



CHIN HIN GROUP BERHAD

**INTERIM FINANCIAL REPORT
FOURTH QUARTER ENDED 31ST DECEMBER 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017**
(The figures have not been audited)

	Individual Quarter			Cumulative Quarter			
		31 Dec	31 Dec		31 Dec	31 Dec	
	Note	2017	2016	Changes	2017	2016	
	RM'000	RM'000	%	RM'000	RM'000	%	
Revenue		255,836	264,003	-3%	1,015,568	1,058,834	-4%
Cost of sales		(230,569)	(239,763)		(913,495)	(960,012)	
Gross profit		25,267	24,240		102,073	98,822	
Other operating income		1,699	4,681		6,696	12,030	
Administrative expenses		(13,877)	(14,124)		(55,845)	(51,057)	
Operating profit		13,089	14,797	-12%	52,924	59,795	-11%
Fair value adjustment on investment properties		150	10,571		150	10,571	
Finance costs		(4,472)	(3,504)		(16,326)	(16,276)	
Profit before taxation (before listing expenses)		8,767	21,864		36,748	54,090	
Listing expenses		-	-		(82)	(2,920)	
Share of results of associates		2,058	-		2,617	-	
Profit before taxation (after listing expenses)		10,825	21,864	-50%	39,283	51,170	-23%
Taxation	B5	(2,418)	(2,311)		(9,777)	(9,745)	
Profit after taxation		8,407	19,553	-57%	29,506	41,425	-29%
Other comprehensive income							
Exchange translation differences		(469)	107		(271)	92	
Total comprehensive income for the financial period		7,938	19,660		29,235	41,517	
PROFIT AFTER TAX ATTRIBUTABLE TO:							
Owners of the Company		8,540	19,553	-56%	29,639	41,425	-28%
Non-controlling interests		(133)	-		(133)	-	
		8,407	19,553		29,506	41,425	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017 (Cont'd)**

(The figures have not been audited)

	Individual Quarter			Cumulative Quarter		
		31 Dec	31 Dec		31 Dec	31 Dec
	Note	2017	2016	Changes	2017	2016
	RM'000	RM'000	%	RM'000	RM'000	%
TOTAL COMPREHENSIVE INCOME						
ATTRIBUTABLE TO:						
Owners of the Company		8,071	19,660		29,368	41,517
Non-controlling interests		(133)	-		(133)	-
		<u>7,938</u>	<u>19,660</u>		<u>29,235</u>	<u>41,517</u>
Earnings per share attributable to owners of the Company (sen):						
- Basic	B11	<u>1.63</u>	<u>3.95</u>		<u>5.66</u>	<u>8.37</u>
- Diluted	B11	<u>1.63</u>	<u>3.95</u>		<u>5.66</u>	<u>8.37</u>
Profit Before Interest and Tax		<u>13,089</u>	<u>14,797</u>	-12%	<u>52,924</u>	<u>59,795</u>

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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**
(The figures have not been audited)

	31 December 2017 RM'000	(Audited) 31 December 2016 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	381,062	293,703
Investment properties	71,430	71,280
Investment in an associate	26,949	-
Goodwill	31,746	-
Hire purchase receivables	-	82
Other investment	40	-
TOTAL NON-CURRENT ASSETS	511,227	365,065
CURRENT ASSETS		
Construction work in-progress	1,728	-
Inventories	71,572	52,796
Trade receivables	309,941	295,479
Other receivables	15,272	24,344
Hire purchase receivables	197	5,402
Tax recoverable	4,466	2,256
Fixed deposits with licensed banks	15	1,597
Cash and bank balances	43,371	73,502
TOTAL CURRENT ASSETS	446,562	455,376
TOTAL ASSETS	957,789	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	274	545
Revaluation reserve	8,768	8,768
Retained earnings	217,757	207,592
Total equity attributable to Owners of the Company	399,403	324,313
Non-controlling interests	767	-
TOTAL EQUITY	400,170	324,313

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (Cont'd)
(The figures have not been audited)

	31 December 2017 RM'000	(Audited) 31 December 2016 RM'000
CURRENT LIABILITIES		
Trade payables	132,749	126,821
Other payables	31,576	35,666
Amount owing to directors	57	2
Finance lease payables	1,923	3,617
Derivative financial liabilities	34	-
Bank borrowings	316,179	284,066
Tax payable	2,278	2,871
TOTAL CURRENT LIABILITIES	484,796	453,043
NON-CURRENT LIABILITIES		
Finance lease payables	607	1,670
Bank borrowings	66,236	36,251
Deferred tax liabilities	5,980	5,164
TOTAL NON-CURRENT LIABILITIES	72,823	43,085
TOTAL LIABILITIES	557,619	496,128
TOTAL EQUITY AND LIABILITIES	957,789	820,441
NET ASSET PER SHARE (sen)	0.76	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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017**
(The figures have not been audited)

	<-----Attributable to owners of the parent----->						Retained Earnings	Total	Non-controlling interests	Total Equity
	<----- Non-Distributable ----->			Distributable						
	Share Capital	* Share Premium	Merger Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	RM'000				
Balance as at 1 January 2016	221,345	-	(153,192)	453	8,768	183,873	261,247	-	261,247	
Profit for the financial year	-	-	-	-	-	41,425	41,425	-	41,425	
Foreign exchange translation	-	-	-	92	-	-	92	-	92	
Total comprehensive income	-	-	-	92	-	41,425	41,517	-	41,517	
Transactions with owners:										
Issue of shares	31,599	9,480	-	-	-	-	41,079	-	41,079	
Share issuance expenses #	-	(1,824)	-	-	-	-	(1,824)	-	(1,824)	
Dividend paid	-	-	-	-	-	(17,706)	(17,706)	-	(17,706)	
Total transactions with owners	31,599	7,656	-	-	-	(17,706)	21,549	-	21,549	
Balance as at 31 December 2016	252,944	7,656	(153,192)	545	8,768	207,592	324,313	-	324,313	
Balance as at 1 January 2017	252,944	7,656	(153,192)	545	8,768	207,592	324,313	-	324,313	
Profit for the financial year	-	-	-	-	-	29,639	29,639	(133)	29,506	
Foreign exchange translation	-	-	-	(271)	-	-	(271)	-	(271)	
Total comprehensive income	-	-	-	(271)	-	29,639	29,368	(133)	29,235	
Transactions with owners:										
Issue of shares	65,650	-	-	-	-	-	65,650	-	65,650	
Share issuance expenses #	-	(454)	-	-	-	-	(454)	-	(454)	
Share issued by subsidiaries	-	-	-	-	-	-	-	900	900	
Dividend paid	-	-	-	-	-	(19,474)	(19,474)	-	(19,474)	
Total transactions with owners	65,650	(454)	-	-	-	(19,474)	45,722	900	46,622	
Balance as at 31 December 2017	318,594	7,202	(153,192)	274	8,768	217,757	399,403	767	400,170	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017 (Cont'd)**

(The figures have not been audited)

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.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017**
(The figures have not been audited)

	Cumulative quarter	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	39,283	51,170
Adjustment for:		
Bad debts written off	2,638	492
Deposit written off	-	15
Depreciation of property, plant and equipment	18,439	16,258
Fair value adjustment on investment properties	(150)	(10,571)
Gain on disposal of assets held for sale	(2)	-
Gain on disposal of investment properties	-	(892)
Impairment on trade receivables	629	1,144
Impairment on other receivables	-	15
Interest expense	16,326	16,337
Interest income	(510)	(701)
Inventories written off	33	47
Gain on disposal of property, plant and equipment	(517)	(2,339)
Loss on derivative financial liabilities	34	38
Property, plant and equipment written off	37	13
Reversal of impairment on trade receivables	(2,808)	(1,383)
Share of results of associates	(2,199)	-
Unrealised loss on foreign exchange	310	(197)
Operating profit before working capital changes	71,543	69,446
Changes in working capital:		
Construction work in-progress	(1,728)	-
Inventories	(16,133)	(8,024)
Trade receivables	648	6,836
Other receivables	13,973	(7,797)
Hire purchase receivables	5,287	(4,774)
Trade payables	(3,737)	(19,676)
Other payables	(11,127)	7,461
Exchange differences	(271)	92
Amount due to directors	55	(10,907)
Non-controlling interests	899	-
	(12,134)	(36,789)
Cash generated from operations (Carried forward)	59,409	32,657

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017 (Cont'd)**
(The figures have not been audited)

	Cumulative Quarter	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Cash generated from operations (Brought forward)	59,409	32,657
Interest paid	(16,326)	(16,337)
Interest received	510	701
Tax paid	(13,110)	(11,011)
Tax refund	131	8
	<u>(28,795)</u>	<u>(26,639)</u>
Net cash generated from operating activities	<u>30,614</u>	<u>6,018</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(101,963)	(63,769)
Acquisition of associate companies	(24,750)	-
Acquisition of subsidiaries	(39,426)	-
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	1,086	10,407
Net cash used in investing activities	<u>(163,818)</u>	<u>(51,787)</u>
Cash Flows From Financing Activities		
Dividend paid	(19,474)	(7,588)
Drawdown of bank borrowings	41,860	748
Net changes on bankers' acceptance, trust receipt and revolving credits	45,688	(32,821)
Release in fixed deposits pledged	1,582	9,719
Repayment of finance lease payables	(3,148)	(14,829)
Repayment of bank borrowings	(27,335)	(45,443)
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	<u>104,369</u>	<u>(50,959)</u>
Net decrease in cash and cash equivalents	<u>(28,835)</u>	<u>(96,728)</u>
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	(65)	197
Cash and cash equivalents at the end of the financial period	<u>40,452</u>	<u>69,352</u>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	43,371	73,502
Bank overdrafts	(2,919)	(4,150)
Fixed deposits with licensed banks	15	1,597
	<u>40,467</u>	<u>70,949</u>
Less: Fixed deposits pledged to licensed banks	(15)	(1,597)
	<u>40,452</u>	<u>69,352</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2017 (Cont'd)**

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.

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NOTES TO THE INTERIM FINANCIAL REPORT- FOURTH QUARTER ENDED 31 DECEMBER 2017

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 October 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.

	Effective dates for financial period beginning on and after
MFRSs AND IC Interpretations (Including The Consequential Amendments)	
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 3 – Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 9 – Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
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 11 – Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
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 112 – Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 123 – Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017 (Cont'd)
A1. Basis of preparation (Cont'd)

MFRS 128 – Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 128 – Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
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 31 Dec 2017 RM'000	Unaudited Individual quarter 31 Dec 2016 RM'000	Unaudited Cumulative quarter 31 Dec 2017 RM'000	Unaudited Cumulative quarter 31 Dec 2016 RM'000
Revenue				
• Investment holding and management services	2,556	26,040	9,085	32,730
• Distribution of building materials and logistics services	154,337	177,116	625,039	708,455
• Ready-mixed concrete	27,590	30,355	101,247	138,253
• Manufacturing of fire-rated door	5,560	-	28,718	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	50,518	31,121	183,742	124,639
• Manufacturing of wire mesh and metal roofing systems	42,990	43,285	174,183	150,998
	283,551	307,917	1,122,014	1,155,075
Adjustments and eliminations	(27,715)	(43,914)	(106,446)	(96,241)
	255,836	264,003	1,015,568	1,058,834
Profit before taxation				
• Investment holding and management services	12,975	12,629	22,753	24,203
• Distribution of building materials and logistics services	4,744	16,844	15,385	32,434
• Ready-mixed concrete	1,561	1,224	3,135	7,253
• Manufacturing of fire-rated door	625	-	3,824	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	5,015	4,546	22,227	14,284
• Manufacturing of wire mesh and metal roofing systems	514	2,254	(3,577)	5,146
	25,434	37,497	63,747	83,320
Listing expenses	-	-	(82)	(2,920)
Share of results of associates	2,058	-	2,617	-
	27,492	37,497	66,282	80,400
Adjustments and eliminations	(16,667)	(15,633)	(26,999)	(29,230)
	10,825	21,864	39,283	51,170

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

There was no dividend paid for the current financial quarter. 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 for the financial period-to-date.

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 values captured are based upon a valuation exercise carried out by independent firms of professional valuer. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. This was in line with our policy upon adoption of MFRS 140, that investments properties are revalued at regular intervals of at least once every year. The resultant revaluation surpluses of RM150,000 were recognised in other operating income.

A11. Capital commitments

The capital commitments of the Group were as follows:-

	Unaudited 31 December 2017 RM'000	Audited 31 December 2016 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	30,691	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 31 December 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:-

	Unaudited 31 December 2017 RM'000	Audited 31 December 2016 RM'000
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	839,690	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.

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 31 December 2017 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	13,784
-Sales of goods	1,877
-Purchase of goods	9,419
-Rental received/receivables	1,146
-Rental paid/payables	173
-Insurance and road tax received	180
-Hotel accommodation paid	13

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 decreased by approximately RM8.17 million or 3.09% from RM264.00 million in preceding year corresponding quarter to RM255.84 million in the current quarter. For the financial year-to-date, the Group registered a lower revenue of RM1,015.57 million as compared with RM1,058.83 million for the corresponding period of FY2016. The lower revenue for the both the current and cumulative quarter as compared with the corresponding period of 2016 were mainly due to the decline in revenue from our distribution of building material and ready-mixed concrete sector which were off-set by the increase in revenue from the 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 turnover. 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 21.12% as a result of the further softening of housing construction activities in the last quarter of 2017 and the impact of cement manufacturers selling direct-to-customer (DTC). 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 the strong market demand and order books on hand as a result of marketing team's effort in securing more specified projects. Whereas the higher year to-date revenue from manufacturing of steel mesh was due to the extra capacity from the new fast-speed CTS welder, MG800 machine stationed in Nilai.

For the current financial quarter under review, the Group's overall gross profit increased by RM1.03 million or 4.24% from RM24.24 million in the corresponding quarter of 2016 to RM25.27 million in the current quarter of 2017 due to the benefit derived from economies of scale enjoyed by the autoclaved aerated concrete (AAC) block plant located in Serendah. Current quarter gross profit margin of 9.88% was higher by 0.70% than the preceding year corresponding quarter of 9.18%. Besides, the current financial year-to-date gross profit margin also higher than the preceding year which were 10.05% and 9.33% respectively due to the strong gross profit margin from the autoclaved aerated concrete (AAC) block, fire rated door and lockset products.

B1. Review of performance (Cont'd)**Comparison with Corresponding results of Last Quarter (Cont'd)**

Other operating income has decreased by approximately RM2.98 million or 63.70% from RM4.68 million in the preceding year corresponding quarter to RM1.70 million in the current quarter were mainly due the one off gain on disposal for prime movers, tippers and tankers to CHL Logistics Sdn Bhd in 2016.

The increase in administrative expenses in the current quarter which 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 besides the newly set-up companies pre-operating expenses charged out for Green Cement Sdn Bhd, Green Drymix Solutions Sdn Bhd, Sage Evergreen Sdn Bhd (Starken 2 in Kota Tinggi) and G-Cast UHPC Sdn Bhd were off-set by the reversal of impairment on specific trade receivables as a results of successful collection of these debts as more focused debts collection strategy initiated by our credit control department.

The group finance cost for the current quarter has increased by RM0.97 million due to the drawdown of revolving credit and term loan to finance Starken AAC Sdn Bhd working capital and the capital expenditures on Autoclaved Aerated Concrete (AAC) block and panel plant at Kota Tinggi, Johor.

Share of profits of associate companies of RM2.06 million for the current quarter were derived majority from the Feed In Tariff of 1.5 MW projects and the 10MW of large scale solar photovoltaic ("LSSPV") plant project on ground-mounted solar PV panels located at Bukit Kayu Hitam, Kedah. The Bukit Kayu Hitam Project is the first large scale solar project commissioned in Malaysia.

The Group registered a lower profit before tax of RM10.83 million in the current financial quarter as compared to RM21.86 million in the corresponding quarter of 2016. The Group also recorded a lower year-to-date profit before tax of RM39.28 million as compared to preceding year corresponding period of RM51.17 million. The lower profits for both the current quarter and year-to-date profit before tax were mainly due to RM10.57 million fair value adjustment on investment properties being recognised in FY 2016. Besides that, there were considerable losses suffered by our steel mesh and metal roofing products segment of RM5.89 million in FY 2017 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 which has caused the local wire rod price to increase significantly and situation worsening further where some steel producers even selling their mesh finished product lower than their raw wire rod price. However the losses suffered by steel mesh and metal roofing products were off-set by the fair value adjustment on the investment properties in Nilai of RM2.30 million at the segmental level which this fair value adjustment was then been adjusted out at the consolidation level due to reclassification of investment properties to fixed asset. The lower year to date contribution from the distribution of building material and ready-mixed concrete business have also pulled down the group profitability. However these negative impacts were set off by the strong contribution from the manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, fire rated door products and the associate company's share of solar related income.

The current financial year taxation was marginally higher than the corresponding year of 2016 mainly due to the share of taxation for the newly acquired associated company.

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B2. Comparison with immediate preceding quarter's results

CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 31 December 2017 RM'000	Unaudited Individual quarter 30 September 2017 RM'000	Changes %
Revenue	255,836	260,899	-2%
Operating Profit	13,089	12,213	7%
Profit Before Interest and Tax	13,089	12,213	7%
Profit Before Tax	10,825	8,688	25%
Profit After Tax	8,407	6,011	40%
Profit Attributable to Ordinary Equity Holders of the Parent	8,407	6,011	40%

For the quarter under review, the Group posted a revenue of RM255.84 million as compared with RM260.90 million in the preceding quarter. The revenue was marginally lower than the preceding quarter due to the further decline in demand for construction material as a results of continue slowdown in the property market where most of the developers have deferred their launching of new housing and commercial projects.

The Group recorded an increase in the profit before tax of RM2.14 million mainly due to the higher share of profits of associate companies of RM1.50 million which derived from the Feed-In-Tariff of 1.5 MW projects and the 10MW of large scale solar photovoltaic ("LSSPV") plant project on ground-mounted solar PV panels located at Bukit Kayu Hitam, Kedah, the year-end cement rebate received by our distribution of building material business and the reversal of impairment on specific trade receivables as a results of successful collection of these debts as more focused debts collection strategy being initiated by our credit control department.

B3. Prospects

The construction material market is expected to remain extremely competitive and challenging for 2018. However the management remain confident to deliver better results in 2018 in view of more new products and technology were added into our Group i.e. ultra-high performance concrete (UHPC) product and Pre-fabricated Modular Building System ("PMBS"). Sales are expected to grow progressively in the second quarter of 2018 when more UHPC architectural solution projects are kicking off. Our associated company, Solarvest Holdings Sdn Bhd has successfully won a sizeable fast-track large scale solar EPC project lately at UITM, Gambang with a total contract value of RM28 million and expected to commercially operation by end of this year.

Chin Hin Group via its subsidiary, Metex Modular Sdn Bhd, has successfully secured a fast-track project worth RM238.3 million in December, 2017 to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor. This project incorporates Pre-fabricated Modular Building System ("PMBS"), the highest level of Industrialised Building System ("IBS"). Chin Hin Group has teamed up with a technology partner to implement this IBS in Malaysia over a contract period of 12 months.

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B3. Prospects (Cont'd)

The PMBS involves the Design for Manufacturing and Assembly (DfMA) concept to significantly improve construction productivity whereby pre-fabricated units are built at the factory, ready to be installed at site. As a result, this IBS model speeds up construction processes and reduces construction time and labour. PMBS creates synergies with our Group as 70-80% of building components and materials used are supplied-in house, such as ready mixed concrete, floor decking, metal roofing and cladding systems, AAC wall panels, pre-cast concrete products, wire mesh products, fire doors, lock sets and paint. The investment in PMBS is part of Chin Hin's move to transform its business from the provision of building materials towards being involved with Civil & Structural product technology innovation, and we believe that this challenging project will be completed on time and contribute positively to the Group's earnings in 2018.

The Johor production line with 600,000 m³ installed capacity of autoclaved aerated concrete ("AAC") which is interchangeable between autoclaved aerated concrete ("AAC") blocks and wall panels are targeted to be operational in the second quarter of 2018 to ease the long lead time of delivery for AAC block.

Chin Hin Group has also implemented the turnaround plan on Steel Mesh and Metal Roofing segment to respond to the volatile business environment and hopefully will bear fruit in the near future.

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		Cumulative Quarter	
	Unaudited		Unaudited	
	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	2,075	2,578	8,516	9,663
- Unde/(Over)provision in prior year	175	(829)	568	(824)
	<u>2,250</u>	<u>1,749</u>	<u>9,084</u>	<u>8,839</u>
Deferred tax				
- Current financial period	898	(237)	1,023	107
- (Over)/Underprovision in prior year	(730)	799	(330)	799
Total tax expense	<u>2,418</u>	<u>2,311</u>	<u>9,777</u>	<u>9,745</u>

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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 proposed acquisition of Midah Industries Sdn Bhd ("MIDAH") and Epic Diversity Sdn Bhd ("EPIC"):

Pursuant to the terms of the Midah SSA and the Epic SSA, the Midah Vendors and the Epic Vendors had agreed to provide the following profit guarantee to PP Chin Hin Sdn Bhd (Company No. 334885-H) ("PPCH") :

- (a) profit guarantee of Profit Before Tax ("PBT") of RM4.6 million provided by the Midah Vendors to PPCH for the financial year ending ("FYE") 31 December 2017 (RM2.3 million) and FYE 31 December 2018 (RM2.3 million) ("Midah Financial Years Guaranteed") ("Midah Profit Guarantee"); and
- (b) profit guarantee of PBT of RM1.4 million provided by the Epic Vendors to PPCH for the FYE 31 December 2017 (RM700,000) and FYE 31 December 2018 (RM700,000) ("Epic Financial Years Guaranteed") ("Epic Profit Guarantee").

The Board of Directors of Chin Hin wishes to announce that based on the unaudited results of Midah and Epic for the financial period ended 31 October 2017, both Midah Profit Guarantee and the Epic Profit Guarantee have been fulfilled by the Midah Vendors and the Epic Vendors, respectively.

Further to the above, PPCH has via its letter dated 30 November 2017 agreed to waive the requirement for Midah Vendors and the Epic Vendors to fulfill the Midah Profit Guarantee and the Epic Profit Guarantee for the FYE 31 December 2018 ("Waiver"), after taking into consideration of the following :

- (a) The Midah Vendors and the Epic Vendors have successfully fulfilled the Midah Profit Guarantee and the Epic Profit Guarantee for the FYE 31 December 2017;
- (b) PPCH will be able to attain savings on staff overheads cost of approximately RM0.86 million per annum after release the Midah Vendors and the Epic Vendors as employees of the both companies, save and except for Mr Se Kok Weng, who will continue to be employed as the General Manager for Midah and Epic;
- (c) PPCH has acquired the relevant knowledge and skills relating to the fire door business from the Midah Vendors and the Epic Vendors and is confident of managing Midah and Epic on their own with greater flexibility; and
- (d) PPCH is confident that Midah and Epic will be able to achieve the Midah Profit Guarantee and the Epic Profit Guarantee for the FYE 31 December 2018 with the existing fire door order books on hand of RM14.8 million.

Following the Waiver, Midah Retention Sum of RM4.6 million has released to Midah's Vendors and Epic Retention Sum of RM1.4 million has also released to Epic's Vendors accordingly.

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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 31 December 2017 are as follow:-

	Details of the utilisation of proceeds	Utilisation				Estimated timeframe for utilisation from the date of listing
		Proposed RM'000	Actual RM'000	Deviation RM'000	Balance RM'000	
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	9,224	-	5,776	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	35,303	-	5,776	

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

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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 31 December 2017 are as follow:-

	Details of the utilisation of proceeds	Utilisation				Estimated timeframe for utilisation from the date of listing
		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	4,225	-	1,975	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	1,143	-	1,550	Within twelve (12) months
iv)	Repayment of bank borrowings	23,600	23,600	-	-	Within six (6) months
v)	Future expansion plans #	10,000	10,000	-	-	Within twenty four (24) months
vi)	Working capital purposes	9,757	4,746	-	5,011	Within six (6) months
vii)	Estimated expenses for the Proposed Private Placement	1,400	535	-	865	Within one (1) month
		65,650	45,840	-	19,810	

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 31 December 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Bank overdrafts	2,919	4,150
Revolving credits	22,652	11,000
Bankers' acceptance	273,585	239,263
Trust Receipts	486	-
Term loans	82,773	65,904
Total bank borrowings	382,415	320,317
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,919	4,150
Revolving credits	22,652	11,000
Bankers' acceptance	273,585	239,263
Trust Receipts	486	-
Term loans	16,537	29,653
	316,179	284,066
Non-current:		
Term loans	66,236	36,251
	382,415	320,317

B8. Finance lease payables

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

	As at 31 December 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Present value of minimum lease payments:		
Repayable within twelve months	1,923	3,617
Repayables after twelve months	607	1,670
	2,530	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.

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B10. Dividend Proposed

On 27 February 2017, the Board of Directors of the Company has approved the declaration and payment of single-tier second interim dividend of approximately 2.6% or RM0.015 per ordinary share totalling RM8,345,820 in respect of the financial year ending 31 December 2017. The entitlement date and the payment date of the second interim dividend are 3 April 2018 and 16 April 2018 respectively.

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	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Profit attributable to ordinary equity holders of the Group (RM'000)	8,540	19,553	29,639	41,425
Number of ordinary shares in issues as at 1 January 2017 ('000)	505,888	495,010	505,888	495,010
Effect of shares issued during the financial period ('000)	17,945	-	17,945	-
Weighted average number of ordinary shares in issue ('000)	523,833	495,010	523,833	495,010
Basic earnings per share (sen)	1.63	3.95	5.66	8.37

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)	8,540	19,553	29,639	41,425
Weighted average number of ordinary shares as above	523,833	495,010	523,833	495,010
Diluted earnings per share (sen)	1.63	3.95	5.66	8.37

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B12. Retained and unrealised profits/losses

	As at 31 December 2017 RM'000	(Audited) As at 31 December 2016 RM'000
Total retained earnings of the Group		
- Realised	281,798	213,451
- Unrealised	(39,240)	23,370
	<u>242,558</u>	<u>236,821</u>
Less: Consolidation adjustments	(24,801)	(29,229)
Total retained earnings as per statement of financial position	<u>217,757</u>	<u>207,592</u>

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 31 Dec 2017 RM'000	Unaudited As at 31 Dec 2016 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	414	307
- Under/(over)provision in prior year	6	(2)
Non-statutory		
- Current year	-	206
- Under/(over)provision in prior year	5	5
Bad debts recovered	(26)	(114)
Bad debts written off	2,638	492
Deposit written off	-	15
Depreciation of property, plant and equipment	18,439	16,258
Directors' fee	240	200
Directors remuneration		
- Salary, EPF and Socso	1,795	1,790
- Other emoluments	256	179
Fair value adjustment on investment properties	(150)	(10,571)
Gain on disposal of assets held for sale	(2)	-
Gain on disposal of investment properties	-	(892)
Impairment on trade receivables	629	1,144
Impairment on other receivables	-	15
Interest expense	16,326	16,337
Interest income	(510)	(701)
Inventories written off	33	47

B13. Disclosure on selected expense/income items as required by the Listing Requirements (Cont'd)

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

	Unaudited	Unaudited
	As at	As at
	31 Dec	31 Dec
	2017	2016
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Gain on disposal of property, plant and equipment	(517)	(2,339)
Loss on derivative financial liabilities	34	38
Property, plant and equipment written off	37	13
Realised loss on foreign exchange	27	300
Rental income	(5,257)	(2,463)
Rental expenses	4,456	1,670
Reversal of impairment on trade receivables	(2,808)	(1,383)
Share of results of associates	(2,199)	-
Unrealised loss on foreign exchange	310	(197)

B14. Comparative figures

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

BY ORDER OF THE BOARD

27TH February 2018