



CHIN HIN GROUP BERHAD

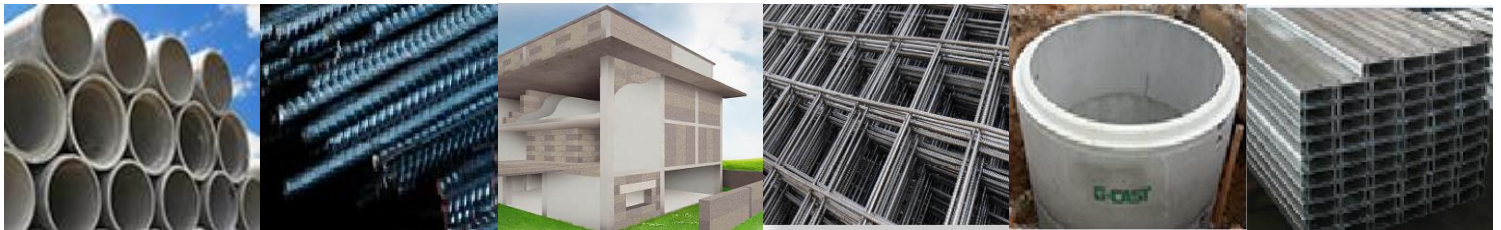
INTERIM FINANCIAL REPORT SECOND QUARTER ENDED 30TH JUNE 2016

CHIN HIN GROUP BERHAD

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(Incorporated in Malaysia under the Companies Act, 1965)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016**
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Revenue	268,640	317,070	553,024	634,697
Cost of sales	(242,159)	(290,316)	(500,931)	(583,496)
Gross profit	26,481	26,754	52,093	51,201
Other operating income	1,689	921	3,697	1,702
Administrative expenses	(12,443)	(11,055)	(24,943)	(22,351)
Finance costs	(4,041)	(5,010)	(8,982)	(10,087)
Profit before taxation (before listing expenses)	11,686	11,610	21,865	20,465
Listing expenses	-	-	(2,920)	-
Profit before taxation (after listing expenses)	11,686	11,610	18,945	20,465
Taxation	(2,968)	(2,967)	(5,213)	(5,116)
Profit after taxation	8,718	8,643	13,732	15,349
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	8,718	8,643	13,732	15,349
PROFIT AFTER TAX ATTRIBUTABLE TO:				
-Owners of the Company	8,718	8,643	13,732	15,349
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	8,718	8,643	13,732	15,349
Weighted average no. of ordinary shares ('000)	474,289	442,690	474,289	442,690
Earnings per share attributable to owners of the Company (sen):				
- Basic	1.84	1.95	2.90	3.47
- Diluted	1.72	1.71	2.71	3.03

Notes:

- (1) *The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.*
- (2) *Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.*
- (3) *The diluted net earnings per share is computed by dividing profit after taxation by the proposed enlarged number of ordinary shares of 505,888,000 shares subsequent to the listing.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**
(The figures have not been audited)

	30 June 2016 RM'000	(Audited) 31 December 2015 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	207,017	200,759
Investment properties	103,491	103,491
TOTAL NON-CURRENT ASSETS	310,508	304,250
CURRENT ASSETS		
Inventories	42,157	44,819
Trade receivables	298,701	302,568
Other receivables	21,727	16,578
Hire purchase receivables	512	710
Derivative financial assets	-	38
Current tax assets	627	156
Fixed deposits with licensed banks	9,273	11,315
Cash and bank balances	133,821	168,855
	506,818	545,039
Assets held for sale	3,663	3,663
TOTAL CURRENT ASSETS	510,481	548,702
TOTAL ASSETS	820,989	852,952
EQUITY AND LIABILITIES		
EQUITY		
Share capital	252,944	221,345
Share premium	7,656	-
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	375	453
Revaluation reserve	8,768	8,768
Retained earnings	190,017	183,873
TOTAL EQUITY	306,568	261,247
CURRENT LIABILITIES		
Trade payables	146,853	146,497
Other payables	24,571	18,087
Amount owing to directors	10,703	10,909
Finance lease payables	9,925	9,702
Bank borrowings	253,261	318,218
Current tax liabilities	4,208	2,936
TOTAL CURRENT LIABILITIES	449,521	506,349

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016 (Cont'd)

(The figures have not been audited)

	30 June 2016 RM'000	(Audited) 31 December 2015 RM'000
NON-CURRENT LIABILITIES		
Finance lease payables	4,967	10,415
Bank borrowings	55,376	70,684
Deferred tax liabilities	4,557	4,257
TOTAL NON-CURRENT LIABILITIES	64,900	85,356
TOTAL LIABILITIES	514,421	591,705
TOTAL EQUITY AND LIABILITIES	820,989	852,952
NET ASSET PER SHARE (sen)	60.60	59.01

Notes:

- (1) *The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Net asset per share for the current quarter and comparative financial period is calculated based on the total equity divided by the number of ordinary shares in issue for the quarter and comparative financial period.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016**
(The figures have not been audited)

	<----- Non-Distributable ----->					Distributable	
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 January 2016	221,345	-	(153,192)	453	8,768	183,873	261,247
Issue of shares	31,599	9,480	-	-	-	-	41,079
Share issuance expenses ^①	-	(1,824)	-	-	-	-	(1,824)
Total comprehensive income for the financial period	-	-	-	-	-	13,732	13,732
Foreign exchange translation	-	-	-	(78)	-	-	(78)
Dividend paid	-	-	-	-	-	(7,588)	(7,588)
Balance as at 30 June 2016	<u>252,944</u>	<u>7,656</u>	<u>(153,192)</u>	<u>375</u>	<u>8,768</u>	<u>190,017</u>	<u>306,568</u>
Balance as at 1 January 2015	221,345	-	(153,192)	45	8,768	153,652	230,618
Total comprehensive income for the financial period	-	-	-	-	-	15,349	15,349
Foreign exchange translation	-	-	-	112	-	-	112
Balance as at 30 June 2015	<u>221,345</u>	<u>-</u>	<u>(153,192)</u>	<u>157</u>	<u>8,768</u>	<u>169,001</u>	<u>246,079</u>

Notes:

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

^① Share issue expenses for the issue of the new CHINHIN shares of approximately RM1.82million were written-off against the share premium account under Section 60 of the Companies Act, 1965.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016**
(The figures have not been audited)

	Cumulative quarter	
	30 June 2016 RM'000	30 June 2015 RM'000
Cash Flows From Operating Activities		
Profit before taxation	18,945	20,465
Adjustment for:		
Bad debts recovered	(77)	(1)
Depreciation of property, plant and equipment	8,199	6,608
Loss on derivative financial assets	38	5
(Gain)/Loss on disposal of property, plant and equipment	(520)	29
Impairment on trade receivables	492	1,553
Interest expense	8,982	10,087
Interest income	(337)	(196)
Inventory written off	5	13
Reversal of allowance for doubtful debts	-	(1,268)
Unrealised loss on foreign exchange	250	63
Operating profit before working capital changes	35,977	37,358
Changes in working capital:		
Inventories	2,657	(2,523)
Trade receivables	3,452	(46,612)
Other receivables	(5,149)	207
Hire purchase receivables	198	226
Trade payables	355	30,357
Other payables	(1,083)	(4,971)
Exchange differences	(77)	111
Amount due to directors	(206)	600
	147	(22,605)
Cash generated from operations	36,124	14,753
Interest paid	(8,982)	(10,087)
Interest received	337	196
Tax paid	(4,113)	(3,923)
Tax refund	-	157
	(12,758)	(13,657)
Net cash generated from operating activities	23,366	1,096

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016 (Cont'd)**
(The figures have not been audited)

	Cumulative Quarter	
	30 June 2016 RM'000	30 June 2015 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(14,740)	(9,113)
Purchase of investment properties	-	(63)
Proceeds from disposal of property, plant and equipment	803	4,225
Net cash used in investing activities	<u>(13,937)</u>	<u>(4,951)</u>
Cash Flows From Financing Activities		
Drawdown of bank borrowings	748	61,056
Net changes on bankers' acceptance, trust receipt and revolving credits	(64,801)	(48,415)
Release in fixed deposits pledged	2,042	12,930
Repayment of finance lease payables	(5,224)	(2,143)
Repayment of bank borrowings	(16,215)	(6,529)
Payment of listing expenses	(1,824)	-
Proceeds from issue of share capital	41,079	-
Net cash (used in)/generated from financing activities	<u>(44,195)</u>	<u>16,899</u>
Net (decrease)/increase in cash and cash equivalents	(34,766)	13,044
Cash and cash equivalents at the beginning of the financial period	165,883	112,060
Effect of exchange translation differences on cash and cash equivalents	(270)	(63)
Cash and cash equivalents at the end of the financial period	<u>130,847</u>	<u>125,041</u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	133,821	128,023
Bank overdraft	(2,974)	(2,982)
Fixed deposits with licensed banks	9,273	17,047
	<u>140,120</u>	<u>142,088</u>
Less: Fixed deposits pledged to licensed banks	(9,273)	(17,047)
	<u>130,847</u>	<u>125,041</u>

Notes:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

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

NOTES TO THE INTERIM FINANCIAL REPORT- SECOND QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015. The Group has also adopted those standards, amendments and interpretations that have become effective 1 January 2016 and such adoptions do not have material impact on the financial position and performance of the Group.

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

MFRSs AND IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
MFRS 107 – Disclosure Initiative (Amendments to FRS 107)	1 January 2017
MFRS 112 – Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)	1 January 2017
MFRS 9 – Financial Investments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 – Revenue from Contracts with Customers	1 January 2018
MFRS 16 – Lease	1 January 2019

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A2. Auditors' report of preceding annual audited financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

There were no material changes in estimates used in reporting the current financial quarter and financial period-to-date as compared to the financial statements of the Group for the financial year ended 31 December 2015.

A6. Debt and equity securities

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

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A7. Segmental information

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

	Unaudited Cumulative quarter 30 June 2016	Unaudited Cumulative quarter 30 June 2015
	RM'000	RM'000
Revenue		
Distribution of building material and logistics services	341,404	425,009
Ready-mixed concrete	77,129	88,916
Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	59,644	44,544
Manufacturing of steel mesh and metal roofing systems	72,662	73,891
Other activities	2,185	2,337
	553,024	634,697
Profit before taxation		
Distribution of building material and logistics services	6,443	7,782
Ready-mixed concrete	4,041	4,610
Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	6,025	4,001
Manufacturing of steel mesh and metal roofing systems	3,171	1,735
Other activities	2,185	2,337
	21,865	20,465
Listing expenses	(2,920)	-
	18,945	20,465

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

A8. Dividend paid

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

A9. Valuation of property, plant and equipment

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

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A10. Capital commitments

The capital commitments of the Group were as follows:-

	Unaudited 30 June 2016 RM'000	Audited 31 December 2015 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	36,658	289

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter.

A12. Contingent liabilities and contingent assets

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

	Unaudited 30 June 2016 RM'000	Audited 31 December 2015 RM'000
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	437,960	176,863

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

Our Group's transactions with companies in which our directors or substantial shareholders have interest in for the current quarter ended 30 June 2016 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest	
-Transportation services	8,913
-Sales of goods	1,453
-Purchase of goods	6,461
-Rental received/receivables	1,642
-Rental paid/payables	86
-Insurance and road tax payment	392

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

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Comparison with Corresponding results of Last Quarter**

For the current financial quarter under review, the Group recorded a revenue of RM268.64 million and profit before tax of RM11.69 million, as compared to revenue of RM317.07 million and profit before tax of RM11.61 million respectively in the corresponding quarter of last year. The lower revenue was weighted by lower contribution from the distribution of building material, steel mesh, metal roofing system business and ready-mixed concrete sector due to further softening of housing construction activities and bleak households' sentiment. The negative impact was however mitigated by the increase in revenue from the manufacturing of AAC and precast concrete due to the healthy order book in hand.

For the current financial quarter under review, the Group's overall gross profit decreased by RM0.27 million or 1.02% from RM26.75 million in the corresponding quarter of 2015 to RM26.48 million in the current quarter of 2016. However the gross profit margin has increased from 8.44% in the second quarter of 2015 to 9.86% in the second quarter of 2016. The increase in the Group gross profit margin was mainly contributed by higher yield from the sale of steel mesh products arising from the sharp recovery of international and local steel prices and better product mix in the distribution of building material sector. Besides, the improved gross profit margin also contributed by lower production cost per meter cubes attained for the autoclaved aerate concrete (AAC) block as a result of advantage from economies of scale.

The Group recorded a higher profit before tax of RM11.69 million in the current financial quarter as compared to RM11.61 million in the corresponding quarter of 2015 due higher sales recorded in the precast concrete as a result of strong order books and improved profit margin of steel mesh couple with better product mix in the distribution of building material sector.

The Group recorded a higher other operating income of RM1.69 million in the current financial quarter as compared to RM0.92 million in the corresponding last quarter mainly due to the revenue generated from green technology solar panels from the existing 1,425 kilowatt per hour ("kWh") production capacity. The finance cost has reduced by RM0.97 million or 19.34% due to the de-gearing exercise after IPO.

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B2. Comparison with immediate preceding quarter's results**CURRENT QUARTER vs. PRECEDING QUARTER**

	30 June 2016 RM'000	31 March 2016 RM'000
Revenue	268,640	284,384
Profit Before Taxation	11,686	7,259

The Group's revenue for the current quarter ended 30 June 2016 has decreased by RM15.74 million or 5.54% to RM268.64 million as compared to RM284.38 million in the preceding financial quarter ended 31 March 2016.

The decrease in revenue is due to lower sales volume recorded at the distribution of building material and ready mixed concrete segments due to further softening of housing construction activities. However the Group has recorded a significant increase in the profit before tax of RM4.43 million or 60.99% from RM7.26 million in the preceding financial quarter ended 31 March 2016 to RM11.69 million for the current financial quarter ended 30 June 2016. Such increase is mainly due to higher yield from the sale of steel mesh products arising from the sharp recovery of international and local steel prices and better product mix in the distribution of building material sector. The profit before tax was lowered in the preceding quarter due to the one-off charged out of listing expenses of RM2.92 million.

B3. Prospects

Based on the current economic outlook in Malaysia, the construction material industry is expected to remain soft and the local business environment will be even more challenging with the Malaysian economy expecting to growth at a slower pace of 4% to 4.5%.

Moving forward, the Group will continue to focus on expanding its new manufacturing plant and production facilities in Bidor, Johore and Nilai. The Group expect further margin improvement will be underpinned by higher contribution from its manufacturing segments, particularly AAC and precast concrete. Besides, the Group also continues to invent new products to cater for customers' needs and become a full integrated building materials solution provider.

The Group's prospect remains positive with the higher adoption rate for its Autoclaved Aerated Concrete (AAC) blocks locally despite softer property market conditions coupled with its healthy order books in the manufacturing segments and the additional recurring earnings from its tax exempt solar power panels.

B4. Estimates/Forecast

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

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B5. Taxation

The applicable income tax rate is 25% except for the Group's subsidiary company, PP Chin Hin Pte Ltd which is subject to the statutory rate of 17% based on Singapore's tax regime.

	Individual Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income tax expense				
- Current financial period	2,718	2,374	4,913	4,621
- Underprovision in prior year	-	-	-	1
	<u>2,718</u>	<u>2,374</u>	<u>4,913</u>	<u>4,622</u>
Deferred tax				
- Current financial period	250	555	300	456
- Underprovision in prior year	-	38	-	38
Total tax expense	<u>2,968</u>	<u>2,967</u>	<u>5,213</u>	<u>5,116</u>

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

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

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

(ii) Utilisation of proceeds

The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 30 June 2016 are as follow:-

	Details of the utilisation of proceeds	Utilisation				Estimated timeframe for utilisation from the date of listing
		Proposed RM'000	Actual RM'000	Deviation RM'000	Balance RM'000	
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	1,776	-	13,224	within twenty four (24) months
ii)	Repayment of bank borrowings	15,000	15,000	-	-	Within six (6) months
iii)	Working capital requirements	7,079	7,079	-	-	within twenty four (24) months
iv)	Estimated listing expenses	4,000	4,000	-	-	Immediately
		41,079	27,855	-	13,224	

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

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B7. Borrowings

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

	As at	(Audited)
	30 June 2016	As at
	RM'000	31 December 2015
	RM'000	RM'000
Bank overdrafts	2,974	2,972
Revolving credits	2,000	6,000
Bankers' acceptance	216,283	277,084
Term loans	87,380	102,846
Total bank borrowings	308,637	388,902
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,974	2,972
Revolving credits	2,000	6,000
Bankers' acceptance	216,283	277,084
Term loans	32,004	32,162
	253,261	318,218
Non-current:		
Term loans	55,376	70,684
	308,637	388,902

B8. Changes in material litigation

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

B9. Dividend Proposed

A single-tier first interim ordinary dividend of approximately 3% per ordinary share of RM0.50 totalling to RM7,588,320 in respect of the financial year ended 31 December 2016 were declared. The interim dividend was paid on 15 July 2016.

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B10. Earnings per share

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

	Individual Quarter		Cumulative Quarter	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Profit attributable to ordinary equity holders of the Group (RM'000)	8,718	8,643	13,732	15,349
Weighted average number of ordinary shares in issue ('000)	474,289	442,690	474,289	442,690
Basic earnings per share (sen) [^]	1.84	1.95	2.90	3.47
Diluted earnings per share (sen) [#]	1.72	1.71	2.71	3.03

Note:

[^] Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.

[#] The diluted net earnings per share is computed by dividing profit after taxation by the proposed enlarged number of ordinary shares of 505,888,000 shares subsequent to the listing.

B11. Retained and unrealised profits/losses

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Total retained earnings of the Group		
- Realised	188,985	181,383
- Unrealised	1,032	2,490
Total retained earnings as per statement of financial position	190,017	183,873

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B12. Disclosure on selected expense/income items as required by the Listing Requirements

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

	Unaudited As at 30 June 2016 RM'000	Unaudited As at 30 June 2015 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Depreciation of property, plant & equipment	8,199	6,608
Bad debts recovered	(77)	(1)
Loss on derivative financial liability	38	5
(Gain)/Loss on disposal of property, plant and equipment	(520)	29
Impairment of trade receivables	492	1,553
Interest expense	8,982	10,087
Interest income	(337)	(196)
Inventories written off	5	13
Realised loss/(gain) on foreign exchange	78	(40)
Reversal of impairment on trade receivables	-	(1,268)
Unrealised loss on foreign exchange	250	63
	<hr/>	<hr/>

B13. Comparative figures

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

BY ORDER OF THE BOARD

18th August 2016