for the current financial quarter and financial period-to-date, except as follows:-

Issuance of new shares through private placement

During the current financial quarter, 50,500,000 new shares were issued and subscribed by way of private placement to identified investors at a price of RM1.30 each.

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A7. Segmental information

The Group's operating activities were derived from five (5) main business segments, namely the following:-

	Unaudited Individual quarter 30 Sep 2017 RM'000	Unaudited Individual quarter 30 Sep 2016 RM'000	Unaudited Cumulative quarter 30 Sep 2017 RM'000	Unaudited Cumulative quarter 30 Sep 2016 RM'000
Revenue				
• Investment holding and management services	2,089	2,250	6,529	6,690
• Distribution of building materials and logistics services	165,084	157,634	470,702	531,338
• Ready-mixed concrete	22,989	30,768	73,657	107,898
• Manufacturing of fire-rated door	7,279	-	23,158	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	45,795	33,874	133,224	93,518
• Manufacturing of wire mesh and metal roofing systems	50,062	35,051	131,193	107,713
	293,298	259,577	838,463	847,157
Adjustments and eliminations	(32,399)	(17,770)	(78,731)	(52,326)
	260,899	241,807	759,732	794,831
Profit before taxation				
• Investment holding and management services	9,889	(39)	9,778	11,573
• Distribution of building materials and logistics services	2,981	6,874	10,642	15,590
• Ready-mixed concrete	489	1,987	1,574	6,029
• Manufacturing of fire-rated door	911	-	3,198	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	4,521	3,713	17,212	9,737
• Manufacturing of wire mesh and metal roofing systems	(525)	(278)	(4,091)	2,893
	18,266	12,257	38,313	45,822
Listing expenses	(82)	-	(82)	(2,920)
Share of results of associates	559	-	559	-
	18,743	12,257	38,790	42,902
Adjustments and eliminations	(10,055)	(1,896)	(10,332)	(13,596)
	8,688	10,361	28,458	29,306

No other segmental information such as segment assets and liabilities are presented as the Group is principally engaged in one industry that is the building material industry.

A8. Dividend paid

A single-tier first interim dividend of approximately 3.5% or RM0.02 per ordinary share totalling RM11,127,760 in respect of the financial year ending 31 December 2017 was paid on 13 October 2017.

A9. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter and financial period to-date.

A10. Valuation of investment properties

The Group has not carried out any valuation on its investment properties in the current financial quarter and financial period to-date.

A11. Capital commitments

The capital commitments of the Group were as follows:-

	Unaudited 30 Sep 2017 RM'000	Audited 31 December 2016 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	43,311	33,394

A12. Changes in the composition of the Group

Save as disclosed in Note B6(i) on the Status of Corporate Proposal Announced, there were no material changes in the composition of the Group for the current quarter ended 30 September 2017.

A13. Contingent liabilities and contingent assets

There were no contingent assets as at the date of this interim financial report. Contingent liabilities of the Group were as follows:-

Unsecured	Unaudited 30 September 2017 RM'000	Audited 31 December 2016 RM'000
Corporate guarantees given to the licensed banks for credit facility granted to related companies	696,006	560,306

A14. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of current quarter and financial period-to-date that have not been reflected in this interim financial report.

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A15. Related party transactions

(1) Our Group's transactions with companies in which our directors or substantial shareholders have an interest in for the current quarter ended 30 September 2017 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	12,311
-Sales of goods	1,466
-Purchase of goods	6,898
-Rental received/receivables	859
-Rental paid/payables	130
-Insurance and road tax received	137
-Hotel accommodation paid	11

These transactions have been entered into in the normal course of business.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

Comparison with Corresponding results of Last Quarter

The Group's revenue increased by approximately RM19.09 million or 7.90% from RM241.81 million in preceding year corresponding quarter to RM260.90 million in the current quarter. For the financial year-to-date, the Group registered a lower revenue of RM759.73 million as compared with RM794.83 million for the corresponding period of FY2016. The higher revenue for the quarter under review as compared with the corresponding quarter of 2016 was mainly due to the higher contribution from our distribution of building material especially in the steel bar sales, manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, steel mesh products and the newly acquired fire rated door, lockset and MI Polymer Concrete products which was offset by the decrease in revenue from ready-mixed concrete sector. Whereas the lower revenue for the current financial year-to-date as compared to the corresponding period of FY2016 was mainly due to lower revenue contribution from our distribution of building material and ready-mixed concrete sector which was set off by the increase in revenue from manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, steel mesh products, fire rated door, lockset and MI Polymer Concrete products. The considerable decline in the year to date revenue from the distribution of building material was due to the decrease in sales volume of cement by approximately 20.31% as a result of the further softening of housing construction activities in the third quarter of 2017. The subdued property market performance in 2017 showed no signs of improvement to date. Furthermore, more cement manufacturers are selling direct-to-customer (DTC) lately. The further decrease in revenue from ready-mixed concrete was due to lower sales volume exacerbated by stiffen competition in the subdued property market. The higher revenue from manufacturing of AAC and precast concrete products were driven by strong market demand and healthy order books on hand as a result of more projects in the market specified our products. Whereas the higher revenue from manufacturing of steel mesh was due to the extra capacity from the new fast-speed CTS welder, MG800 machine in Nilai.

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B1. Review of performance (Cont'd)

Comparison with Corresponding results of Last Quarter (Cont'd)

For the current financial quarter under review, the Group's overall gross profit increased by RM2.49 million or 11.08% from RM22.49 million in the corresponding quarter of 2016 to RM24.98million in the current quarter of 2017 in tandem with the increase in revenue. The current quarter gross profit margin was marginally higher than the preceding year corresponding quarter which was 9.57% and 9.30% respectively. However the current financial year-to-date gross profit margin was higher than the preceding year which was 10.11% and 9.38% respectively due to the strong gross profit margin from the autoclaved aerated concrete (AAC) block, fire rated door and lockset products.

Other operating income has decreased by approximately RM2.10 million of or 57.39% from RM3.65 million in the preceding year corresponding quarter to RM1.56 million in the current quarter were due the drop in rental income after the disposal of prime movers, tippers and tankers to CHL Logistics Sdn Bhd and the one off gain on disposal of a unit of warehouse located at Alor Setar in 2016.

The increase in administrative expenses and finance cost were contributed by the newly acquired companies' operation cost i.e. Midah Industries Sdn Bhd, Epic Diversity Sdn Bhd and MI Polymer Concrete Pipes Group of companies.

Share of profits of associate companies of RM0.56 million was derived from our newly acquired company, Atlantic Blue Sdn Bhd and its subsidiaries which are involved in the installation of equipment for generation of electricity by way of solar power energy, sale of electricity through solar generation, engineering, procurement and construction of solar energy.

The Group registered a lower profit before tax of RM8.69 million in the current financial quarter as compared to RM10.36 million in the corresponding quarter of 2016. The Group also recorded a lower year-to-date profit before tax of RM28.46 million as compared to preceding year corresponding period profit before tax of RM29.31. The lower profits were mainly due to RM4.09 million year-to-date losses incurred by our steel mesh and metal roofing products segment, lesser contribution from the distribution of building material and ready-mixed concrete business. However these negative impact were offset by the strong contribution from manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products and fire rated door products. The poor results sustained by steel mesh products after the imposition of definitive safeguard duties and steel tariff totalling 18.9% by the Ministry of International Trade and Industry (MITI) on imported steel wire rods. Situation deteriorating further where some steel producers even selling their mesh finished product lower than their raw wire rod price. This intense domestic competition continue to keep the mesh selling prices low and eroded its profit margin.

Taxation for the current quarter is higher by RM0.46 million or 20.53% as compared to the corresponding quarter of 2016. The increase was due to the under provision of corporation tax and deferred tax in the prior year of RM0.38 million and RM0.40 million respectively. If the under-provision of corporation tax and deferred tax in prior year were excluded from the current quarter, the effective tax rate for the current quarter should worked out to be 21.85% which is marginally higher than 21.39% in the corresponding quarter of 2016. If both the under-provision of corporation tax and deferred tax in prior year were also being excluded from the year to date effective tax rate calculation, the tax rate worked out to be approximately 23.07% versus 25.35% in the corresponding cumulative quarter of 2016. The lower tax rate was due to the reinvestment allowance claimed by G-Cast Sdn Bhd.

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B2. Comparison with immediate preceding quarter's results

CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 30 Sep 2017 RM'000	Unaudited Individual quarter 30 June 2017 RM'000	Changes %
Revenue	260,899	237,273	10%
Operating Profit	12,213	13,209	-8%
Profit Before Interest and Tax	12,213	13,209	-8%
Profit Before Tax	8,688	8,989	-3%
Profit After Tax	6,011	7,035	-15%
Profit Attributable to Ordinary Equity Holders of the Parent Holders of the	6,011	7,035	-15%

For the quarter under review, the Group posted a revenue of RM260.90 million as compared with RM237.27 million in the preceding quarter. The lower revenue level in the preceding quarter was attributable to shorter working months due to Hari Raya festival holidays observed by the construction industry.

The Group recorded a decline in the profit before tax of RM0.30 million mainly due to poorer results sustained by our Precast Concrete segment. The decline in profits in the precast concrete segment was due to the increased in raw material cost i.e. steel price in the current quarter which has eroded its profit margin. Moreover the sewerage polymer pipe orders secured from Singapore earlier of the year, delivery were deferred due to project delay. The negative impacts were mitigated substantially by the increased in selling price of steel mesh products.

B3. Prospects

The market condition is expected to remain competitive and challenging in the last quarter of 2017. However the management remain positive to deliver better results in the fourth quarter. Sales are expected to grow modestly for our ready-mixed concrete and MI Polymer Concrete business in the last quarter of the year in view of higher output of concrete business and the sewerage polymer pipe project orders on hand from Singapore are being chased for delivery. The company also expect the newly acquired associated company to continuously secure more mega projects and start to contribute positively to our group's solar income stream.

Further to our announcement on the acquisition of assets relating to the manufacturing of high and ultra-high performance concrete ("Assets") by our indirect subsidiary, Diva Victory Sdn Bhd on 12 October 2017, the rented manufacturing plant located in Subang Jaya has commenced production in November 2017. The company will concentrate widely on the provision of architectural solutions using ultra-high performance concrete's (UHPC) with compressive strength, flexural strength and durability exceed all other high performance concretes and it is a long lasting concrete since no carbonation process will take place in it.

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B3. Prospects (Cont'd)

Through the effort of Construction Industry Development Board (CIDB) and Public Works Department (JKR), promoting to adopt Industrialised Building System (IBS) on construction sector in stages and to make it a mandatory by 2020. The implementation of IBS is in line with Construction Industry Transformation Programme's (CITP) goals to shape a modern, sustainable and productive local construction industry. Chin Hin will focus extensively on its Industrialised Building System (IBS) products i.e. autoclaved aerated concrete block (AAC), wall panel and lintel which are viewed to be of high demand in the market. The construction progress of AAC block and panel plant at Kota Tinggi, Johor are on scheduled and is expected to start production in the first quarter of 2018 with an installed capacity of 600,000 m3.

Lately, we have set up another new subsidiary, Metex Modular Sdn Bhd to venture broadly into Industrialised Modular Building System (IMBS). Application of IMBS in the commercial and industrial construction is not only fast and environmental friendly, this method of construction is scoring the highest IBS points, achieving higher assessment rating over the other IBS method. With appropriate design and construction practice, modular building can ever be a prefabricated prefinished volumetric construction solution system (PPVC System) for big scaled residential and commercial estate within 6 to 12 months period. Chin Hin will capitalise on its internal resources i.e. ready-mixed concrete, wall panel, wire mesh and C-Purlin to maximise its return on the modular business and target to be recognised as one of the most reliable IMBS manufacturer in the market.

B4. Estimates/Forecast

The Group has not provided any revenue or profit guidance in any public documents.

B5. Taxation

The applicable income tax rate is 24% except for the Group's subsidiary company, PP Chin Hin Pte Ltd which is subject to the statutory rate of 17% based on Singapore's tax regime.

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	30 Sep 2017 RM'000	30 Sep 2016 RM'000	30 Sep 2017 RM'000	30 Sep 2016 RM'000
Income tax expense				
- Current financial period	1,798	2,171	6,441	7,085
- Underprovision in prior year	379	5	393	5
	2,177	2,176	6,834	7,090
Deferred tax				
- Current financial period	100	45	125	344
- Underprovision in prior year	400	-	400	-
Total tax expense	2,677	2,221	7,359	7,434

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B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There are no corporate proposals that were announced but not completed as at the date of this report except as below:

(1) Update on the Private Placement exercise :

(a) On 7 September 2017, 10,000,000 new ordinary shares of RM1.30 were listed on Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to the second tranche of the Private Placement; and

(b) On 26 September 2017, 13,500,000 new ordinary shares of RM1.30 each were listed on Bursa Securities pursuant to the third tranche of the Private Placement, marking the completion of the Private Placement exercise.

(2) On 24 August 2017, the Company had announced that the Share Sale Agreement dated 18 July 2017 has been completed in accordance with its terms and conditions, marking the completion of the Proposed Acquisition of 45% equity in Atlantic Blue Sdn Bhd.

(3) On 14 September 2017, Starken AAC Sdn Bhd, a wholly-owned subsidiary of the Company, had acquired two (2) ordinary shares in Diva Victory Sdn Bhd ("DVSB") which represents 100% equity shares of DVSB at a total consideration of RM2.00 only. Following the Acquisition, DVSB became an indirect wholly-owned subsidiary of Chin Hin.

(4) On 25 September 2017, Starken AAC Sdn. Bhd. ("Starken"), a wholly-owned subsidiary of the Company, had, entered into a Shareholders Agreement with Chan Wai Heng, to subscribe for 2,100,000 million new ordinary shares at RM1.00 each in DVSB, for a total consideration of RM2,100,000 only, subject to the terms and conditions of the agreement ("Proposed Subscription"). On 11 October 2017, Starken had subscribed for 2,100,000 new ordinary shares in DVSB, for a total consideration of RM2,100,000 only, marking the completion of the Proposed Subscription.

(5) On 12 October 2017, DVSB, an indirect subsidiary of the Company had entered into an Assets Purchase Agreement with FRUHPC Concept Sdn. Bhd. ("FRUHPC") for the acquisition of assets relating to the manufacturing of the high and ultra-high performance concrete for a total cash consideration of RM3,000,000.00 only ("Proposed Acquisition"). On 3 November 2017, the Company had announced that the purchase consideration for the assets relating to the manufacturing of the high and ultra-high performance concrete has been adjusted from RM3,000,000 to RM2,915,094.34 due to total number of tools acquired from FRUHPC are lesser. Further to this, all the Conditions Precedent for the Assets Purchase Agreement dated 12 October 2017 has been complied on 3 November 2017, marking the completion of the Proposed Acquisition.

(6) On 2 November 2017 Metex Steel Sdn. Bhd., a wholly-owned subsidiary of the Company, had incorporated a new 85% owned subsidiary company with the name "Metex Modular Sdn. Bhd." ("MMSB") with the registered share capital of RM100.00 only represented by 100 ordinary shares in MMSB.

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B6. Status of corporate proposals and utilisation of proceeds (Cont'd)

(ii) Utilisation of proceeds

The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 30 September 2017 are as follow:-

	Details of the utilisation of proceeds	Utilisation Proposed RM'000	Actual RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation from the date of listing
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	8,931	-	6,069	Within twenty four (24) months
ii)	Repayment of bank borrowings	15,000	15,000	-	-	Within six (6) months
iii)	Working capital requirements	7,079	7,079	-	-	Within twenty four (24) months
iv)	Listing expenses	4,000	4,000	-	-	Immediately
		41,079	35,010	-	6,069	

Note: The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 18 February 2016.

B6. Status of corporate proposals and utilisation of proceeds (Cont'd)

(ii) Utilisation of proceeds (Cont'd)

The status of utilisation of the proceeds of approximately RM65.650 million from the private placement as at 30 September 2017 are as follow:-

		Utilisation				Estimated timeframe for utilisation from the date of listing
	Details of the utilisation of proceeds	**Proposed RM'000**	**Actual RM'000**	**Deviation RM'000**	**Balance RM'000**	
i)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	1,591	-	10,409	Within eighteen (18) months
ii)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	3,043	-	3,157	Within twelve (12) months
iii)	Expansion of existing manufacturing facilities, purchase of new equipment and machineries of MI Polymer Concrete Pipes Sdn Bhd ("MIPCP") in Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products	2,693	141	-	2,552	Within twelve (12) months
iv)	Repayment of bank borrowings	23,600	18,360	-	5,240	Within six (6) months
v)	Future expansion plans	10,000	10,000	-	-	Within twenty four (24) months
vi)	Working capital purposes #	9,757	2,451	-	7,306	Within six (6) months
vii)	Estimated expenses for the Proposed Private Placement	1,400	535	-	865	Within one (1) month
		65,650	36,121	-	29,529	

Note:
To reimburse partially the internal generated fund used for the acquisition of Atlantic Blue of RM24.75 million.

B7. Borrowings

The Group's borrowings are all secured and denominated in Ringgit Malaysia, details are as follows:-

	As at 30 September 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Bank overdrafts	2,922	4,150
Revolving credits	20,005	11,000
Bankers' acceptance	271,960	239,263
Trust Receipts	381	-
Term loans	48,680	65,904
Total bank borrowings	**343,948**	**320,317**
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,922	4,150
Revolving credits	20,005	11,000
Bankers' acceptance	271,960	239,263
Trust Receipts	381	-
Term loans	20,299	29,653
	315,567	**284,066**
Non-current:		
Term loans	28,381	36,251
	343,948	**320,317**

B8. Finance lease payables

The Group's finance lease payables are denominated in Ringgit Malaysia, details are as follows:-

Present value of minimum lease payments:	As at 30 September 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Repayable within twelve months	2,133	3,617
Repayables after twelve months	371	1,670
	2,504	**5,287**

B9. Changes in material litigation

As at a date not earlier than seven (7) days from the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or of any fact likely to give rise to any proceedings.

B10. Dividend Proposed

On 24 August 2017, the Board of Directors of the Company has approved the declaration and payment of single-tier first interim dividend of approximately 3.5% or RM0.02 per ordinary share totalling RM11,127,760 in respect of the financial year ending 31 December 2017.

B11. Earnings per share

Basic earnings per ordinary share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	Individual Quarter		Cumulative Quarter	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
Profit attributable to ordinary equity holders of the Group (RM'000)	6,011	8,140	21,099	21,872
Number of ordinary shares in issues as at 1 January 2017 ('000)	505,888	491,357	505,888	491,357
Effect of shares issued during the financial period ('000)	7,000	-	7,000	-
Weighted average number of ordinary shares in issue ('000)	512,888	491,357	512,888	491,357
Basic earnings per share (sen)	1.17	1.66	4.11	4.45

Diluted earnings per ordinary share

The diluted earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Profit attributable to ordinary equity holders of the Group (RM'000)	6,011	8,140	21,099	21,872
Weighted average number of ordinary shares as above	512,888	491,357	512,888	491,357
Diluted earnings per share (sen)	1.17	1.66	4.11	4.45

B12. Retained and unrealised profits/losses

	As at 30 September 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Total retained earnings of the Group		
- Realised	204,042	213,451
- Unrealised	23,294	23,370
	227,336	236,821
Less: Consolidation adjustments	(9,773)	(29,229)
Total retained earnings as per statement of financial position	217,563	207,592

B13. Disclosure on selected expense/income items as required by the Listing Requirements

Included in profit before tax comprised the following expense/(income) items:

	Unaudited As at 30 Sep 2017 RM'000	Unaudited As at 30 Sep 2016 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	242	230
- Under/(over)provision in prior year	23	(2)
Bad debts recovered	(26)	(79)
Bad debts written off	210	-
Depreciation of property, plant and equipment	13,364	12,413
Directors' fee	180	140
Directors remuneration		
- Salary, EPF and Socso	1,342	1,289
- Other emoluments	198	175
Gain on disposal of assets held for sale	(2)	-
Gain on disposal of property, plant and equipment	(286)	(1,542)
Gain on disposal of investment properties	-	(892)
Impairment on trade receivables	793	492
Impairment on trade receivables written back	(211)	(757)
Interest expense	11,854	12,772
Interest income	(684)	(550)
Inventories written off	33	6
Loss on derivative financial assets	-	38
Property, plant and equipment written off	-	13
Share of results of associates	(559)	-
Realised loss/(gain) on foreign exchange	70	(139)
Rental income	(3,840)	(1,847)
Rental expenses	3,009	1,254
Unrealised loss on foreign exchange	2	232

B14. Comparative figures

Comparatives figures, where applicable, have been modified to conform to the current presentation.

BY ORDER OF THE BOARD

24TH November 2017