12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING MANAGEMENT DISCUSSION AND SEGMENTAL ANALYSIS OF THE AUDITED RESULTS FOR OUR GROUP FROM FYE 2011 TO FYE 2014 TOGETHER WITH RESULTS FOR THE FPE 2015 SHOULD BE READ IN CONJUNCTION WITH OUR COMBINED FINANCIAL INFORMATION AND THE NOTES RELATED THEREON FOR THE FYE 2011 TO FYE 2014 AND FOR THE FPE 2015 INCLUDED IN SECTION 13 OF THIS PROSPECTUS.

THIS DISCUSSION AND ANALYSIS CONTAINS DATA DERIVED FROM THE AUDITED FINANCIAL STATEMENTS OF OUR GROUP AS WELL AS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. YOU SHOULD ALSO CAREFULLY CONSIDER THE RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCES AS SET OUT IN SECTION 4 OF THIS PROSPECTUS.

12.1 FINANCIAL RESULTS AND POSITION

Our combined financial information has been compiled according to the basis and accounting policies consistent with those currently adopted by our Group, which are set out in the notes included in the Accountants' Report as set out in Section 13 of this Prospectus. The financial statements used in the preparation of our combined financial information were prepared in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board. Any adjustments which were dealt with when preparing our combined financial information have been highlighted and disclosed in Section 13 of this Prospectus.

Combined Statements of Comprehensive Income

The following table sets out the combined statements of comprehensive income for the FYE 2011 to FYE 2014, FPE 2014 and FPE 2015 which have been prepared for illustrative purposes only.

You should read this combined statement of comprehensive income in conjunction with the accompanying notes included in the Accountants' Report as set out in Section 13 of this Prospectus.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group Audited					
	FYE				FPE	
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014 RM'000	2015 RM'000
Revenue	1,014,597	1,046,108	1,220,416	1,219,418	833,667	816,980
Less: Cost of sales	(953,805)	(989,339)	(1,149,925)	(1,130,887)	(777,578)	(750,722)
GP	**60,792**	**56,769**	**70,491**	**88,531**	**56,089**	**66,258**
Other operating income	3,068	24,600	17,800	16,306	4,366	5,505
Administrative expenses	(28,155)	(28,659)	(36,512)	(42,920)	(22,879)	(32,120)
Profit from operations	**35,705**	**52,710**	**51,779**	**61,917**	**37,576**	**39,643**
Finance costs	(8,628)	(11,513)	(14,457)	(18,702)	(12,798)	(13,455)
PBT	**27,077**	**41,197**	**37,322**	**43,215**	**24,778**	**26,188**
Taxation	(7,956)	(6,603)	(7,870)	(13,029)	(8,454)	(6,183)
PAT	**19,121**	**34,594**	**29,452**	**30,186**	**16,324**	**20,005**
No. of Shares assumed to be in issue ('000)[(i)]	442,690	442,690	442,690	442,690	442,690	442,690
EBIT[(ii)]	35,705	52,710	51,779	61,917	37,576	39,643
EBITDA[(ii)]	43,867	58,388	61,241	75,020	46,353	49,238
GP margin (%)	6.0	5.4	5.8	7.3	6.7	8.1
PBT margin (%)	2.7	3.9	3.1	3.5	3.0	3.2
PAT margin (%)	1.9	3.3	2.4	2.5	2.0	2.4
Effective tax rate (%)	29.4	16.0	21.1	30.1	34.1	23.6
Net EPS (sen)[(iii)]	4.32	7.81	6.65	6.82	3.69	4.52
No. of Shares assumed to be in issue ('000)[(iv)]	505,888	505,888	505,888	505,888	505,888	505,888
Diluted net EPS (sen)[(v)]	3.78	6.84	5.82	5.97	3.23	3.95

Notes:-

(i) Based on the number of Shares in issue before our IPO.

(ii) Calculated based on the following:-

		FYE 2011 RM'000	*FYE 2012 RM'000*	*FYE 2013 RM'000*	*FYE 2014 RM'000*	*FPE 2015 RM'000*
PAT		*19,121*	*34,594*	*29,452*	*30,186*	*20,005*
Add:	*Finance costs*	*8,628*	*11,513*	*14,457*	*18,702*	*13,455*
	Tax expense	*7,956*	*6,603*	*7,870*	*13,029*	*6,183*
EBIT		***35,705***	***52,710***	***51,779***	***61,917***	***39,643***
Add:	*Depreciation*	*7,726*	*5,583*	*9,335*	*13,103*	*9,595*
	Amortisation	*436*	*95*	*127*	*-*	*-*
EBITDA		***43,867***	***58,388***	***61,241***	***75,020***	***49,238***

(iii) Calculated based on PAT divided by our existing issued and paid-up share capital of 442,690,100 Shares.

(iv) Based the enlarged number of Shares after our IPO.

(v) The diluted net EPS is computed by dividing PAT over the enlarged number of Shares after our IPO.

Pro forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position as at 31 August 2015 as set out below are provided for illustrative purposes only and are based on the assumption that the IPO had been completed on that date. It should be read in conjunction with the Reporting Accountants' Report together with the notes and assumptions accompanying the pro forma consolidated statements of financial position as set out in Section 11 of this Prospectus.

	As at 31 August 2015 RM'000	(I) After Public Issue RM'000	(II) After Pro forma (I) and utilisation of proceeds RM'000
Non-Current Assets			
Property, plant and equipment	195,485	195,485	210,485
Investment properties	103,235	103,235	103,235
Total Non-Current Assets	**298,720**	**298,720**	**313,720**
Current Assets			
Inventories	46,153	46,153	46,153
Trade receivables	308,460	308,460	308,460
Other receivables	22,149	22,149	22,149
Hire purchase receivables	819	819	819
Tax recoverable	85	85	85
Derivative financial assets	585	585	585
Fixed deposits with licensed banks	14,589	14,589	14,589
Cash and bank balances	149,875	190,954	156,954
	542,715	583,794	549,794
Asset held for sale	3,663	3,663	3,663
Total Current Assets	**546,378**	**587,457**	**553,457**
Total Assets	**845,098**	**886,177**	**867,177**
Equity			
Share capital	221,345	252,944	252,944
Share premium	-	9,480	9,480
Foreign exchange reserve	427	427	427
Revaluation reserve	8,769	8,769	8,769
Merger deficit	(153,192)	(153,192)	(153,192)
Retained profits	173,657	173,657	169,657
Total equity attributable to equity holders of the Company	**251,006**	**292,085**	**288,085**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	As at 31 August 2015 RM'000	(I) After Public Issue RM'000	(II) After Pro forma (I) and utilisation of proceeds RM'000
Non-Current Liabilities			
Finance lease payables	12,989	12,989	12,989
Bank borrowings	81,834	81,834	81,834
Deferred tax liabilities	5,218	5,218	5,218
Total Non-Current Liabilities	**100,041**	**100,041**	**100,041**
Current Liabilities			
Trade payables	140,091	140,091	140,091
Other payables	20,129	20,129	20,129
Amount owing to Directors	11,382	11,382	11,382
Finance lease payables	10,496	10,496	10,496
Bank borrowings	309,182	309,182	294,182
Tax payable	2,771	2,771	2,771
Total Current Liabilities	**494,051**	**494,051**	**479,051**
Total Liabilities	**594,092**	**594,092**	**579,092**
Total Equity and Liabilities	**845,098**	**886,177**	**867,177**
Par value per Share (RM)	0.50	0.50	0.50
Number of Shares ('000)	442,690	505,888	505,888
NA (RM'000)	251,006	292,085	288,085
NA per share (RM)	0.57	0.58	0.57
Borrowings (All interest bearing debts) (RM'000)	414,501	414,501	399,501
Gearing (times) [(i)]	1.65	1.42	1.39

Note:-

(i) Calculated based on the total borrowings (i.e. finance lease payables and bank borrowings) of our Group divided by the total equity of our Group.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Combined Statements of Cash Flow

The following table sets out a summary of the combined statement of cash flows of our Group based on our audited financial statements for the FYE 2011 to FYE 2014 and FPE 2015.

	Combined Group				
	Audited				
	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FPE 2015 RM'000
Cash Flows From Operating Activities					
Profit before taxation	27,077	41,197	37,322	43,215	26,188
Adjustment for:					
Allowance for doubtful debts	2,529	343	2,828	1,185	2,844
Amortisation of investment property	436	95	127	-	-
Bad debts written off	398	2,760	289	2,735	-
Bad debts recovered	-	-	-	-	(1)
Depreciation of property, plant and equipment	7,726	5,582	9,335	13,103	9,595
Deposits written off	-	-	158	-	-
Dividend income	-	-	-	-	-
Fair value adjustment on investment properties	-	(19,071)	(8,698)	(5,878)	-
Gain on disposal of property, plant and equipment	(1,374)	(2,413)	(559)	(324)	(15)
Gain on disposal of investment properties	-	-	(2,512)	(3,712)	-
Gain on disposal of asset held for sale	-	-	-	(1,221)	(365)
Loss on disposal of investment in subsidiary companies	-	-	-	550	-
Interest expenses	8,628	11,017	13,367	19,016	13,601
Interest income	(1,103)	(3,979)	(3,501)	(2,134)	(851)
Impairment on investment	-	-	100	-	
(Gain)/Loss on derivative financial liabilities	-	-	50	(55)	(581)
Other investment written off	-	-	3	-	-
Property, plant and equipment written off	-	-	10	26	-
Inventory written off	-	-	-	70	19
Unrealised gain on foreign exchange	-	-	-	-	(139)
Allowance for doubtful debt written back	(77)	(235)	(225)	(1,097)	(957)
Waiver of debts from other payable	-	-	-	(116)	-
Operating profit before working capital changes	**44,240**	**35,296**	**48,094**	**65,363**	**49,338**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group				
	Audited				
	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FPE 2015 RM'000
Changes in working capital					
Inventories	397	(13,851)	(21,183)	(5,561)	(2,018)
Property development cost	(11,060)	11,061	-	-	-
Trade receivables	(21,548)	(29,919)	(54,287)	41,810	(18,994)
Other receivables	2,714	(22,385)	33,478	23,470	(3,203)
Hire purchase receivables	494	137	1,387	925	311
Trade payables	6,720	26,848	29,788	(29,342)	1,318
Other payables	1,402	11,066	5,248	(16,367)	(418)
Amount owing to/by associate	(5,976)	335	1,462	-	-
Amount owing to/by shareholders	-	25	-	-	-
Amount owing to/by directors	(32,595)	8,020	(19,997)	41,060	525
	(59,452)	(8,663)	(24,104)	55,995	(22,479)
Cash generated from operations	(15,212)	26,633	23,990	121,358	26,859
Interest received	1,104	3,979	3,500	2,134	851
Interest paid	(8,628)	(11,017)	(13,367)	(19,016)	(13,601)
Tax refund	-	2,544	295	-	157
Tax paid	(8,798)	(8,876)	(6,713)	(9,378)	(7,389)
Exchange fluctuation adjustments	18	29	83	43	380
	(16,304)	(13,341)	(16,202)	(26,217)	(19,602)
Net cash (used in)/from operating activities	**(31,516)**	**13,292**	**7,788**	**95,141**	**7,257**
Cash Flows From Investing Activities					
Deposit paid for purchase of property, plant and equipment	-	(176)	-	-	-
Dividend received	-	-	-	-	-
Purchase of property, plant and equipment	(14,200)	(57,807)	(62,391)	(12,356)	(9,364)
Purchase of investment properties	(9,404)	(18,785)	(1,112)	(22)	(63)
Purchase of assets held for sales	-	-	-	(719)	-
Proceeds from disposal of associates	200	7,937	-	-	-
Proceeds from disposal of investment properties	200	4,512	6,405	7,414	-
Proceeds from disposal of property, plant and equipment	4,191	-	1,585	9,918	365
Proceeds from disposal of assets held for sales	-	-	-	3,244	5,000
Purchase of additional shares in subsidiary companies	(100)	(39,499)	-	-	-
Net cash outflow on disposal of subsidiary companies	-	-	-	1,000	-
Acquisition of subsidiary companies	(2,250)	-	(100)	-	-
Net cash (used in)/from investing activities	**(21,363)**	**(103,818)**	**(55,613)**	**8,479**	**(4,062)**

	Combined Group				
	Audited				
	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FPE 2015 RM'000
Cash Flows From Financing Activities					
Drawdown of bank borrowings	14,212	46,699	36,507	15,347	61,057
Dividend paid	-	-	-	-	-
Repayment of bank borrowings	(227)	(33,613)	(9,832)	(7,365)	(13,491)
Net changes in bankers acceptance, revolving credits and trade financing	63,613	62,682	49,668	(36,044)	(25,496)
Repayment of finance lease payables	(4,742)	(5,660)	(8,933)	(8,969)	(6,958)
Proceeds from issuance of shares	2,000	10,100	5,000	-	-
Repayment of hire purchase liabilities	(784)	(958)	-	-	-
(Increase)/ Release of fixed deposits pledged	(6,554)	(10,350)	(9,887)	24,359	15,388
Net cash from financing activities	**67,518**	**68,900**	**62,523**	**(12,672)**	**30,500**
Net increase/(decrease) in cash and cash equivalents	14,639	(21,626)	14,698	90,948	33,695
Exchange translation differences	-	-	-	-	64
Cash and cash equivalents at beginning of the financial year/period	13,400	28,040	6,414	21,112	112,060
Cash and cash equivalents at end of the financial year/ period	**28,039**	**6,414**	**21,112**	**112,060**	**145,819**
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances	35,756	18,830	36,326	118,030	149,875
Fixed deposits with licensed banks	39,099	44,204	54,336	29,977	14,589
Bank overdraft	(12,962)	(12,416)	(15,215)	(5,970)	(4,056)
	61,893	50,618	75,447	142,037	160,408
Less: Fixed deposits pledged to licensed banks	(33,854)	(44,204)	(54,335)	(29,977)	(14,589)
	28,039	**6,414**	**21,112**	**112,060**	**145,819**

12.2 OVERVIEW OF OPERATION

(A) REVENUE

For the financial years/periods under review, our Group's revenue is mainly derived from the distribution of building materials and provision of logistics, the supply of ready-mixed concrete, manufacturing of AAC and precast concrete products, wire mesh and metal roofing systems. Please refer to Section 6 of this Prospectus for our Group's detailed business overview.

Our Group's revenue is mainly derived from local customers with only approximately 1.4% to 2.7% being derived from our overseas customers during the financial years/periods under review.

Approximately 64.2% to 83.3% of our Group's total revenues was contributed by the distribution of buildings materials while ready mixed concrete contributed to approximately 11.8% to 17.2% to our Group's total revenue over the financial years/periods under review. Since its commencement in FYE 2012, revenue from our manufacturing of wire mesh and metal roofing systems have grown steadily; the revenue contribution from the said division represented 0.6% to 11.8% of our total revenues over the financial years/periods under review.

As PP Chin Hin is mainly involved in the distribution of building materials, approximately 68.4% to 89.1% of our Group's total revenues over the financial years /periods under review was contributed by PP Chin Hin while Chin Hin Concrete (KL) contributed to approximately 7.5% to 12.0% of our Group's total revenue over the financial years/periods under review.

In recent years, Metex Steel has emerged as the second largest revenue contributor which contributed to approximately 2.8% to 14.9% of our Group's total revenue over the financial years/ periods under review.

During FYE 2012 and 2014, both G-Cast Concrete and Starken AAC were in their preliminary stage of commercialisation, having commenced operations only in August 2012 and January 2014 respectively. As such, lower percentage of revenue contributed by them during FYE 2012 to 2014 may not necessarily be reflected in the longer term. The operations of both G-Cast Concrete and Starken AAC have since stabilised towards the end of 2014 and G-Cast Concrete and Starken AAC contributed to approximately 2.3% and 5.0% of our Group's total revenue respectively during FPE 2015.

Kindly refer to section 12.3 for further analysis on our Group's revenue for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The following is the revenue analysis of activities and subsidiaries for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

(i) Analysis of revenue by activities

The breakdown of our revenue by activities is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Activities	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution of building materials & provision of logistics												
-Distribution of building materials	839,413	82.7	872,230	83.3	922,241	75.6	811,914	66.5	565,098	67.8	524,853	64.2
-Logistics	23,406	2.3	20,632	2.0	24,840	2.0	30,454	2.5	20,277	2.4	20,073	2.5
	862,819	85.0	892,862	85.3	947,081	77.6	842,368	69.0	585,375	70.2	544,926	66.7
Ready-mixed concrete	148,019	14.6	123,218	11.8	181,909	14.9	207,180	17.0	143,604	17.2	112,839	13.8
Manufacturing of AAC and precast concrete products												
-AAC	-		-	-	-	-	28,030	2.3	13,996	1.7	40,527	5.0
-Precast concrete	-	-	419	0.1	8,318	0.7	17,855	1.5	10,971	1.3	18,907	2.3
	-	-	419	0.1	8,318	0.7	45,885	3.8	24,967	3.0	59,434	7.3
Manufacturing of wire mesh and metal roofing systems												
-Wire mesh	-	-	6,166	0.5	61,273	5.0	92,743	7.6	60,697	7.3	80,275	9.8
-Metal roofing systems	-	-	560	0.1	16,754	1.4	26,657	2.2	16,213	1.9	16,486	2.0
	-	-	6,726	0.6	78,027	6.4	119,400	9.8	76,910	9.2	96,761	11.8
Other activities (i)	3,759	0.4	(ii) 22,883	2.2	5,081	0.4	4,585	0.4	2,811	0.4	3,020	0.4
Total	**1,014,597**	**100.0**	**1,046,108**	**100.0**	**1,220,416**	**100.0**	**1,219,418**	**100.0**	**833,667**	**100.0**	**816,980**	**100.0**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Notes:-

(i) *The breakdown of revenue in other activities are as follows:-*

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Properties rental income	2,944	78.3	3,529	15.4	4,632	91.2	4,328	94.4	2,631	93.6	2,931	97.1
Car park rental income	215	5.7	204	0.9	-	-	-	-	-	-	-	-
Interest income from the provision of hire purchase financing to the Group's logistics providers	600	16.0	570	2.5	449	8.8	257	5.6	180	6.4	89	2.9
Property development	-	-	18,580	81.2	-	-	-	-	-	-	-	-
	3,759	100.0	22,883	100.0	5,081	100.0	4,585	100.0	2,811	100.0	3,020	100.0

Other activities mainly consist of rental income from properties and interest income from the provision of hire purchase financing to our Group's logistics providers. Our Group obtained the money lending license in 2006 and it is only used to provide hire purchase loan to our Group's third party transporters to finance their purchase of vehicles so that they can provide transportation services to our Group. This is not our core business and moving forward, our Group will not emphasise on this business segment. Our money lending license will be expiring on 23 November 2016.

(ii) *In FYE 2012, our Group had undertaken the development of twenty (20) units three-storey shop offices located at Kota Bharu, Kelantan and eight (8) units of semi-detached factories located in Alor Setar, Kedah. Both projects were completed and fully sold in FYE 2012 except for three (3) semi-detached factories retained by PP Chin Hin for its own use. Subsequently, we decided to focus and concentrate on our core business in building materials and PP Chin Hin's property development activities were discontinued.*

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(ii) Analysis of revenue by subsidiaries and geographical locations of the subsidiaries

The breakdown of the revenue by subsidiaries and geographical locations are as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Companies	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local												
Chin Hin	-	-	-	-	-	-	-	-	-	-	3,350	0.4
PP Chin Hin	903,484	89.1	910,047	87.0	1,000,800	82.0	879,519	72.2	608,232	73.0	558,748	68.4
C&H Transport	23,406	2.3	20,632	2.0	24,840	2.0	30,528	2.5	20,277	2.4	20,080	2.5
Chin Hin Concrete	-	-	920	0.1	960	0.1	1,300	0.1	800	0.1	1,200	0.1
Chin Hin Concrete (KL)	81,823	8.1	78,264	7.5	117,208	9.6	145,714	11.9	99,793	12.0	78,430	9.6
Chin Hin Concrete (North)	66,196	6.5	44,954	4.3	64,701	5.3	61,466	5.0	43,811	5.3	34,409	4.2
Starken AAC	-	-	-	-	-	-	28,030	2.3	13,996	1.7	40,527	5.0
G-Cast Concrete	-	-	419	0.1	8,318	0.7	17,855	1.5	10,971	1.3	18,907	2.3
Green Cement*	-	-	-	-	-	-	-	-	-	-	-	-
Pintar Sinar	-	-	90	0.0	180	0.0	180	0.0	120	0.0	681	0.1
Metex Steel	-	-	29,111	2.8	181,822	14.9	119,989	9.8	77,499	9.3	80,275	9.8
Metal Sphere	-	-	-	-	-	-	-	-	-	-	16,486	2.0
Comet Steel*	-	-	-	-	-	-	-	-	-	-	-	-
Ace Logistic	-	-	180	0.0	120	0.0	180	0.0	120	0.0	120	0.0
	1,074,909	106.0	1,084,617	103.8	1,398,949	114.6	1,284,761	105.3	875,619	105.1	853,213	104.4
Overseas												
PP Chin Hin (SG)	14,588	1.4	17,328	1.7	20,136	1.6	15,481	1.3	11,068	1.3	16,230	2.0
	1,089,497	**107.4**	**1,101,945**	**105.5**	**1,419,085**	**116.2**	**1,300,242**	**106.6**	**886,687**	**106.4**	**869,443**	**106.4**
Consolidation adjustment^	(74,900)	(7.4)	(55,837)	(5.5)	(198,669)	(16.2)	(80,824)	(6.6)	(53,020)	(6.4)	(52,463)	(6.4)
Total	**1,014,597**	**100.0**	**1,046,108**	**100.0**	**1,220,416**	**100.0**	**1,219,418**	**100.0**	**833,667**	**100.0**	**816,980**	**100.0**

Notes:-

^ *The consolidation adjustments are in relation to the elimination of inter-company transactions within our Group.*

* *Currently dormant, the intended principal activity is:-*

(i) Green Cement – investments into concrete products

(ii) Comet Steel – sales and trading of steel wire mesh, wire rods and other steel products

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(B) COST OF SALES

Our cost of sales had moved in tandem with our revenue for the financial years/ periods under review. Approximately 65.7% to 83.9% of our cost of sales consists of the distribution of building materials while approximately 11.7% to 16.8% is derived from ready-mixed concrete.

Kindly refer to section 12.3 for further analysis on our Group's cost of sales for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

The following are the cost of sales analysis of our Group by activities and subsidiaries.

(i) Analysis of cost of sales by activities

The breakdown of our cost of sales by activities is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Activities	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution of building materials & provision of logistics												
- Distribution of building materials[(a)]	792,235	83.1	831,006	83.9	876,337	76.2	764,388	67.6	535,897	68.9	492,236	65.7
- Logistics	21,943	2.3	19,487	2.0	23,287	2.0	28,717	2.5	19,075	2.5	18,997	2.5
	814,178	85.4	850,493	85.9	899,624	78.2	793,105	70.1	554,972	71.4	511,233	68.2
Ready-mixed concrete[(b)]	139,627	14.6	115,472	11.7	168,605	14.7	188,649	16.7	130,357	16.8	102,467	13.6
Manufacturing of AAC and precast concrete products[(c)]												
- AAC	-	-	-	-	2,281	0.2	28,402	2.5	15,371	1.9	36,765	4.9
- Precast concrete	-	-	678	0.1	7,343	0.6	12,475	1.1	7,559	1.0	12,172	1.6
	-	-	678	0.1	9,624	0.8	40,877	3.6	22,930	2.9	48,937	6.5

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Activities	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of wire mesh and metal roofing systems[(d)]												
- Wire mesh	-	-	8,214	0.8	56,368	4.9	83,566	7.4	54,799	7.0	72,745	9.7
- Metal roofing systems	-	-	596	0.1	15,704	1.4	24,690	2.2	14,520	1.9	15,340	2.0
	-	-	8,810	0.9	72,072	6.3	108,256	9.6	69,319	8.9	88,085	11.7
Other activities[(e)]	-	-	13,886	1.4	-	-	-	-	-	-	-	-
Total	**953,805**	**100.0**	**989,339**	**100.0**	**1,149,925**	**100.0**	**1,130,887**	**100.0**	**777,578**	**100.0**	**750,722**	**100.0**

Notes:-

(a) Distribution of building materials

Cost of sales of the distribution of building materials mainly consist of purchases of basic building materials such as steel reinforcement bars, cement and finishing products such as tiles, sanitary wares and paints.

(b) Ready –mixed concrete

Costs of sales from our ready-mixed concrete mainly consist of raw materials, direct labour cost and factory overhead. In FYE 2014, our Group has outsourced the production of our ready-mixed concrete to CPM. While the production of ready-mixed concrete has been outsourced, our Group retains control of the raw material to better manage the quality of the ready-mixed concrete. Our cost of sales after the outsourcing arrangement mainly consists of raw material cost as well as batching cost charged by CPM.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(c) *Manufacturing of AAC and precast concrete products*

The breakdown of our cost of sales for the manufacturing of AAC and precast concrete products consist of raw materials, direct labour cost and factory overhead as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of AAC products												
-Raw materials	-	-	-	-	-	-	20,456	50.1	11,281	49.2	16,518	33.8
-Direct labour cost	-	-	-	-	82	0.9	672	1.6	255	1.1	887	1.7
-Factory overhead	-	-	-	-	2,199	22.8	7,274	17.8	3,835	16.7	19,360	39.6
	-	-	-	-	2,281	23.7	28,402	69.5	15,371	67.0	36,765	75.1
Manufacturing of precast concrete												
-Raw materials	-	-	358	52.8	5,227	54.3	6,904	16.9	3,805	16.6	7,311	14.9
-Direct labour cost	-	-	82	12.1	312	3.2	1,809	4.4	1,206	5.3	1,698	3.5
-Factory overhead	-	-	238	35.1	1,804	18.8	3,762	9.2	2,548	11.1	3,163	6.5
	-	-	678	100.0	7,343	76.3	12,475	30.5	7,559	33.0	12,172	24.9
Total	**-**	**-**	**678**	**100.0**	**9,624**	**100.0**	**40,877**	**100.0**	**22,930**	**100.0**	**48,937**	**100.0**

The raw materials used for our manufacturing of AAC mainly consist of sand, cement, gypsum, lime and aluminium powder while those used for the manufacturing of precast concrete consist mainly of cement, sand, coarse aggregates and steel bar. Our Group sourced these raw materials from a number of local and overseas suppliers.

Also, forming part of the cost of sales are direct labour costs such as salaries, bonuses, social insurance and other benefits provided to our staff, which are directly involved in our manufacturing activities. Factory overheads such as depreciation of plant and equipment, utilities, maintenance of plant and equipment and other general overhead expenses are also included.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(d) *Manufacturing of wire mesh and metal roofing systems*

The breakdown of our cost of sales for the manufacturing of wire mesh and metal roofing systems consist of raw materials, direct labour cost and factory overhead is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of wire mesh												
-Raw materials	-	-	6,086	69.1	49,908	69.2	73,935	68.3	48,969	70.6	63,235	71.8
-Direct labour cost	-	-	60	0.7	2,993	4.2	3,208	3.0	2,291	3.3	3,069	3.5
-Factory overhead	-	-	2,068	23.5	3,467	4.8	6,423	5.9	3,539	5.1	6,441	7.3
	-	-	8,214	93.3	56,368	78.2	83,566	77.2	54,799	79.0	72,745	82.6
Manufacturing of metal roofing systems												
-Raw materials	-	-	545	6.2	13,763	19.1	21,969	20.3	13,080	18.9	13,954	15.8
-Direct labour cost	-	-	5	0.1	820	1.1	905	0.8	612	0.9	300	0.3
-Factory overhead	-	-	46	0.4	1,121	1.6	1,816	1.7	828	1.2	1,086	1.3
	-	-	596	6.7	15,704	21.8	24,690	22.8	14,520	21.0	15,340	17.4
Total	**-**	**-**	**8,810**	**100.0**	**72,072**	**100.0**	**108,256**	**100.0**	**69,319**	**100.0**	**88,085**	**100.0**

The raw materials used for our manufacturing of wire mesh consist of wire rods while raw materials used for our manufacturing of metal roofing systems consist of metal coils. Our Group sourced these raw materials from various local and overseas suppliers.

Direct labour costs consist of salaries, bonuses, social insurance and other benefits provided to our staff, which are directly involved in our manufacturing activities. Factory overhead comprises depreciation of plant and equipment, utilities, maintenance of plant and equipment and other general overhead expenses.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(e) Other Activities

The breakdown of cost of sales for other activities is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Properties rental income	-	-	-	-	-	-	-	-	-	-	-	-
Car park rental income	-	-	-	-	-	-	-	-	-	-	-	-
Interest income from the provision of hire purchase financing to the Group's logistics providers	-	-			-	-	-	-	-	-	-	-
Property development	-	-	13,886	100.0	-	-	-	-	-	-	-	-
	-	-	13,886	100.0	-	-	-	-	-	-	-	-

Our Group's cost of sales in FYE 2012 consist of development cost for the twenty (20) units of three-storey shop offices and five (5) units of semi-detached factories while there are no direct cost incurred to generate rental and interest income from the provision of hire purchase financing to the Group's logistics providers for the financial years/ periods under review.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(ii) Analysis of cost of sales by subsidiaries and geographical locations of the subsidiaries

The breakdown of the cost of sales of our Group by subsidiaries and geographical locations are as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Companies	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local												
Chin Hin	-	-	-	-	-	-	-	-	-	-	-	-
PP Chin Hin	853,319	89.5	860,511	87.0	950,284	82.6	827,903	73.2	576,122	74.1	525,041	69.9
C&H Transport	21,943	2.3	19,487	2.0	23,287	2.0	28,790	2.5	19,075	2.5	19,004	2.6
Chin Hin Concrete	-	-	-	-	-	-	-	-	-	-	-	-
Chin Hin Concrete (KL)	75,701	7.9	71,935	7.3	107,553	9.4	130,996	11.6	89,932	11.6	70,775	9.4
Chin Hin Concrete (North)	63,926	6.7	43,537	4.4	61,052	5.3	57,653	5.1	41,210	5.3	31,692	4.2
Starken AAC	-	-	-	-	2,281	0.2	28,522	2.5	15,491	2.0	36,284	4.8
G-Cast Concrete	-	-	768	0.1	7,463	0.6	12,534	1.1	7,679	1.0	12,212	1.6
Green Cement *	-	-	-	-	-	-	-	-	-	-	-	-
Pintar Sinar	-	-	-	-	-	-	-	-	-	-	561	0.1
Metex Steel	-	-	31,375	3.2	176,045	15.3	109,025	9.7	70,297	9.0	72,865	9.7
Metal Sphere	-	-	-	-	-	-	-	-	-	-	15,340	2.1
Comet Steel*	-	-	-	-	-	-	-	-	-	-	-	-
Ace Logistic	-	-	-	-	-	-	-	-	-	-	-	-
	1,014,889	106.4	1,027,613	104.0	1,327,965	115.4	1,195,423	105.7	819,806	105.5	783,774	104.4
Overseas												
PP Chin Hin (SG)	13,816	1.4	16,963	1.7	19,829	1.7	14,988	1.3	10,778	1.4	15,101	2.0
	1,028,705	**107.8**	**1,044,576**	**105.7**	**1,347,794**	**117.1**	**1,210,411**	**107.0**	**830,584**	**106.9**	**798,875**	**106.4**
Consolidation adjustment^	(74,900)	(7.8)	(55,237)	(5.7)	(197,869)	(17.1)	(79,524)	(7.0)	(53,006)	(6.9)	(48,153)	(6.4)
Total	**953,805**	**100.0**	**989,339**	**100.0**	**1,149,925**	**100.0**	**1,130,887**	**100.0**	**777,578**	**100.0**	**750,722**	**100.0**

Notes:-

^ *The consolidation adjustments are in relation to the elimination of inter-company transactions within our Group.*

* *Currently dormant, the intended principal activity is:-*

(i) Green Cement – investments into concrete products

(ii) Comet Steel – sales and trading of steel wire mesh, wire rods and other steel products

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(C) GP AND GP MARGIN

Approximately 49.2% to 77.6% of our Group's GP is contributed from the distribution of building materials while approximately 13.6% to 23.6% is contributed from ready-mixed concrete. Our overall GP margin for the financial years/ period under review ranges from 5.4% to 8.1%.

Kindly refer to section 12.3 for further analysis on our Group's GP and GP margin for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

The following is the GP and GP margin of our Group by activities and subsidiaries for the financial years /periods under review:-

(i) Analysis of GP and GP margin by activities

The breakdown of the GP by activities is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Activities	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution of building materials and provision of logistics												
- Distribution of building materials	47,178	77.6	41,224	72.6	45,904	65.1	47,526	53.6	29,201	52.1	32,617	49.2
- Logistics	1,463	2.4	1,145	2.0	1,553	2.2	1,737	2.0	1,202	2.1	1,076	1.6
	48,641	80.0	42,369	74.6	47,457	67.3	49,263	55.6	30,403	54.2	33,693	50.8
Ready-mixed concrete	8,392	13.8	7,746	13.6	13,304	18.9	18,531	20.9	13,247	23.6	10,372	15.7
Manufacturing of AAC and precast concrete products												
- AAC product	-	-	-	-	(2,281)	(3.2)	(372)	(0.4)	(1,375)	(2.5)	3,762	5.7
- Precast concrete	-	-	(259)	(0.5)	975	1.4	5,380	6.1	3,412	6.1	6,735	10.2
	-	-	(259)	(0.5)	(1,306)	(1.8)	5,008	5.7	2,037	3.6	10,497	15.9

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Activities	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of wire mesh and metal roofing systems												
-Wire mesh	-	-	(2,048)	(3.6)	4,905	7.0	9,177	10.4	5,898	10.5	7,530	11.3
-Metal roofing systems	-	-	(36)	(0.1)	1,050	1.5	1,967	2.2	1,693	3.0	1,146	1.7
	-	-	(2,084)	(3.7)	5,955	8.5	11,144	12.6	7,591	13.5	8,676	13.0
Other activities [(a)]	3,759	6.2	[(b)] 8,997	16.0	5,081	7.1	4,585	5.2	2,811	5.1	3,020	4.6
Total	**60,792**	**100.0**	**56,769**	**100.0**	**70,491**	**100.0**	**88,531**	**100.0**	**56,089**	**100.0**	**66,258**	**100.0**

Notes:-

(a) *The breakdown of GP for other activities is as follows:-*

	Combined Group											
	FYE								*FPE*			
	2011		*2012*		*2013*		*2014*		*2014*		*2015*	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
Properties rental income	*2,944*	*78.3*	*3,529*	*39.2*	*4,632*	*91.2*	*4,328*	*94.4*	*2,631*	*93.6*	*2,931*	*97.1*
Car park rental income	*215*	*5.7*	*204*	*2.3*	-	-	-	-	-	-	-	-
Interest income from the provision of hire purchase financing to the Group's logistics providers	*600*	*16.0*	*570*	*6.3*	*449*	*8.8*	*257*	*5.6*	*180*	*6.4*	*89*	*2.9*
Property development	-	-	*4,694*	*52.2*	-	-	-	-	-	-	-	-
	3,759	*100.0*	*8,997*	*100.0*	*5,081*	*100.0*	*4,585*	*100.0*	*2,811*	*100.0*	*3,020*	*100.0*

(b) *In FYE 2012, approximately RM4.69 million is derived from the development of the three-storey shop offices and semi-detached factories.*

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The breakdown of the GP margin by activities is as follows:-

	Combined Group					
	FYE				FPE	
	2011	2012	2013	2014	2014	2015
	%	%	%	%	%	%
Distribution of building materials & provision of logistics						
- Distribution of building materials	5.6	4.7	5.0	5.9	5.2	6.2
- Logistics	6.3	5.5	6.3	5.7	5.9	5.4
Ready-mixed concrete	5.7	6.3	7.3	8.9	9.2	9.2
Manufacturing of AAC and precast concrete products						
- AAC products	-	-	-	(1.3)	(9.8)	9.3
- Precast concrete	-	(61.8)	11.7	30.1	31.1	35.6
Manufacturing of wire mesh and metal roofing systems						
- Wire mesh	-	(33.2)	8.0	9.9	9.7	9.4
- Metal roofing systems	-	(6.4)	6.3	7.4	10.4	7.0
Other activities [(a)]	100.0	39.3	100.0	100.0	100.0	100.0

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Note:-

(a) *The breakdown of GP margin for other activities are as follows:-*

	Combined Group					
	FYE				FPE	
	2011	2012	2013	2014	2014	2015
	%	%	%	%	%	%
Properties rental income	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Car park rental income	*100.0*	*100.0*	-	-	-	-
Interest income from the provision of hire purchase financing to the Group's logistics providers	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Property development	-	*25.3*	-	-	-	-

The GP margin for properties rental income, car park rental income and interest income from the provision of hire purchase financing to the Group's logistics providers were 100.0% because the costs related to the abovementioned activities are captured in other operating expenses and not recorded in the costs of sales.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(ii) Analysis of GP and GP margin by subsidiaries and geographical locations of the subsidiaries

The breakdown of the GP of our Group by subsidiaries and geographical locations are as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
Companies	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local												
Chin Hin	-	-	-	-	-	-	-	-	-	-	3,350	5.1
PP Chin Hin	50,165	82.5	49,536	87.3	50,516	71.7	51,616	58.3	32,110	57.3	33,707	50.9
C&H Transport	1,463	2.4	1,145	2.0	1,553	2.2	1,738	2.0	1,202	2.1	1,076	1.6
Chin Hin Concrete	-	-	920	1.6	960	1.4	1,300	1.5	800	1.4	1,200	1.8
Chin Hin Concrete (KL)	6,122	10.1	6,329	11.1	9,655	13.7	14,718	16.6	9,861	17.6	7,655	11.6
Chin Hin Concrete (North)	2,270	3.7	1,417	2.5	3,649	5.2	3,813	4.3	2,601	4.6	2,717	4.1
Starken AAC	-	-	-	-	(2,281)	(3.2)	(492)	(0.6)	(1,495)	(2.7)	4,243	6.4
G-Cast Concrete	-	-	(349)	(0.6)	855	1.2	5,321	6.0	3,292	5.9	6,695	10.1
Green Cement*	-	-	-	-	-	-	-	-	-	-	-	-
Pintar Sinar	-	-	90	0.2	180	0.3	180	0.2	120	0.2	120	0.2
Metex Steel	-	-	(2,264)	(4.0)	5,777	8.2	10,964	12.4	7,202	12.9	7,410	11.2
Metal Sphere	-	-	-	-	-	-	-	-	-	-	1,146	1.7
Comet Steel *	-	-	-	-	-	-	-	-	-	-	-	-
Ace Logistic	-	-	180	0.3	120	0.2	180	0.2	120	0.2	120	0.2
	60,020	98.7	57,004	100.4	70,984	100.9	89,338	100.9	55,813	99.5	69,439	104.9
Overseas												
PP Chin Hin (SG)	772	1.3	365	0.6	307	0.4	493	0.6	290	0.5	1,129	1.7
	60,792	**100.0**	**57,369**	**101.0**	**71,291**	**101.3**	**89,831**	**101.5**	**56,103**	**100.0**	**70,568**	**106.6**
Consolidation adjustment^	-	-	(600)	(1.0)	(800)	(1.3)	(1,300)	(1.5)	(14)	(0.0)	(4,310)	(6.6)
Total	**60,792**	**100.0**	**56,769**	**100.0**	**70,491**	**100.0**	**88,531**	**100.0**	**56,089**	**100.0**	**66,258**	**100.0**

Notes:-

^ *The consolidation adjustments are in relation to the elimination of inter-company transactions within our Group.*

* *Currently dormant, the intended principal activity is:-*

(i) Green Cement – investments into concrete products

(ii) Comet Steel – sales and trading of steel wire mesh, wire rods and other steel products

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The breakdown of the GP margin by subsidiaries and geographical areas are as follows:-

	Combined Group					
	FYE				FPE	
	2011	2012	2013	2014	2014	2015
	%	%	%	%	%	%
Local						
Chin Hin	-	-	-	-	-	100.0
PP Chin Hin	5.6	5.4	5.0	5.9	5.3	6.0
C&H Transport	6.3	5.5	6.3	5.7	5.9	5.4
Chin Hin Concrete	-	100.0	100.0	100.0	100.0	100.0
Chin Hin Concrete (KL)	7.5	8.1	8.2	10.1	9.9	9.8
Chin Hin Concrete (North)	3.4	3.2	5.6	6.2	5.9	7.9
Starken AAC	-	-	-	(1.8)	(10.7)	10.5
G-Cast Concrete	-	(83.5)	10.3	29.8	30.0	35.4
Green Cement *	-	-	-	-	-	-
Pintar Sinar	-	100.0	100.0	100.0	100.0	17.6
Metex Steel	-	(7.8)	3.2	9.1	9.3	9.2
Metal Sphere	-	-	-	-	-	7.0
Comet Steel *	-	-	-	-	-	-
Ace Logistic	-	100.0	100.0	100.0	100.0	100.0
Overseas						
PP Chin Hin (SG)	5.3	2.1	1.5	3.2	2.6	7.0
GP margin prior to elimination of inter-company transaction	5.6	5.2	5.0	6.9	7.3	8.1
GP margin after elimination of inter-company transaction	**6.0**	**5.4**	**5.8**	**7.3**	**6.7**	**8.1**

Notes:-

* *Currently dormant, the intended principal activity is as follows:-*

(i) Green Cement – investments into concrete products

(ii) Comet Steel – sales and trading of steel wire mesh, wire rods and other steel products

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(D) OTHER OPERATING INCOME

The breakdown of our other operating income for the FYE 2011 to FPE 2014 and FPE 2015 is as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts recovered	3	0.1	53	0.2	607	3.4	6	0.0	1	0.0	1	0.0
Bank interest/ Fixed deposit interest received	875	28.5	1,700	6.9	1,275	7.2	1,122	6.9	620	14.2	522	9.5
Gain on derivative financial assets	-	-	-	-	-	-	55	0.3	-	-	581	10.6
Gain on disposal of investment properties/ property, plant and equipment	1,374	44.8	2,413	9.8	3,108	17.5	4,036	24.8	2,407	55.1	15	0.3
Gain on disposal of assets held for sales	-	-	-	-	-	-	1,221	7.5	-	-	365	6.6
Gain on fair value adjustment	-	-	19,072	77.5	8,698	48.9	5,878	36.0	-	-	-	-
Gain on foreign exchange												
- Realised	-	-	-	-	-	-	1	0.0	-	-	141	2.6
- Unrealised	-	-	-	-	471	2.6	-	-	130	3.0	139	2.5
Interest income	-	-	570	2.3	1,024	5.7	1,012	6.3	-	-	52	0.9
Allowance for doubtful debts written back	77	2.4	235	1.0	225	1.3	1,098	6.7	30	0.7	957	17.4
Rental received	422	13.7	247	1.0	568	3.2	896	5.5	490	11.2	1,835	33.3
Reversal of over-accrued expenses	-	-	-	-	868	4.9	-	-	-	-	-	-
Scrap sales	-	-	19	0.1	285	1.6	458	2.8	284	6.5	267	4.9
Others [(i)]	317	10.5	291	1.2	671	3.7	523	3.2	404	9.3	630	11.4
Total	**3,068**	**100.0**	**24,600**	**100.0**	**17,800**	**100.0**	**16,306**	**100.0**	**4,366**	**100.0**	**5,505**	**100.0**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Note:-

(i) Others mainly consist of overdue charges on certain customers due to long outstanding debts and other sundry income. Income from overdue charges is only recognised upon collections.

Other operating income mainly consists of interest earned from fixed deposit, gain on disposal of our Group's investment properties and property, plant and equipment, gain on the fair value adjustments made on our Group's properties and investment properties arising from our adoption of the fair value model in accordance with the Malaysian Financial Reporting Standards. Interest income refers to interest earned from advances to related parties.

Kindly refer to section 12.3 for further analysis on our Group's other operating income for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(E) OPERATING EXPENSES AND FINANCE COSTS

Our Group's other operating expenses mainly consist of staff costs, depreciation, office expenses and travelling and accommodation. Our Group's finance costs mainly consist of interest expenses incurred for banker acceptance, bank overdraft, term loans, and hire purchase in respect of hire purchase facilities for the purchase of motor vehicles, plant and machinery.

Kindly refer to section 12.3 for further analysis on our Group's operating expenses and finance cost for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

The breakdown of our other operating expenses and finance costs are as follows:-

	Combined Group											
	FYE								FPE			
	2011		2012		2013		2014		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Auditors remuneration	88	0.2	149	0.4	235	0.5	307	0.5	192	0.5	164	0.4
Advertisement and promotion	94	0.3	81	0.2	363	0.7	372	0.6	252	0.7	398	0.9
Bank charges	335	0.9	369	0.9	537	1.1	2,548	4.1	349	1.0	805	1.8
Depreciation	3,440	9.4	2,821	7.0	3,275	6.4	3,130	5.1	2,078	5.8	2,808	6.2
Director remuneration	1,327	3.6	975	2.4	258	0.5	760	1.2	425	1.2	1,167	2.6
Finance costs	8,628	23.5	11,513	28.7	14,457	28.4	18,702	30.3	12,798	35.9	13,455	29.5
Office expenses	2,694	7.3	1,974	4.9	2,332	4.6	2,234	3.6	1,487	4.2	1,424	3.1
Professional fees	1,289	3.5	1,040	2.6	1,675	3.3	972	1.6	541	1.5	609	1.3
Allowance doubtful debt/Bad debt written off	2,927	7.9	3,103	7.7	3,117	6.1	3,539	5.7	831	2.3	2,844	6.2
Rental	242	0.7	570	1.4	825	1.6	704	1.1	616	1.7	568	1.2
Repair and maintenance	921	2.5	925	2.3	1,121	2.2	923	1.5	659	1.8	789	1.7
Staff costs	12,196	33.2	13,719	34.2	19,047	37.4	23,149	37.6	13,442	37.7	17,444	38.3
Travelling and accommodation	1,349	3.7	1,445	3.6	1,967	3.8	2,276	3.7	1,130	3.2	1,530	3.4
Loss on disposal of investment in subsidiary	-	-	-	-	-	-	550	1.0	-	-	-	-
Other miscellaneous expenses	1,253	3.3	1,488	3.7	1,760	3.4	1,456	2.4	877	2.5	1,570	3.4
Total	**36,783**	**100.0**	**40,172**	**100.0**	**50,969**	**100.0**	**61,622**	**100.0**	**35,677**	**100.0**	**45,575**	**100.0**

(F) PBT AND PBT MARGIN

The following table sets out our PBT and PBT margin for the financial years/ periods under review:-

	Combined Group					
	FYE				FPE	
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014 RM'000	2015 RM'000
PBT	27,077	41,197	37,322	43,215	24,778	26,188
PBT Margin (%)	2.7	3.9	3.1	3.5	3.0	3.2

Kindly refer to section 12.3 for further analysis on our Group's PBT and PBT margin for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

(G) TAXATION

The following table sets out the comparison between the statutory tax rates and our effective tax rate for the financial years/ periods under review:-

	Combined Group					
	FYE				FPE	
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014 RM'000	2015 RM'000
Taxation	7,956	6,603	7,870	13,029	8,454	6,183
Statutory tax rate (%)	25.0	25.0	25.0	25.0	25.0	25.0
Effective tax rate (%)	29.4	16.0	21.1	30.1	34.1	23.6

For those companies within our Group with paid-up share capital of RM2.50 million or below at the beginning of the basis period for a year of assessment, the income tax is calculated at the statutory rate of 20% on the first RM500,000 and 25% on the balance of chargeable income based on the estimated assessable profit for the financial years/ periods under review.

For those companies within our Group with paid-up share capital of more than RM2.50 million at the beginning of the basis period for a year of assessment, the income tax is calculated at the statutory rate of 25% on the chargeable income based on the estimated assessable profit for the financial years/ periods under review.

The income tax of PP Chin Hin (SG) is calculated at the statutory rate of 17% on the chargeable income based on the estimated assessable profit for the financial years/ periods under review.

Kindly refer to section 12.3 for further analysis on our Group's taxation for the FYE 2011 to FYE 2014 together with FPE 2014 and FPE 2015.

12.3 COMMENTARIES ON PAST PERFORMANCES AND FINANCIAL RESULTS OF OUR GROUP

12.3.1 Comparison between FYE 2010 and FYE 2011

(i) Revenue

Our Group's overall revenue increased by approximately RM131.50 million or 14.9% from RM883.10 million in FYE 2010 to RM1,014.60 million in FYE 2011. The increase was mainly contributed by the increase in distribution of building materials and ready-mixed concrete.

Distribution of building materials and provision of logistics

During FYE 2011, our revenue from the distribution of building materials increased by approximately RM104.13 million or 14.2% from RM735.28 million in FYE 2010 to RM839.41 million in FYE 2011. This is mainly due to higher sales from steel bar and OBM which increased by RM96.55 million and RM44.59 million respectively.

The increase in revenue from steel bars by approximately RM96.55 million or 71.9% in FYE 2011 was mainly driven by the increase in housing construction activities arising from the economic stimulus generated by infrastructure projects such as the Mass Rapid Transit and Low-Cost Carrier Terminal and the second (2^{nd}) Penang Bridge Project. Our Group had sold approximately 88,729 mt steel bar in FYE 2011 as compared to approximately 59,348 mt steel bar in FYE 2010.

The increase in OBM revenue by approximately RM44.59 million or 44.1% in FYE 2011 was driven by our management's decision to focus on the sales of OBM as they generally yield higher margins as compared to steel bars and cement.

Our revenue generated from the provision of logistics increased by RM1.97 million or 9.2% due to increased orders from the cement manufacturers.

Ready-mixed concrete

Revenue from the distribution of ready-mixed concrete had increased by approximately RM25.84 million or 21.1% following the acquisition of Chin Hin Concrete (North) in the year 2010. During FYE 2011, Chin Hin Concrete (North) had contributed revenue of RM66.19 million to our Group, representing 44.7% of the total revenue from the ready-mixed concrete business segment.

Other activities

The decrease in revenue generated from other activities by approximately RM0.44 million or 10.5% was mainly due to a reduction in interest income arising from our provision of hire purchase financing to the Group's logistics providers, which is in line with our Group's strategy to focus and concentrate on our core business in building materials.

(ii) Cost of sales

Our Group's cost of sales increased by approximately RM122.60 million or 14.7% from RM831.21 million in FYE 2010 to RM953.81 million in FYE 2011 in tandem with the increase in revenue of approximately 14.9%.

(iii) GP and GP margin

Our Group's overall GP increased by approximately RM8.90 million or 17.2% from RM51.89 million in FYE 2010 to RM60.79 million in FYE 2011. The increase in our Group's GP was driven by the increase in our revenue whilst our overall GP margin had only increased marginally from 5.9% in FYE 2010 to 6.0% in FYE 2011. This increase was mainly contributed by higher sales of steel bars and OBM which increased by 71.9% and 44.1% respectively.

The marginal improvement in our overall GP margin by 0.1% in FYE 2011 was mainly due to the increase in profitability from the sales of OBM and cement. Our GP margin from OBM had increased from 6.7% in FYE 2010 to 7.3% while our GP margin for cement has increased from 5.3% to 6.3%. During FYE 2011, average selling price of cement improved by approximately 3.0% while our cost increased at a lower rate of approximately 1.9% resulting in the improvement in our GP margin for cement.

Our Group recorded a 100.0% GP margin for other activities in FYE 2011 from revenue generated from the rental of properties and the provision of hire purchase financing to the Group's logistics providers. Revenue captured from the rental of properties is netted off against relevant quit rent and assessment related to those properties. The cost for the abovementioned two (2) activities are captured in other operating expenses and not recorded in the costs of sales. As such, these two (2) activities yield a high GP margin.

(iv) Other operating income

Our Group's other operating income decreased by approximately RM0.62 million or 16.8% from RM3.69 million in FYE 2010 to RM3.07 million in FYE 2011. The higher other operating income in FYE 2010 was due to the write back of allowance for doubtful debts amounting to RM1.16 million.

Excluding the write back for allowance for doubtful debts, our Group's other operating income in FYE 2011 was higher than that of FYE 2010 because of higher fixed deposit interest earned amounting to RM0.88 million as well as the increase in rental income from additional four (4) shop houses acquired during FYE 2011.

In addition, our Group had also recorded a gain from the disposal of plant and machinery of RM1.37 million in FYE 2011.

(v) Operating expenses and finance costs

During FYE 2011, our Group's overall operating expenses and finance costs increased by approximately RM7.20 million or 24.3% from RM29.58 million in FYE 2010 to RM36.78 million in FYE 2011 mainly due to the increases in financing and staff costs and property, plant and equipment depreciation.

Our staff costs increased by approximately RM2.50 million or 25.8% from RM9.70 million in FYE 2010 to RM12.20 million in FYE 2011 arising from the acquisition of Chin Hin Concrete (North) as well as additional sales and marketing staffs being hired to strengthen our presence at our branches. Depreciation has increased by approximately RM0.77 million or 28.8% from RM2.67 million in FYE 2010 to RM3.44 million in FYE 2011. The increase was mainly due to the acquisition of additional property, plant and equipment.

Our financing costs had also increased by approximately RM3.06 million or 54.9% from RM5.57 million in FYE 2010 to RM8.63 million in FYE 2011 due to the increase in our Group's overall bank borrowings from RM157.09 million in FYE 2010 to RM258.28 million in FYE 2011. The overall increase in bank borrowings was mainly due to the increase in our Group's revenue from the distribution of building materials and provision of logistics business segment. Our Group leverages on the early payment discounts from our suppliers to enjoy cost savings by utilising trade line facilities to repay our suppliers earlier than the due date. As such, when our revenue increases, we will utilise more tradeline facilities to finance our purchases.

(vi) PBT and PBT margin

Our overall Group's PBT increased by approximately RM1.08 million from RM26.00 million in FYE 2010 to RM27.08 million in FYE 2011 contributed by the higher GP of RM18.47 million achieved by our OBM and cement sales collectively.

However, the increase in profitability was offset by the increase in staff and financing cost by RM2.50 million and RM3.06 million, respectively.

(vii) Taxation

The effective tax rate for FYE 2011 of 29.4% was higher than the statutory tax rate due principally to certain expenses not deductible for tax purposes which includes amongst others, depreciation, entertainment and non-deductible professional fees.

12.3.2 Comparison between FYE 2011 and FYE 2012

(i) Revenue

Our Group's overall revenue increased by approximately RM31.51 million or 3.1% from RM1,014.60 million in FYE 2011 to RM1,046.11 million in FYE 2012. The increase was mainly contributed by the higher revenue from our distribution of building materials and also from other activities.

<u>Distribution of building materials and provision of logistics</u>

During FYE 2012, our revenue from the distribution of building materials increased by approximately RM32.82 million or by 3.9% from RM839.41 million in FYE 2011 to RM872.23 million in FYE 2012. This is mainly due to higher sales from OBM and cement which increased by RM17.56 million and RM10.43 million respectively.

The increase in our OBM revenue by approximately 11.7% from RM150.47 million in FYE 2011 to RM168.03 million in FYE 2012 is a result of the efforts of our sales team to promote the OBM products to our customers.

Our revenues from the sale of cement and steel bar increased by RM10.43 million and RM4.83 million respectively as a result from the continuing active residential and housing construction activities in FYE 2012.

Our revenue from the provision of logistics decreased by RM2.78 million or 11.9% from RM23.41 million in FYE 2011 to RM20.63 million in FYE 2012 due to lower orders from the cement manufacturers as a result of stiffer market competition (lower prices offered by our competitors).

Ready-mixed concrete

Revenue from the distribution of ready-mixed concrete decreased by approximately RM24.80 million or 16.8% from RM148.02 million in FYE 2011 to RM123.22 million in FYE 2012 mainly due to lower selling prices as a result of market competition.

Manufacturing of AAC and precast concrete products

Our manufacturing of precast concrete has commenced operation in August 2012 and generated maiden revenue of RM0.42 million in FYE 2012.

Manufacturing of wire mesh and metal roofing systems

We had also commenced manufacturing of wire mesh and metal roofing systems in October 2012 at our factory located in Nilai. For FYE 2012, our Nilai factory was operating at approximately 20% of its production capacity and has generated total revenue of RM6.73 million within its first three (3) months of operations.

Other activities

During FYE 2012, revenue from other activities increased by approximately RM19.12 million or 508.8% as compared to FYE 2011. The increase was due to the development of twenty (20) units of three-storey shop offices located at Kota Bharu with gross development value ("GDV") of RM18.58 million and eight (8) units of semi-detached factories located in Alor Setar with GDV of RM13.50 million.

The construction for both development projects commenced in early 2011 and was completed and fully sold by the end of 2012. Even though the construction of both projects began in FYE 2011, sales of the units only started in FYE 2012 after the certificates of fitness were obtained. By the end of FYE 2012, both projects were completed and fully sold except for three (3) semi-detached factories retained by PP Chin Hin for its own use. Collectively, both of these development projects contributed total revenue of RM18.58 million in FYE 2012.

(ii) Cost of sales

Our Group's cost of sales increased by approximately RM35.53 million or 3.7% from RM953.81 million in FYE 2011 to RM989.34 million in FYE 2012 in tandem with the increase in revenue of approximately 3.1%. Our cost of sales increased at a higher rate as compared to our revenue mainly due to the increase in average cost of cement by approximately 3.9% as well as pre-operating expenses of approximately RM2.0 million being charged out in relation to both the manufacturing of precast concrete, wire mesh and metal roofing systems products.

The cost of sales from the distribution of building materials represents approximately 84.0% of our Group's total cost of sales. The increase of RM38.77 million in FYE 2012 is in tandem with the increase in its revenue.

Our Group had commenced the manufacturing of precast concrete products in August 2012. The cost of sales to manufacture precast concrete products amounted to RM0.68 million in FYE 2012. The major cost components in the manufacturing of precast concrete products are raw materials and factory overhead, representing approximately 52.8% and 35.1% of the total manufacturing cost in FYE 2012.

In addition, our Group had commenced the manufacturing of wire mesh and metal roofing systems products in October 2012. The cost of sales incurred to manufacture wire mesh and metal roofing systems products amounted to RM8.81 million in FYE 2012. The major cost components in the manufacturing of wire mesh and metal roofing systems are raw materials and factory overhead, representing approximately 75.3% and 24.0%, respectively.

During FYE 2012, our Group had also recognised cost of sales from other activities amounted to RM13.89 million arising from the development of twenty (20) units of three-storey shop offices and five (5) units of semi-detached factories which were completed and fully sold in FYE 2012.

(iii) GP and GP margin

Our Group's overall GP decreased by approximately RM4.02 million or 6.6% from RM60.79 million in FYE 2011 to RM56.77 million in FYE 2012. The decrease in our overall GP was mainly due to lower GP from distribution of building materials amounted to RM5.95 million and operating loss from our manufacturing activities amounted to RM2.34 million despite achieving a higher GP from other activities amounted to RM5.24 million.

The decrease in our Group's GP from distribution of building materials is mainly due to the decline in profitability from the sales of cement. In order to remain competitive, our Group was unable to fully transfer the approximately 3.9% increase in average cost of cement to our customers as our average selling price only increased by approximately 2.4% in FYE 2012. As a result, our GP from cement had decreased by approximately RM4.53 million or 15.8%.

Our Group also recorded a gross loss of RM2.08 million from both the manufacturing of precast concrete, wire mesh and metal roofing systems products. The gross loss from manufacturing activities was mainly due to the pre-operating expenses amounting to approximately RM2.00 million being charged out in FYE 2012. The pre–operating expenses mainly consist of factory overhead, staff salaries and administrative expenses incurred prior to the commencement of the manufacturing operations. The manufacturing of precast concrete commenced on August 2012, whereas the manufacturing of wire mesh and metal roofing systems products commenced on October 2012.

Notwithstanding the above losses, our Group's overall profitability was cushioned by the recognition of GP amounting to approximately RM4.69 million from our other activities due to the development of the three-storey shop offices and semi-detached factories.

Despite the increase in GP for our other activities from RM3.76 million in FYE 2011 to RM8.99 million in FYE 2012, our GP margin for other activities has decreased from 100.0% in FYE 2011 to 39.3% in FYE 2012. This is due to the recognition of GP from our property development of the three-storey shop offices and semi-detached factories with a GP margin of approximately 25.3% as opposed to FYE 2011 where the GP was derived from rental of properties and provision of hire purchase financing to the Group's logistics providers. The revenue captured from rental of properties is netted off against relevant quit rent and assessment related to those properties. The cost for the abovementioned two (2) activities are captured in other operating expenses and not recorded in the costs of sales. As such, these two (2) activities yielded a high GP margin in FYE 2011.

(iv) Other operating income

Our Group's other operating income increased by approximately RM21.53 million or 701.3% from RM3.07 million in FYE 2011 to RM24.60 million in FYE 2012. The increase was mainly arising from the fair valuation adjustment of investment properties, fixed deposit interest earned and gain from disposal of property, plant and equipment.

Our Group had adopted fair value model in accordance to Malaysian Financial Reporting Standard ("MFRS") 140 for our Group's investment properties. In this regard, a valuation exercise was conducted for all investment properties which resulted in a fair valuation gain of approximately RM19.07 million in FYE 2012.

The fixed deposits interest earned had increased by approximately RM0.82 million or 94.3% in FYE 2012 due to additional fixed deposits placed with licensed bank. Fixed deposit interest rates range from approximately 3.1% to 3.3% during FYE 2012.

Our Group had also recognised gain from the disposal of property, plant and equipment mainly from the disposal of two (2) warehouses located at Bandar Mergong, Alor Setar and Tandup, Alor Setar during FYE 2012. Collectively, these warehouses were disposed for RM2.75 million, resulting a total gain of RM1.63 million.

(v) Operating expenses and finance costs

Our Group's overall operating expenses and finance costs increased by approximately RM3.39 million or 9.2% from RM36.78 million in FYE 2011 to RM40.17 million in FYE 2012 mainly due to the increase in financing and staff costs.

Our finance costs increased by approximately RM2.88 million or 33.4% from RM8.63 million in FYE 2011 to RM11.51 million in FYE 2012 due to the increase in our Group's overall bank borrowings by RM90.31 million from RM258.28 million in FYE 2011 to RM348.59 million in FYE 2012 in order to finance the capital expenditures to construct our new factories as well as working capital requirements to commence manufacturing of precast concrete products, wire mesh and metal roofing system. Our Group also required additional working capital to facilitate our distribution of building materials due to higher demand.

Our Group's staff costs increased by approximately RM1.52 million or 12.5% from RM12.20 million in FYE 2011 to RM13.72 million in FYE 2012 due to yearly revision of staff salary and additional staff employed as part of our business expansion to venture into the manufacturing of precast concrete products and wire mesh and metal roofing systems.

(vi) PBT and PBT margin

The increase in our Group's overall PBT by RM14.12 million from RM27.08 million in FYE 2011 to RM41.20 million in FYE 2012 was mainly due to the increase in other operating income arising from fair valuation gain on investment properties amounting to RM19.07 million.

Excluding fair value gain adjustments, our PBT had decreased by approximately RM4.95 million or 18.3% despite an increase in revenue contributed from our distribution of building materials business segment.

The decrease in PBT was also due to pre-operating expenses of approximately RM2.00 million incurred prior to the commencement of our manufacturing of wire mesh and metal roofing systems products activities, which pre-operating expenses were subsequently charged out during FYE 2012, as well as the overall increase in our operating and finance costs.

(vii) Taxation

The effective tax rate for the FYE 2012 of 16.0% was lower than the statutory tax rate due principally to the gain on fair value adjustments on investment properties amounting to RM19.07 million in FYE 2012 which was not subject to tax.

12.3.3 Comparison between FYE 2012 and FYE 2013

(i) Revenue

Our Group's overall revenue increased by approximately RM174.31 million or 16.7% from RM1,046.11 million in FYE 2012 to RM1,220.42 million in FYE 2013. The increase was mainly contributed by the higher revenues from distribution of building materials, ready-mixed concrete and manufacturing of wire mesh.

Distribution of building materials and provision of logistics

During FYE 2013, revenue from distribution of building materials increased by approximately RM50.01 million or 5.7% from RM872.23 million in FYE 2012 to RM922.24 million in FYE 2013 mainly contributed by the sale of OBM as our Group continued to focus on higher margin products. Overall, our revenue from OBM increased by approximately RM52.87 million or 31.5% as compared to FYE 2012.

Our revenue from steel bars has also increased by approximately RM11.07 million or 4.7% from RM235.51 million in FYE 2012 to RM246.58 million in FYE 2013.

Our revenue from provision of logistics has also increased by approximately RM4.21 million or 20.4% due to higher orders from the cement manufacturers.

Ready-mixed concrete

Revenue from the distribution of ready-mixed concrete had increased by approximately RM58.69 million or 47.6% in FYE 2013 mainly due to greater demand arising from the active property development market during FYE 2013 which enabled our Group to secure a few new major customers involved in the construction of high rise buildings such as De Centrum City located in Bangi and mixed development located in Bandar Saujana Putra which required better grade ready-mixed concrete which improved our revenue. Our new customers collectively contributed to approximately 11.0% of our total revenue from the distribution of ready-mixed concrete in FYE 2013.

Manufacturing of AAC and precast concrete products

Revenue generated from manufacturing of precast concrete products increased by approximately RM7.90 million due to twelve (12) months revenue recognised in FYE 2013 as compared to only five (5) months revenue recognised in FYE 2012. During FYE 2013, our factory was operating at approximately 67% of its production capacity.

Manufacturing of wire mesh and metal roofing systems

Revenue generated from manufacturing of wire mesh and metal roofing systems products increased significantly by approximately RM71.30 million due to twelve (12) months revenue recognised in FYE 2013 as compared to only three (3) months revenue recognised in FYE 2012.

Other activities

Revenue from other activities decreased significantly by RM17.80 million due to the completion of our property development projects in FYE 2012 which had contributed revenue of approximately RM18.58 million. Since then, we did not embark on any other property development projects as we made a strategic decision to focus and concentrate on our core business in building materials.

(ii) Cost of sales

Our Group's cost of sales increased by RM160.59 million or 16.2% from RM989.34 million in FYE 2012 to RM1,149.93 million in FYE 2013.

Approximately 76.2% of our total cost of sales was attributed from our distribution of building materials. Overall, the increase in our cost of sales from the distribution of building materials by approximately RM45.33 million or 5.5% from RM831.01 million in FYE 2012 to RM876.34 million in FYE 2013 was in tandem with its overall percentage of increase in revenue by approximately 5.7%.

The increase in our cost of sales for ready-mixed concrete by approximately RM53.14 million or 46.0% from RM115.47 million in FYE 2012 to RM168.61 million in FYE 2013 is also in tandem with its percentage of increase in revenue of 47.6%.

During FYE 2013, the cost of sales of our manufacturing of precast concrete products increased by approximately RM6.67 million mainly due to a full year operation as compared to the five (5) months operation in FYE 2012. In addition, our Group has also charged out pre-operating expenses amounting to approximately RM2.28 million incurred to set up the factory for manufacturing of AAC products. The pre–operating expenses mainly consists of factory overhead, staff salaries and administrative expenses incurred prior to the commencement of the manufacturing operations.

Similarly, our cost of sales for wire mesh and metal roofing systems products also increased by approximately RM48.15 million and RM15.11 million respectively as a result of a full year operation in FYE 2013 compared to only three (3) months operation in FYE 2012.

(iii) GP and GP margin

Our Group's overall GP increased by approximately RM13.73 million or 24.2% from RM56.77 million in FYE 2012 to RM70.49 million in FYE 2013. The increase in our overall GP was mainly contributed from the distribution of building materials, ready-mixed concrete and manufacturing of wire mesh and metal roofing systems products.

Our GP from distribution of building materials increased by approximately RM4.68 million or 11.4% in FYE 2013 mainly due to higher proportion of better margin products such as British reinforcement concrete wire mesh, roofing tiles, steel metal products and plywood products in the composition of our revenue. In addition, we also managed to negotiate for better pricing from our suppliers thereby reducing our costs of sales. As a result, our GP margin from distribution of building materials has also increased from 4.7% in FYE 2012 to 5.0% in FYE 2013.

Our GP from ready-mixed concrete also increased by approximately RM5.56 million or 71.8% during FYE 2013 and it was mainly due to the higher grade of ready-mixed concrete with better margins supplied to our new customers for the construction of high rise buildings such as De Centrum City located in Bangi and mixed development located in Bandar Saujana Putra. As a result, our GP margin from ready-mixed concrete also increased from 6.3% in FYE 2012 to 7.3% in FYE 2013.

Despite the GP generated by our manufacturing of precast concrete products of RM0.98 million, the aggregate of manufacturing of AAC and precast concrete products recorded an overall gross loss of RM1.31 million due to the charge out of pre-operating expenses of approximately RM2.28 million incurred to set up our new manufacturing facilities for AAC products.

Our manufacturing of wire mesh and metal roofing systems products had turned profitable in FYE 2013 mainly due to the significant improvement in its revenue. Overall, the said business segment recorded GP of RM4.91 million and RM1.05 million with a GP margin of 8.0% and 6.3% respectively.

Our GP margin for other activities has increased from 39.3% in FYE 2012 to 100.0% in FYE 2013 due to the completion of our property development of three-storey shop offices and semi-detached factories. Our GP in FYE 2013 was derived from rental of properties and the provision of hire purchase financing to the Group's logistics providers where the revenue captured from rental of properties is netted off against relevant quit rent and assessment related to those properties. The costs for the abovementioned two (2) activities are captured in other operating expenses and not in the costs of sales. As such, these two (2) activities yield a high GP margin.

(iv) Other operating income

During FYE 2013, our Group's other operating income decreased by approximately RM6.80 million or 27.6% from RM24.60 million in FYE 2012 to RM17.80 million in FYE 2013. The higher other operating income in FYE 2012 was due to the recognition of fair value gain on investment properties amounted to RM19.07 million.

Our Group had also conducted a valuation for investment properties which resulted in a fair value gain of RM8.70 million in FYE 2013.

Gain on disposal of property, plant and equipment were due to the disposal of two (2) warehouses located at Mergong, Alor Setar and one (1) warehouse located at Tandup, Alor Setar. Collectively, these properties were disposed at RM4.70 million resulting in a total gain of RM2.73 million.

Our Group's interest income increased by approximately RM0.45 million or 78.9% from RM0.57 million in FYE 2012 to RM1.02 million in FYE 2013 mainly due to interest charged on new advances granted to a related party since FYE 2012.

In addition, our Group had also recovered a bad debt of approximately RM0.61 million during FYE 2013, which was written-off in the prior year according to our trade receivable collection policy. Our Group had also reversed an amount of approximately RM0.87 million being legal expenses accrued previously for banking facility purposes which were no longer required.

(v) Operating expenses and finance costs

During FYE 2013, the increase in our Group's overall operating expenses and finance costs increased by approximately RM10.80 million or 26.9% from RM40.17 million in FYE 2012 to RM50.97 million in FYE 2013 mainly due to the increase in staff and financing costs.

The increase in our staff costs by approximately RM5.33 million or 38.84% from RM13.72 million in FYE 2012 to RM19.05 million in FYE 2013 was mainly due to additional staff hired for our new manufacturing divisions, ie wire mesh, metal roofing systems products, AAC and precast concretes products.

Our finance cost increased by approximately RM2.95 million or 25.6% from RM11.51 million in FYE 2012 to RM14.46 million in FYE 2013 mainly due to the increase in our Group's overall bank borrowings by RM85.60 million from RM348.59 million in FYE 2012 to RM434.19 million in FYE 2013 in order to finance the capital expenditures and working capital requirements of our Group.

Our directors' remuneration decreased by approximately RM0.72 million or 73.5% from RM0.98 million in FYE 2012 to RM0.26 million in FYE 2013 due to the Group's decision to allocate certain directors' remuneration to PP Chin Hin Realty, which was intended to be the future investment holding company of Chin Hin Group.

Professional fees mainly consist of stamp duty, consultancy, legal, secretarial and filling fees. The increase in professional fees by approximately RM0.64 million or 61.5% from RM1.04 million in FYE 2012 to RM1.68 million in FYE 2013 was mainly due to stamp duty incurred in relation to the new banking facilities obtained in FYE 2013.

(vi) PBT and PBT margin

Despite the increase in GP of RM13.73 million, our Group's PBT decreased by approximately RM3.88 million from RM41.20 million in FYE 2012 to RM37.32 million in FYE 2013. The decrease in PBT was mainly due to the one-off fair value gain amounting to RM19.07 million recognised in FYE 2012.

Excluding the fair value adjustments of RM19.07 million in FYE 2012 and RM8.69 million in FYE 2013, our Group PBT would have increased by approximately RM6.50 million or 29.4% as compared to FYE 2012. The increase in our PBT and PBT margin was mainly due to the improvement of GP from our distribution of building materials as well as the supply of ready-mixed concrete. In addition, our manufacturing of wire mesh, metal roofing and precast concrete products had also turned profitable during FYE 2013.

Nevertheless, the increase in our profitability was set off by the pre-operating expenses amounted to RM4.95 million in relation to our new manufacturing of AAC products as well as the increase in our operating and finance costs by RM8.02 million and RM2.95 million respectively. The manufacturing of AAC products commenced in January 2014.

(vii) Taxation

The effective tax rate for FYE 2013 of 21.1% was lower than the statutory tax rate mainly due to no tax on the gain arising from fair value adjustment on investment properties amounting to RM8.69 million in FYE 2013.

12.3.4 Comparison between FYE 2013 and FYE 2014

(i) Revenue

Our Group's overall revenue maintained at approximately RM1.22 billion in both FYE 2013 and FYE 2014. The lower revenue contribution from our distribution of building materials in FYE 2014 was set off by the increase in revenue from ready-mixed concrete, manufacturing of AAC, precast concrete, wire mesh products and metal roofing systems.

Distribution of building materials and provision of logistics

Revenue from the distribution of building materials decreased by RM110.33 million or 12.0% from RM922.24 million in FYE 2013 to RM811.91 million in FYE 2014 mainly due to the softening of housing construction activities towards the middle of 2014.

Our revenue from provision of logistics increased by approximately RM5.61 million from RM24.84 million in FYE 2013 to RM30.45 million in FYE 2014 due to higher orders from the cement manufacturers.

Ready mixed concrete

Our revenue from ready-mixed concrete increased by approximately RM25.27 million or 13.9% in FYE 2014 due to contributions from our new customers involved in the construction of high rise buildings secured during FYE 2013 as well as new customers secured during FYE 2014 which are involved in the development of Impiana apartment located in Nusajaya, Lido Residence in Cheras, Arte @ Kuchai Lama and upgrading of taxi way in Kuala Lumpur International Airport.

Manufacturing of AAC and precast concrete products

Revenue from manufacturing of AAC and precast concrete products increased significantly by RM28.03 million and RM9.54 million respectively in FYE 2014.

Our Group had commenced manufacturing of AAC in January 2014 and managed to generate revenue amounted to RM28.03 million in FYE 2014. Our factory's utilisation rate has improved progressively throughout the financial year due to higher sales orders received for our AAC products. In addition, we also experienced lower downtime for our manufacturing activities as our operational efficiency improved. We achieved utilisation rate of 60% by the end of 2014.

Our revenue from manufacturing of precast concrete products increased by approximately RM9.54 million or 114.7% in FYE 2014 mainly due to demand arising from upgrading of public infrastructures, i.e. drainage and sewerage works in Selangor.

Manufacturing of wire mesh and metal roofing systems

Revenue from the manufacturing of wire mesh and metal roofing systems products increased by approximately RM31.47 million and RM9.90 million or 51.4% and 59.1%, respectively. During FYE 2014, our factory was operating at 70% of its production capacity for wire mesh and 47% of its production capacity for metal roofing systems.

Other activities

The decrease in revenue generated from other activities by approximately RM0.49 million or 9.8% was mainly due to lower interest income derived from our provision of hire purchase financing to the Group's logistics providers as our Group intends to focus on its core activities. In addition, the decrease in revenue from other activities was also due to lower rental income resulting from lower occupancy rate.

(ii) Cost of sales

Our Group's overall cost of sales decreased by RM19.04 million or 1.7% from RM1,149.93 million in FYE 2013 to RM1,130.89 million in FYE 2014.

During FYE 2014, approximately 67.6% of our total cost of sales is contributed by the distribution of building materials business segment. The overall decrease in our cost of sale for distribution of building materials business segment is in tandem with the decrease in revenue contribution from the distribution of building materials business segment.

Our cost of sales from ready-mixed concrete has increased by 11.9% in tandem with the increase in its revenue of 13.9%.

Cost of sales from the manufacturing of wire mesh and metal roofing systems products has also increased by 48.3% and 57.2% respectively in tandem with the increase in their respective revenue of 51.4% and 59.1%.

Our Group had commenced the manufacturing of AAC products in FYE 2014 and had recorded a total cost of sales amounted to RM28.40 million as compared to only set up cost of RM2.28 million in FYE 2013.

(iii) GP and GP margin

Our Group's overall GP increased by approximately RM18.04 million or 25.6% from RM70.49 million in FYE 2013 to RM88.53 million in FYE 2014 with corresponding increase in our GP margin from 5.8% in FYE 2013 to 7.3% in FYE 2014. The overall increase in our GP and GP margin was mainly contributed by distribution of ready-mixed concrete, distribution of building materials, manufacturing of precast concrete, wire mesh products and AAC products.

Our overall GP from the distribution of building materials increased by approximately RM1.62 million or 3.5% in FYE 2014. The relevant GP margin has increased from 5.0% in FYE 2013 to 5.9% in FYE 2014 mainly due to better pricing from our suppliers.

Our overall GP and GP margin from ready-mixed concrete continue to improve in FYE 2014 as our Group supplied higher grade of ready-mixed concrete for projects such as Impiana apartment located in Nusajaya, Lido Residence in Cheras, Arte @ Kuchai Lama and upgrading of taxi way at the Kuala Lumpur International Airport. GP from ready-mixed concrete increased by RM5.23 million in FYE 2014 while its GP margin improved from 7.3% in FYE 2013 to 8.9% in FYE 2014.

The GP from manufacturing of precast concrete products increased by approximately RM4.40 million from RM0.98 million in FYE 2013 to RM5.38 million in FYE 2014 due to the significant increase in our sales volume. The improvement in GP margin was attributable to the decrease in the overall production cost per metric tonne by approximately 24.6%, as we improve our manufacturing and operating efficiency and achieved greater economies of scale. As a result, our Group has achieved an improved GP margin of 30.1% in FYE 2014.

Our GP from wire mesh had also increased by approximately RM4.27 million from RM4.91 million in FYE 2013 to RM9.18 million in FYE 2014 with GP margin of 9.9% during FYE 2014. The increase was mainly due to the increase in our sales volume as well as cost saving from the purchase of raw materials from an alternative source with better pricing.

Our GP margin for other activities remained at 100.0% in both FYE 2013 and FYE 2014 from the revenue generated from rental of properties and the provision of hire purchase financing to the Group's logistics providers. Revenue captured from rental of properties is netted off against relevant quit rent and assessment related to those properties. The cost for the abovementioned two (2) activities are captured in other operating expenses and not in the costs of sales. As such, these two (2) activities yield a high GP margin.

(iv) Other operating income

For FYE 2014, our Group's other operating income decreased by approximately RM1.49 million or 8.4% from RM17.80 million in FYE 2013 to RM16.31 million in FYE 2014.

Gain on disposal was mainly due to the disposal of two (2) warehouses located at Mergong, Alor Setar, Kedah, a freehold condominium located at Subang Jaya, Selangor and a freehold land located at Senai, Johor. Collectively, these investment properties were disposed to third party buyers at an aggregate price of RM7.41 million resulting in a net gain on disposal of RM3.71 million.

Our Group had also conducted a valuation for the factories located at Nilai and Bandar Serendah which resulted in a fair value gain of RM5.88 million in FYE 2014.

Gain on disposal of assets held for sales was due to the disposal of one (1) warehouse located at Megong, Alor Setar, two (2) pieces of land located at Alor Bekong and Pengkalan Kundor, Alor Setar, one (1) shop houses located at Mergong, Alor Setar, one (1) 2-½ storey house located at Kitar Setar and one (1) double-storey terrace house located at Wellesley, Penang at aggregate price of RM3.51 million resulting in a net gain on disposal of RM1.22 million in FYE 2014.

Rental received increased by approximately RM0.33 million or 57.7% from RM0.57 million in FYE 2013 to RM0.90 million in FYE 2014 mainly due to the full twelve (12) months rental income for six (6) cement tankers recognised in FYE 2014 as compared to eight (8) months rental income recognised in FYE 2013.

In addition, our Group had also recovered a doubtful debts of approximately RM1.10 million from twenty four (24) customers attributable from the distribution of building materials segment during FYE 2014, which was provided as doubtful debts in the prior year according to our trade receivable collection policy.

(v) Operating expenses and finance costs

During FYE 2014, our Group's overall operating expenses and finance costs increased by RM10.65 million or 20.9% from RM50.97 million in FYE 2013 to RM61.62 million in FYE 2014 mainly due to the increase in finance costs and staff costs.

The increase in finance cost by approximately RM4.24 million or 29.4% from RM14.46 million in FYE 2013 to RM18.70 million in FYE 2014 was mainly due to the increase in the usage of short term trade facilities especially bankers' acceptance to finance the working capital for our manufacturing operations.

Our bank charges increased by approximately RM2.01 million or 374.5% in FYE 2014 was mainly due to the increase in bankers' acceptance charges.

The increase in our staff costs by approximately RM4.10 million or 21.5% from RM19.05 million in FYE 2013 to RM23.15 million in FYE 2014 was mainly due to additional staff hired for our new AAC products manufacturing divisions in January 2014.

Director remuneration increased by approximately RM0.50 million or 194.6% from RM0.26 million in FYE 2013 to RM0.76 million in FYE 2014 mainly due to the inclusion of director remuneration for Datuk Chiau Beng Teik and Chiau Haw Choon which was previously charged to PP Chin Hin Realty in FYE 2013. The listing group structure was finalised in FYE 2014 and thus the relevant director remuneration is allocated within the Group.

During FYE 2014, our Group has disposed of the investment in a subsidiary, namely Landmark Grace Development Sdn Bhd with disposal proceeds of RM2, resulting to net loss of RM0.55 million.

(vi) PBT and PBT margin

Our Group's overall PBT increased by approximately RM5.89 million or 15.8% from RM37.32 million in FYE 2013 to RM43.21 million in FYE 2014 mainly due to higher GP achieved by our distribution of building materials, ready-mixed concrete, precast concrete, wire mesh and metal roofing systems business segments which collectively increased our overall GP by RM16.44 million.

Despite the increase in our GP, our Group profitability was lowered by the net loss of RM5.62 million from the manufacturing of AAC products. In addition, the increase in our GP was also offset by the increase in finance cost and staff cost by RM4.24 million and RM4.10 million respectively.

(vii) Taxation

The effective tax rate for the FYE 2014 of 30.1% was higher than the statutory tax rate due to balancing charge arising from the disposal of qualified asset within two (2) years as well as other expenses not deductible for tax purposes which includes amongst others, depreciation, entertainment and non-deductible professional fees.

12.3.5 Comparison between FPE 2014 and FPE 2015

(i) Revenue

Our Group's overall revenue decreased by approximately RM16.69 million or 2.0% from RM833.67 million in FPE 2014 to RM816.98 million in FPE 2015. The decrease is mainly due to lower revenue contribution from our distribution of building materials and ready-mixed concrete which was set off by the increase in revenue from manufacturing of AAC, precast concrete products and wire mesh products.

Distribution of building materials and provision of logistics

Revenue from distribution of building materials decreased by RM40.25 million or 7.1% from RM565.10 million in FPE 2014 to RM524.85 million in FPE 2015 mainly due to the decrease in sales volume from cement by approximately 17.1% as a result of softening housing construction activities in 2015. In addition, the decrease in revenue from distribution of building materials is also contributed by the decrease in selling price of steel bar which reduced by approximately 22% in line with the decline in global steel price composite index.

Our revenue from provision of logistics remained consistent at around RM20.0 million for both FPE 2014 and FPE 2015.

Ready-mixed concrete

Our revenue from ready-mixed concrete decreased by approximately RM30.76 million or 21.4% in FPE 2015 due to lower sales volume as most of our Group's high rise projects which commenced in FYE 2013 and FYE 2014 have reached its completion stage. In addition, the decrease in revenue from ready-mixed concrete is also due to stiff competition from competitors which lowered their selling price.

Manufacturing of AAC and precast concrete products

Revenue from manufacturing of AAC and precast concrete products increased by RM26.53 million and RM7.94 million respectively in FPE 2015.

Revenue from manufacturing of AAC products increased to RM40.53 million in FPE 2015 mainly due to new orders secured amounting to approximately RM10.00 million from developers for the construction of hotels within Kuala Lumpur, high end condominium in Kota Kinabalu and mixed development in Cyberjaya. In addition, approximately 14.3% of the increase in our revenue is contributed from overseas sales to countries such as Singapore, Taiwan, Australia and Philippines as a result of our management's aggressive sales and marketing efforts during the FPE 2015. Our factory was operating at approximately 80% of its production capacity during FPE 2015.

Our revenue from precast concrete increased by approximately RM7.94 million or 72.3% in FPE 2015 mainly due to the national drainage and sewerage upgrading works projects which enable our Group to secure additional orders from Jabatan Perkhidmatan Pembetungan ("JPP") to supply our precast concrete at areas such as Jinjang, Kepong, Ampang, Setapak and Kajang.

Manufacturing of wire mesh and metal roofing systems

Revenue from manufacturing of wire mesh and metal roofing systems products increased by approximately RM19.58 million and RM0.27 million or 32.3% and 1.7%, respectively.

The increase in revenue from manufacturing of wire mesh is mainly due to our Group securing more orders for "cut to size" wire mesh during FPE 2015 for various high rise and affordable housing projects located within Klang Valley, Putrajaya and Johor.

Revenue from our manufacturing of metal roofing systems products remained consistent with minor increase of RM0.27 million from RM16.21 million in FPE 2014 to RM16.49 million in FPE 2015.

During FPE 2015, our factory was operating at approximately 75% of its production capacity for wire mesh and 49% of its production capacity for metal roofing.

Other activities

The increase in revenue generated from other activities by approximately RM0.21 million or 7.4% was mainly due to higher rental income derived from properties as a result of revision upwards on rental charges upon renewal of tenancy agreements during FPE 2015.

(ii) Cost of sales

Our Group's overall cost of sales decreased by RM26.86 million or 3.5% from RM777.58 million in FPE 2014 to RM750.72 million in FPE 2015.

During FPE 2015, approximately 65.7% of our total cost of sales is contributed by the distribution of building materials. The decrease in our cost of sale for distribution of building materials by approximately RM43.66 million or by 8.1% is in line with the overall percentage of decrease in revenue from distribution of building materials at 7.1%.

Our cost of sales from ready-mixed concrete has decreased by 21.4% in tandem with the decrease in its revenue of 21.4%.

Cost of sales from the manufacturing of wire mesh products increased by approximately RM17.95 million or 32.7% in line with the increase in sales by 32.3%. In addition, the cost of its major raw material, wire rod has increased as a result of weakening of RM against USD and the imposition of 5% import duty effective June 2015.

Cost of sales from the manufacturing of AAC products increased by approximately RM21.39 million or 139.2% in line with the increase in sales by 189.6%.

(iii) GP and GP margin

Our Group's overall GP increased by approximately RM10.17 million or 18.1% from RM56.09 million in FPE 2014 to RM66.26 million in FPE 2015 with corresponding increase in our GP margin from 6.7% in FPE 2014 to 8.1% in FPE 2015. The overall increase in our GP and GP margin was mainly contributed by distribution of building materials, manufacturing of AAC, precast concrete and wire mesh products.

Despite the decrease in revenue from distribution of building materials, our GP has increased by approximately RM3.42 million from RM29.20 million in FPE 2014 to RM32.62 million in FPE 2015 and GP margin increased from 5.2% in FPE 2014 to 6.2% in FPE 2015. This is mainly due to our Group being able to negotiate for better pricing from our suppliers thereby reducing our cost of sales. The increase in GP and GP margin was also due to higher proportion of better margin OBM products in the composition of our revenue.

The GP from manufacturing of AAC products had increased significantly from a gross loss of RM1.38 million in FPE 2014 to a gross profit of RM3.76 million in FPE 2015 due to the increase in our sales volume. Our Group has achieved a higher GP margin of 9.3% in FPE 2015 resulted from greater economies of scale in production and better cost optimisation as our production stabilised after the first year of operation.

The GP from manufacturing of precast concrete products continued to improve in FPE 2015 mainly due to various sewerage upgrading works projects secured from JPP. The GP margin also continued to improve in FPE 2015 due to the increase in sales from higher margin products. GP from manufacturing of precast concrete products increased by RM3.32 million in FPE 2015 while its GP margin improved from 31.1% in FPE 2014 to 35.6% in FPE 2015.

Our GP from manufacturing of wire mesh products has increased by approximately RM1.63 million from RM5.89 million in FPE 2014 to RM7.53 million in FPE 2015 in line with the increase in sales volume. However, the GP margin has decreased from 9.7% in FPE 2014 to 9.4% in FPE 2015 due to the increase in imported wire rod cost as a result of weakening of RM against USD and the imposition of 5% import duty effective June 2015.

Our GP from manufacturing of metal roofing systems products decreased by approximately RM0.55 million and GP margin decreased from 10.4% in FPE 2014 to 7% in FPE 2015 as a result of stiff competition.

The GP from ready-mixed concrete has also decreased by RM2.87 million or 21.7% in FPE 2015 mainly due to lower sales volume as a result of stiff competition in which competitors lowered their selling price for ready-mixed concrete. Despite the decrease in the overall GP, our Group is able to maintain the GP margin at 9.2% in FPE 2015 as our Group continue to focus on supplying higher grade of ready-mixed concrete to customers.

Our GP margin for other activities remained at 100.0% in both FPE 2014 and FPE 2015 from the revenue generated from rental of properties and the provision of hire purchase financing to the Group's logistics providers. Revenue captured from rental of properties is netted off against relevant quit rent and assessment related to those properties. The cost for the abovementioned two (2) activities are captured in other operating expenses and not in the costs of sales. As such, these two (2) activities yield a high GP margin.

(iv) Other operating income

For FPE 2015, our Group's other operating income has increased by approximately RM1.14 million or 26.1% from RM4.37 million in FPE 2014 to RM5.51 million in FPE 2015.

During FPE 2015, our Group managed to derive gain of RM0.58 million from derivative financial asset denominated in USD resulting from the import of wire rod. USD has strengthened by 9.9% within a month from the date of hedging.

Gain on disposal of assets held for sales was due to the disposal of a freehold three (3) storey semi-detached industrial factory building located at Bukit Jelutong with selling price of RM5 million resulting in a net gain on disposal of RM0.37 million in FPE 2015.

Rental received increased by approximately RM1.35 million or 274.5% from RM0.49 million in FPE 2014 to RM1.84 million in FPE 2015 mainly due the increase in rental income from tanker trucks and lorry as our Group has purchased additional tanker trucks and lorry which mainly rented to our related parties.

In addition, our Group had also recovered a doubtful debt of approximately RM0.96 million during FYE 2014, which was provided as doubtful debts in the prior year according to our trade receivable collection policy.

(v) Operating expenses and finance costs

During FPE 2015, our Group's overall operating expenses and finance costs increased by RM9.89 million or 27.7% from RM35.68 million in FPE 2014 to RM45.57 million in FPE 2015 mainly due to the increase in staff costs and allowance for doubtful debts.

The increase in our staff costs by approximately RM4.00 million or 29.8% from RM13.44 million in FPE 2014 to RM17.44 million in FPE 2015 was mainly due to additional staff hired for our sales and marketing department in manufacturing divisions for expansion of sales to overseas market such as Singapore, Taiwan, Australia and Philippines. Meanwhile, the increase in staff cost was also due to new incentive and commission package introduced in FPE 2015 for our sales and marketing staff. Separately, additional headcounts in the finance and administration department of our Group had also contributed to the increase in staff cost.

Allowance for doubtful debts increased by approximately RM2.01 million or 242.2% from RM0.83 million in FPE 2014 to RM2.84 million in FPE 2015 mainly due to higher allowance for doubtful debts provided in accordance with our trade receivable collection policy for classification of doubtful debts. This represents four (4) customers from our distribution of building materials business segment amounting to RM1.24 million as well as nine (9) customers from the distribution of ready-mixed products business segment amounting to RM0.77 million.

Directors' remuneration increased by approximately RM0.74 million or 174.6% from RM0.43 million in FPE 2014 to RM1.17 million in FPE 2015 mainly due the annual increment of director remuneration as well as the appointment of a new director for the Group effective January 2015.

Depreciation increased by approximately RM0.73 million or 35.1% from RM2.08 million in FPE 2014 to RM2.81 million in FPE 2015 mainly due to additional tanker trucks and lorry purchased during FPE 2015.

Finance cost increased by approximately RM0.66 million or 5.1% from RM12.79 million in FPE 2014 to RM13.45 million in FPE 2015 mainly due to additional term loan interest resulting from the drawdown of new term loan facilities as well as marginal increase in the bankers' acceptance interest rate.

Bank charges increased by approximately RM0.45 million due to charges of RM0.30 million for drawdown of term loan facilities amounting to RM58.00 million and bank guarantee fee of RM0.15 million incurred to secure credit terms with various suppliers during FPE 2015.

(vi) PBT and PBT margin

Our Group's overall PBT increased by approximately RM1.41 million or 5.7% from RM24.78 million in FPE 2014 to RM26.19 million in FPE 2015 mainly due to higher GP achieved by our distribution of building materials, manufacturing of AAC, precast concrete and wire mesh products which collectively increased our overall GP by RM13.51 million. However, the higher GP from distribution of buildings materials, manufacturing of AAC, precast concrete and wire mesh products was offset by the decrease in GP generated from ready-mixed concrete and manufacturing of metal roofing system products by RM2.88 million and RM0.55 million respectively.

Despite the increase in our overall GP, our Group profitability was offset by the increase in staff cost and allowance for doubtful debts by RM4.00 million and RM2.01 million respectively.

(vii) Taxation

The effective tax rate for the FPE 2015 of 23.6% was lower than the statutory tax rate due principally to the increase in allowable expenses derived from specific provision for impairment on trade receivables.

12.4 SIGNIFICANT FACTORS AND TRENDS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

The profitability of our business is primarily dependent on the product mix of our distribution and manufacturing businesses, their selling prices, volume and costs.

Other factors that can affect our financial results include:-

(a) Market conditions of the construction and property development industries;

(b) Our ability to achieve production and cost efficiency;

(c) Our ability to stay competitive and maintain our market share;

(d) The ability to develop and implement marketing strategies and/or products to suit customers' needs and overseas markets;

(e) Developments in the political and economic conditions in Malaysia which may materially and adversely affect the business, operations and financial performance of our Group;

(f) Dependability on the abilities and continued performance of our Directors, managers and key employees. Any loss of these key personnel could materially affect our Group;

(g) Our Group's ability to keep abreast with the latest developments in the building materials industry as well as construction and property development industries;

(h) Availability and fluctuations in prices of raw materials affecting our manufacturing business segment; and

(i) The potential effects of adverse or favourable interest rate fluctuations which may affect our Group's profitability given that all of our Group's borrowings are interest-bearing.

12.4.1 Impact from foreign exchange, interest rates, commodity prices and inflation

Impact from foreign currency exchange rates

As at 31 August 2015, our Group has a gain on derivative financial assets of RM0.58 million. Forward currency contracts are used to hedge the Group's purchases denominated in USD.

As at the LPD, forward currency contracts are still in use by our Group for hedging purposes.

Impact from interest rates

Our Group's gearing stands at 1.65 times* as at 31 August 2015 based on the combined financial information and all of our borrowings which are interest bearing. Any interest rate hike will affect our financial result and hence, our Group will monitor and plan for any alternative financing options should the need arise. During the financial years/period under review, our financial results were not adversely affected by interest rate fluctuations.

Note:-

* *The Group's gearing based on the pro forma consolidated statements of financial position after Public Issue and utilisation proceeds stands at 1.39 times. Please refer to Section 11 of the Prospectus for further details.*

Impact from commodity prices

During the financial years/ period under review, there was no material impact from the commodity price fluctuations that had significantly affected our Group.

Impact of inflation

Our Group's financial performance during the financial years/ period under review was not significantly affected by the impact of inflation. Notwithstanding that, our Group is confident of passing on the effect of higher product costs due to inflation to our customers. However, there is no assurance that our business will not be adversely affected by the impact of inflation in the future.

12.4.2 Impact from Government, economic, fiscal or monetary policies

Our financial and business prospects, and the prospects of the building materials industry in which we operate, will depend to some degree on the developments on the political, economic and regulatory front in the countries in which we operate. Amongst the political, economic and regulatory factors are changes in inflation rates, interest rates and foreign exchange rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in government policies and regulations. During the financial years/ period under review, there was no change in government regulations which had specifically affected our Group.

12.4.3 Exceptional and extraordinary items

There were no exceptional and extraordinary items for financial years/ period under review.

12.4.4 Product warranties

Todate, we have not provided for warranty and sales return claims in our financial statements. We will only make provision for warranty claims and sales return when it is probable that we will be required to settle the warranty claims or sales return and when a reliable estimate can be made of the amount of the warranty claims or sales return.

For our manufacturing segment, we have not experienced any claim against our products warranties and for our distribution of building materials and ready-mixed concrete segment, the sales return experienced is minimal as shown above. Nevertheless, there can be no assurance that there will not be any substantial claims relating to our products in the future which could have a material adverse impact on our financial performance.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working Capital

Our business growth over the financial years/ period under review has been financed through a combination of internally generated funds, credit granted by suppliers and bank borrowings/trade financing from financial institutions.

As at 31 August 2015, our Group has cash and cash equivalents of approximately RM164.46 million including fixed deposits of RM14.59 million, which have been pledged for bank facilities granted to our Group. The balance of RM149.87 million represents free cash flow to our Group.

As at the LPD, we have unutilised banking facilities totalling RM106.78 million.

Based on the pro forma consolidated statements of financial position of our Group as at 31 August 2015, our Group's NA position stood at RM251.01 million and our gearing level is 1.65 times. Our gearing level after the Public Issue and utilisation of proceeds is 1.39 times.

Our Directors are confident that after taking into consideration the gearing level and cash flow position as well as the banking facilities currently available to our Group, our Group has sufficient working capital for our existing and foreseeable requirements over the period of twelve (12) months from the date of this Prospectus.

[The rest of this page is intentionally left blank]

12.5.2 Cash flow summary

The following table sets out the summary of the combined statement of cash flows for the financial years/ period under review, which have been prepared for illustrative purposes only based on the assumption that our Group's structure had been in existence throughout the financial years/period under review, but prior to the Public Issue and the utilisation of proceeds.

	Combined Group				
	FYE 2011 RM'000	**FYE 2012 RM'000**	**FYE 2013 RM'000**	**FYE 2014 RM'000**	**FPE 2015 RM'000**
Net cash (used in)/ from operating activities	(31,516)	13,292	7,788	95,141	7,257
Net cash (used in)/ from investing activities	(21,363)	(103,818)	(55,613)	8,479	(4,062)
Net cash from financing activities	67,518	68,900	62,523	(12,672)	30,500
Net increase in cash and cash equivalents	**14,639**	**(21,626)**	**14,698**	**90,948**	**33,695**
Exchange translation differences	-	-	-	-	64
Cash and cash equivalents at beginning of the financial period	13,400	28,040	6,414	21,112	112,060
Cash and cash equivalents at end of the financial period	**28,039**	**6,414**	**21,112**	**112,060**	**145,819**
Cash and cash equivalents at end of the financial period comprise:-					
Cash and bank balances	35,756	18,830	36,326	118,030	149,875
Fixed deposit with a licensed bank	39,009	44,204	54,336	29,977	14,589
Bank overdraft	(12,962)	(12,416)	(15,215)	(5,970)	(4,056)
	61,893	50,618	75,447	142,037	160,408
Less: Fixed deposit pledged with a licensed bank	(33,854)	(44,204)	(54,335)	(29,977)	(14,589)
	28,039	**6,414**	**21,112**	**112,060**	**145,819**

Cash flow (used in)/from operating activities

FYE 2011

Net cash used in our operating activities amounted to approximately RM31.52 million in FYE 2011 are derived from operating profit before working capital changes of RM44.24 million adjusted for net working capital outflow of RM75.76 million. The negative cash generated from operating activities was mainly due to higher working capital required to finance the development of the twenty (20) units of three-storey shop offices and eight (8) units of semi-detached factories amounting to RM11.06 million which was subsequently completed and fully sold in FYE 2012. The development of properties was part of the Group's operation in FYE 2011 and hence, the property development cost is classified as part of the Group's net cash movement in operating activities.

FYE 2012

Net cash from our operating activities amounted to approximately RM13.29 million in FYE 2012 are derived from operating profit before working capital changes of RM35.29 million adjusted for net working capital outflow of RM22.00 million.

Our Group has commenced the manufacturing of our precast concrete, wire mesh and metal roofing system in FYE 2012 and incurred approximately RM13.89 million to stock up raw materials required for our new manufacturing operations.

Nevertheless, the overall positive cash generated from operating activities was partially financed by our trade payables as our Group reduced the amount of early settlement to our trade payables during FYE 2012. As a result, our Group managed to free up approximately RM26.84 million in our working capital cycle. Our overall trade payables turnover period has increased from 37 days in FYE 2011 to 46 days in FYE 2012.

Comparing the cash generated from operations between FYE 2012 and FYE 2011, although the improvement in trade payables turnover days had improved the cash flow by RM26.84 million, the improvement in the overall cash flow from operating activities in FYE 2012 was also mainly due to the movement in the amount owing to / by Directors. In FYE 2011, there was cash outflow being repayment to Directors of RM32.6 million, which did not recur in FYE 2012.

In addition, the collections from the sales of our twenty (20) units of three-storey shop offices and five (5) units of semi-detached factories development amounting to RM11.06 million has further increased our overall net cash from operating activities.

FYE 2013

Net cash generated from our operating activities amounted to approximately RM7.79 million in FYE 2013 are derived from operating profit before working capital changes of RM48.09 million adjusted for net working capital outflow of RM40.30 million. Despite recording a higher operating profit before working capital changes of approximately RM12.80 million, our net cash from operating activities reduced from RM13.29 million in FYE 2012 to RM7.79 million in FYE 2013.

The decrease in our overall net cash from operating activities was mainly due to slower collection from our trade receivables. Our overall trade receivable turnover period has increased from 95 days in FYE 2012 to 97 days in FYE 2013 which resulted in a working capital outflow of approximately RM54.29 million. However, this was partially offset by the increase in trade payables turnover days from 46 days in FYE 2012 to 49 days in FYE 2013 which had improved the working capital inflow by RM29.79 million.

In line with the growth in our manufacturing of precast concrete, wire mesh and metal roofing system, our Group has committed an additional RM21.18 million to purchase inventories mainly for our manufacturing operations. In addition, our Group has also provided advances to our Directors amounting to approximately RM20.00 million during FYE 2013. Such advances were subsequently repaid in FPE 2014.

FYE 2014

Net cash generated from our operating activities amounted to approximately RM95.14 million in FYE 2014 are derived from operating profit before working capital changes of RM65.36 million adjusted for net working capital inflow of RM29.78 million.

The improvement in our overall net cash from operating activities was mainly due to the settlement of the entire amount owing from Directors which improved our working capital by approximately RM41.06 million. The more stringent monitoring of our trade collections had also resulted in our overall trade receivables turnover period to improve from 97 days in FYE 2013 to 87 days in FYE 2014. The overall improvement in our collections had improved our working capital cycle by approximately RM41.81 million.

FPE 2015

Net cash generated from our operating activities amounted to approximately RM7.26 million in FPE 2015 are derived from operating profit before working capital changes of RM49.34 million adjusted for net working capital outflow of RM42.08 million.

The decrease in our overall net cash from operating activities was mainly due to settlement of amount owing from Directors in FPE 2015 is only RM0.53 million as compared to the settlement of amount owing from Directors amounting to RM41.06 million in FYE 2014.

In addition, the decrease in net cash from operating activities was also due to slower collection from our trade receivables. Our overall trade receivable turnover period has increased from 87 days in FYE 2014 to 92 days in FPE 2015 which resulted in a working capital out flow of approximately RM18.99 million.

Cash flow (used in)/ from investing activities

FYE 2011

The net cash used in investing activities of approximately RM21.36 million in FYE 2011 was mainly due to purchase of property, plant and equipment of approximately RM14.20 million and purchase of investment properties of approximately RM9.40 million. The purchase of property, plant and equipment mainly consists of capital expenditure spent on factory construction costs for Starken AAC factory's and Metex Steel's factory and purchase of plant and machineries for the ready-mixed concrete business segments as well as on renovation and office equipment of PP Chin Hin.

FYE 2012

The net cash used in investing activities of approximately RM103.81 million in FYE 2012 was mainly due to the purchase of property, plant and equipment of approximately RM57.81 million mainly for our expansion into the manufacturing business via Metex Steel, Starken AAC and G-Cast Concrete. It is also contributed by the purchase of investment properties of approximately RM18.78 million as well as the investment in subsidiaries amounting to RM39.50 million.

FYE 2013

The net cash used in investing activities of approximately RM55.61 million in FYE 2013 was mainly due to purchase of property, plant and equipment of approximately RM62.39 million mainly for our expansion into the manufacturing of AAC products via Starken AAC.

FYE 2014

The net cash from investing activities of approximately RM8.48 million in FYE 2014 was mainly due to the disposal of property, plant and equipment of RM9.92 million, disposal of investment properties of RM7.41 million and disposal of assets held for sales of RM3.24 million. The net cash from investing activities is set off by the purchase of property, plant and equipment amounting to RM12.36 million mainly for addition of plant and machinery as well as equipment for the usage of our manufacturing of AAC products, wire mesh and metal roofing products.

FPE 2015

The net cash used in investing activities of approximately RM4.06 million in FPE 2015 was mainly due to the purchase of property, plant and equipment amounting to RM9.36 million mainly for the purchase of solar system to be installed at our Group's existing factories so as to derive other passive income from electricity generated from solar panels while promoting green technology. The net cash used in investing activities was set off by the proceeds from disposal of assets held for sales amounting to RM5.00 million.

Cash flow from/ (used in) financing activities

FYE 2011

The net cash from financing activities of approximately RM67.52 million in FYE 2011 was mainly due to increase in banking facilities net of repayments amounting to approximately RM77.60 million. Our Group had also pledged an additional RM6.55 million as fixed deposits for our banking facilities.

FYE 2012

The net cash from financing activities of approximately RM68.90 million in FYE 2012 was mainly due to increase in banking facilities of approximately RM109.38 million to mainly support our business expansions into the manufacturing segments. The net cash from financing activities was set off by the repayment of term loan as per the schedule of principal repayment and increase in fixed deposits amounting to approximately RM33.61 million and RM10.35 million respectively.

FYE 2013

The net cash from financing activities of approximately RM62.52 million in FYE 2013 was mainly due to increase in banking facilities of approximately RM86.17 million to mainly finance our business expansions. The net cash from financing activities was set off by the repayment of term loan as per the schedule of principal repayment and increase in fixed deposits amounting to approximately RM9.83 million and RM9.89 million respectively.

FYE 2014

The net cash used in financing activities of approximately RM12.67 million in FYE 2014 was mainly due to the repayment for banking facilities and hire purchase liabilities amounting to RM43.41 million and RM8.97 million respectively. The net cash used in financing activities was set off against the release in fixed deposits pledged of RM24.36 million and drawdown of term loans of RM15.35 million.

FPE 2015

The net cash from financing activities of approximately RM30.50 million in FPE 2015 was mainly due to drawdown of term loans amounting to RM61.06 million and release in our fixed deposit pledged by RM15.39 million to secure our banking facilities. The net cash from financing activities was set off by the repayment of bank borrowings and hire purchase liabilities amounting to RM38.99 million and RM6.96 million respectively.

There is no legal, financial or economic restriction on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends. Thus, we are confident that we can meet our cash obligations as and when the need arises.

[The rest of this page is intentionally left blank]

12.5.3 Borrowings

As at 31 August 2015, we had a total outstanding borrowing amounted to RM414.50 million, details of which are set out below:-

	Purpose	Securities	Combined Group FPE 2015 RM'000
Interest-bearing short-term borrowings:-			
Bank overdraft	Working capital	Multi credit facilities secured by properties, fixed deposits, and personal guarantee by directors	4,056
Bankers' acceptance	Working capital		270,894
Revolving credit	Working capital		6,000
Finance lease payable	Finance of plant and machineries and motor vehicles		10,496
Term loans	- Finance of plant, machineries and equipment - Refinance existing short term working capital		28,232
			319,678
Interest-bearing long-term borrowings:-			
Term loans	- Finance of plant, machineries and equipment - Refinance existing short term working capital		81,834
Finance lease payable	Finance of plant and machineries and motor vehicles		12,989
Total borrowings			**414,501**
Gearing (times) before Public Issue and proposed utilisation of proceeds[(i)]			1.65
Gearing (times) after Public Issue and proposed utilisation of proceeds[(ii)]			1.39

Notes:-

(i) Computed based on the total borrowings of RM414.50 million divided by total shareholders fund amounting to RM251.01 million in the pro forma consolidated statements of financial position before the Public Issue.

(ii) Computed based on the total borrowings of RM399.50 million (after the utilisation of proceeds where we repay RM15.00 million of bank borrowings as set out in Section 3.10 of this Prospectus) divided by total shareholders fund amounting to RM288.08 million in the pro forma consolidated statements of financial position after the Public Issue and utilisation of proceeds.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The details of the types of credit facilities that we use and its balances as at the LPD are as follows:-

Type of financial instruments	Tenure	Interest rates %	Balance as at LPD RM'000
Bankers' acceptance	30 to 120 days	4.15 to 5.56	263,411
Revolving credit	90 days	4.77 to 5.27	6,000
Term loan	5 to 10 years	5.00 to 6.23	101,954
Finance lease payable	3 to 5 years	2.60 to 3.79	20,997
Bank overdraft	-	6.80 to 8.35	3,502
		Total	**395,864**

As at 31 August 2015, our Group does not have any borrowings in any foreign currency. Our Group has not defaulted in any payments of principal sums and/or interests in respect of any borrowings throughout the financial years/ period under review, and the subsequent financial years/ period up to the LPD.

As at the LPD, neither our Group nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Our Group leverages on the early payment discounts from our suppliers to enjoy cost savings by utilising trade line facilities to repay our suppliers earlier than the due date. However, our management will assess the significance of the cost savings arising from such arrangement vis-à-vis the gearing position of our Group and the interest costs prior to utilising the trade line facilities. Our management will continuously monitor to ensure that our Group's gearing maintains at an acceptable level.

12.5.4 Material capital commitments

As at the LPD, save as disclosed in Section 5.6.5 of this Prospectus, there are no other material commitments for capital expenditure contracted or known to be contracted by our Group which may have a material impact on our Group's financial position or business.

12.5.5 Material litigation

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as a plaintiff or defendant, and there is no proceeding pending or threatened or of any fact that is likely to give rise to any proceeding which might materially or adversely affect our financial position or business.

12.5.6 Contingent liabilities

As at the LPD, there is no contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of our Group.

In the ordinary course of business, PP Chin Hin has granted corporate guarantees to its related companies namely Metex Steel and Starken AAC, and Chin Hin Concrete has granted corporate guarantees to its subsidiaries namely Chin Hin Concrete (North) and Chin Hin Concrete (KL) for working capital purposes. The total amount of corporate guarantees granted by PP Chin Hin and Chin Hin Concrete to its respective subsidiaries/related companies as at the LPD amounts to RM150.96 million and RM25.90 million, respectively.

Save as disclosed under Section 10.1.2 of this Prospectus, as at the LPD, there were no corporate guarantees given to third parties for credit facilities.

12.5.7 Key financial ratios

The key financial ratios of our Group for the financial years/ periods under review are as follows:-

	Combined Group				
	FYE 2011	**FYE 2012**	**FYE 2013**	**FYE 2014**	**FPE 2015**
Trade receivables turnover period (days)[(i)]	88	95	97	87	92
Trade payables turnover period (days)[(ii)]	37	46	49	45	45
Inventory turnover period (days)[(iii)]	1	6	12	14	15
Current ratio (times)[(iv)]	1.05	0.88	0.86	1.02	1.11
Gearing ratio (times)[(v)]	2.24	2.20	2.25	1.70	1.65

Notes:-

(i) Computed based on trade receivables as at year/ period end over revenue for the year/ period multiplied by 365 days for FYE 2011 to FYE 2014 and 243 days for FPE 2015.

(ii) Computed based on trade payables as at year/ period end over cost of sales for the year/ period multiplied by 365 days for FYE 2011 to FYE 2014 and 243 days for FPE 2015.

(iii) Computed based on inventory as at year/ period end over cost of sales for the year/ period multiplied by 365 days for FYE 2011 to FYE 2014 and 243 days for FPE 2015.

(iv) Computed based on current assets over current liabilities as at year/ period end.

(v) Computed based on the bank borrowings as at year/ period end over the total shareholders' funds of our Combined Group as set out in Section 13 (4.2) of this Prospectus.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(i) Trade receivables

Our trade receivables turnover have remained consistent throughout the financial years/ period under review ranging from 87 days to 97 days. As at 31 August 2015, the trade receivables after allowance for doubtful debts of our Group amounted to approximately RM308.46 million which can be analysed as follows:-

	Combined Group				
	Within credit term	Exceeding credit period			
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	More than 60 days past due but not impaired	Total
Group					
Trade receivables (RM'000)	**256,987**	**26,995**	**7,171**	**17,307**	**308,460**
% of total trade receivables (%)	83.3	8.8	2.3	5.6	100.0
Subsequent collections up to the LPD (RM'000)	253,152	26,527	6,256	3,590	289,525
Trade receivables net of subsequent collections (RM'000)	**3,835**	**468**	**915**	**13,717**	**18,935**
% of trade receivables net of subsequent collections to total trade receivables (%)	1.2	0.2	0.3	4.4	6.1
Turnover Period (Days)					92
Analysed by:-					
Distribution of building materials & provision of logistics					
Trade receivables (RM'000)	189,160	18,892	4,523	9,826	222,401
% of total trade receivables (%)	85.1	8.5	2.0	4.4	100.0
Subsequent collections up to the LPD (RM'000)	187,720	18,892	4,523	1,170	212,305
Trade receivables net of subsequent collections (RM'000)	**1,440**	**-**	**-**	**8,656**	**10,096**
% of trade receivables net of subsequent collections to total trade receivables (%)	0.6	-	-	3.9	4.5
Turnover Period (Days)					99

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group				
	Within credit term	Exceeding credit period			
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	More than 60 days past due but not impaired	Total
Ready-mixed concrete					
Trade receivables (RM'000)	32,994	3,421	1,899	6,704	45,018
% of total trade receivables (%)	73.3	7.6	4.2	14.9	100.0
Subsequent collections up to the LPD (RM'000)	31,653	3,197	1,053	1,864	37,767
Trade receivables net of subsequent collections (RM'000)	**1,341**	**224**	**846**	**4,840**	**7,251**
% of trade receivables net of subsequent collections to total trade receivables (%)	3.0	0.5	1.9	10.7	16.1
Turnover Period (Days)					97
Manufacturing of AAC and precast concrete products					
Trade receivables (RM'000)	17,458	2,033	320	777	20,588
% of total trade receivables (%)	84.8	9.9	1.6	3.7	100.0
Subsequent collections up to the LPD (RM'000)	16,954	1,959	251	556	19,720
Trade receivables net of subsequent collections (RM'000)	**504**	**74**	**69**	**221**	**868**
% of trade receivables net of subsequent collections to total trade receivables (%)	2.4	0.4	0.3	1.1	4.2
Turnover Period (Days)					84
Manufacturing of wire mesh and metal roofing system					
Trade receivables (RM'000)	17,375	2,649	429	-	20,453
% of total trade receivables (%)	84.9	13.0	2.1	-	100.0
Subsequent collections up to the LPD (RM'000)	16,825	2,479	429	-	19,733
Trade receivables net of subsequent collections (RM'000)	**550**	**170**	**-**	**-**	**720**
% of trade receivables net of subsequent collections to total trade receivables (%)	2.7	0.8	-	-	3.5
Turnover Period (Days)					51

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Trade receivables are recognised in their invoice amount which represents their fair value on initial recognition.

Our Group's normal trade credit term ranges from 60 to 90 days for the financial years/ period under review. However, longer credit terms of up to 120 days are granted to selected customers based on historical trade records and business relationships.

Our Group's policy in assessing our customer's credibility and credit period is made on an individual basis, recommended by our sales team and evaluated by our credit control department. Approvals are sought from designated authorised management personnel and/or Credit Control Committee depending on the credit limit. To mitigate our exposure to the credit risks of our customers, we carry out detailed evaluation of all prospective customers before trading with them. For existing customers, we also review their current credit standing with us before accepting any new purchase orders, paying particular attention to the project that they are undertaking to gauge if they will face any problems completing them. In addition, we constantly review our trade receivables ageing and monitor our debt collection process to ensure that we minimise any long outstanding debts.

All of our outstanding debts are closely monitored by our management personnel located at each branch offices and business units and reported back to our key management team in headquarters and Credit Control Committee on a periodic basis.

As at LPD, approximately RM289.53 million or 93.86% of our Group's total trade receivables as at 31 August 2015 has been collected.

The trade receivables exceeding the credit period of more than 60 days, but not impaired of approximately RM17.31 million are mainly trade receivables from distribution of building materials and ready-mixed concrete. Our Group has specific settlement arrangements with the respective debtors, mostly on instalment basis whereby such debts will be collected on a progressive basis. The invoices for this category of debtors date back from November 2011 to May 2015.

Our Group's trade receivables' provisioning policy is in line with the Financial Reporting Standards 137 – Provisions, Contingent Liabilities and Contingent Assets, where the collectability of amount due from our customers is reviewed on an individual and collective basis to ensure better provisions estimates.

[The rest of this page is intentionally left blank]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Over the financial years/ period under review, the provision for doubtful debts and bad debts written off by our Group is illustrated as follows:-

	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FPE 2015 RM'000
Amount expensed to Statement of Comprehensive Income during the years/period:					
Provision for doubtful debts / impairment on trade receivables	2,529	343	2,828	1,185	2,844
Bad debts written off	398	2,760	289	2,735	-
Total	**2,927**	**3,103**	**3,117**	**3,920**	**2,844**
% of revenue	**0.28**	**0.30**	**0.25**	**0.32**	**0.35**
Balance as at 31 December / 31 August					
Provision for doubtful debts / accumulated impairment on trade receivables	7,560	7,499	8,610	8,697	10,585
% of total trade receivables (%)	3.0	2.7	2.7	3.0	3.4

Our Group has adopted a consistent policy when reviewing for provision for doubtful debts and bad debts written off since our credit control department was set-up in FYE 2011.

Since its inception in FYE 2011, our credit control department has progressively assessed all debtors brought forward before FYE 2011 (taking into consideration our customer base of 4,000 customers) in addition to credit assessment on our on-going day-to-day transactions.

This has resulted in our Group recording a total provision for doubtful debts and bad debts written off amounting to RM2.93 million, RM3.10 million, RM3.12 million and RM3.92 million from FYE 2011 to FYE 2014 respectively.

The fluctuations in provision for doubtful debts or bad debts written-off is a result of recommendations by our credit control department to our management having conducted their assessment based on the guidelines set out below. Nevertheless, the total amount expensed out for provision for doubtful debts and bad debts written-off only represent approximately 0.3% of our total revenue for each of the respective financial years.

Having completed the assessment for debtors brought forward prior to FYE 2011 as well as the overall improvement in our credit control, our total provision for doubtful debts and bad debts written off has reduced to RM2.84 million in FPE 2015, representing approximately 0.35% of our total revenue.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The balance of provision for doubtful debts as at the end of each financial years/ period had increased from RM7.56 million as at 31 December 2011 to RM10.58 million as at 31 August 2015, due to the additional provisions made during the financial years/ period. Notwithstanding this, the balance for provision for doubtful debts represents not more than 3.5% of the total trade receivables for the respective financial years/ period and had remained consistent between 2.7% to 3.4% of the total trade receivables for the respective financial years/ period.

We have put in place an internal control process to monitor the recoverability of our debts. Our management conducts a bi-weekly collection meeting with our sales team to monitor collections and a monthly credit control meeting to assess collections and recoverability of debts from our customers.

While the recoverability of debts is reviewed on an individual basis, we adopt the following guidelines in determining the need to provide or write-offs any bad debts:-

Guidelines for provision on trade receivables:-

- Debts over six (6) months remains unpaid; and
- Commenced legal actions (with writ of summon) on the customer.

Guidelines for bad debts written-off

- Dispute with no clear-cut solutions;
- Debtors are in grave financial conditions or has absconded;
- Owners/ Directors of the company has been adjudicated bankrupt;
- Company which has wound-up; and
- Debtors/ guarantors had deceased.

The above guidelines are for our credit control department to highlight such cases to the management for their review and the provision for doubtful debts is determined on a case by case basis. We do not make general provisions on trade receivables.

While our collection meeting and credit control meeting takes place on a bi-weekly/ monthly basis, the assessment to provide for provision for doubtful debts and/or bad debts to be written-off are made during the year end in conjunction with our financial year end closing.

Our Board is of the opinion that the outstanding balances that exceed the credit term are recoverable and accordingly, no allowance for doubtful debts has been made.

Our Group has not encountered any disputes with our debtors except that we have initiated legal actions against certain debtors (which doubtful debts have been provided) for recovery of trade debts under the ordinary course of business.

(ii) Trade Payables

Our trade payables turnover ranges from 37 days to 49 days throughout the financial years/period under review. Our Group recorded a lower trade payable turnover days of 37 days in FYE 2011 as we are able to leverage on early payment rebates granted by our building material suppliers.

Our management managed to negotiate better credit terms from certain suppliers from our distribution segments due to our long term relationship established with our suppliers. Despite the overall increase, our overall trade payables turnover days throughout the financial years/ period under review is within the market norm of 60 days.

Our trade payables turnover days remains consistent from FYE 2012 onwards, ranging from 46 days to 49 days. As at 31 August 2015, the trade payables of our Group amounted to approximately RM140.09 million which can be analysed as follows:-

	Combined Group				
		Exceeding credit period			
	Within credit term	1 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
Group					
Trade payables (RM'000)	132,246	4,534	2,019	1,292	140,091
% of total trade payables	94.4	3.3	1.4	0.9	100.0
Subsequent payments up to the LPD (RM'000)	131,163	4,531	2,019	797	138,510
Trade payables net of subsequent payments (RM'000)	**1,083**	**3**	**-**	**495**	**1,581**
% of trade payables net of subsequent payments to total trade payables	0.8	0.0	-	0.3	1.1
Turnover Period (Days)					45
Analysed by:-					
Distribution of building materials & provision of logistics					
Trade payables (RM'000)	101,321	1,396	111	98	102,926
% of total trade payables	98.4	1.4	0.1	0.1	100.0
Subsequent payments up to the LPD (RM'000)	100,564	1,396	111	57	102,128
Trade payables net of subsequent payments (RM'000)	**757**	**-**	**-**	**41**	**798**
% of trade payables net of subsequent payments to total trade payables	0.7	-	-	0.0	0.7
Turnover Period (Days)					49

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

	Combined Group				
		Exceeding credit period			
	Within credit term	1 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
Ready-mixed concrete					
Trade payables (RM'000)	18,223	392	4	544	19,163
% of total trade payables	95.1	2.1	0.0	2.8	100.0
Subsequent payments up to the LPD (RM'000)	18,149	392	4	204	18,749
Trade payables net of subsequent payments (RM'000)	74	-	-	340	414
% of trade payables net of subsequent payments to total trade payables	**0.4**	**-**	**-**	**1.8**	**2.2**
Turnover Period (Days)					45
Manufacturing of AAC and precast concrete products					
Trade payables (RM'000)	6,659	497	161	538	7,855
% of total trade payables	84.8	6.3	2.1	6.8	100.0
Subsequent payments up to the LPD (RM'000)	6,658	497	161	467	7,783
Trade payables net of subsequent payments (RM'000)	**1**	**-**	**-**	**71**	**72**
% of trade payables net of subsequent payments to total trade payables	0.0	-	-	0.9	0.9
Turnover Period (Days)					39
Manufacturing of wire mesh and metal roofing system					
Trade payables (RM'000)	6,043	2,249	1,743	112	10,147
% of total trade payables	59.5	22.2	17.2	1.1	100.0
Subsequent payments up to the LPD (RM'000)	5,792	2,246	1,743	69	9,850
Trade payables net of subsequent payments (RM'000)	**251**	**3**	**-**	**43**	**297**
% of trade payables net of subsequent payments to total trade payables	2.5	0.0	-	0.4	2.9
Turnover Period (Days)					28

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The normal trade credit term granted to our Group ranges from 14 to 90 days for the financial years/ period under review. Our trade payables turnover period was within the normal credit terms granted to us. As at LPD, there is no dispute with respect to the trade payables and no legal action has been initiated by our suppliers to demand for payment against our Group.

Our Group leverages on the early payment discounts from our suppliers to enjoy cost savings by utilising trade line facilities to repay our suppliers earlier than the due date.

Our Group has yet to make payment for trade payables exceeding credit period mainly due to incomplete supporting documentation from suppliers.

As at the LPD, we have made subsequent payment of RM138.51 million.

(iii) Inventories

As at 31 August 2015, the inventories of our Group can be analysed as follows: -

	Combined Group				
	30 days RM'000	60 days RM'000	90 days RM'000	120 days RM'000	Total RM'000
Distribution of building materials & provision of logistics	2,134	1,205	646	1,989	5,974
Ready-mixed concrete	2,383	-	-	-	2,383
Manufacturing of AAC and precast concrete products	8,763	3,252	963	593	13,571
Manufacturing of wire mesh and metal roofing system	8,828	8,507	4,075	2,815	24,225
	22,108	12,964	5,684	5,397	46,153

Our Group's inventories mainly consist of cements, steel bars, OBM, precast concrete, wire mesh and metal roofing systems. We stocked mainly fast moving items.

Our Group conducts a monthly management meeting to review the stockholding level and inventory ageing analysis. Approval is required from authorised personnel at headquarter level for replenishment of stocks and impairment on slow moving stocks.

Our Group's inventory turnover period increased from one (1) day in FYE 2011 to six (6) days in FYE 2012 as we stocked more raw materials for our manufacturing activities.

Our Group's inventory turnover period further increased to twelve (12) days in FYE 2013, fourteen (14) days in FYE 2014 and fifteen (15) days in FPE 2015 in line with the growth of our manufacturing business.

(iv) Gearing ratio

Our Group's gearing ratio computed based on the combined financial information ranges from 1.65 to 2.25 times over the financial years/ periods under review.

Our Group's total debts had increased by approximately RM90.31 million in FYE 2012 mainly due to the capital expenditure and working capital requirements of our new manufacturing of wire mesh and metal roofing systems business activity as well as the overall increase in trade facilities to support the growth in our distribution of building materials and provision of logistics. Despite the increase in our Group's overall total debts, our Group's gearing decreased from 2.24 times in FYE 2011 to 2.20 times in FYE 2012 due to the overall increase in our shareholders' fund as a result of increase in share capital amounting to approximately RM5.10 million, revaluation of properties which resulted in a revaluation reserve of RM8.79 million as well as additional profits of RM34.59 million recognised during FYE 2012. The increase in share capital was mainly due to the increase in share capital of Metex Steel via debt capitalisation of shareholders' advances which was provided earlier to support Metex Steel's capital expenditure over the years.

Our Group's gearing ratio increased from 2.20 times in FYE 2012 to 2.25 times in FYE 2013 mainly due to increase in total borrowings from RM348.59 million in FYE 2012 to RM434.19 million in FYE 2013. Such additional financing was to finance the working capital requirement of our manufacturing of wire mesh and metal roofing systems products, distribution of building materials and provision of logistics as well as capital expenditure incurred for our new manufacturing of AAC products. The increase in the working capital had also contributed to the increase in the overall revenue to our Group, however the increase in earnings were not as significant because our manufacturing of wire mesh and metal roofing system only commenced in October 2012 and is still in its first year of operations.

Our Group's gearing ratio decreased from 2.25 times in FYE 2013 to 1.70 times in FYE 2014 mainly due to decrease in total borrowings from RM434.19 million in FYE 2013 to RM392.31 million in FYE 2014 as well as higher shareholders' fund as a result of increase in share capital of PP Chin Hin, Chin Hin Concrete and Ace Logistic amounting to approximately RM42.50 million as well as profit after taxation generated during FYE 2014 of RM30.19 million. Please refer to Sections 5.4.1(b), 5.4.4(b) and 5.4.14(b) of this Prospectus for further details on the share capital movement of PP Chin Hin, Chin Hin Concrete and Ace Logistic respectively.

(i) Our Group's total borrowings had increased by approximately RM22.19 million to RM414.50 million during FPE 2015 mainly due to the capital expenditure incurred to acquire additional motor vehicles used for the operations of our Group and additional working capital requirement of the entire Group, especially for our manufacturing business segments. During FYE 2014 and FPE 2015, we had purchased new motor vehicles for the following purposes:-

(a) Additional lorries were purchased to increase our fleet of lorries as well as to replace several units of old lorries for use by our distribution of building materials business segment. With the new lorries, we can improve the efficiency of the transportation of building materials to our customers and provide more support for our warehouses located nationwide;

(b) Additional mixer trucks were purchased to add and replace several old fleets of mixer trucks used for the distribution of ready-mixed concrete business segment. With the new mixer trucks, we can improve efficiency in the delivery of ready-mixed concrete from the batching plants to our customer's construction locations; and

(c) In line with the increase in order books received by both Starken AAC and G-Cast Concrete, more units of trailer cranes were purchased in order to support the business growth of the manufacturing of AAC and precast concrete products business segment. This would improve our efficiency in delivery of AAC and precast concrete products to our customers.

However, our Group's gearing ratio decreased slightly from 1.70 times in FYE 2014 to 1.65 times in FPE 2015 mainly due to higher shareholders' fund as a result of profit after taxation generated during FPE 2015 of RM20.01 million.

The total borrowings of our Group are as follows:-

	Combined Group				
	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FPE 2015 RM'000
Current Liabilities					
Finance lease payable	4,031	5,850	7,868	9,379	10,496
Bank borrowings	235,778	307,160	367,819	324,149	309,182
	239,809	313,010	375,687	333,528	319,678
Non-Current Liabilities					
Finance lease payable	5,243	13,715	18,152	12,069	12,989
Bank borrowings	13,232	21,865	40,348	46,712	81,834
	18,475	35,580	58,500	58,781	94,823
Total borrowings[(i)]	**258,284**	**348,590**	**434,187**	**392,309**	**414,501**

Note:-

(i) The borrowings are mainly for working capital and to finance the purchase of plant, machineries, equipment and motor vehicles.

(v) Current ratio

Our current ratio ranges from 0.86 to 1.11 times over the financial years/ period under review. Our current ratio fell below 1.0 times in FYE 2012 and FYE 2013 as our Group has mismatch in funding requirements where we have utilised certain short terms borrowings to partly finance the purchase of property, plant and equipment to set up three (3) new factories for our manufacturing of AAC, precast concrete, wire mesh and metal roofing systems. Concurrently, our Group had also utilised certain short term borrowings to partly finance the purchase of various investment properties.

As at 31 August 2015, our Group has fully drawdown the bank borrowings of RM58.00 million to refinance certain short term facilities which is repayable over 36 monthly instalments.

With the refinancing arrangement above together with improvement in our overall business performance which resulted in higher cash and bank balances, our Group's current ratio as at 31 August 2015 has improved to 1.11 times. Our Group's current ratio after the Public Issue and utilisation of proceeds will be 1.19 times, we believe our Group is capable of meeting any outstanding current trade financing facilities and trade payables.

12.6 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:-

(a) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the building materials industry in Malaysia as well as the strong construction industry as set out in the IMR Report;

(b) Our liquidity will improve further subsequent to our Public Issue given the additional funds to be raised for our Group to carry out our future plans as stated in Section 6.15 of this Prospectus; and

(c) Our capital resources will strengthen, taking into account an amount of approximately RM7.08 million from the IPO proceeds to be utilised for general working capital requirements, as well as our internally generated fund from improved financial performance for FPE 2015. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and gross profit margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profit/loss position.

As at the LPD, our Group's financial condition and operations have not been and are not expected to be affected by any of the following:-

(a) known trends, demands, commitment, events or uncertainties that may have a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in Sections 4, 6, 11 and 12 of this Prospectus;

(b) material commitment for capital expenditure save as disclosed in Section 5.6.5 of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this Sections 4, 5 and 12 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that may have a material impact on our Group's liquidity and capital resources, other than those disclosed in Sections 12.4 and 12.5 of this Prospectus; and

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Sections 4, 5 and 6 of this Prospectus.

Information on our Group's business and financial prospects, the significant trend in sales, cost and selling prices is set out in Sections 6 and 12 of this Prospectus. Discussion on the overview of the building materials industry in Malaysia, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Based on the outlook of the building materials industry in Malaysia as set out in Section 7 of this Prospectus, our Group's competitive strengths as set out in Section 6.14 of this Prospectus and our future plans as set out in Section 6.15 of this Prospectus, our Board is optimistic about the future prospects of our Group.

12.7 ORDER BOOK

(a) Distribution of buildings materials and provision of logistics, ready-mixed concrete, manufacturing of wire mesh and metal roofing systems

The nature of our Group's business is such that the majority of our sales are based on the purchase orders received from our customers with specifications and quantity required. We do not enter into any long term contract with our customers. As such, we do not have any long-term contracts with our customers.

There is no order book for our distribution of building materials and provision of logistics, ready-mixed concrete and manufacturing of wire mesh (standard size).

(b) Manufacturing of AAC products

Starken AAC currently has a secured order book with purchase orders amounting to approximately RM37.00 million to be fulfilled within 2016. The order book comprises mainly purchases of AAC products used in the construction of condominiums, low rise residential homes, high-rise commercial buildings as well as shopping complexes.

(c) Manufacturing of precast concrete products

G-Cast Concrete has also secured purchase orders for various precast concrete pipe products amounting to approximately RM100.73 million, to be fulfilled within three (3) years, from 2016 to 2018.

(d) Manufacturing of wire mesh products

Metex Steel has also secured purchase orders for "cut to size" wire mesh products amounting to approximately RM36.00 million, to be fulfilled within 2016.

(e) Manufacturing of metal roofing system products

Metal Sphere has also secured purchase orders for metal roofing system products amounting to approximately RM3.90 million, to be fulfilled within 2016.

12.8 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. Any declaration of interim dividends and recommendation of final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds are available for our future growth.

Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans.

As our Company is an investment holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend on their operational results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective Board deem relevant.

12.9 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' letter on pro forma consolidated statements of financial position set out in Sections 11.2 of this Prospectus.

The following table shows our Group's cash and bank balances, capitalisation and indebtedness based on our pro forma consolidated statements of financial position as at 31 August 2015, and as adjusted for the net proceeds from our Public Issue and utilisation of the proceeds from our Public Issue:-

	Pro forma Group	
	As at 31 August 2015 RM'000	**After our Public Issue and Utilisation of Proceeds RM'000**
Cash and bank balances	149,875	156,954
Fixed deposits pledged with licensed banks	14,589	14,589
Total cash and cash equivalents	**164,464**	**171,543**
Indebtedness		
Current		
Bankers' acceptance	270,894	255,894
Revolving credit	6,000	6,000
Bank overdraft	4,056	4,056
Finance lease payables	10,496	10,496
Term loans	28,232	28,232
Non-current		
Finance lease payables	12,989	12,989
Term loan	81,834	81,834
Total indebtedness	**414,501**	**399,501**
Shareholders' equity	**251,006**	**288,085**
Total capitalisation and indebtedness	**665,507**	**687,586**
Gearing Ratio (times) (i)	1.65	1.39

Note:-

(i) *Calculated based on the total borrowings (i.e. finance lease payables and bank borrowings) of our Group divided by the total equity of our Group.*

UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

Date: 03 FEB 2016

The Board of Directors
Chin Hin Group Berhad
(Company No. 1097507-W)
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

CHIN HIN GROUP BERHAD ("CHIN HIN" OR "COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by UHY, an international firm of chartered accountants registered in Malaysia and an approved company auditor, for inclusion in the Prospectus of Chin Hin in connection with the listing of and quotation for the enlarged issued and paid-up share capital of Chin Hin on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"). Details of the listing scheme are disclosed in Section 2 of this report.

2. DETAILS OF RESTRUCTURING AND LISTING SCHEME

2.1 Restructuring

In preparation of the Listing, Chin Hin has undertaken a restructuring exercise in relation to the companies under the Group. The restructuring comprises the Acquisitions and Internal Re-organisation.

2.1.1 Acquisitions

Acquisition of PP Chin Hin Sdn Bhd ("PP Chin Hin")

Acquisition by Chin Hin of the entire equity interest of PP Chin Hin, comprising 50,000,000 ordinary shares of RM1.00 each in PP Chin Hin for a total purchase consideration of RM170,624,000 satisfied via the issuance of 341,248,000 new ordinary shares of RM0.50 each in Chin Hin ("Shares") at par.

Acquisition of PP Chin Hin Private Limited ("PP Chin Hin (SG)")

Acquisition by PP Chin Hin of the entire equity interest of PP Chin Hin (SG), comprising 1,000 ordinary shares in PP Chin Hin (SG) for a total purchase consideration of RM2,535,000 satisfied via the issuance of 5,070,000 new Shares at par.

UHY

2. DETAILS OF RESTRUCTURING, INTERNAL RE-ORGANISATION AND LISTING SCHEME (CONT'D)

2.1 Restructuring (Cont'd)

2.1.1 Acquisitions (Cont'd)

Acquisition of Chin Hin Concrete Holding Sdn Bhd ("Chin Hin Concrete")

Acquisition by Chin Hin of the entire equity interest of Chin Hin Concrete, comprising 12,001,000 ordinary shares of RM1.00 each in Chin Hin Concrete for a total purchase consideration of RM26,279,000 satisfied via the issuance of 52,558,000 new Shares at par.

Acquisition of Ace Logistic Sdn Bhd ("Ace Logistic")

Acquisition by Chin Hin of the entire equity interest of Ace Logistic, comprising 11,000,000 ordinary shares of RM1.00 each in Ace Logistic for a total purchase consideration of RM16,800,000 satisfied via the issuance of 33,600,000 new Shares at par.

Acquisition of C&H Transport Sdn Bhd ("C&H Transport")

Acquisition by Chin Hin of the entire equity interest of C&H Transport, comprising 1,250,000 ordinary shares of RM1.00 each in C&H Transport for a total purchase consideration of RM5,107,000 satisfied via the issuance of 10,214,000 new Shares at par.

The Acquisitions were completed on 2 December 2014. Thereafter, PP Chin Hin, PP Chin Hin (SG), Chin Hin Concrete, Ace Logistic and C&H Transport became wholly-owned subsidiaries of Chin Hin.

The new Shares issued pursuant to the Acquisitions shall rank pari passu in all respects with the existing issued Shares including the voting rights and will be entitled to all rights, dividends and other distributions, the entitlement date of which are subsequent thereof.

[The rest of this page is intentionally left blank]

2. DETAILS OF RESTRUCTURING, INTERNAL RE-ORGANISATION AND LISTING SCHEME (CONT'D)

2.1 Restructuring (Cont'd)

2.1.2 Internal Re-organisation

Subsequent to the Acquisitions, Chin Hin entered into a share sale agreement dated 23 January 2015 and letter of amendment dated 1 June 2015 with PP Chin Hin in relation to the acquisition of Metex Steel Sdn Bhd ("Metex Steel") and Starken AAC Sdn Bhd ("Starken AAC") for an aggregate cash consideration of RM54,836,895. This intercompany transaction was also completed on 23 January 2015 and resulted in Metex Steel and Starken AAC being the direct wholly owned subsidiaries of Chin Hin.

Further to the above, Chin Hin had in turn entered into share sale agreements dated 1 June 2015 respectively with:

(a) PP Chin Hin for the transfer of the entire equity interest in C&H Transport to PP Chin Hin for an aggregate cash consideration of RM4,955,414; and

(b) Metex Steel for the transfer of the entire equity interest in Ace Logistic to Metex Steel for an aggregate consideration of RM16,800,296.

With the completion of this subsequent intercompany transaction on 10 June 2015, the Group had completed its Internal Re-organisation resulting in the group structure as illustrated in Section 3.1.

The above intercompany transactions do not have any impact on the Group's financial position and were undertaken to streamline the Group's business operations.

[The rest of this page is intentionally left blank]

2. DETAILS OF RESTRUCTURING, INTERNAL RE-ORGANISATION AND LISTING SCHEME (CONT'D)

2.2 Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities, the details of the Listing Scheme are as follows:-

(a) Public Issue

Pursuant to the Public Issue, the Company shall issue 63,197,900 new shares ("Issue Shares") at an issue price of RM0.65 per Share ("IPO Price") to be allocated in the following manner:-

(i) 25,294,400 Issue Shares made available for application by the Malaysian Public, to be allocated via balloting;

(ii) 6,400,000 Issue Shares made available to the eligible Directors and employees who have contributed to the success of the Group; and

(iii) 31,503,500 Issue Shares by way of private placement to selected investors.

The Issue Shares shall rank pari passu in all respects with the existing issued Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

(b) Offer for Sale

Concurrent with the Listing, the offerors namely Datuk Chiau Beng Teik, Datin Wong Mee Leng and Chiau Haw Choon, collectively ("Offerors") will undertake an offer for sale of 65,000,000 Shares at the IPO Price, representing approximately 12.8% of the enlarged issued and paid-up share capital to selected investors.

(Collectively known as "IPO")

(c) Vendors' Shareholding Re-organisation

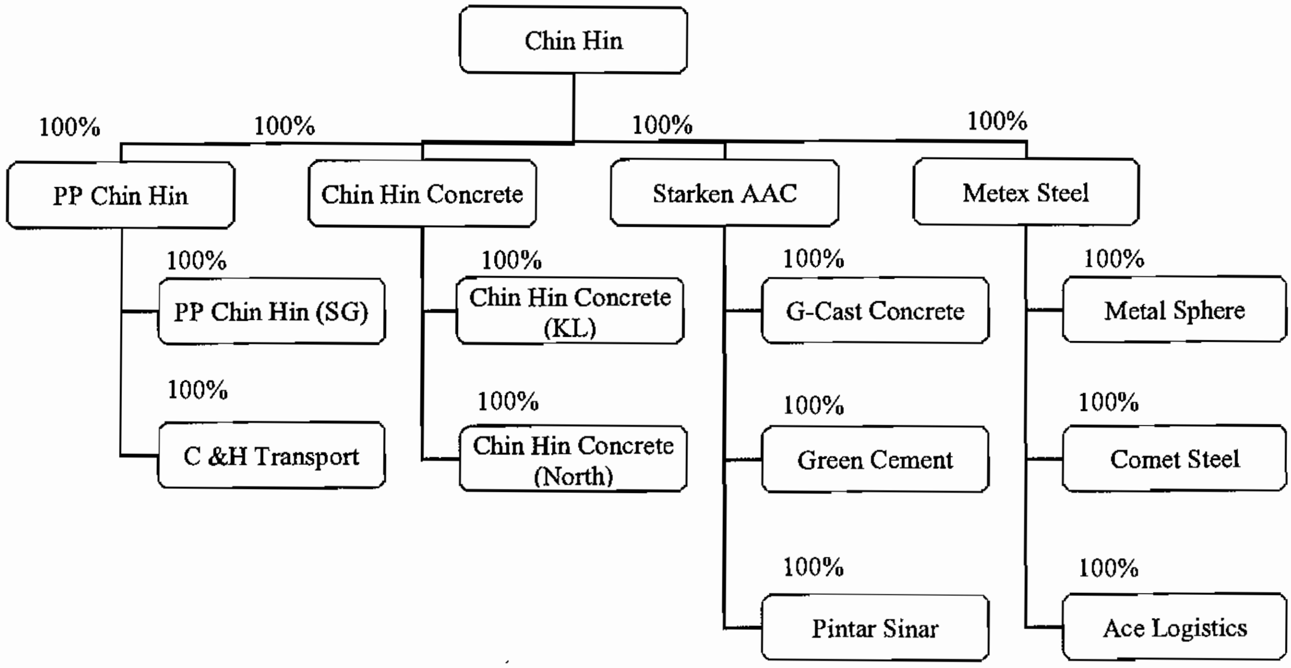
The re-organisation of the vendors namely Datuk Chiau Beng Teik, Chiau Haw Choon and Datin Wong Mee Leng ("Vendors") shareholdings in Chin Hin during the prescribed period involving the transfer of 303,532,800 Shares which they collectively received from the Acquisitions to Divine Inventions Sdn Bhd, a wholly-owned subsidiary of PP Chin Hin Realty Sdn Bhd, which in turn is collectively owned by the Vendors.

(d) Listing

Upon completion of the IPO, the Company's entire enlarged issued and paid-up share capital of RM252,944,000 comprising 505,888,000 Shares shall be listed on the Main Market of Bursa Securities.

3. GENERAL INFORMATION

3.1 Group Structure after Restructuring, Internal Re-organisation and Listing Scheme



[The rest of this page is intentionally left blank]

UHY

3. GENERAL INFORMATION (CONT'D)

3.2 Relevant Financial Years/Periods and Auditors

The relevant financial years/periods of the audited financial statements presented for the purpose of this report ("Relevant Financial Years/Periods") and the auditors of the Chin Hin Group for the Relevant Financial Years/Periods are set out below:-

Companies/ Relevant Financial Years/Periods	Auditor	Auditor's Report
Chin Hin		
FPE 31 August 2015 ("FPE 2015")	UHY	Appendix I
FYE 31 December 2014 ("FYE 2014")	UHY	Appendix I
FPE 31 August 2014 ("FPE 2014")	UHY	Appendix I
PP Chin Hin		
FPE 2015	UHY	Appendix II
FYE 2014	UHY	Appendix II
FPE 2014	UHY	Appendix II
FYE 31 December 2013 ("FYE 2013")	UHY	Appendix II
FYE 31 December 2012 ("FYE 2012")	Chang Kong Foo & Co.	Appendix II
FYE 31 December 2011 ("FYE 2011")	Chang Kong Foo & Co.	Appendix II
PP Chin Hin (SG)		
FPE 2015	UHY Lee Seng Chan & Co	Appendix III
FYE 2014	UHY Lee Seng Chan & Co	Appendix III
FPE 2014	UHY Lee Seng Chan & Co	Appendix III
FPE 31 December 2013	UHY Lee Seng Chan & Co	Appendix III
FYE 30 April 2013	Zhen Public Accounting Firm	Appendix III
FYE 30 April 2012	Zhen Public Accounting Firm	Appendix III
FYE 30 April 2011	Zhen Public Accounting Firm	Appendix III
C&H Transport		
FPE 2015	UHY	Appendix IV
FYE 2014	UHY	Appendix IV
FPE 2014	UHY	Appendix IV
FYE 2013	UHY	Appendix IV
FYE 2012	Lai Kwang Hooi & Co.	Appendix IV
FYE 2011	Lai Kwang Hooi & Co.	Appendix IV
Chin Hin Concrete		
FPE 2015	UHY	Appendix V
FYE 2014	UHY	Appendix V
FPE 2014	UHY	Appendix V
FYE 2013	UHY	Appendix V
FYE 2012	Chang Kong Foo & Co.	Appendix V

UHY

3. GENERAL INFORMATION (CONT'D)

3.2 Relevant Financial Years/Periods and Auditors (Cont'd)

Companies/ Relevant Financial Years/Periods	Auditor	Auditor's Report
Chin Hin Concrete (KL)		
FPE 2015	UHY	Appendix VI
FYE 2014	UHY	Appendix VI
FPE 2014	UHY	Appendix VI
FYE 2013	UHY	Appendix VI
FYE 2012	Lai Kwang Hooi & Co.	Appendix VI
FYE 2011	Lai Kwang Hooi & Co.	Appendix VI
Chin Hin Concrete (North)		
FPE 2015	UHY	Appendix VII
FYE 2014	UHY	Appendix VII
FPE 2014	UHY	Appendix VII
FYE 2013	UHY	Appendix VII
FYE 2012	Chang Kong Foo & Co.	Appendix VII
FYE 2011	Chang Kong Foo & Co.	Appendix VII
Starken AAC		
FPE 2015	UHY	Appendix VIII
FYE 2014	UHY	Appendix VIII
FPE 2014	UHY	Appendix VIII
FYE 2013	UHY	Appendix VIII
FYE 2012	Chang Kong Foo & Co.	Appendix VIII
FYE 2011	Chang Kong Foo & Co.	Appendix VIII
G-Cast Concrete		
FPE 2015	UHY	Appendix IX
FYE 2014	UHY	Appendix IX
FPE 2014	UHY	Appendix IX
FYE 2013	UHY	Appendix IX
FYE 2012	Chang Kong Foo & Co.	Appendix IX
Green Cement		
FPE 2015	UHY	Appendix X
FYE 2014	UHY	Appendix X
FPE 2014	UHY	Appendix X
FYE 2013	UHY	Appendix X
FYE 2012	Chang Kong Foo & Co.	Appendix X
Pintar Sinar		
FPE 2015	UHY	Appendix XI
FYE 2014	UHY	Appendix XI
FPE 2014	UHY	Appendix XI
FYE 2013	UHY	Appendix XI
FYE 2012	BJ Chan & Co.	Appendix XI
FYE 2011	BJ Chan & Co.	Appendix XI

3. GENERAL INFORMATION (CONT'D)

3.2 Relevant Financial Years/Periods and Auditors (Cont'd)

Companies/ Relevant Financial Years/Periods	Auditor	Auditor's Report
Metex Steel		
FPE 2015	UHY	Appendix XII
FYE 2014	UHY	Appendix XII
FPE 2014	UHY	Appendix XII
FYE 2013	UHY	Appendix XII
FYE 2012	Chang Kong Foo & Co.	Appendix XII
FYE 2011	Chang Kong Foo & Co.	Appendix XII
Comet Steel		
FPE 2015	UHY	Appendix XIII
FYE 2014	UHY	Appendix XIII
FPE 2014	UHY	Appendix XIII
FYE 2013	UHY	Appendix XIII
FYE 2012	Chang Kong Foo & Co.	Appendix XIII
Ace Logistic		
FPE 2015	UHY	Appendix XIV
FYE 2014	UHY	Appendix XIV
FPE 2014	UHY	Appendix XIV
FYE 2013	UHY	Appendix XIV
FYE 2012	Lai Kwang Hooi & Co.	Appendix XIV
FYE 2011	Lai Kwang Hooi & Co.	Appendix XIV
Metal Sphere		
FPE 2015	UHY	Appendix XV
FYE 2014	UHY	Appendix XV
FPE 2014	UHY	Appendix XV

The audited financial statements of the abovementioned companies for the relevant financial years/periods were reported upon without any audit qualification.

4. COMBINED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

This report has been prepared based on the combined financial statements of Chin Hin and its subsidiaries which were drawn up so as to give a true and fair view of the financial position of the Group which is reported by us without qualifications. The combined financial statement of Chin Hin Group has been prepared solely for the purpose of the Listing and for no other purpose.

Chin Hin Group is regarded as a continuing entity since the management of all the respective entities within the proposed listing structure were controlled by the same director and under common shareholders before and immediately after the restructuring, internal re-organisation and proposed listing scheme. Consequently, there was a continuation of the control over the entities' financial and operating policy decision, risk and benefits to the ultimate shareholders that existed prior to the restructuring, internal re-organisation and proposed listing scheme.

Hence, the listing scheme of Chin Hin Group has been accounted for as a business combination under common control in a manner similar to the pooling of interests. Accordingly, the combined financial statements of Chin Hin Group or the financial years/ period ended 31 December 2011, 31 December 2012, 31 December 2013, 31 August 2014, 31 December 2014 and 31 August 2015 has been prepared on the basis of merger accounting and comprise the financial statements of the subsidiary company which are under common control of the ultimate shareholder and directors that existed prior to the restructuring, internal re-organisation and proposed listing scheme during the relevant years or since their respective dates of incorporation.

The financial information as presented in the combined financial statements may not be the same as the consolidated financial statements of Chin Hin post IPO. Further, such information does not purport to predict Chin Hin Group's financial position, results and cash flows.

5. CONTENT OF THIS REPORT

This accountant report contains the following sections:-

Chapter	Content
I. Chin Hin Group Berhad	Background information on Chin Hin.
II. Subsidiaries	Combined financial statements of the subsidiaries based on the proposed listing group structure from FYE 31 December 2011 to FPE 31 August 2015.

CHAPTER I

CHIN HIN GROUP BERHAD

UHY

I CHIN HIN GROUP BERHAD

1. Background Information and Principal Activities

Chin Hin Group Berhad ("Chin Hin") was incorporated in Malaysia under the Malaysian Companies Act, 1965 on 12 June 2014 as a public limited company. The Company has been set up to be the listing vehicle in connection with the listing of Chin Hin Group on the Main Market of Bursa Securities.

The principal activities of Chin Hin are to carry on the business of an investment holding company, property investment and general trading in Malaysia or worldwide.

The address of the registered office of Chin Hin is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

As at the date of this Report, the authorised and issued share capital of Chin Hin is as follows:-

	RM
Authorised:	
1,000,000,000 ordinary shares of RM0.50 each	500,000,000
Issued and Paid-Up:	
442,690,100 ordinary shares of RM0.50 each	221,345,050

CHAPTER II

SUBSIDIARIES

II SUBSIDIARIES

1. Background Information and Principal Activities

The principal activities of the subsidiaries are as follows:-

Company	Date of Incorporation	Authorised Share Capital (unless otherwise stated) RM	Issued and Paid-up Share Capital (unless otherwise stated) RM	Equity Interest %	Principal Activities
Direct holding:					
PP Chin Hin Sdn Bhd ("PP Chin Hin")	25.02.1995	50,000,000	50,000,000	100	Distribution of building materials, letting of properties, hire purchase financing and property development*
Chin Hin Concrete Holding Sdn Bhd ("Chin Hin Concrete")	29.11.2011	25,000,000	12,001,000	100	Investment holding
Starken AAC Sdn Bhd ("Starken AAC")	2.11.2006	50,000,000	30,000,000	100	Manufacturing and sales of Autoclaved Aerated Concrete ("AAC") products
Metex Steel Sdn Bhd ("Metex Steel")	22.08.2011	50,000,000	30,000,000	100	Manufacturing and sales of wire mesh and metal roofing systems
Indirect holding:					
Subsidiaries of PP Chin Hin					
PP Chin Hin Private Limited ("PP Chin Hin (SG)")	16.05.2009	SGD1,000	SGD1,000	100	Trading and distribution of building materials in Singapore
C&H Transport Sdn Bhd ("C&H Transport")	06.03.2008	5,000,000	1,250,000	100	Transportation of cement

UHY

II SUBSIDIARIES (CONT'D)

1. Background Information and Principal Activities (Cont'd)

Company	Date of Incorporation	Authorised Share Capital (unless otherwise stated) RM	Issued and Paid-up Share Capital (unless otherwise stated) RM	Equity Interest %	Principal Activities
Indirect holding:					
Subsidiaries of Chin Hin Concrete					
Chin Hin Concrete (KL) Sdn Bhd ("Chin Hin Concrete (KL)")	18.05.2008	5,000,000	4,000,000	100	Distribution of ready-mixed concrete
Chin Hin Concrete (North) Sdn Bhd ("Chin Hin Concrete (North)")	12.01.2008	5,000,000	2,000,000	100	Distribution of ready-mixed concrete
Subsidiaries of Starken AAC					
G-Cast Concrete Sdn Bhd ("G-Cast Concrete")	11.12.2011	5,000,000	5,000,000	100	Manufacturing and sale of precast concrete products
Green Cement Sdn Bhd ("Green Cement")	04.07.2012	100,000	2	100	Dormant
Pintar Sinar Sdn Bhd ("Pintar Sinar")	30.09.2010	100,000	2	100	Property investment holding
Subsidiaries of Metex Steel					
Metal Sphere Sdn Bhd ("Metal Sphere")	02.03.2014	25,000,000	15,000,002	100	Manufacturing of metal roofing profiles and trusses
Comet Steel Sdn Bhd ("Comet Steel")	12.07.2012	100,000	2	100	Dormant

II SUBSIDIARIES (CONT'D)

1. Background Information and Principal Activities (Cont'd)

Company	Date of Incorporation	Authorised Share Capital (unless otherwise stated) RM	Issued and Paid-up Share Capital (unless otherwise stated) RM	Equity Interest %	Principal Activities
Indirect holding:					
Subsidiaries of Metex Steel					
Ace Logistic Sdn Bhd ("Ace Logistic")	18.02.2004	25,000,000	11,000,000	100	Property investment holding

Notes: -
* PP Chin Hin has ceased its property development business in year 2012.

2. Conversion Rate

In the preparation of the report, we have converted all figures stated in overseas subsidiaries' functional currency in RM. The financial information of PP Chin Hin (SG), a company incorporated in Singapore has been converted using the applied rate of exchange or the financial years/ period under review as extracted from www.oanda.com are as below:-

Statements of Comprehensive Income based on the average rate for the relevant years/ period:-

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
SGD	2.4334	2.4713	2.5173	2.6456	2.9042

Statements of Financial Position based on the closing rate at the respective reporting dates:-

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
SGD	2.4441	2.4932	2.5963	2.6449	2.9919

II SUBSIDIARIES (CONT'D)

3. Basis of Preparation and Significant Accounting Policies

The financial statements of Chin Hin and its subsidiaries are prepared on a basis consistent with the accounting policies adopted by the Group as follows: -.

3.1 Basis of Preparation

3.1.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Adoption of new and amended standards and interpretation

During the financial period, the Company has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial period:

Amendment to MFRS 119	Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle	
Annual Improvements to MFRSs 2011 – 2013 Cycle	

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Company.

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.1 Statement of Compliance (Cont'd)

Standards issued but not yet effective

The Company has not applied the following new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company:

		Effective date for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments (IMFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Company intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Company except as mentioned below:

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.1 Statement of Compliance (Cont'd)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.2 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

3.1.3 Significant Accounting Estimates and Judgements

The summary of accounting policies as described in Section 3.2 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. As at 31 December 2011, 2012, 2013, 2014 and 31 August 2015, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.3 Significant Accounting Estimates and Judgements (Cont'd)

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2012, 31 December 2013, 31 December 2014 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 4.6.2.

Impairment of goodwill on consolidation

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investment in subsidiary companies

The carrying values of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next reporting period.

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.3 Significant Accounting Estimates and Judgements (Cont'd)

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of loans and receivables

The Group assesses at end of each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

II SUBSIDIARIES (CONT'D)

3.1 Basis of Preparation (Cont'd)

3.1.3 Significant Accounting Estimates and Judgements (Cont'd)

<u>Income taxes</u>

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates or whether additional taxes will be due. Where the final outcome of these matters are different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.2 Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

3.2.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, and its associate companies through equity accounting, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

(i) Subsidiary Companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.1 Basis of Consolidation (Cont'd)

(ii) Associate Companies

Associates are entities in which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting tights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in associates is initially at cost, and recognising the Group's share of its associates' post-acquisition results and other changes to comprehensive income against the carrying amount of the investments. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the associate company.

When the Group ceases to have significant influence over an associate company, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retaining investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate reduces but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate company, unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's separate financial statements, investments in associates are stated 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 SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.1 Basis of Consolidation (Cont'd)

(iii) Consolidation

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.

If the Group losses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognized at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.1 Basis of Consolidation (Cont'd)

(iii) Consolidation (Cont'd)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(iv) Goodwill on Consolidation

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(v) Non-controlling Interests

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.2 Foreign Currency Translation

Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the reporting period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting 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.

3.2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3.2.13.

(i) Recognition and Measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.3 Property, Plant and Equipment (Cont'd)

(i) Recognition and Measurement (Cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained earnings.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.3 Property, Plant and Equipment (Cont'd)

(ii) Subsequent Cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction / work-in-progress are not depreciated until the assets are ready for its intended use. Freehold land is not depreciated.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
Leasehold building	2%
Computer equipment and software	10% - 20%
Cabin	10%
Crane	10%
Electrical installation	10%
Fire protection and security system	10%
Freehold land and building	2%
Furniture and fittings	10%
Motor vehicles	20%
Mould	10%
Office equipment	20%
Plant and machinery	10% - 20%
Signboard	10%
Skid tank	10%
Tools and equipment	10%

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.3 Property, Plant and Equipment (Cont'd)

(iii) Depreciation (cont'd)

The residual values, useful lives and depreciation method are reviewed at each reporting period 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 property, plant and equipment.

3.2.4 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.5 Property Development Activities

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs shall be classified as non-current asset where no development activities have been carried out or development activities are not expected to commence within the period of twelve months after the end of financial year or where development activities are not expected to the completed within the normal operating cycle.

Property development costs shall be reclassified to current asset when the development activities have been commenced or development activities are expected to commence within the period of twelve months after the end of financial year or where the activities are expected to be completed within the normal operating cycle.

When the financial outcome of development activity can be reliably estimated, property development revenue and expenses are recognised in the statements of comprehensive income by using stage of completion. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that it is probable will be recoverable, and property development costs on units sold are recognised as an expense in the year in which they are incurred.

An expected loss on a development project including costs to be incurred over the defect liability period shall be recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which measured at the lower of cost and net realisable value.

When the revenue recognised in the statements of comprehensive income exceeds billings to purchasers, the balance is shown as accrued billings under current assets. When the billings to purchasers exceed the revenue recognised in the statement of comprehensive income, the balance is shown as progress billings under current liabilities.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.6 Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from de-recognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

Finance lease

Leases in terms of which the Group and the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.7 Leases (Cont'd)

Finance lease (cont'd)

Minimum lease payments made under finance leases are apportioned between 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 recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

Operating leases

Leases, where the Group and the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.2.8 Financial Assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.8 Financial Assets (Cont'd)

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group classifies its financial assets depending on the purpose of which it was acquired at initial recognition, into the following categories:

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

Financial assets at fair value through profit or loss are financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company has the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.8 Financial Assets (Cont'd)

(iii) Held-to-maturity investments (Cont'd)

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

(v) Regular way purchase or sale of financial assets

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 and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

(vi) De-recognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.9 Financial Liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group classifies its financial liabilities at initial recognition, into the following categories:

(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, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

The Group has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

(iii) De-recognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.10 Offsetting of Financial Instruments

A financial asset and financial liability are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.2.11 Inventories

Raw materials, work-in-progress, finished goods and completed properties are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

The cost of completed properties includes costs of land and related development cost or its purchase costs and incidental cost of acquisition.

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.

3.2.12 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.2.13 Impairment of Assets

(i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.13 Impairment of Assets (Cont'd)

(i) Non-financial assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalue amount, in which case the reversal is treated as a revaluation increase.

Impairment of goodwill

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised in profit or loss. Impairment loss relating to goodwill is not reversed.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.13 Impairment of Assets (Cont'd)

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment in associate, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

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.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.14 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3.2.15 Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.2.16 Provisions

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

Provisions are reviewed at the end of each reporting period 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.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.16 Provisions (Cont'd)

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

3.2.17 Employee Benefits

(i) Short term employee 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plan

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognized as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3.2.18 Revenue

(i) Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.18 Revenue (Cont'd)

(ii) Interest income/Interest from hire purchase receivables

Interest income is recognized on accruals basis using the effective interest method.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Property development

Revenue derived from property development activities is recognised based on the stage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total property development costs.

(v) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of service performed and invoiced to customers during the period.

3.2.19 Income Taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.19 Income Taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowances, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.2.20 Contingencies

When it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.2.21 Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

II SUBSIDIARIES (CONT'D)

3.2 Significant Accounting Policies (Cont'd)

3.2.22 Non-current Asset Classified as Held for Sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale (or disposal group), the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

When non-current assets (or disposal group) are classified as held for sale, the comparative statements of comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

[The rest of this page is intentionally left blank]

UHY

II SUBSIDIARIES

4. COMBINED FINANCIAL INFORMATION

4.1 Combined Financial Statements of Chin Hin Group

We set out below the Combined Financial Statements of Chin Hin Group which includes the Combined Statements of Financial Position, Combined Statements of Comprehensive Income and Combined Statements of Cash Flows from FYE 2011 to FYE 2014 and FPE 2015.

4.2 Combined Statements of Financial Position

		Combined Group				
		As at 31 December				As at 31 August
		2011	2012	2013	2014	2015
	Note	RM	RM	RM	RM	RM
ASSETS						
Non-Current Assets						
Property, plant and equipment ("PPE")	4.6.1	68,102,203	145,489,903	205,461,038	187,069,871	195,485,088
Investment properties	4.6.2	44,360,525	77,609,157	98,688,726	95,675,899	103,234,626
Investment in associates	4.6.3	200,000	200,000	-	-	-
Investment held for sale*		2,453,000	31,453,000	31,350,000	-	-
Deferred tax assets	4.6.4	33,949	91,936	-	-	-
		115,149,677	254,843,996	335,499,764	282,745,770	298,719,714
Current Assets						
Inventories	4.6.5	3,627,955	17,479,055	38,662,417	44,153,899	46,152,910
Property development expenditure	4.6.6	11,060,738	-	-	-	-
Assets held for sales	4.6.7	-	-	-	15,794,057	3,662,637
Trade receivables	4.6.8	245,660,880	272,711,812	324,107,224	291,277,573	308,460,323
Other receivables	4.6.9	41,393,155	63,777,748	30,299,936	18,945,524	22,148,693
Hire purchase receivables	4.6.10	3,579,718	3,442,259	2,055,148	1,130,158	819,433
Amount owing by associate companies	4.6.11	2,230,000	1,895,120	-	-	-
Amount owing by shareholders	4.6.12	25,000	-	-	-	-
Amount owing by Directors	4.6.13	13,082,629	6,513,177	10,984,339	-	-
Derivative financial assets	4.6.14	-	-	-	4,625	585,802
Tax recoverable		3,316,596	597,233	328,480	303,307	85,070
Fixed deposits with licensed banks	4.6.15	39,099,842	44,204,330	54,335,967	29,977,278	14,589,152
Cash and bank balances		35,756,165	18,830,410	36,326,771	118,029,973	149,875,773
Total Current Assets		398,832,678	429,451,144	497,100,282	519,616,394	546,379,793
Total Assets		513,982,355	684,295,140	832,600,046	802,362,164	845,099,507

UHY

II SUBSIDIARIES (CONT'D)

4.2 Combined Statements of Financial Position (Cont'd)

	Note	Combined Group – As at 31 December 2011 RM	2012 RM	2013 RM	2014 RM	As at 31 August 2015 RM
EQUITY						
Share capital	4.6.16	26,752,422	31,853,424	31,753,424	221,345,050	221,345,050
Revaluation reserve		-	8,787,074	8,772,214	8,768,544	8,768,544
Merger reserve		-	(5,500,000)	(500,000)	(153,191,580)	(153,191,580)
Exchange reserve		20,160	48,576	131,819	44,724	426,611
Retained earnings		88,661,104	123,255,091	152,721,734	153,651,773	173,656,964
		115,433,686	158,444,165	192,879,191	230,618,511	251,005,589
LIABILITIES						
Non-Current Liabilities						
Bank borrowings	4.6.17	13,232,296	21,865,087	40,348,015	46,711,849	81,834,517
Finance lease payables	4.6.18	5,243,007	13,715,353	18,152,278	12,068,771	12,988,623
Deferred tax liabilities	4.6.4	1,084,579	1,744,998	2,787,186	4,122,547	5,218,171
		19,559,882	37,325,438	61,287,479	62,903,167	100,041,311
Current Liabilities						
Trade payables	4.6.19	97,577,035	124,424,768	154,212,561	138,773,491	140,091,510
Other payables	4.6.20	17,290,850	28,378,003	32,859,307	20,547,704	20,129,250
Derivative financial liabilities	4.6.21	-	-	50,500	-	-
Amount owing to associate companies	4.6.11	433,083	433,083	-	-	-
Amount owing to Directors	4.6.13	18,493,229	19,943,783	12,781,553	10,856,847	11,382,264
Bank borrowings	4.6.17	235,777,888	307,159,593	367,818,828	324,149,295	309,182,429
Finance lease payables	4.6.18	4,031,392	5,850,234	7,868,333	9,378,926	10,495,988
Tax payable		5,385,310	2,336,073	2,842,294	5,134,223	2,771,166
		378,988,787	488,525,537	578,433,376	508,840,486	494,052,607
Total Liabilities		398,548,669	525,850,975	639,720,855	571,743,653	594,093,918
Total Equity and Liabilities		513,982,355	684,295,140	832,600,046	802,362,164	845,099,507

*Note: * Investments held for sale consisted of investment in subsidiaries that are not within the proposed listing group which are disposed off subsequently.*

UHY

II SUBSIDIARIES (CONT'D)

4.3 Combined Statements of Comprehensive Income

	Note	<--- FYE 2011 RM	FYE 2012 RM	Combined Group FYE 2013 RM	FYE 2014 RM	FPE 2015 RM --->
Revenue	4.6.22	1,014,596,757	1,046,108,150	1,220,415,616	1,219,418,150	816,979,970
Cost of sales		(953,805,447)	(989,338,936)	(1,149,924,805)	(1,130,886,849)	(750,722,195)
Gross profit ("GP")		60,791,310	56,769,214	70,490,811	88,531,301	66,257,775
Other income		3,068,708	24,600,261	17,799,757	16,306,074	5,505,566
Administration expenses		(15,357,072)	(13,693,234)	(19,998,976)	(24,865,701)	(18,150,033)
Distribution expenses		(4,562,203)	(5,622,242)	(6,039,651)	(7,364,312)	(7,142,754)
Other operating expenses		(8,235,590)	(9,343,747)	(10,473,404)	(10,690,267)	(6,827,320)
Profit from operation		35,705,153	52,710,252	51,778,537	61,917,095	39,643,234
Finanee costs	4.6.23	(8,628,188)	(11,512,886)	(14,456,973)	(18,701,920)	(13,455,470)
Profit before taxation ("PBT")	4.6.24	27,076,965	41,197,366	37,321,564	43,215,175	26,187,764
Taxation	4.6.25	(7,955,856)	(6,603,379)	(7,869,782)	(13,029,168)	(6,182,573)
Net profit for the financial year/period		19,121,109	34,593,987	29,451,782	30,186,007	20,005,191
Other Comprehensive Income						
Realisation of revaluation reserve		-	-	-	3,670	-
Total comprehensive income for the year/period		19,121,109	34,593,987	29,451,782	30,189,677	20,005,191

II SUBSIDIARIES (CONT'D)

4.3 Combined Statements of Comprehensive Income (Cont'd)

Key financial ratio:					
Earnings before interest, taxation, depreciation and amortisation ("EBITDA") (RM)	43,867,142	58,388,015	61,240,650	75,020,286	49,237,919
GP margin (%)	6.0	5.4	5.8	7.3	8.1
PBT margin (%)	2.7	3.9	3.1	3.5	3.2
Profit after taxation ("PAT") margin (%)	1.9	3.3	2.4	2.5	2.4
Effective tax rate (%)	29.4	16.0	21.1	30.1	23.6
Gross earnings per share ("EPS") (RM)	1.01	1.29	1.18	0.10	0.06
Net EPS (RM)	0.71	1.09	0.93	0.07	0.05
Number of ordinary shares	26,752,422	31,853,424	31,753,424	442,690,100	442,690,100

Notes:

(a) The GP margin is computed by dividing the GP against the revenue earned in the respective financial years/period.

(b) The gross EPS is computed by dividing the PBT against the weighted average number of ordinary shares.

(c) The net EPS is computed by dividing the PAT against the weighted average number of ordinary shares.

II SUBSIDIARIES (CONT'D)

4.4 Combined Statements of Changes in Equity

	< ----	----	Combined Group	----	----	---->
	Share Capital RM	**Merger Reserve RM**	**Revaluation Reserve RM**	**Forex Reserve RM**	**Retained Earnings RM**	**Total Equity RM**
As at 1 January 2011	24,752,420	-	-	-	69,539,995	94,292,415
Total comprehensive income for the financial year	-	-	-	-	19,121,109	19,121,109
Foreign exchange reserve	-	-	-	20,160	-	20,160
Issue of ordinary shares	2,000,002	-	-	-	-	2,000,002
As at 31 December 2011	26,752,422	-	-	20,160	88,661,104	115,433,686
As at 1 January 2012	26,752,422	-	-	20,160	88,661,104	115,433,686
Total comprehensive income for the financial year	-	-	-	-	34,593,987	34,593,987
Surplus on property revaluation	-	-	8,787,074	-	-	8,787,074
Foreign exchange reserve	-	-	-	28,416	-	28,416
Share capital contribution	5,101,002	(5,500,000)	-	-	-	(398,998)
As at 31 December 2012	31,853,424	(5,500,000)	8,787,074	48,576	123,255,091	158,444,165
As at 1 January 2013	31,853,424	(5,500,000)	8,787,074	48,576	123,255,091	158,444,165
Total comprehensive income for the financial year	-	-	-	-	29,451,782	29,451,782
Realisation of revaluation reserve	-	-	(14,860)	-	14,860	-
Foreign exchange reserve	-	-	-	83,243	-	83,243
Share capital contribution	(100,000)	5,000,000	-	-	-	4,900,000
As at 31 December 2013	31,753,424	(500,000)	8,772,214	131,819	152,721,733	192,879,190
As at 1 January 2014	31,753,424	(500,000)	8,772,214	131,819	152,721,733	192,879,190
Total comprehensive income for the financial year	-	-	-	-	30,189,677	30,189,677
Realisation of revaluation reserve	-	-	(3,670)	-	-	(3,670)
Effect arising from merger method of accounting	189,591,626	(152,691,580)	-	(87,095)	540,363	37,353,314
Dividends	-	-	-	-	(29,800,000)	(29,800,000)
As at 31 December 2014	221,345,050	(153,191,580)	8,768,544	44,724	153,651,773	230,618,511

UHY

II SUBSIDIARIES (CONT'D)

4.4 Combined Statements of Changes in Equity (Cont'd)

	< ---------- Combined Group					---------->
	Share Capital RM	**Merger Reserve RM**	**Revaluation Reserve RM**	**Forex Reserve RM**	**Retained Earnings RM**	**Total Equity RM**
As at 1 January 2015	221,345,050	(153,191,580)	8,768,544	44,724	153,651,773	230,618,511
Total comprehensive income for the financial year	-	-	-	-	20,005,191	20,005,191
Realisation of revaluation reserve	-	-	-	-	-	-
Foreign exchange reserve	-	-	-	381,887	-	381,887
Share capital contribution	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
As at 31 August 2015	221,345,050	(153,191,580)	8,768,544	426,611	173,656,964	251,005,589

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.5 Combined Statements of Cash Flows

	<------------Combined Group------------>				
	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Cash Flows From Operating Activities					
Profit before taxation	27,076,965	41,197,366	37,321,564	43,215,175	26,187,764
Adjustment for:					
Allowance for doubtful debts	2,528,999	343,428	2,827,388	1,185,026	2,844,428
Amortisation of investment properties	435,513	95,400	127,200	-	-
Bad debts recovered	-	-	-	-	(1,140)
Bad debts written off	398,382	2,759,566	289,315	2,734,848	-
Depreciation of PPE	7,726,476	5,582,363	9,334,913	13,103,191	9,594,685
Deposits written off	-	-	158,400	-	-
Dividend income	-	(60)	-	-	-
Finance costs	-	-	-	-	13,601,279
Fair value adjustment on investment properties	-	(19,071,747)	(8,697,996)	(5,878,068)	-
Gain on disposal of PPE	(1,373,935)	(2,412,912)	(559,113)	(323,862)	(15,054)
Gain on disposal of investment properties	-	-	(2,511,991)	(3,711,958)	-
Gain on disposal of asset held for sale	-	-	-	(1,220,689)	(364,720)
Interest expenses	8,628,188	11,017,169	13,367,223	19,016,413	-
Interest income	(1,103,610)	(3,979,198)	(3,500,649)	(2,133,899)	(850,982)
Impairment on investment	-	-	100,000	-	-
(Gain)/Loss on derivative financial liabilities	-	-	50,500	(55,125)	(581,177)
Loss on disposal of investment in subsidiary companies	-	-	-	549,998	-
Other investment written off	-	-	3,000	-	-
PPE written off	-	-	9,637	25,602	-
Inventory written off	-	-	-	69,624	18,587
Reversal of allowance for doubtful debts	(76,602)	(235,068)	(225,000)	(1,097,541)	(956,909)
Unrealised (gain)/loss on FOREX	-	-	-	-	(138,947)
Waiver of debts from other payable	-	-	-	(116,320)	-
Operating profit before working capital changes	44,240,376	35,296,307	48,094,391	65,362,415	49,337,814

UHY

II SUBSIDIARIES (CONT'D)

4.5 Combined Statements of Cash Flows (Cont'd)

	<------	------	Combined Group	------	------>
	FYE 2011 RM	**FYE 2012 RM**	**FYE 2013 RM**	**FYE 2014 RM**	**FPE 2015 RM**
Changes in working capital					
Inventories	396,666	(13,851,100)	(21,183,362)	(5,561,106)	(2,017,598)
Property development cost	(11,060,738)	11,060,738	-	-	-
Trade receivables	(21,548,144)	(29,918,858)	(54,287,116)	41,810,108	(18,994,354)
Other receivables	2,714,112	(22,384,592)	33,477,812	23,470,525	(3,203,169)
Hire purchase receivables	494,159	137,459	1,387,111	924,990	310,725
Trade payables	6,719,781	26,847,733	29,787,793	(29,341,840)	1,318,019
Other payables	1,402,262	11,065,885	5,247,717	(16,366,824)	(418,454)
Amount owing to/by associate	(5,976,747)	334,880	1,462,037	-	-
Amount owing to/by shareholders	-	25,000	-	-	-
Amount owing to/by directors	(32,594,570)	8,020,006	(19,996,849)	41,059,633	525,417
	(59,453,219)	(8,662,849)	(24,104,857)	55,995,486	(22,479,414)
Cash generated from operations	(15,212,843)	26,633,458	23,989,534	121,357,901	26,858,400
Interest received	1,103,610	3,979,198	3,500,649	2,133,899	850,982
Interest paid	(8,628,188)	(11,017,169)	(13,367,223)	(19,016,413)	(13,601,279)
Tax refund	-	2,543,869	294,815	-	156,746
Tax paid	(8,797,593)	(8,875,955)	(6,713,289)	(9,377,684)	(7,388,515)
Exchange fluctuation adjustments	18,230	29,462	82,877	42,520	380,956
	(16,303,941)	(13,340,595)	(16,202,171)	(26,217,678)	(19,601,110)
Net cash from/(used in) operating activities	(31,516,784)	13,292,863	7,787,363	95,140,223	7,257,290

II SUBSIDIARIES (CONT'D)

4.5 Combined Statements of Cash Flows (Cont'd)

	<-----	-----Combined	Group-----	----->	
	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Cash Flow From Investing Activities					
Deposit paid for purchase of PPE	-	(176,354)	-	-	-
Dividend received	-	60	-	-	-
Purchase of PPE	(14,199,196)	(57,807,150)	(62,390,609)	(12,356,472)	(9,364,360)
Purchase of investment properties	(9,404,113)	(18,784,905)	(1,112,636)	(21,932)	(62,587)
Purchase of assets held for sales	-	-	-	(719,121)	-
Proceeds from disposal of associates	200,000	7,936,573	-	-	-
Proceeds from disposal of investment properties	200,000	4,512,620	6,404,789	7,414,317	-
Proceeds from disposal of assets held for sales	-	-	-	3,243,958	5,000,000
Proceeds from disposal of PPE	4,191,082	-	1,585,153	9,917,701	365,186
Proceeds from disposal of investment in subsidiary companies	-	-	-	1,000,002	-
Purchase of additional shares in subsidiary companies	(100,000)	(39,498,994)	-	-	-
Acquisition of subsidiary companies	(2,250,002)	(2)	(100,000)	-	-
Net cash from/(used in) investing activities	(21,362,229)	(103,818,152)	(55,613,303)	8,478,453	(4,061,761)

II SUBSIDIARIES (CONT'D)

4.5 Combined Statements of Cash Flows (Cont'd)

	<-----	-----	Combined Group	-----	----->
	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Cash Flows From Financing Activities					
Drawdown of bank borrowings	14,212,000	46,698,647	36,507,029	15,347,026	61,056,812
Dividend paid	-	-	-	-	-
Repayment of bank borrowings	(226,764)	(33,613,565)	(9,831,732)	(7,363,941)	(13,490,954)
Net changes in bankers' acceptanee, revolving credits and trade financing	63,613,602	62,682,401	49,667,930	(36,043,660)	(25,495,956)
Repayment of finance lease payables	(4,741,979)	(5,659,782)	(8,932,776)	(8,968,514)	(6,957,829)
Proeeeds from issuance of shares	2,000,000	10,099,998	5,000,000	-	-
Repayment of hire purehase liabilities	(784,641)	(957,990)	-	-	-
(Inerease)/Release of fixed deposits pledged	(6,553,723)	(10,350,074)	(9,887,083)	24,358,689	15,388,126
Net cash from/(used in) financing activities	67,518,495	68,899,635	62,523,368	(12,670,400)	30,500,199
Net inerease/(deerease) in cash and eash equivalents	14,639,482	(21,625,654)	14,697,428	90,948,276	33,695,728
Effect of exehange differences	-	-	-	-	64,172
Cash and cash equivalents at beginning of the financial year/period	13,400,237	28,039,719	6,414,065	21,111,540	112,059,816
Cash and cash equivalents at end of the financial year/period	28,039,719	6,414,065	21,111,493	112,059,816	145,819,716
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances	35,756,165	18,830,410	36,326,771	118,029,973	149,875,773
Fixed deposits with licensed banks	39,099,842	44,204,330	54,335,967	29,977,278	14,589,152
Bank overdraft	(12,962,032)	(12,416,345)	(15,215,278)	(5,970,157)	(4,056,057)
	61,893,975	50,618,395	75,447,460	142,037,094	160,408,868
Less: Fixed deposits pledged to licensed banks	(33,854,256)	(44,204,330)	(54,335,967)	(29,977,278)	(14,589,152)
	28,039,719	6,414,065	21,111,493	112,059,816	145,819,716

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group

4.6.1 Property, Plant and Equipment

Cost	As at 1.1.2011 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Addition RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2011 RM
At Valuation									
Freehold building	3,087,639	-	(3,087,639)	-	-	-	-	-	-
Leasehold building	600,000	-	-	-	-	-	-	-	600,000
At Cost									
Computer equipment & software	4,228	-	-	-	9,800	-	-	-	14,028
Cabin	34,640	-	-	-	-	-	-	-	34,640
Crane		-	-	-	133,000	-	-	-	133,000
Electrical installation		-	-	-	-	-	-	-	-
Fire protection and security system	3,180	-	-	-	26,700	-	-	-	29,880
Freehold land and building	69,077,219	-	(33,414,071)		7,100,258	-	-	-	42,763,406
Leasehold land	-	-	-	-	2,179,398	-	-	-	2,179,398
Leasehold building	-	-	-	-	-	-	-	-	-
Furniture and fittings	2,731,641	-	-	-	608,428	-	-	-	3,340,069
Motor vehicles	25,697,236	-	-	-	6,136,077	(3,444,090)	-	-	28,389,223
Mould	-	-	-	-	-	-	-	-	-
Office equipment	2,304,287	-	-	-	479,539	(97,871)	-	366	2,686,321
Plant and equipment	4,977,615	-	-	-	3,244,312	(1,356,354)	-	-	6,865,573
Signboard	15,630	-	-	-	-	-	-	-	15,630
Skid Tank	9,600	-	-	-	-	-	-	-	9,600
Tool and equipment	-	-	-	-	-	-	-	-	-
	108,542,915	-	(36,501,710)	-	19,917,512	(4,898,315)	-	366	87,060,768

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 1.1.2011 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Charge for the financial year RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2011 RM
Accumulated depreciation									
At Valuation									
Freehold building	145,009	-	(145,009)	-	-	-	-	-	-
Leasehold building	17,225	-	-	-	12,000	-	-	-	29,225
At Cost									
Computer equipment & software	2,819	-	-	-	586	-	-	-	3,405
Cabin	20,295	-	-	-	3,101	-	-	-	23,396
Crane	-	-	-	-	13,300	-	-	-	13,300
Electrical installation	-	-	-	-	-	-	-	-	-
Fire protection and security system	239	-	-	-	2,988	-	-	-	3,227
Freehold land and building	2,050,830	-	(964,776)	-	771,005	-	-	-	1,857,059
Leasehold land	-	-	-	-	-	-	-	-	-
Leasehold building	-	-	-	-	-	-	-	-	-
Furniture and fittings	1,201,281	-	-	-	298,064	-	-	-	1,499,345
Motor vehicles	9,230,182	-	-	-	5,619,534	(1,782,031)	-	-	13,067,685
Mould	-	-	-	-	-	-	-	-	-
Office equipment	916,044	-	-	-	297,791	(19,552)	-	64	1,194,347
Plant and equipment	828,493	-	-	-	705,765	(279,585)	-	-	1,254,673
Signboard	1,755	-	-	-	1,549	-	-	-	3,304
Skid Tank	8,800	-	-	-	799	-	-	-	9,599
Tool and equipment	-	-	-	-	-	-	-	-	-
	14,422,972	-	(1,109,785)	-	7,726,482	(2,081,168)	-	64	18,958,565

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 31.12.2011 RM
Carrying amount	
At Valuation	
Freehold building	-
Leasehold building	570,775
At Cost	
Computer equipment & software	10,623
Cabin	11,244
Crane	119,700
Electrical installation	-
Fire protection and security system	26,653
Freehold land and building	40,906,347
Leasehold land	2,179,398
Leasehold building	-
Furniture and fittings	1,840,724
Motor vehicles	15,321,538
Mould	-
Office equipment	1,491,974
Plant and equipment	5,610,900
Signboard	12,326
Skid Tank	1
Tool and equipment	-
	68,102,203

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

Cost	As at 1.1.2012 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Addition RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2012 RM
At Valuation									
Freehold building	-	25,655,000	7,215,000	-	2,200,000	-	-	-	35,070,000
Leasehold building	600,000	1,657,926	1,742,074	-	-	-	-	-	4,000,000
At Cost									
Computer equipment & software	14,028	-	-	-	658,495	-	-	-	672,523
Cabin	34,640	-	-	-	8,300	-	-	-	42,940
Crane	133,000	-	-	-	327,000	-	-	-	460,000
Electrical installation	-	-	-	-	34,877	-	-	-	34,877
Fire protection and security system	29,880	-	-	-	132,048	-	-	-	161,928
Freehold land and building	42,763,406	(27,312,926)	-	-	21,151,270	(774,428)	-	-	35,827,322
Leasehold land	2,179,398	-	-	-	-	(2,179,398)	-	-	-
Leasehold building	-	-	-	-	1,630,620	-	-	-	1,630,620
Furniture and fittings	3,340,069	-	-	-	2,029,615	(3,763)	-	-	5,365,921
Motor vehicles	28,389,223	-	-	-	6,786,381	(7,091,418)	-	-	28,084,186
Mould	-	-	-	-	486,505	-	-	-	486,505
Office equipment	2,686,321	-	-	-	963,864	(19,128)	-	317	3,631,374
Plant and equipment	6,865,573	-	-	-	44,168,678	(1,379,733)	-	-	49,654,518
Signboard	15,630	-	-	-	69,100	(3,350)	-	-	81,380
Skid Tank	9,600	-	-	-	-	-	-	-	9,600
Tool and equipment	-	-	-	-	1,069,077	-	-	-	1,069,077
	87,060,768	-	8,957,074	-	81,715,830	(11,451,218)	-	317	166,282,771

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 1.1.2012 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Charge for the financial year RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2012 RM
Accumulated depreciation									
At Valuation									
Freehold building	-	1,497,444	-	-	256,550	-	-	-	1,753,994
Leasehold building	29,225	254,215	-	-	64,738	-	-	-	348,178
At Cost									
Computer equipment & software	3,405	-	-	-	31,535	-	-	-	34,940
Cabin	23,396	-	-	-	3,309	-	-	-	26,705
Crane	13,300	-	-	-	46,000	-	-	-	59,300
Electrical installation	-	-	-	-	2,325	-	-	-	2,325
Fire protection and security system	3,227	-	-	-	16,157	-	-	-	19,384
Freehold land and building	1,857,059	(1,751,659)	-	-	115,556	-	-	-	220,956
Leasehold land	-	-	-	-	-	-	-	-	-
Leasehold building	-	-	-	-	4,476	-	-	-	4,476
Furniture and fittings	1,499,345	-	-	-	425,609	316	-	-	1,925,270
Motor vehicles	13,067,685	-	-	-	3,143,817	(3,463,955)	-	-	12,747,547
Mould	-	-	-	-	3,266	-	-	-	3,266
Office equipment	1,194,347	-	-	-	383,410	(1,976)	-	99	1,575,880
Plant and equipment	1,254,673	-	-	-	1,055,347	(281,803)	-	-	2,028,217
Signboard	3,304	-	-	-	3,541	(741)	-	-	6,104
Skid Tank	9,599	-	-	-	-	-	-	-	9,599
Tool and equipment	-	-	-	-	26,727	-	-	-	26,727
	18,958,565	-	-	-	5,582,363	(3,748,159)	-	99	20,792,868

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 31.12.2012 RM
Carrying amount	
At Valuation	
Freehold building	33,316,006
Leasehold building	3,651,822
At Cost	
Computer equipment & software	637,583
Cabin	16,235
Crane	400,700
Electrical installation	32,552
Fire protection and security system	142,544
Freehold land and building	35,606,366
Leasehold land	-
Leasehold building	1,626,144
Furniture and fittings	3,440,651
Motor vehicles	15,336,639
Mould	483,239
Office equipment	2,055,494
Plant and equipment	47,626,301
Signboard	75,276
Skid Tank	1
Tool and equipment	1,042,350
	145,489,903

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

Cost	As at 1.1.2013 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Addition RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2013 RM
At Valuation									
Freehold building	35,070,000	-	-	-	-	-	-	-	35,070,000
Leasehold building	4,000,000	-	-	-	-	-	-	-	4,000,000
At Cost									
Computer equipment & software	672,523	-	-	-	391,345	(9,800)	-	-	1,054,068
Cabin	42,940	-	-	-	11,850	-	-	-	54,790
Crane	460,000	-	-	-	-	-	-	-	460,000
Electrical installation	34,877	-	-	-	2,474,745	-	-	-	2,509,622
Fire protection and security system	161,928	-	-	-	-	-	-	-	161,928
Freehold land and building	35,827,322	-	(15,032,059)	-	19,471,496	(469,250)	-	-	39,797,509
Leasehold building	1,630,620	-	-	-	210,001	-	-	-	1,840,621
Furniture and fittings	5,365,921	-	-	-	842,267	(40,960)	-	-	6,167,228
Motor vehicles	28,084,186	-	-	-	13,601,981	(1,292,117)	-	-	40,394,050
Mould	486,505	-	-	-	1,636,461	-	-	-	2,122,966
Office equipment	3,631,374	-	-	-	571,019	(4,898)	-	665	4,198,160
Plant and equipment	49,654,518	-	-	-	46,195,675	(840,204)	-	-	95,009,989
Signboard	81,380	-	-	-	12,740	-	-	-	94,120
Skid Tank	9,600	-	-	-	-	-	-	-	9,600
Tool and equipment	1,069,077	-	-	-	339,375	(106,500)	-	-	1,301,952
	166,282,771	-	(15,032,059)	-	85,758,955	(2,763,729)	-	665	234,246,603

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 1.1.2013 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Charge for the financial year RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2013 RM
Accumulated depreciation									
At Valuation									
Freehold building	1,753,994	-	-	-	350,700	-	-	-	2,104,694
Leasehold building	348,178	-	-	-	46,000	-	-	-	394,178
At Cost									
Computer equipment & software	34,940	-	-	-	120,230	(163)	-	-	155,007
Cabin	26,705	-	-	-	4,778	-	-	-	31,483
Crane	59,300	-	-	-	46,000	-	-	-	105,300
Electrical installation	2,325	-	-	-	6,759	-	-	-	9,084
Fire protection and security system	19,384	-	-	-	16,194	-	-	-	35,578
Freehold land and building	220,956	-	(200,914)	-	332,813	(34,086)	-	-	318,769
Leasehold building	4,476	-	-	-	36,053	-	-	-	40,529
Furniture and fittings	1,925,270	-	-	-	585,324	(3,413)	-	-	2,507,181
Motor vehicles	12,747,547	-	-	-	3,804,242	(1,003,719)	-	-	15,548,070
Mould	3,266	-	-	-	124,760	-	-	-	128,026
Office equipment	1,575,880	-	-	-	531,540	(2,376)	-	295	2,105,339
Plant and equipment	2,028,217	-	-	-	3,197,592	(88,465)	-	-	5,137,344
Signboard	6,104	-	-	-	7,773	-	-	-	13,877
Skid Tank	9,599	-	-	-	-	-	-	-	9,599
Tool and equipment	26,727	-	-	-	124,155	(9,375)	-	-	141,507
	20,792,868	-	(200,914)	-	9,334,913	(1,141,597)	-	295	28,785,565

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 31.12.2013 RM
Carrying amount	
At Valuation	
Freehold building	32,965,306
Leasehold building	3,605,822
At Cost	
Computer equipment & software	899,061
Cabin	23,307
Crane	354,700
Electrical installation	2,500,538
Fire protection and security system	126,350
Freehold land and building	39,478,740
Leasehold building	1,800,092
Furniture and fittings	3,660,047
Motor vehicles	24,845,980
Mould	1,994,940
Office equipment	2,092,821
Plant and equipment	89,872,645
Signboard	80,243
Skid Tank	1
Tool and equipment	1,160,445
	205,461,038

13. ACCOUNTANTS' REPORT *(Cont'd)*

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

Cost	As at 1.1.2014 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Addition RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2014 RM
At Valuation									
Freehold building	35,070,000	-	-	-	-	-	-	-	35,070,000
Leasehold building	4,000,000	-	-	-	-	-	-	-	4,000,000
				-					
At Cost				-					
Computer equipment & software	1,054,067	-	-	-	309,242	-	-	-	1,363,309
Cabin	54,790	-	-	-	-	-	-	-	54,790
Crane	460,000	-	-	-	-	-	-	-	460,000
Electrical installation	2,509,622	-	-	-	1,192,245	-	-	-	3,701,867
Fire protection and security system	161,928	-	-	-	-	-	-	-	161,928
Freehold land and building	39,797,509	-	-	(11,887,737)	1,827,954	-	-	-	29,737,726
Leasehold building	1,840,621	-	-	-	896,267	-	-	-	2,736,888
Furniture and fittings	6,167,228	-	-	-	1,119,783	(1,689)		-	7,285,322
Motor vehicles	40,394,050	-	-	-	5,500,736	(4,750,598)	(96,500)	-	41,047,688
Mould	2,122,966	-	-	-	1,014,615	-	-	-	3,137,581
Office equipment	4,198,161	-	-	-	371,072	(1,069,006)	-	313	3,500,540
Plant and equipment	95,009,989	-	-	-	4,463,384	(10,851,079)	(25,601)	-	88,596,693
Signboard	94,120	-	-	-	-	-	-	-	94,120
Skid Tank	9,600	-	-	-	-	-	-	-	9,600
Tool and equipment	1,301,952	-	-	-	56,774	-	-	-	1,358,726
	234,246,603	-	-	(11,887,737)	16,752,072	(16,672,372)	(122,101)	313	222,316,778

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 1.1.2014 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Charge for the financial year RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.12.2014 RM
Accumulated depreciation									
At Valuation									
Freehold building	2,104,694	-	-	-	350,647	-	-	-	2,455,341
Leasehold building	394,178	-	-	-	45,988	-	-	-	440,166
At Cost									
Computer equipment & software	155,007	-	-	-	197,451	-	-	-	352,458
Cabin	31,483	-	-	-	4,049	-	-	-	35,532
Crane	105,300	-	-	-	46,000	-	-	-	151,300
Electrical installation	9,084	-	-	-	356,721	-	-	-	365,805
Fire protection and security system	35,578	-	-	-	15,945	-	-	-	51,523
Freehold land and building	318,769	-	-	-	436,888	-	-	-	755,657
Leasehold building	40,529	-	-	-	41,858	-	-	-	82,387
Furniture and fittings	2,507,181	-	-	-	671,292	(278)	-	-	3,178,195
Motor vehicles	15,548,070	-	-	-	4,316,129	(3,276,171)	(96,499)	-	16,491,529
Mould	128,026	-	-	-	260,193	-	-	-	388,219
Office equipment	2,105,339	-	-	-	498,596	(512,933)	-	143	2,091,145
Plant and equipment	5,137,344	-	-	-	5,720,763	(2,756,111)	-	-	8,101,996
Signboard	13,877	-	-	-	8,122	-	-	-	21,999
Skid Tank	9,599	-	-	-	-	-	-	-	9,599
Tool and equipment	141,507	-	-	-	132,549	-	-	-	274,056
	28,785,565	-	-	-	13,103,191	(6,545,493)	(96,499)	143	35,246,907

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 31.12.2014 RM
Carrying amount	
At Valuation	
Freehold building	32,614,659
Leasehold building	3,559,834
At Cost	
Computer equipment & software	1,010,851
Cabin	19,258
Crane	308,700
Electrical installation	3,336,062
Fire protection and security system	110,405
Freehold land and building	28,982,069
Leasehold building	2,654,501
Furniture and fittings	4,107,127
Motor vehicles	24,556,159
Mould	2,749,362
Office equipment	1,409,395
Plant and equipment	80,494,697
Signboard	72,121
Skid Tank	1
Tool and equipment	1,084,670
	187,069,871

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

Cost	As at 1.1.2015 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Addition RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.8.2015 RM
At Valuation									
Freehold building	35,070,000	-	-	-	-	-	-	-	35,070,000
Leasehold building	4,000,000	-	-	-	-	-	-	-	4,000,000
At Cost									
Computer equipment & software	1,363,309	-	-	-	137,300	-	-	-	1,500,609
Cabin	54,790	-	-	-	-	-	-	-	54,790
Crane	460,000	-	-	-	-	-	-	-	460,000
Electrical installation	3,701,867	-	-	-	89,378	-	-	-	3,791,245
Fire protection and security system	161,928	-	-	-	-	-	-	-	161,928
Freehold land and building	29,737,726	-	-	-	141,396	-	-	-	29,879,122
Leasehold building	2,736,888	-	-	-	813,050	-	-	-	3,549,938
Furniture and fittings	7,285,322	-	-	-	295,589	-	-	-	7,580,911
Motor vehicles	41,047,688	-	-	-	9,309,262	(622,825)	-	-	49,734,125
Mould	3,137,581	-	-	-	603,315	-	-	-	3,740,896
Office equipment	3,500,540	-	-	-	160,113	(12,431)	-	2,238	3,650,460
Plant and equipment	88,596,693	-	-	-	2,485,574	-	-	-	91,082,267
Signboard	94,120	-	-	-	35,200	-	-	-	129,320
Skid Tank	9,600	-	-	-	-	-	-	-	9,600
Tool and equipment	1,358,726	-	-	-	4,288,926	-	-	-	5,647,652
	222,316,778	-	-	-	18,359,103	(635,256)	-	2,238	240,042,863

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 1.1.2015 RM	Prior Year Adjustment RM	Transfer to investment property RM	Transfer to Assets Held for Sale RM	Charge for the financial year RM	Disposal RM	Written Off RM	Exchange Rate Differences RM	As at 31.8.2015 RM
Accumulated depreciation									
At Valuation									
Freehold building	2,455,341	-	-	-	233,765	-	-	-	2,689,106
Leasehold building	440,166	-	-	-	30,658	-	-	-	470,824
At Cost									
Computer equipment & software	352,458	-	-	-	173,978	-	-	-	526,436
Cabin	35,532	-	-	-	2,344	-	-	-	37,876
Crane	151,300	-	-	-	30,667	-	-	-	181,967
Electrical installation	365,805	-	-	-	250,215	-	-	-	616,020
Fire protection and security system	51,523	-	-	-	10,795	-	-	-	62,318
Freehold land and building	755,657	-	-	-	301,045	-	-	-	1,056,702
Leasehold building	82,387	-	-	-	42,081	-	-	-	124,468
Furniture and fittings	3,178,195	-	-	-	500,500	-	-	-	3,678,695
Motor vehicles	16,491,529	-	-	-	3,605,418	(277,346)	-	-	19,819,601
Mould	388,219	-	-	-	226,006	-	-	-	614,225
Office equipment	2,091,145	-	-	-	289,296	(7,778)	-	1,307	2,373,970
Plant and equipment	8,101,996	-	-	-	3,797,818	-	-	-	11,899,814
Signboard	21,999	-	-	-	6,517	-	-	-	28,516
Skid Tank	9,599	-	-	-	-	-	-	-	9,599
Tool and equipment	274,056	-	-	-	93,582	-	-	-	367,638
	35,246,907	-	-	-	9,594,685	(285,124)	-	1,307	44,557,775

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

	As at 31.8.2015 RM
Carrying amount	
At Valuation	
Freehold building	32,380,894
Leasehold building	3,529,176
At Cost	
Computer equipment & software	974,173
Cabin	16,914
Crane	278,033
Electrical installation	3,175,225
Fire protection and security system	99,610
Freehold land and building	28,822,420
Leasehold building	3,425,470
Furniture and fittings	3,902,216
Motor vehicles	29,914,524
Mould	3,126,671
Office equipment	1,276,490
Plant and equipment	79,182,453
Signboard	100,804
Skid Tank	1
Tool and equipment	5,280,014
	195,485,088

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

(a) The aggregate additional cost for the PPE of the Group during the financial years and period under finance lease arrangement, hire purchase financing, term loan financing and cash payment are as follows:-

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Aggregate costs	14,110,299	76,098,738	84,041,245	16,752,072	18,359,103
Less: Deposit paid	-	(520,000)	-	-	-
Less: Term loan financing	-	(9,775,301)	-	-	-
Less: Finance lease financing	(4,514,100)	(13,613,479)	(15,387,800)	(4,395,600)	(8,994,743)
Less: Set off against amount owing by related party	-	-	(8,225,100)	-	-
Cash payment	9,596,199	52,189,958	60,428,345	12,356,472	9,364,360

(b) The carrying amount of PPE of the Group which have been pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 4.6.17 to the financial statements are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Freehold land and buildings	24,818,080	50,469,033	59,599,387	55,172,063	54,812,167
Leasehold buildings	3,154,882	6,166,278	6,067,812	3,559,834	6,764,176
	27,972,962	56,635,311	65,667,199	58,731,897	61,576,343

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.1 Property, Plant and Equipment (Cont'd)

(c) The carrying amount of the PPE of the Group acquired under finance lease financing and term loan financing is as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Freehold land and building	-	8,920,822	8,920,822	5,258,185	5,258,185
Motor vehicles	9,053,297	6,977,234	11,195,033	16,179,174	19,821,380
Plant and machinery	-	24,264,452	39,284,709	61,288,706	58,123,664
Factory equipment	-	312,808	547,346	777,437	640,831
	9,053,297	40,475,316	59,947,910	83,503,502	83,844,060

(d) The carrying amount of the PPE which were acquired under Director's name and held in trust for the Group are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Motor vehicles	3,158,016	1,769,892	922,876	428,677	463,444

(e) The carrying amount of the property, plant and machinery of the Group pending strata title are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Freehold building	22,897,773	27,014,825	31,048,623	32,357,434	32,135,329

(f) Revaluation of land and buildings

Land and buildings of PP Chin Hin were re-valued on March 2013, by Messrs. CH Williams Talhar & Wong, an independent professional valuer. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolesces. There has been no change to the valuation technique during the financial periods.

Had the land and buildings of PP Chin Hin been carried at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been RM28,336,838 (FYE 2014: RM28,721,473, FYE 2013: RM29,106,108, FYE 2012: RM29,490,808 and FYE 2011: RM27,580,517)

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.2 Investment Properties

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At Cost / Fair value					
At 1 January	-	44,360,525	77,704,557	98,688,726	95,675,899
Fair value adjustments	-	19,071,747	9,155,786	5,878,068	-
Transfer from property, plant and equipment	36,501,710	-	15,032,059	-	-
Transfer from/(to) asset held for sales	-	-	-	(5,210,469)	7,496,140
Additions	9,404,113	18,784,905	1,097,165	21,932	62,587
Disposals	-	(4,512,620)	(3,877,327)	(3,702,358)	-
Elimination on accumulated amortisation on revaluation	-	-	(423,514)	-	-
At 31 December / 31 August	45,905,823	77,704,557	98,688,726	95,675,899	103,234,626
Accumulated amortisation					
At 1 January	-	-	95,400	-	-
Transfer from property, plant and equipment	1,109,785	-	200,914	-	-
Charge for the financial years/period	435,513	95,400	127,200	-	-
Elimination on accumulated amortisation on revaluation	-	-	(423,514)	-	-
At 31 December / 31 August	1,545,298	95,400	-	-	-
Carrying amount					
At 31 December / 31 August	44,360,525	77,609,157	98,688,726	95,675,899	103,234,626
Included in the above are:					
At Fair value					
Freehold land	-	2,354,536	7,109,594	-	-
Freehold land and building	-	54,837,810	51,379,586	70,902,753	73,927,540
Freehold condominium	-	2,850,004	3,837,200	-	-
Leasehold land	-	12,240,269	14,300,000	-	-
Leasehold land and building	-	-	-	20,000,000	20,000,000
Factory building	-	-	17,044,942	-	-
Warehouse	-	1,236,538	927,404	683,146	683,146
	-	73,519,157	94,598,726	91,585,899	94,610,686
At Cost					
Freehold land	2,354,536	-	-	-	-
Freehold land and building	37,566,601	4,090,000	4,090,000	4,090,000	8,623,940
Freehold condominium	2,911,753	-	-	-	-
Warehouse	1,527,635	-	-	-	-
	44,360,525	4,090,000	4,090,000	4,090,000	8,623,940
	44,360,525	77,609,157	98,688,726	95,675,899	103,234,626

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.2 Investment Properties (Cont'd)

(a) Fair value basis of investment properties

The investment properties are valued annually at fair value based on market values determined by two independent firms of professional valuers, VPC Alliance (KL) Sdn Bhd and Messrs. CH Williams Talhar & Wong. The fair values are within level 2 of the fair value hierarchy. The fair value have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

(b) Income recognised in profit or loss

The rental income earned by the Group from its investment properties amounted to RM2,930,437 (FYE 2014: RM4,327,835, FYE 2013: RM4,931,517, FYE 2012: RM3,823,397 and FYE 2011: RM3,159,186).

(c) Investment properties pledged as securities to financial institutions

The Group has pledged the following investment properties to licensed banks to secure banking facilities granted to the Group.

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Investment properties	35,249,944	68,054,652	97,213,727	53,675,899	61,172,039

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.3 Investment in Associates

(a) Investment in associates

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Unquoted shares, at cost:					
In Malaysia					
Investment in associates	200,000	200,000	-	-	-

(b) Details of the associates and shareholdings therein are as follows:

Name of Associates	Country of Incorporation	Principal Activity	Equity Interest (%) 2011	2012	2013	2014	2015
Chin Hin Concrete Sdn. Bhd.	Malaysia	Dormant	40%	40%	-	-	-
Chin Hin Building Material Supply (JB) Sdn. Bhd.	Malaysia	Dormant	20%	20%	-	-	-

(c) The summarised financial information of the associates, not adjusted for the percentage of ownership need by the Group is as follows:-

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Assets and liabilities					
Non-current assets	51,949	20,567	-	-	-
Current assets	2,068,923	2,178,391	-	-	-
Total assets	2,120,872	2,198,958	-	-	-
Current liabilities	(177,391)	(30,987)	-	-	-
Total net assets	1,943,481	2,167,971	-	-	-
Results					
Net loss for the financial years/period	(77,603)	(46,620)	-	-	-

On 24 July 2013, PP Chin Hin has disposed of its 100,000 ordinary shares of RM1.00 each representing 40% equity interest in Chin Hin Concrete Sdn Bhd for a total cash consideration of RM100,000.

On 30 December 2013, PP Chin Hin has disposed of its 100,000 ordinary shares of RM1.00 each representing 40% equity interest in Chin Hin Building Material Supply (JB) Sdn Bhd for a total cash consideration of RM100,000.

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.4 Deferred Tax Assets/Liabilities

Deferred Tax Assets

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At 1 January	52,610	33,949	91,936	-	-
Recognised in profit or loss	(18,661)	57,987	(91,936)	-	-
At 31 December /31 August	33,949	91,936	-	-	-

The net deferred tax assets shown on the statements of financial position after appropriate offsetting are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Deferred tax assets	33,949	117,565	-	-	-
Deferred tax liabilities	-	(25,629)	-	-	-
	33,949	91,936	-	-	-

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.4 Deferred Tax Assets/Liabilities (Cont'd)

Deferred Tax Liabilities

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At 1 January	1,007,919	1,084,579	1,744,998	2,787,186	4,122,547
Recognised in profit or loss	76,660	603,407	584,398	(612,098)	1,005,199
Revaluation of investment properties	-	57,012	457,790	285,000	-
Under provision in prior year	-	-	-	1,662,459	90,425
At 31 December /31 August	1,084,579	1,744,998	2,787,186	4,122,547	5,218,171

The net deferred tax liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Deferred tax liabilities	1,189,939	3,174,094	4,968,196	6,599,331	12,806,538
Deferred tax assets	(105,360)	(1,429,096)	(2,181,010)	(2,476,784)	(7,588,367)
	1,084,579	1,744,998	2,787,186	4,122,547	5,218,171

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.4 Deferred Tax Assets/Liabilities (Cont'd)

The components of deferred tax liabilities are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Accelerated capital allowances	-	1,200,446	-	-	-
Revaluation of investment properties	-	-	457,790	403,250	-
Differences between carrying amount of PPE and their tax base	1,189,939	1,973,648	4,510,406	6,196,081	12,806,538
	1,189,939	3,174,094	4,968,196	6,599,331	12,806,538

The components of deferred tax assets are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Unutilised capital allowances	-	1,429,096	1,808,210	1,706,404	6,634,297
Unabsorbed tax losses	-	-	372,800	761,500	761,500
Other temporary differences	105,360	-	-	8,880	192,570
	105,360	1,429,096	2,181,010	2,476,784	7,588,367

Deferred tax assets have not been recognised in respect of the following temporary differences:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Unutilised capital allowances	712,829	1,084,805	1,613,360	4,688,532	11,444,300
Unabsorbed tax losses	211,159	3,573,472	6,548,400	1,760,800	10,694,300
	923,988	4,658,277	8,161,760	6,449,332	22,138,600

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.5 Inventories

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At Cost					
Raw materials	1,156,147	10,187,168	23,973,482	20,702,034	25,452,889
Goods in transit	95,583	-	-	3,208,987	-
Work-in-progress	-	2,103,270	2,087,754	2,410,298	1,791,220
Finished goods	-	2,002,226	4,978,140	11,800,016	12,075,932
Spare parts and accessories	-	-	47,771	-	-
Consumables	2,376,225	3,186,391	7,546,968	5,979,264	6,768,886
	3,627,955	17,479,055	38,634,115	44,100,599	46,088,927
At Net Realisable Value					
Scrap	-	-	28,302	53,300	63,983
	3,627,955	17,479,055	38,662,417	44,153,899	46,152,910

4.6.6 Property Development Expenditure

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At 1 January					
Land	-	8,336,000	-	-	-
Development costs	-	4,085,738	-	-	-
	-	12,421,738	-	-	-
Add:					
Land	8,336,000	-	-	-	-
Development costs incurred	4,085,738	6,158,262	-	-	-
				-	-
Less:			-	-	-
Progress payment received	(1,361,000)	(18,580,000)	-	-	-
At 31 December / 31 August	11,060,738	-	-	-	-

4.6.7 Assets Held for Sales

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At 1 January	-	-	-	-	15,794,057
Transfer from PPE	-	-	-	11,887,737	-
Transfer from investment properties	-	-	-	5210,469	-
Addition	-	-	-	719,120	-
Disposal	-	-	-	(2,023,269)	(4,635,280)
Reversal to investment properties	-	-	-	-	(7,496,140)
At 31 December / 31 August	-	-	-	15,794,057	3,662,637

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.8 Trade Receivables

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Trade receivables					
- Third parties	248,854,776	278,310,079	312,737,544	299,357,046	284,275,302
- Related parties	4,366,349	1,900,256	19,979,754	618,086	34,770,099
	253,221,125	280,210,335	332,717,298	299,975,132	319,045,401
Less: Accumulated Impairment losses	(7,560,245)	(7,498,523)	(8,610,074)	(8,697,559)	(10,585,078)
	245,660,880	272,711,812	324,107,224	291,277,573	308,460,323

The Group's normal trade credit terms are range from 60 to 90 days (FYE 2014: 60 to 90 days, FYE 2013: 60 to 90 days, FYE 2012: 60 to 90 days and FYE 2011: 60 to 90 days) term. Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related parties refer to a company in which the Directors of the Group have substantial financial interests. The amount owing by related party represents unsecured, interest free advances and repayable on demand.

Movements in impairment on trade receivables are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
At 1 January	5,107,966	7,560,245	7,498,523	8,610,074	8,697,559
Impairment losses recognised	2,528,999	343,428	2,827,389	1,185,026	2,844,428
Reversal of impairment	(76,602)	(235,068)	(743,752)	(1,097,541)	(956,909)
Written off	(118)	(170,082)	(972,086)	-	-
At 31 December /31 August	7,560,245	7,498,523	8,610,074	8,697,559	10,585,078

Analysis of the trade receivables ageing as at the end of the financial years/ period is as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Neither past due nor impaired	214,646,911	226,157,106	257,762,649	135,892,979	256,987,264
Past due not impaired:					
Less than 30 days	12,868,694	25,158,758	36,584,240	66,894,055	26,995,206
31 to 60 days	10,016,930	5,942,429	8,217,798	50,464,758	7,171,326
More than 60 days	8,128,345	15,453,519	21,542,538	38,025,781	17,306,527
	245,660,880	272,711,812	324,107,225	291,277,573	308,460,323
Impaired	7,560,245	7,498,523	8,610,074	8,697,559	10,585,078
	253,221,125	280,210,335	332,717,299	299,975,132	319,045,401

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.8 Trade Receivables (Cont'd)

As at 31 August 2015, trade receivables of the Group amounting to RM51,473,059 (FYE 2014: RM155,384,594, FYE 2013: RM66,344,576, FYE 2012: RM46,554,706 and FYE 2011: RM31,013,969) respectively were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM10,585,078 (FYE 2014: RM8,697,559, FYE 2013: RM8,610,074, FYE 2012: RM7,498,523 and FYE 2011: RM7,560,245) respectively, relate to customers that are in financial difficulties, have defaulted on payments and/ or have disputed on the billings. These balances are expected to be recovered through the debt recovery process.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial years/period.

4.6.9 Other Receivables

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Other receivables					
- Third parties	23,205,855	34,775,824	8,574,280	9,025,821	14,353,048
- Related parties	1,982,809	22,241,512	17,120,932	5,297,812	482,518
Deposits	12,639,417	5,267,924	2,001,534	1,240,260	1,506,990
Prepayments	3,565,074	1,492,488	2,603,190	3,381,631	5,806,137
	41,393,155	63,777,748	30,299,936	18,945,524	22,148,693

Related parties refer to the companies in which certain Directors of the Group and of the Group have substantial financial interests. The amount owing by related parties is non-trade in nature, unsecured, interest free and repayable on demand.

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.10 Hire Purchase Receivables

Hire purchase facilities granted to customer are based on credit procedures and policies set by the Group in accordance with Hire-Purchase Act 1967.

The hire purchase receivables of the Group are charge at interest rates ranging from 5% to 18% (FYE 2014: 5% to 18%, FYE 2013: 5% to 18%, FYE 2012: 5% to 18% and FYE 2011: 5% to 18%) per annum.

4.6.11 Amount Owing by/(to) Associate Companies

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

4.6.12 Amount Owing by/(to) Shareholders

The amount is non-trade in nature, unsecured, interest free and repayable on demand.

4.6.13 Amount Owing by/(to) Directors

The amount is non-trade in nature, unsecured, interest free and repayable on demand.

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.14 Derivative Financial Assets

	FYE 2011		FYE 2012		FYE 2013		FYE 2014		FPE 2015	
	Contract/ Notional amount USD	Financial Assets RM	Contract/ Notional amount USD	Financial Assets RM	Contract/ Notional amount USD	Financial Assets RM	Contract/ Notional amount USD	Financial Assets RM	Contract/ Notional amount USD	Financial Assets RM
Non hedging derivative:										
Current										
Foreign currency contracts	-	-	-	-	-	-	2,200,500	4,625	1,561,000	585,802

The Group has forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's purchases denominated in USD for which firm commitments existed at the end of the reporting period, extended to September 2015.

During the FPE 2015, the Group recognised a gain of RM581,177 (FYE 2014: RM55,125; FYE 2013: Nil; FYE 2012: Nil; FYE 2011: Nil) arising from fair value changes of derivative financial assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.15 Fixed Deposits with Licensed Banks

The fixed deposit of the Group has been pledged with licensed banks as security for credit facilities granted to the Group as disclosed in Note 4.6.17.

The interest rate and maturities of deposits range from 2.7% to 4.0% (FYE 2014: 2.55% to 3.20%, FYE 2013: 2.55% to 3.30% , FYE 2012: 3.00% to 3.30% and FYE 2011: 2.75% to 3.30%) per annum and 30 to 365 days (FYE 2014: 30 to 365 days, FYE 2013: 30 to 365 days , FYE 2012: 30 to 365 days and FYE 2011: 30 to 365 days) respectively.

4.6.16 Share Capital

The share capital balances as at FYE 2011 represents the issued share capital of PP Chin Hin, PP Chin Hin (SG), C&H Transport, Chin Hin Concrete (KL), Chin Hin Concrete (North), Pintar Sinar and Ace Logistic.

The share capital balances as at FYE 2012 and FYE 2013 represents the issued share capital of PP Chin Hin, PP Chin Hin (SG), C&H Transport, Chin Hin Concrete, G-Cast Concrete, Green Cement, Comet Steel and Ace Logistic.

The share capital balances as at FYE 2014 and FPE 2015 represents the issued share capital of the entire Chin Hin Group which consisted of 442,690,100 number of shares at RM0.50 per share.

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.

4.6.17 Bank Borrowings

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Non-current					
Secured					
Term loan	13,232,296	21,865,087	40,348,015	46,711,849	81,834,517
Current					
Secured					
Bank overdraft	12,962,032	12,416,344	15,215,280	5,970,157	4,056,057
Banker acceptance	213,345,000	283,744,000	343,287,620	307,243,960	270,894,004
Revolving credit	1,500,000	1,500,000	2,000,000	2,000,000	6,000,000
Term loans	837,567	9,631,559	7,315,928	8,935,178	28,232,368
Trade financing	7,133,289	(132,310)	-	-	-
	235,777,888	307,159,593	367,818,828	324,149,295	309,182,429
	249,010,184	329,024,680	408,166,843	370,861,144	391,016,946

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.17 Bank Borrowings (Cont'd)

The bank borrowings are secured by the following:

(a) Legal charge on the freehold land and building as disclosed in Note 4.6.1 and investment properties as disclosed in Note 4.6.2;

(b) Pledged of fixed deposits of the Group as disclosed in Note 4.6.15;

(c) Joint and several guarantees by the Group's Directors;

(d) Corporate guarantee by certain subsidiaries;

(e) Debenture incorporating fixed or floating charges over all present and future assets of the Group; and

(f) Legal charge over shop offices of a subsidiary company and deed of assignment of rental proceeds (present and future) derived from the shop offices.

The average effective interest rates per annum are as follows:-

	FYE 2011 %	FYE 2012 %	FYE 2013 %	FYE 2014 %	FPE 2015 RM
Bank overdraft	4.08-8.10	3.41-8.10	3.41-8.10	3.41-8.10	6.80-8.35
Banker acceptance	3.41-7.65	4.09-5.05	4.08-5.05	3.52-5.54	4.15-5.56
Revolving credit	3.95	3.95	4.59-4.71	4.71-5.15	4.77-5.27
Term loans	4.35	4.30-8.60	4.30-8.60	4.90-6.14	5.00-6.23

[The rest of this page is intentionally left blank]

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.17 Bank Borrowings (Cont'd)

Maturity of bank borrowings is as follows:

	Within 1 year RM	1-2 years RM	2-5 years RM	After 5 years RM	Total RM
FYE 2011					
Bank overdraft	12,962,032	-	-	-	12,962,032
Banker acceptance	213,345,000	-	-	-	213,345,000
Revolving credit	1,500,000	-	-	-	1,500,000
Term loan	837,567	907,503	3,203,007	9,121,786	14,069,863
Trade financing	7,133,289	-	-	-	7,133,289
	235,777,888	907,503	3,203,007	9,121,786	249,010,184
FYE 2012					
Bank overdraft	12,416,344	-	-	-	12,416,344
Banker acceptance	283,744,000	-	-	-	283,744,000
Revolving credit	1,500,000	-	-	-	1,500,000
Term loan	9,631,559	4,752,036	6,473,296	10,639,755	31,496,646
Trade financing	(132,310)	-	-	-	(132,310)
	307,159,593	4,752,036	6,473,296	10,639,755	329,024,680
FYE 2013					
Bank overdraft	15,215,280	-	-	-	15,215,280
Banker acceptance	343,287,620	-	-	-	343,287,620
Revolving credit	2,000,000	-	-	-	2,000,000
Term loan	7,315,928	7,271,603	20,174,525	12,901,887	47,663,943
Trade financing	-	-	-	-	-
	367,818,828	7,271,603	20,174,525	12,901,887	408,166,843
FYE 2014					
Bank overdraft	5,970,157	-	-	-	5,970,157
Banker acceptance	307,243,960	-	-	-	307,243,960
Revolving credit	2,000,000	-	-	-	2,000,000
Term loan	8,935,178	8,914,800	26,399,720	11,397,329	55,647,027
Trade financing	-	-	-	-	-
	324,149,295	8,914,800	26,399,720	11,397,329	370,861,144
FPE 2015					
Bank overdraft	4,056,057	-	-	-	4,056,057
Banker acceptance	270,894,004	-	-	-	270,894,004
Revolving credit	6,000,000	-	-	-	6,000,000
Term loan	28,232,368	33,123,286	41,326,636	7,384,595	110,066,885
Trade financing	-	-	-	-	-
	309,182,429	33,123,286	41,326,636	7,384,595	391,016,946

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.18 Finance Lease Payables

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Minimum finance lease payments:					
Within one year	4,566,625	6,802,318	9,092,692	10,320,887	11,462,515
Between one and five years	5,553,811	14,862,094	19,403,168	12,721,070	13,758,683
	10,120,436	21,664,412	28,495,860	23,041,957	25,221,198
Less: Future finance charges	(846,037)	(2,098,825)	(2,475,249)	(1,594,260)	(1,736,587)
Present value of minimum finance lease payments	9,274,399	19,565,587	26,020,611	21,447,697	23,484,611
Present value of minimum finance lease payments:					
Within one year	4,031,392	5,850,234	7,868,333	9,378,926	10,495,988
Between one and five years	5,243,007	13,715,353	18,152,278	12,068,771	12,988,623
	9,274,399	19,565,587	26,020,611	21,447,697	23,484,611
Analyse as:					
Repayable within twelve months	4,031,392	5,850,234	7,868,333	9,378,926	10,495,988
Repayable after twelve months	5,243,007	13,715,353	18,152,278	12,068,771	12,988,623
	9,274,399	19,565,587	26,020,611	21,447,697	23,484,611

The finance lease liabilities of the Group are charged at interest rates ranging from 2.60% to 3.79% (FYE 2014: 2.60% to 3.82%, FYE 2013: 2.38% to 3.90%, FYE 2012: 2.70% to 7.10% and FYE 2011: 2.74% to 4.84%) per annum.

4.6.19 Trade Payables

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Trade payables					
- Third parties	96,815,109	118,075,972	153,102,776	137,062,483	136,987,118
- Related parties	761,926	6,348,796	1,109,785	1,711,008	3,104,392
	97,577,035	124,424,768	154,212,561	138,773,491	140,091,510

The normal trade credit terms granted to the Group range from 30 to 90 days (FYE 2014: 30 to 90 days, FYE 2013: 14 to 90 days, FYE 2012: 14 to 90 days and FYE 2011: 14 to 90 days) respectively. Other credit terms are assessed and approved on a case by case basis.

Related parties refer to companies in which certain Directors of the Group have substantial financial interests. The amount owing to related parties represents unsecured, interest free advances and repayable on demand.

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.20 Other Payables

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Other payables					
- Third parties	717,767	23,371,011	10,850,782	13,364,595	13,865,128
- Related parties	9,587,816	730,227	16,602,769	779,847	1,537,062
Accruals	6,044,939	3,315,796	4,325,664	5,291,859	3,486,821
Deposits received	940,328	960,969	1,080,092	1,111,403	1,240,239
	17,290,850	28,378,003	32,859,307	20,547,704	20,129,250

Related parties refer to companies in which certain Directors of the Group have substantial financial interests. The amount owing to related parties is non-trade in nature, unsecured, interest free and repayable on demand.

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.21 Derivative Financial Liabilities

	FYE 2011		FYE 2012		FYE 2013		FYE 2014		FPE 2015	
	Contract/ Notional amount USD	Financial Liability RM	Contract/ Notional amount USD	Financial Liability RM	Contract/ Notional amount USD	Financial Liability RM	Contract/ Notional amount USD	Financial Liability RM	Contract/ Notional amount USD	Financial Liability RM
Non hedging derivative:										
Current										
Foreign currency contract	-	-	-	-	500,000	50,500	-	-	-	-

The Group has forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's purchases denominated in USD for which firm commitments existed in FYE 2013 and ended in January 2014.

During FPE 2015, there was no loss (FYE 2014: Nil, FYE 2013: RM50,500, FYE 2012: Nil; FYE 2011: Nil) arising from fair value changes of derivative liabilities. The fair value changes attributable to a previous financial year were due to change in foreign exchange spot and forward rates.

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.22 Revenue

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Sales of goods	987,431,266	1,002,273,466	1,190,334,275	1,184,305,220	793,319,044
Property development revenue	-	18,580,000	-	-	-
Management fees	-	320,000	160,000	-	-
Rental income	3,159,186	3,733,397	4,631,517	4,327,835	2,930,437
Transportation activities	23,406,449	20,631,571	24,840,244	30,527,646	20,641,197
Interest from hire purchase receivables	599,856	569,716	449,580	257,449	89,292
	1,014,596,757	1,046,108,150	1,220,415,616	1,219,418,150	816,979,970

4.6.23 Finance Costs

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Interest expense on:					
Banker acceptance	6,842,243	9,553,935	11,718,346	12,491,634	8,900,716
Finance lease	805,229	771,406	1,268,827	1,358,480	1,007,671
Bank overdraft	391,093	889,866	969,015	1,103,183	595,921
Bank guarantee interest	-	-	-	51,943	64,980
Letter of credit	-	-	-	-	7,971
Revolving credit	99,847	394,055	192,779	74,520	222,000
Trust receipt	12,163	-	-	-	20
Term loans	477,177	(168,921)	585,277	3,145,297	2,645,656
Trade financing	-	60,754	-	-	7,797
Other interests	436	146,814	26,223	49,267	1,538
Related party companies	-	-	-	742,089	147,009
	8,628,188	11,647,909	14,760,467	19,016,413	13,601,279
Cost recognised under Cost of Sales ("COS")	-	(135,023)	(303,494)	(314,493)	(145,809)
	8,628,188	11,512,886	14,456,973	18,701,920	13,455,470

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.24 Profit before Taxation

Profit before taxation is derived at after charging /(crediting):

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Amortisation of investment properties	-	95,400	127,200	-	-
Auditor remuneration					
- Current year	82,120	149,879	241,194	244,228	182,106
- Under/(Over) provision in prior year	2,500	(500)	(6,418)	-	(17,900)
- Special engagement	3,000	-	-	98,586	-
Bad debts written off	398,382	2,759,566	289,315	2,734,848	-
Bad debts recovered	(3,500)	(53,356)	(606,629)	(6,150)	(1,140)
Depreciation of PPE	7,725,409	5,582,363	9,381,472	13,103,191	9,594,685
Deposits written off	-	-	158,400	-	-
Director remuneration	1,327,227	662,446	257,917	760,480	1,166,624
Dividend income	-	(60)	-	-	-
Fair value adjustment on investment properties	-	(19,071,747)	(8,697,996)	(5,878,068)	-
Hiring charges	4,800	-		-	-
Impairment on investment in subsidiary companies	-	-	100,000	-	-
Impairment on trade receivables	2,528,999	343,428	2,827,388	1,185,026	2,844,428
Incorporation fees	-	-	-	2,550	-
Interest income					
-Bank interest income	-	(23,366)	(17,146)	(36,225)	(29,528)
-Fixed deposit	(719,976)	(1,571,218)	(1,282,655)	(1,086,061)	(509,388)
-Loan	(182,202)	(34,094)	(123,384)	(80,859)	(9,465)
-Overdue account	(43,963)	(51,622)	(256,147)	(776,624)	(277,173)
-Other interest	-	(676,223)	(1,161,760)	(154,130)	(25,428)
Inventories written off	-	-	-	69,624	18,587
Gain on disposal of PPE	(1,353,606)	(2,412,912)	(559,113)	(323,862)	(15,054)
Gain on disposal of investment properties	-	-	(2,511,991)	(3,711,958)	-
Gain on disposal of assets held for sale	-	-	-	(1,220,689)	(364,720)
Loss/(Gain) on disposal of investments	165,395	-	-	-	-
Loss/(Gain) on derivative financial liability/asset	-	-	50,500	(55,125)	(581,177)
Loss on disposal of subsidiary	-	-	-	549,998	-
Other investment written off	-	-	3,000	-	-

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.24 Profit before Taxation (Cont'd)

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
PPE written off	1,067	-	9,637	25,602	-
Preliminary expenses	4,906	7,650	-	-	-
Realised (gain)/loss on foreign exchange	-	-	-	(895)	50,288
Unrealised (gain)/loss on foreign exchange	-	-	(27,352)	-	(138,947)
Rental income	(272,900)	(173,240)	(528,185)	(1,341,092)	(2,179,918)
Rental of office	30,000	75,600	108,950	-	-
Rental of land	864,992	625,018	1,033,826	266,051	159,000
Rental of plant	511,883	381,825	414,270	161,070	-
Rental of car park	18,000	18,000	26,400	29,100	23,700
Rental of motor vehicles	-	-	327,988	517,416	344,944
Rental of machinery	107,101	42,189	94,161	30,890	2,730
Rental of hostel	43,004	18,365	17,535	57,572	67,340
Rental of equipment	48,002	35,694	153,272	135,868	73,993
Rental of premises	190,600	689,702	859,925	703,509	839,950
Reversal of allowance for doubtful debts	(76,602)	(235,068)	(225,000)	(1,097,541)	(956,909)
Stock pilferage	-	333,705	-	-	-
Waiver of debts by other payables	-	-	-	(116,320)	-

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.25 Taxation

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Tax expense for the financial year:					
Current tax provision	7,958,955	7,963,174	8,036,902	11,827,132	6,384,772
Over provision in prior year	(98,420)	(1,962,227)	(843,454)	(133,325)	(1,297,823)
	7,860,535	6,000,947	7,193,448	11,693,807	5,086,949
Deferred tax:					
Relating to origination and reversal of timing differences	95,321	602,432	1,258,517	(327,098)	1,007,097
Crystallisation of deferred tax liability arising from revaluation of leasehold building	-	-	(4,893)	-	-
(Over)/Under provision in prior years	-	-	(577,290)	1,662,459	88,527
	95,321	602,432	676,334	1,335,361	1,095,624
	7,955,856	6,603,379	7,869,782	13,029,168	6,182,573

For those companies within the Group with paid-up share capital of RM2.50 million or below at the beginning of the basis period for a year of assessment, the income tax is calculated at the statutory rate of 20% on the first RM500,000 and 25% on the balance of chargeable income based on the estimated assessable profit for FYE 2011, FYE 2012, FYE 2013, FYE 2014 and FPE 2015 respectively.

For those companies within our Group with paid-up share capital of more than RM2.50 million at the beginning of the basis period for a year of assessment, the income tax is calculated at the statutory rate of 25% on the chargeable income based on the estimated assessable profit for FYE 2011, FYE 2012, FYE 2013, FYE 2014 and FPE 2015 respectively.

The income tax of PP Chin Hin (SG) is calculated at the statutory rate of 17% on the chargeable income based on the estimated assessable profit for FYE 2011, FYE 2012, FYE 2013, FYE 2014 and FPE 2015 respectively.

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.25 Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Profit before taxation	27,076,965	41,197,366	37,321,564	43,215,175	26,187,764
Taxation at statutory tax rate of 20% or 25%	6,593,767	10,341,649	9,174,237	10,803,795	6,546,941
Taxation at statutory tax rate of 17%	119,322	41,192	106,220	-	-
Deductible temporary differences	36,410	57,012	-	-	-
Effects of partial tax exemption and tax relief	(59,977)	(42,836)	(58,107)	(42,490)	-
Expenses not deductible for tax purposes	1,219,176	2,195,739	2,497,284	5,284,426	3,335,318
Income not subject to tax	-	(4,767,936)	(2,832,670)	(2,417,102)	(338,447)
Crystallisation of deferred tax liability arising from revaluation of leasehold building	-	-	(4,893)	-	-
Under/(Over) provision of income tax expenses in prior years	-	-	(843,391)	(133,325)	(1,297,823)
Under/(Over) provision of deferred tax expenses in prior years	(98,420)	(1,962,227)	(577,290)	1,662,459	88,527
Tax incentive for SME in Malaysia of 5%	15,254	15,045	(54,790)	(50,555)	-
Corporate tax rebate	-	-	-	-	(21,012)
Deferred tax assets not recognised	130,324	80,187	891,450	(1,430,276)	(2,220)
Unutilised capital allowances	-	-	(428,268)	(647,764)	(2,128,711)
Unabsorbed tax losses	-	645,554	-	-	-
	7,955,856	6,603,379	7,869,782	13,029,168	6,182,573

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.26 Dividends

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
A first single tier interim dividend of 99.3% for the FYE 2014	-	-	-	29,800,000	-

Payment of the first interim single tier dividend of RM0.993 per ordinary share has been contra against the disposal of PP Chin Hin Realty Sdn Bhd on 1 July 2014.

4.6.27 Staff Costs

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Staff costs (excluding Directors)	15,364,923	25,434,956	31,744,123	32,228,199	22,955,339

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM2,384,413 (FYE 2014: RM3,045,895, FYE 2013: RM2,657,919, FYE 2012: RM1,964,584 and FYE 2011: RM957,869) respectively.

4.6.28 Related Party Disclosures

(a) Identifying related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiary company of the Group.

The Group has related party relationship with its subsidiaries, associates, Directors' related companies and key management personnel.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.28 Related Party Disclosures (Cont'd)

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the significant related party transactions of the Group are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Transaction within subsidiary companies					
- Sales of goods	74,899,737	54,966,798	197,569,091	80,824,008	52,053,785
- Purchase of goods	74,899,737	54,966,798	197,569,091	79,164,008	47,496,785
- Interest income	-	1,087,053	333,461	86,777	39,169
- Rental income	-	270,000	300,000	612,370	756,644
- Management fee	-	600,000	800,000	1,300,000	4,550,000
- Transportation fee	-	-	-	-	70,865
Transactions with companies in which Directors of the Group has interest					
- Sales of goods	54,638,266	69,882,600	83,763,510	29,190,935	2,791,419
- Purchase of goods	18,029,414	47,875,717	79,324,819	36,257,048	8,313,155
- Sales of land	-	-	-	2,354,536	-
- Management fee	-	320,000	-	-	-
- Rental income	376,350	904,300	1,365,038	1,587,674	1,335,760
- Rental expense	-	5,570,386	75,000	120,000	940,198
- Insurance and road tax payment		-	-	567,019	316,613
- Transportation fee	1,209,455	4,152,072	8,411,486	15,988,191	9,820,373
- Purchase of motor vehicle	-	-	-	200,000	-
- Disposal of motor vehicle	-	-	-	200,000	-

(c) Information regarding outstanding balances arising from related party transactions as at FYE 2011, FYE 2012, FYE 2013, FYE 2014 and FPE 2015 are disclosed in Notes 4.6.1, 4.6.8, 4.6.9, 4.6.11, 4.6.12, 4.6.13, 4.6.19 and 4.6.20.

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.28 Related Party Disclosures (Cont'd)

(d) Information regarding the compensation of key management personnel is as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Salaries and other short-term employee benefits	240,000	566,626	778,275	1,012,412	3,411,819

Key management personnel include personnel having authority and responsibility for planning, directing and controlling activities of entity, including any Director of the Group.

[The rest of this page is intentionally left blank]

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments

(a) 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 in Note 3.2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Available -for-sale RM	Loans and receivables RM	Other financial liabilities RM	Total RM
FYE 2011				
Financial Assets				
Trade receivables	-	246,660,880	-	246,660,880
Other receivables	-	37,828,081	-	37,828,081
Hire purchase receivables	-	3,579,718	-	3,579,718
Amount owing by associate companies	-	2,230,000	-	2,230,000
Amount owing by shareholders	-	25,000	-	25,000
Amount owing by Directors	-	13,082,629	-	13,082,629
Fixed deposits with licensed banks	-	39,099,842	-	39,099,842
Cash and bank balances	-	35,756,165	-	35,756,165
Total financial assets	-	378,262,315	-	378,262,315
Financial Liabilities				
Trade payables	-	-	97,577,035	97,577,035
Other payables	-	-	17,290,850	17,290,850
Amount owing to associate companies	-	-	433,083	433,083
Amount owing to Directors	-	-	18,493,229	18,493,229
Bank borrowings	-	-	249,010,184	249,010,184
Finance lease payables	-	-	9,274,399	9,274,399
Total financial liabilities	-	-	392,078,780	392,078,780

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available -for-sale RM	Loans and receivables RM	Other financial liabilities RM	Total RM
FYE 2012				
Financial Assets				
Trade receivables	-	272,711,812	-	272,711,812
Other receivables	-	62,285,260	-	62,285,260
Hire purchase receivables	-	3,442,259	-	3,442,259
Amount owing by associate companies	-	1,895,120	-	1,895,120
Amount owing by Directors	-	6,513,177	-	6,513,177
Fixed deposits with licensed banks	-	44,204,330	-	44,204,330
Cash and bank balances	-	18,830,410	-	18,830,410
Total financial assets	-	409,882,368	-	409,882,368
Financial Liabilities				
Trade payables	-	-	124,424,768	124,424,768
Other payables	-	-	28,378,003	28,378,003
Amount owing to associate companies	-	-	433,083	433,083
Amount owing to related companies	-	-	-	-
Amount owing to Director	-	-	19,943,783	19,943,783
Bank borrowings	-	-	329,024,680	329,024,680
Finance lease payables	-	-	19,565,587	19,565,587
Total financial liabilities	-	-	521,769,904	521,769,904

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available -for-sale RM	Loans and receivables RM	Other financial liabilities RM	Total RM
FYE 2013				
Financial Assets				
Trade receivables	-	324,107,224	-	324,107,224
Other receivables	-	27,696,746	-	27,696,746
Hire purchase receivables	-	2,055,148	-	2,055,148
Amount owing by Directors	-	10,984,339	-	10,984,339
Fixed deposits with licensed banks	-	54,335,967	-	54,335,967
Cash and bank balances	-	36,326,771	-	36,326,771
Total financial assets	-	455,506,195	-	455,506,195
Financial Liabilities				
Trade payables	-	-	154,212,561	154,212,561
Other payables	-	-	32,859,307	32,859,307
Amount owing to Directors	-	-	12,781,553	12,781,553
Derivative financial liabilities	-	-	50,500	50,500
Bank borrowings	-	-	408,166,843	408,166,843
Finance lease payables	-	-	26,020,611	26,020,611
Total financial liabilities	-	-	634,091,375	634,091,375

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combincd Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available -for-sale RM	Loans and receivables RM	Other financial liabilities RM	Total RM
FYE 2014				
Financial Assets				
Trade receivables	-	291,277,573	-	291,277,573
Other receivables	-	15,563,893	-	15,563,893
Hire purchase receivables	-	1,130,158	-	1,130,158
Derivative financial assets	-	4,625	-	4,625
Fixed deposits with licensed banks	-	29,977,278	-	29,977,278
Cash and bank balances	-	118,029,973	-	118,029,973
Total financial assets	-	455,983,500	-	455,983,500
Financial Liabilities				
Trade payables	-	-	138,773,491	138,773,491
Other payables	-	-	20,547,704	20,547,704
Amount owing to Directors	-	-	10,856,847	10,856,847
Bank borrowings	-	-	370,861,144	370,861,144
Finance lease payables	-	-	21,447,697	21,447,697
Total financial liabilities	-	-	562,486,883	562,486,883

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available -for-sale RM	Loans and receivables RM	Other financial liabilities RM	Total RM
FPE 2015				
Financial Assets				
Trade receivables	-	308,460,323	-	308,460,323
Other receivables	-	16,342,556	-	16,342,556
Hire purchase receivables	-	819,433	-	819,433
Derivative financial assets	-	585,802	-	585,802
Fixed deposits with licensed banks	-	14,589,152	-	14,589,152
Cash and bank balances	-	149,875,773	-	149,875,773
Total financial assets	-	490,673,039	-	490,673,039
Financial Liabilities				
Trade payables	-	-	140,091,510	140,091,510
Other payables	-	-	20,129,250	20,129,250
Amount owing to Directors	-	-	11,382,264	11,382,264
Bank borrowings	-	-	391,016,946	391,016,946
Finance lease payables	-	-	23,484,611	23,484,611
Total financial liabilities	-	-	586,104,581	586,104,581

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, deposits and cash and bank balances.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the inability of its customers to make payments when due.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial years/period represent the Group's maximum exposure to credit risk. No financial assets carry a significant exposure to credit risk with its exposure spread over a large number of customers.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

[The rest of this page is intentionally left blank]

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 to 2 years RM	Repayable within 2 to 5 years RM	Repayable after 5 years RM	Contractual cash flows RM	Total carrying amount RM
FYE 2011						
Financial Liabilities						
Trade payables	97,577,035	-	-	-	97,577,035	97,577,035
Other payables	17,290,850	-	-	-	17,290,850	17,290,850
Amount owing to Directors	18,493,229	-	-	-	18,493,229	18,493,229
Amount owing to associate companies	433,083	-	-	-	433,083	433,083
Bank borrowings	235,777,888	907,503	3,203,007	9,121,786	249,010,184	249,010,184
Finance lease payables	4,566,625	4,491,113	1,062,698	-	10,120,436	9,274,399
Total financial liabilities	374,138,710	5,398,616	4,265,705	9,121,786	392,924,817	392,078,780

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 to 2 years RM	Repayable within 2 to 5 years RM	Repayable after 5 years RM	Contractual cash flows RM	Total carrying amount RM
FYE 2012						
Financial Liabilities						
Trade payables	124,424,768	-	-	-	124,424,768	124,424,768
Other payables	28,378,003	-	-	-	28,378,003	28,378,003
Amount owing to Directors	19,943,783	-	-	-	19,943,783	19,943,783
Amount owing to associate companies	433,083	-	-	-	433,083	433,083
Bank borrowings	307,660,440	5,417,424	7,341,464	12,148,086	332,567,414	329,024,680
Finance lease payables	6,802,318	5,887,606	8,974,488	-	21,664,412	19,565,587
Total financial liabilities	487,642,395	11,305,030	16,315,952	12,148,086	527,411,463	521,769,904

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 to 2 years RM	Repayable within 2 to 5 years RM	Repayable after 5 years RM	Contractual cash flows RM	Total carrying amount RM
FYE 2013						
Financial Liabilities						
Trade payables	154,212,561	-	-	-	154,212,561	154,212,561
Other payables	32,859,307	-	-	-	32,859,307	32,859,307
Amount owing to Directors	12,781,553	-	-	-	12,781,553	12,781,553
Derivative financial liabilities	50,500	-	-	-	50,500	50,500
Bank borrowings	369,784,620	8,895,358	23,082,030	14,015,432	415,777,440	408,166,843
Finance lease payables	9,092,692	8,773,453	10,629,715	-	28,495,860	26,020,611
Total financial liabilities	578,781,233	17,668,811	33,711,745	14,015,432	644,177,221	634,091,375
FYE 2014						
Financial Liabilities						
Trade payables	138,773,491	-	-	-	138,773,491	138,773,491
Other payables	20,547,704	-	-	-	20,547,704	20,547,704
Amount owing to Directors	10,856,847	-	-	-	10,856,847	10,856,847
Bank borrowings	324,149,295	8,293,617	26,478,640	8,092,933	367,014,485	370,861,144
Finance lease payables	10,320,887	7,713,731	5,007,339	-	23,041,957	21,447,697
Total financial liabilities	504,648,224	16,007,348	31,485,979	8,092,933	560,234,484	562,486,883

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 to 2 years RM	Repayable within 2 to 5 years RM	Repayable after 5 years RM	Contractual cash flows RM	Total carrying amount RM
FPE 2015						
Financial Liabilities						
Trade payables	140,091,510	-	-	-	140,091,510	140,091,510
Other payables	20,129,250	-	-	-	20,129,250	20,129,250
Amount owing to Directors	11,382,264	-	-	-	11,382,264	11,382,264
Amount owing to associate companies	-	-	-	-	-	-
Bank borrowings	314,395,059	36,705,513	44,716,888	8,488,480	404,305,940	391,016,946
Finance lease payables	11,462,515	7,920,742	5,706,917	131,024	25,221,198	23,484,611
Total financial liabilities	497,460,598	44,626,255	50,423,805	8,619,504	601,130,162	586,104,581

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(c) Market risks

(i) Foreign currency risk

The Group's exposure to foreign currency risk is minimal.

(ii) Interest rate risk

The Group is exposure to interest rate risk arises primarily from financing through interest bearing financial assets and financial liabilities. The Group's policy is to obtain financing with the most favourable interest rates in the market.

The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits.

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Financial Asset					
Fixed deposits with licensed banks	39,099,842	44,204,330	54,335,967	29,977,278	14,589,152
Financial Liability					
Bank borrowings	249,010,184	329,024,680	408,166,843	370,861,144	391,016,946

Interest rate risk sensitivity analysis

A change in 1% interest rate on financial assets and liabilities of the Company which have variable interest rate at the end of the financial years/ period would have increased / (decreased) profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Effect to profit or loss					
Interest rate increase by 1%	(2,099,103)	(2,848,204)	(3,538,309)	(3,408,839)	(3,764,278)
Interest rate decrease by 1%	2,099,103	2,848,204	3,538,309	3,408,839	3,764,278

(d) Fair values of financial instruments

(i) Financial instruments at fair value

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Financial Asset					
Investment in quoted shares	3,000	-	-	-	-

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.29 Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

Financial instrument other than those carried at fair value

The carrying amounts of receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of the financial liabilities of the Group at the reporting date reasonably approximate their fair values except as follows:

	FYE 2011		FYE 2012		FYE 2013		FYE 2014		FPE 2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liability										
Finance lease payables (non-current)	5,243,007	4,935,058	13,715,353	13,516,423	18,152,278	17,166,177	12,068,771	12,154,663	12,988,623	12,970,099

UHY

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.30 Capital Management

The Group's capital management policies are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintain an optimal capital structure, so as to maximize shareholders' value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, comprises shareholders' funds, cash and cash equivalents, loans and bank borrowings.

The gearing ratios are as follows:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Loans and borrowings	258,284,583	348,590,267	434,187,454	392,308,841	414,501,557
Less: Cash and bank balances	(35,756,165)	(18,830,410)	(36,326,771)	(118,029,973)	(149,875,773)
Net debt	222,528,418	329,759,857	397,860,683	274,278,868	264,625,784
Total equity	115,433,686	158,444,165	192,879,191	230,618,511	251,005,589
Gearing ratio (Times)	1.93	2.08	2.06	1.19	1.05

There were no changes in the Group's approach to capital management during the financial years/period.

The Group is not subject to any externally imposed capital requirements.

4.6.31 Capital Commitments

As at the reporting date, the Group has the following commitments for the acquisition of the property, plant and equipment:

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Contracted but not provided for	15,058,016	-	-	-	5,032,000

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.32 Contingent Liabilities

	FYE 2011 RM	FYE 2012 RM	FYE 2013 RM	FYE 2014 RM	FPE 2015 RM
Unsecured					
Corporate guarantees given to the licensed banks for credit facility granted to related companies	5,181,488	18,201,488	26,849,488	192,080,292	176,863,292

4.6.33 Significant Events

Chin Hin

FPE 2015

(a) On 23 January 2015, Chin Hin entered into Sale and Purchase Agreements as follows: -

(i) To acquire 30,000,000 ordinary shares of RM1.00 each in Metex Steel representing 100% equity interest in Metex Steel for a total cash consideration of RM27,776,115.

(ii) To acquire 30,000,000 ordinary shares of RM1.00 each in Starken AAC representing 100% equity interest in Starken AAC for a total cash consideration of RM27,060,780.

FYE 2014

(a) On 29 September 2014, Chin Hin increased its authorised capital from RM400,000 to RM500,000,000 by creation of 999,200,000 ordinary shares of RM0.50 each. The new ordinary shares issued rank pari passu in all respects with the existing shares.

(b) On 19 November 2014, Chin Hin entered into Sale and Purchase Agreements as follows: -

(i) To acquire 50,000,000 ordinary shares of RM1.00 each in PP Chin Hin representing 100% equity interest in PP Chin Hin, for a total consideration of RM170,624,000 satisfied via issuance of 341,248,000 ordinary shares of Chin Hin.

(ii) To acquire 12,001,000 ordinary shares of RM1.00 each in Chin Hin Concrete representing 100% equity interest in Chin Hin Concrete, for a total consideration of RM26,279,000 satisfied via the issuance of 52,558,000 ordinary shares of Chin Hin.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.33 Significant Events (Cont'd)

Chin Hin (Cont'd)

FYE 2014 (Cont'd)

(iii) To acquire 1,000 ordinary shares of SGD1.00 each in PP Chin Hin (SG) representing 100% equity interest PP Chin Hin (SG), for a total consideration of RM2,535,000 satisfied via issuance of 5,070,000 ordinary shares of Chin Hin.

(iv) To acquire 1,250,000 ordinary shares of RM1.00 each in C&H Transport representing 100% equity interest in C&H Transport, for a total consideration of RM5,107,000 satisfied via issuance of 10,214,000 ordinary shares of Chin Hin during financial period.

(b) On 19 November 2014, Chin Hin entered into Sales and Purchase Agreements as follows: (Cont'd)

(i) To acquire 11,000,000 ordinary shares of RM1.00 each in Ace Logistic representing 100% equity interest in Ace Logistic, for a total consideration of RM16,800,000 satisfied via the issuance of 33,600,000 ordinary shares of Chin Hin.

(c) On 2 December 2014, Chin Hin issued 442,690,000 new ordinary shares of RM0.50 each as the purchase consideration for acquisition of subsidiaries during the financial period. Chin Hin had on the same day nominated PP Chin Hin to receive on behalf the investment of 1,000 ordinary shares of SGD1.00 each in PP Chin Hin (SG).

PP Chin Hin

FYE 2013

(a) On 24 July 2013, PP Chin Hin has disposed of its 100,000 ordinary shares of RM1.00 each representing 40% equity interest in Chin Hin Concrete Sdn Bhd, for a total cash consideration of RM100,000.

(b) On 30 December 2013, PP Chin Hin has disposed of its 100,000 ordinary shares of RM1.00 each representing 40% equity interest in Chin Hin Building Material Supply (JB) Sdn Bhd, for a total cash consideration of RM100,000.

FYE 2014

(a) On 10 February 2014, PP Chin Hin has disposed of its 550,000 ordinary shares of RM1.00 each, representing 55% equity interest in Landmark Grace Development Sdn. Bhd., for a total cash consideration of RM2.

(b) On 25 April 2014, PP Chin Hin entered into a Sale and Purchase Agreement with a third party for the disposal of PP Chin Hin's investment properties amounting to RM2,354,536.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.34 Significant Events (Cont'd)

PP Chin Hin (Cont'd)

FYE 2014 (Cont'd)

(c) On 6 June 2014, PP Chin Hin declared of a first interim single tier dividend of 99.3% on 30,000,000 ordinary shares of RM1.00 each, amounting to a total dividend of RM29,800,000 in respect of FYE 2014.

(d) On 27 June 2014, PP Chin Hin acquired additional 5,000,000 ordinary shares of RM1.00 each in Metex Steel, for a total cash consideration of RM5,000,000. Consequently, PP Chin Hin's shareholding in Metex Steel increased from 83% to 100%.

(e) On 1 July 2014, PP Chin Hin disposed of its 29,800,000 ordinary shares of RM1.00 each, representing 99% equity interest in PP Chin Hin Realty Sdn Bhd, for a total cash consideration of RM29,800,000 by way of contra with the dividend payable to the Directors of the Company.

Chin Hin Concrete

FYE 2014

(a) On 27 March 2014, Chin Hin Concrete disposed of its entire shareholdings in Chin Hin Concrete Mix Sdn Bhd for a total consideration of RM1,000,000.

(b) On 31 March 2014, Chin Hin Concrete acquired 600,000 ordinary shares of RM1.00 each in Chin Hin Concrete (North) for a total consideration of RM600,000. Consequently, Chin Hin Concrete (North) became a wholly-owned subsidiary of Chin Hin Concrete.

Chin Hin Concrete (KL)

FYE 2014

(a) On 28 March 2014, Chin Hin Concrete (KL) entered into a Sale and Purchase Agreement with an third party for the disposal of the property, plant and equipment amounting to RM6,150,586. The said sale and purchase transaction was completed on 31 August 2014.

II SUBSIDIARIES (CONT'D)

4.6 Notes to Combined Financial Statements of Chin Hin Group (Cont'd)

4.6.33 Significant Events (Cont'd)

Chin Hin Concrete (North)

FYE 2014

(a) On 28 March 2014, Chin Hin Concrete (North) entered into a Sale and Purchase Agreement with an third party for the disposal of the property, plant and equipment amounting to RM3,132,122. The said Sale and Purchase transaction was completed on 3 April 2014.

Metex Steel

FYE 2014

(a) Metex Steel subscribed for 2 ordinary share of RM1.00 each in the share capital of Metal Sphere on 2 March 2014 and 25 March 2014 respectively. Consequently, Metal Sphere became a wholly-owned subsidiary of Metex Steel.

(b) On 27 June 2014, Metex Steel subscribed for 2 ordinary shares of RM1.00 each representing the share capital of Comet Steel. Consequently, Comet Steel became a wholly-owned subsidiary of Metex Steel.

Starken AAC

FYE 2014

(a) On 27 June 2014, Starken AAC subscribed for 2 ordinary shares of RM1.00 each representing the share capital of Green Cement. Consequently, Green Cement became a wholly-owned subsidiary of Starken AAC.

Metal Sphere

FPE 2015

(a) Metal Sphere has increased its authorise share capital from RM400,000 to RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each on 15 January 2015. Thereafter on 10 June 2015, Metal Sphere has increased its paid up share capital from RM2 to RM15,000,002 through capitalisation of shareholders advances. Such advances from Metex Steel were provided to support Metal Sphere's capital expenditure purposes.

4.6.34 Significant Events Snbsequent to the end of the Report Period

There were no significant events between the date of last financial statements used in the preparation of this Report and the date of this Report which will affect materially the contents of this Report.

UHY

II SUBSIDIARIES (CONT'D)

5. AUDITED COMBINED FINANCIAL STATEMENTS

No Audited Combined Financial Statements of Chin Hin Group has been prepared in respect of any period subsequent to 31 August 2015.

Yours faithfully,

UHY	**CHAN JEE PENG**
Firm Number: AF 1411	Approved Number: 3068/08/16 (J)
Chartered Accountants	Chartered Accountant

KUALA LUMPUR, MALAYSIA

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHIN HIN GROUP BERHAD
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Chin Hin Group Berhad, which comprise statements of financial position as at 31 August 2015 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 86.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHIN HIN GROUP BERHAD (CONT'D)
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2015 and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

This report is made solely for the proposed listing exercise of the Company on the Main Market of Bursa Malaysia Securities Berhad, and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR
5 JAN 2016

UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHIN HIN GROUP BERHAD
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Chin Hin Group Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 85.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement. including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHIN HIN GROUP BERHAD (CONT'D)
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN HIN GROUP BERHAD (CONT'D)
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR
8 JUN 2015

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF CHIN HIN GROUP BERHAD
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Chin Hin Group Berhad, which comprise the statement of financial position as at 31 August 2014 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 22.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we obtained is sufficient and appropriate to provide the basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF CHIN HIN GROUP BERHAD (CONT'D)
(Company No.: 1097507-W)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2014 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

This report is made solely for the proposed listing exercise of PP Chin Hin Sdn. Bhd. on the Main Market of Bursa Malaysia Securities Berhad, and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR
13 JAN 2015

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD.
(Company No.: 334885-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of PP Chin Hin Sdn. Bhd., which comprise the statement of financial position as at 31 August 2015 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 62.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD. (CONT'D)
(Company No.: 334885-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2015 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

This report is made solely for the proposed listing exercise of Chin Hin Group Berhad on the Main Market of Bursa Malaysia Securities Berhad, and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR
5 JAN 2016

UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD.
(Company No.: 334885-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of PP Chin Hin Sdn. Bhd., which comprise the statement of financial position as at 31 December 2014 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD. (CONT'D)
(Company No.: 334885-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR

8 JUN 2015

UHY

APPENDIX II

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF PP CHIN HIN SDN. BHD.
(Company No.: 334885-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of PP Chin Hin Sdn. Bhd., which comprise the statement of financial position as at 31 August 2014 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 58.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we obtained is sufficient and appropriate to provide the basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF PP CHIN HIN SDN. BHD. (CONT'D)
(Company No.: 334885-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2014 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

This report is made solely for the proposed listing exercise of the Company on the Main Market of Bursa Malaysia Securities Berhad, and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR
13 JAN 2015

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD.
(Company No.: 334885-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of PP Chin Hin Sdn. Bhd., which comprise the statements of financial position as at 31 December 2013 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 financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 102.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we obtained is sufficient and appropriate to provide the basis of our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD. (CONT'D)
(Company No.: 334885-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, as disclosed in Note 7 to the financial statements.

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PP CHIN HIN SDN. BHD. (CONT'D)
(Company No.: 334885-H)
(Incorporated in Malaysia)

Other Matters

1. The financial statements of the Company for the financial year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on 7 June 2013.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

UHY
Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK
Approved Number: 1817/12/14 (J)
Chartered Accountant

KUALA LUMPUR
13 JUN 2014

334885 - H

Independent Auditors' Report to the members of

PP CHIN HIN SDN. BHD.
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **PP CHIN HIN SDN. BHD.**, which comprise the statement of financial position as at **31 December, 2012** of the Group and of the Company and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 45.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and with International Financial Reporting Standards and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHANG KONG FOO & CO.
CHARTERED ACCOUNTANTS
FIRM NO . AF 0385
ALOR SETAR
DATE : 07 JUN 2015

NO.1010, FIRST FLOOR, KOMPLEKS SRI PUTRA, SEBERANG JALAN PUTRA, 05150 ALOR SETAR, KEDAH DARUL AMAN.
Tel: 04-7311109, 7312804 Fax: 04-7318501 E-mail: ckfco@cas.net.my

334885 - H

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia and with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2012 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provision of the Act.

b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The audit reports on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHANG KONG FOO & CO.
CHARTERED ACCOUNTANTS
FIRM NO . AF 0385
ALOR SETAR
DATE : 07 JUN 2013

CHANG KONG FOO
CHARTERED ACCOUNTANT
APPROVAL NO: 988/05/14(J/PH)

NO.1010, FIRST FLOOR, KOMPLEKS SRI PUTRA, SEBERANG JALAN PUTRA, 05150 ALOR SETAR, KEDAH DARUL AMAN.
Tel: 04-7311109, 7312804 Fax: 04-7318501 E-mail: ckfco@cas.net.my

334885 - H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PP CHIN HIN SDN. BHD.
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of PP CHIN HIN SDN. BHD., which comprise the statement of financial position as at **31 December, 2011** and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 60.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHANG KONG FOO & CO.
CHARTERED ACCOUNTANTS
FIRM NO. AF 0385

ALOR SETAR

DATE: 08 JUN 2012

NO. 1010, FIRST FLOOR, KOMPLEKS SRI PUTRA, SEBERANG JALAN PUTRA, 05150 ALOR SETAR, KEDAH DARUL AMAN.
Tel: 04-7312804, 7322999, 7335546. Fax: 04-7342835 E-mail: ckfco@cas.net.my

334885 - H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 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 December, 2011** and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHANG KONG FOO & CO.
CHARTERED ACCOUNTANTS
FIRM NO. AF 0385

ALOR SETAR
DATE: 08 JUN 2012

CHANG KONG FOO
CHARTERED ACCOUNTANT
APPROVAL NO: 988/03/14(J/PH)

NO. 1010, FIRST FLOOR, KOMPLEKS SRI PUTRA, SEBERANG JALAN PUTRA, 05150 ALOR SETAR, KEDAH DARUL AMAN.
Tel: 04-7312804, 7322999, 7335546 Fax: 04-7342835 E-mail: ckfco@cas.net.my

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
PP CHIN HIN PTE. LTD.

Report on Non-Statutory Financial Statements

We have audited the accompanying non-statutory financial statements of PP Chin Hin Pte. Ltd. (the "Company") which comprise the balance sheet as at 31 August 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these non-statutory financial statements in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-statutory financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-statutory financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-statutory financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2015 and the financial performance, changes in equity and cash flows of the Company for the period ended on that date in accordance with the Singapore Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
PP CHIN HIN PTE. LTD.

Restriction on use

Our report is solely for the use and benefit of the Company and is not to be used, quoted or referred to, in whole or in part, for any other purpose or to be made available to any other party without our prior written consent.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
1st Dec 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PP CHIN HIN PTE. LTD.

Report on Financial Statements

We have audited the accompanying financial statements of PP Chin Hin Pte. Ltd. (the "Company") which comprise the balance sheet as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PP CHIN HIN PTE. LTD.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
13 June 2015

- 2 -

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PP CHIN HIN PTE. LTD.

Report on Non-Statutory Financial Statements

We have audited the accompanying non-statutory financial statements of PP Chin Hin Pte. Ltd. (the "Company") which comprise the balance sheet as at 31 August 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these non-statutory financial statements in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-statutory financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-statutory financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opiniou on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-statutory financial statements present fairly, in all material respects, the state of affairs of the Company as at 31 August 2014 and the results, changes in equity and cash flows of the Company for the period ended on that date in accordance with the Singapore Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PP CHIN HIN PTE. LTD.

Restriction on use

Our report is solely for the use and benefit of the Company and is not to be used, quoted or referred to, in whole or in part, for any other purpose or to be made available to any other party without our prior written consent.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
11 December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PP CHIN HIN PTE. LTD.

Report on Financial Statements

We have audited the accompanying financial statements of PP Chin Hin Pte. Ltd. (the "Company") which comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Company for the financial period ended on that date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PP CHIN HIN PTE. LTD.

Other Matter

The financial statements for the financial year ended 30 April 2013 were audited by another firm of auditors whose report dated 3 October 2013 expressed an unqualified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
26 July 2014

ZHEN PUBLIC ACCOUNTING FIRM
Chartered Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

Independent Auditors' Report
To the Members of PP Chin Hin Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of PP Chin Hin Pte Ltd (the Company), which comprise the statement of financial position as at 30 April 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes information, as set out on pages 6 to 25.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and the Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ZHEN PUBLIC ACCOUNTING FIRM
Chartered Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 April 2013 and the results, changes in equity and the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Zhen Public Acc Firm

Zhen Public Accounting Firm
Public Accountants and
Chartered Accountants

Singapore
Date : 3 October 2013

ZHEN PUBLIC ACCOUNTING FIRM
Certified Public Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

Independent Auditors' Report
To the Members of PP Chin Hin Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of PP Chin Hin Pte Ltd (the Company), which comprise the statement of financial position as at 30 April 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes information, as set out on pages 6 to 22.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and the Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ZHEN PUBLIC ACCOUNTING FIRM
Certified Public Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualified Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 April 2012 and the results, changes in equity and the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Zhen Public Acc Firm

Zhen Public Accounting Firm
Public Accountants and
Certified Public Accountants

Singapore
Date : 12 October 2012

ZHEN PUBLIC ACCOUNTING FIRM
Certified Public Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

Independent Auditors' Report
To the Members of PP Chin Hin Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of PP Chin Hin Pte Ltd (the Company), which comprise the statement of financial position as at 30 April 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes information, as set out on pages 6 to 24.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and the Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ZHEN PUBLIC ACCOUNTING FIRM
Certified Public Accountant (Firm No.:T10PF0021H)

正會計公司
特許會計師

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Except for the effects of such adjustments, if any, as might have been determined to be necessary had we not been able to satisfy ourselves as to the opening balances that may materially affect the current period's financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 April 2011 and the results, changes in equity and the cash flows of the Company for the year ended on that date.

Other Matters

The comparative figures of the financial statement for the year ended 30 April 2010 was not audited as the Company is exempted from statutory audit under Singapore Companies Act, Chapter 50, Section 205(B).

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Zhen Public Acc Firm

Zhen Public Accounting Firm
Public Accountants and
Certified Public Accountants

Singapore
Date : 15 OCT 2011