



**CHIN HIN GROUP BERHAD**

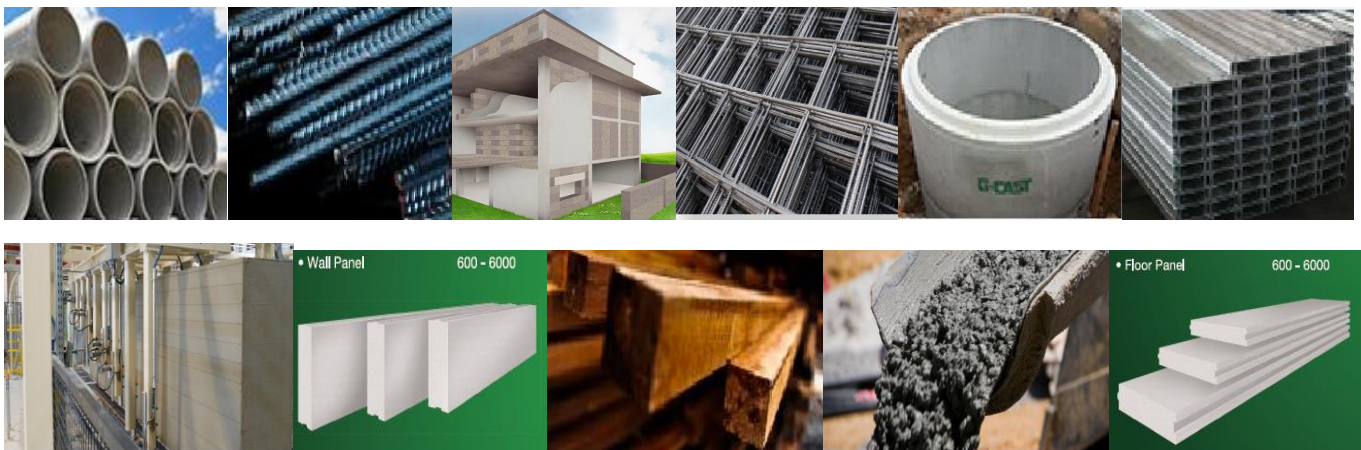
## **INTERIM FINANCIAL REPORT SECOND QUARTER ENDED 30<sup>TH</sup> JUNE 2017**

### **CHIN HIN GROUP BERHAD**

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

Headquarters/Head Office:  
A-1-9, Pusat Perdagangan Kuchai  
No.2, Jalan 1/127  
Off Jalan Kuchai Lama  
58200 Kuala Lumpur

Tel. No.: 03-7981 7878  
Fax. No.: 03-7981 7575  
Email: [info@chinhingroup.com](mailto:info@chinhingroup.com)



**CONTENTS**

<b>Unaudited Condensed Consolidated Statement of Comprehensive Income</b>	.....	<b>1</b>
<b>Unaudited Condensed Consolidated Statement of Financial Position</b>	.....	<b>2-3</b>
<b>Unaudited Condensed Consolidated Statement of Changes in Equity</b>	.....	<b>4</b>
<b>Unaudited Condensed Consolidated Statement of Cash Flows</b>	.....	<b>5-6</b>
<b>Notes To The Interim Financial Report</b>	.....	<b>7-20</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2017**
*(The figures have not been audited)*

	Individual Quarter			Cumulative Quarter		
	30 June 2017 RM'000	30 June 2016 RM'000	Changes %	30 June 2017 RM'000	30 June 2016 RM'000	Changes %
Revenue	237,273	268,640	-12%	498,833	553,024	-10%
Cost of sales	(213,549)	(242,159)		(447,008)	(500,931)	
Gross profit	23,724	26,481		51,825	52,093	
Other operating income	1,137	1,689		3,441	3,697	
Administrative expenses	(11,652)	(12,443)		(27,644)	(24,943)	
Operating profit	13,209	15,727	-16%	27,622	30,847	-10%
Finance costs	(4,220)	(4,041)		(7,852)	(8,982)	
Profit before taxation (before listing expenses)	8,989	11,686		19,770	21,865	
Listing expenses	-	-		-	(2,920)	
Profit before taxation (after listing expenses)	8,989	11,686	-23%	19,770	18,945	4%
Taxation	(1,954)	(2,968)		(4,682)	(5,213)	
Profit after taxation	7,035	8,718	-19%	15,088	13,732	10%
Other comprehensive income						
Exchange translation differences	80	-		183	-	
Realisation of revaluation reserve	-	-		-	-	
Total comprehensive income for the financial period	7,115	8,718		15,271	13,732	
<b>PROFIT AFTER TAX</b>						
<b>ATTRIBUTABLE TO:</b>						
-Owners of the Company	7,035	8,718	-19%	15,088	13,732	10%
<b>TOTAL COMPREHENSIVE INCOME</b>						
<b>ATTRIBUTABLE TO:</b>						
- Owners of the Company	7,115	8,718		15,271	13,732	
Weighted average no. of ordinary shares ('000)	505,888	484,012		505,888	484,012	
Earnings per share attributable to owners of the Company (sen):						
- Basic	1.39	1.80		2.98	2.84	
Profit Before Interest and Tax	13,209	15,727	-16%	27,622	30,847	-10%

**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 2016 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.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**
*(The figures have not been audited)*

	<b>30 June 2017 RM'000</b>	<b>(Audited) 31 December 2016 RM'000</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	321,470	293,703
Investment properties	71,280	71,280
Goodwill	37,017	-
Hire purchase receivables	43	82
Other investment	40	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>429,850</b>	<b>365,065</b>
<b>CURRENT ASSETS</b>		
Inventories	65,764	52,796
Trade receivables	288,126	295,479
Other receivables	24,884	24,344
Hire purchase receivables	2,310	5,402
Tax recoverable	1,800	2,256
Fixed deposits with licensed banks	15	1,597
Cash and bank balances	59,888	73,502
<b>TOTAL CURRENT ASSETS</b>	<b>442,787</b>	<b>455,376</b>
<b>TOTAL ASSETS</b>	<b>872,637</b>	<b>820,441</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	252,944	252,944
Share premium	7,656	7,656
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	728	545
Revaluation reserve	8,768	8,768
Retained earnings	222,680	207,592
<b>TOTAL EQUITY</b>	<b>339,584</b>	<b>324,313</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017 (Cont'd)

*(The figures have not been audited)*

	30 June 2017 RM'000	(Audited) 31 December 2016 RM'000
<b>CURRENT LIABILITIES</b>		
Trade payables	113,799	126,821
Other payables	31,989	35,666
Amount owing to directors	5	2
Finance lease payables	2,416	3,617
Bank borrowings	344,416	284,066
Tax payable	2,606	2,871
<b>TOTAL CURRENT LIABILITIES</b>	<b>495,231</b>	<b>453,043</b>
<b>NON-CURRENT LIABILITIES</b>		
Finance lease payables	783	1,670
Bank borrowings	31,735	36,251
Deferred tax liabilities	5,304	5,164
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>37,822</b>	<b>43,085</b>
<b>TOTAL LIABILITIES</b>	<b>533,053</b>	<b>496,128</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>872,637</b>	<b>820,441</b>
<b>NET ASSET PER SHARE (sen)</b>	<b>67.13</b>	<b>67.01</b>

## Notes:

- (1) *The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Net asset per share for the current quarter and comparative financial period is calculated based on the total equity divided by the number of ordinary shares in issue for the quarter and comparative financial period.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2017**
*(The figures have not been audited)*

	----- Non-Distributable -----				Distributable		Total Equity RM'000
	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	
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 year	-	-	-	-	-	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 2017	252,944	7,656	(153,192)	545	8,768	207,592	324,313
Total comprehensive income for the financial year	-	-	-	-	-	15,088	15,088
Foreign exchange translation	-	-	-	183	-	-	183
Dividend paid	-	-	-	-	-	-	-
Balance as at 30 June 2017	<u>252,944</u>	<u>7,656</u>	<u>(153,192)</u>	<u>728</u>	<u>8,768</u>	<u>222,680</u>	<u>339,584</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 2016 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 during Initial Public Offering ("IPO") 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 (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2017**
*(The figures have not been audited)*

	Cumulative quarter	
	30 June 2017 RM'000	30 June 2016 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	19,770	18,945
Adjustment for:		
Depreciation of property, plant and equipment	8,642	8,199
Gain on disposal of assets held for sale	(2)	-
Gain on disposal of property, plant and equipment	(72)	(520)
Impairment on trade receivables	132	492
Impairment on trade receivables written back	(128)	-
Interest expense	7,852	8,982
Interest income	(518)	(337)
Inventories written off	29	5
Loss on derivative financial assets	-	38
Unrealised (gain)/loss on foreign exchange	(3)	250
<b>Operating profit before working capital changes</b>	35,702	36,054
<b>Changes in working capital:</b>		
Inventories	(10,415)	2,657
Trade receivables	26,748	3,375
Other receivables	1,187	(5,149)
Hire purchase receivables	3,131	198
Trade payables	(26,757)	355
Other payables	(6,893)	(1,083)
Exchange differences	264	(77)
Amount due to directors	3	(206)
	(12,732)	70
Cash generated from operations	22,970	36,124
Interest paid	(7,852)	(8,982)
Interest received	518	337
Tax paid	(6,798)	(4,113)
Tax refund	158	-
	(13,974)	(12,758)
<b>Net cash generated from operating activities</b>	8,996	23,366

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2017 (Cont'd)**
*(The figures have not been audited)*

	Cumulative Quarter	
	30 June 2017 RM'000	30 June 2016 RM'000
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(34,850)	(14,740)
Acquisition of subsidiaries	(32,025)	-
Proceeds from disposal of property, plant and equipment	176	803
Proceeds from disposal of assets held for sales	1,235	-
Net cash used in investing activities	<u>(65,464)</u>	<u>(13,937)</u>
<b>Cash Flows From Financing Activities</b>		
Drawdown of bank borrowings	1,260	748
Dividend paid	(10,118)	-
Net changes on bankers' acceptance, trust receipt and revolving credits	67,367	(64,801)
Release in fixed deposits pledged	1,582	2,042
Repayment of finance lease payables	(2,507)	(5,224)
Repayment of bank borrowings	(13,461)	(16,215)
Payment of listing expenses	-	(1,824)
Proceeds from issue of share capital	-	41,079
Net cash generated from/(used in) financing activities	<u>44,123</u>	<u>(44,195)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,345)</b>	<b>(34,766)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>69,352</b>	<b>165,883</b>
Effect of exchange translation differences on cash and cash equivalents	(60)	(270)
<b>Cash and cash equivalents at the end of the financial period</b>	<b><u>56,947</u></b>	<b><u>130,847</u></b>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	59,888	133,821
Bank overdrafts	(2,941)	(2,974)
Fixed deposits with licensed banks	15	9,273
	<u>56,962</u>	<u>140,120</u>
Less: Fixed deposits pledged to licensed banks	(15)	(9,273)
	<u>56,947</u>	<u>130,847</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 2016 and the accompanying explanatory notes attached to this interim financial report.

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



## NOTES TO THE INTERIM FINANCIAL REPORT- SECOND QUARTER ENDED 30 JUNE 2017

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

## A1. Basis of preparation

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

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

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

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

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

## 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 period ended 30 June 2017.

**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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

#### A7. Segmental information

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

	Unaudited Individual quarter 30 June 2017 RM'000	Unaudited Individual quarter 30 June 2016 RM'000	Unaudited Cumulative quarter 30 June 2017 RM'000	Unaudited Cumulative quarter 30 June 2016 RM'000
<b>Revenue</b>				
• Investment holding and management services	2,160	2,250	4,440	4,440
• Distribution of building materials and logistics services	143,327	178,173	305,618	373,704
• Ready-mixed concrete	24,455	37,773	50,669	77,129
• Manufacturing of fire-rated door	8,068	-	15,880	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	43,714	30,077	87,428	59,644
• Manufacturing of wire mesh and metal roofing systems	38,060	37,835	81,130	72,662
	<u>259,784</u>	<u>286,108</u>	<u>545,165</u>	<u>587,579</u>
Adjustments and eliminations	(22,511)	(17,468)	(46,332)	(34,555)
	<u>237,273</u>	<u>268,640</u>	<u>498,833</u>	<u>553,024</u>
<b>Profit before taxation</b>				
• Investment holding and management services	301	11,817	(111)	(87)
• Distribution of building materials and logistics services	3,243	5,060	7,662	8,715
• Ready-mixed concrete	602	1,710	1,085	4,041
• Manufacturing of fire-rated door	1,081	-	2,287	-
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	6,447	3,108	12,691	6,025
• Manufacturing of wire mesh and metal roofing systems	(2,407)	1,691	(3,566)	3,171
	<u>9,267</u>	<u>23,386</u>	<u>20,048</u>	<u>21,865</u>
Listing expenses	(278)	(11,700)	(278)	(2,920)
	<u>8,989</u>	<u>11,686</u>	<u>19,770</u>	<u>18,945</u>

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

#### A8. Dividend paid

A single-tier second interim dividend of approximately 4% per ordinary share of RM0.50 totalling to RM10,117,760 in respect of the financial year ended 31 December 2016 was paid on 10 April 2017.

**A9. Valuation of property, plant and equipment**

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

**A10. Valuation of investment properties**

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

**A11. Capital commitments**

The capital commitments of the Group were as follows:-

	<b>Unaudited</b> <b>30 June 2017</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2016</b> <b>RM'000</b>
Authorised and contracted for:		
-acquisition of property, plant and equipment	31,608	33,394

**A12. Changes in the composition of the Group**

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

**A13. Contingent liabilities and contingent assets**

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

	<b>Unaudited</b> <b>30 June 2017</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2016</b> <b>RM'000</b>
<b>Unsecured</b>		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	622,305	560,306

**A14. Material events subsequent to the end of the quarter**

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**A15. Related party transactions**

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

	<b>Unaudited RM'000</b>
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	8,407
-Sales of goods	708
-Purchase of goods	4,998
-Rental received/receivables	573
-Rental paid/payables	86
-Insurance and road tax received	130
-Hotel accommodation paid	4
	<hr/>

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

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

The Group's revenue decreased by approximately RM31.37 million or 11.68% from RM268.64 million in preceding year corresponding quarter to RM237.27 million in the current quarter. For the financial year-to-date, the Group registered revenue of RM498.83 million as compared with RM553.02 million for the corresponding period of FY2016. The lower revenue for the quarter under review/financial year-to-date as compared with the corresponding quarter/period of the FY2016 was mainly due to lower revenue contribution from our distribution of building material and ready-mixed concrete sector which was set off by the increase in revenue from manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, steel mesh products and the newly acquired fire rated door, lockset and MI Polymer Concrete products. The significant decline in revenue from the distribution of building material was due to the decrease in sales volume of cement by approximately 19.12% as a result of the further softening of housing construction activities in the second quarter of 2017 and some of the cement manufacturers sell direct-to-consumer (DTC). The decrease in revenue from ready-mixed concrete was due to lower sales volume as a results of stiff competition. The higher revenue from manufacturing of AAC and precast concrete products were driven by strong market demand and healthy order books on hand as a result of higher adoption rate in the market. Whereas the higher revenue from manufacturing of steel mesh was due to the extra capacity from the new fast-speed CTS welder, MG800 machine in Nilai.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

For the current financial quarter under review, the Group's overall gross profit decreased by RM2.76 million or 10.41% from RM26.48 million in the corresponding quarter of 2016 to RM23.72 million in the current quarter of 2017 in tandem with the drop in revenue. The current quarter gross profit margin was marginally higher than the preceding year corresponding quarter which was 10.00% and 9.86% respectively. However the current financial year-to-date gross profit margin was higher than the preceding year which was 10.39% and 9.42% respectively due to lower cement price secured from the suppliers and the strong gross profit margin from the autoclaved aerated concrete (AAC) block, fire rated door and lockset products.

Other operating income has decreased by approximately RM0.55 million or 32.68% from RM1.69 million in the preceding year corresponding quarter to RM1.13 million in the current quarter solely due the drop in rental income after the disposal of prime movers, tippers and tankers to CHL Logistics Sdn Bhd in the last quarter of 2016.

Despite the increase in administrative expenses which were contributed by the newly acquired companies' operating cost i.e. Midah Industries Sdn Bhd, Epic Diversity Sdn Bhd and MI Polymer Concrete Pipes Group of companies, the group has recorded a lower overall administrative expenses due to cost optimisation exercise carried out at the group level. Higher finance cost were contributed by the newly acquired companies' borrowings and the additional drawdown of revolving credits and bankers' acceptance to fund the expansion for our manufacturing sector and working capital requirement.

The Group registered a lower profit before tax of RM8.99 million in the current financial quarter as compared to RM11.69 million in the corresponding quarter of 2016. The Group also recorded a lower year-to-date profit before tax of RM19.77 million as compared to preceding year corresponding period profit before tax and before listing expenses of RM21.87. The lower profits were mainly due to RM3.57 million year-to-date losses incurred by our steel mesh and metal roofing products segment and lower contribution from the ready-mixed concrete business. However these losses were offset by the strong contribution from manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products and fire rated door products. The poor results sustained by steel mesh products were attributed to the imposition of provisional safeguard duties of 13.9% by the Government on imported steel wire rods in September 2016 for a period of 3 years which has impacted on the increase in local raw material cost. The safeguard duty is on top of the most-favoured-nation (MFN) steel tariff rate of 5% imposed earlier. Moreover the excess industry capacity of wire mesh and intense domestic competition with weak demand continue to keep selling prices low.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

## B2. Comparison with immediate preceding quarter's results

### CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 30 June 2017 RM'000	Unaudited Individual quarter 31 March 2017 RM'000	Changes %
Revenue	237,273	261,560	-9%
Operating Profit	13,209	14,413	-8%
Profit Before Interest and Tax	13,209	14,413	-8%
Profit Before Tax	8,989	10,781	-17%
Profit After Tax	7,035	8,053	-13%
Profit Attributable to Ordinary Equity Holders of the Parent Holders of the	7,035	8,053	-14%

For the quarter under review, the Group posted a revenue of RM237.27 million as compared with RM261.56 million in the preceding quarter. The lower revenue level was attributable to shorter working months due to Hari Raya festival holidays observed by the construction industry.

The Group recorded a decline in the profit before tax of RM1.79 million mainly due to poor results sustained by steel mesh and metal roofing products. The imposition of affirmative final determination safeguard duties coupled with the excess industry capacity of wire mesh and intense domestic competition with weak demand continue to drive selling prices low has worsen this sector results. The rising coil price in the metal roofing sector combined with the severe domestic competition has resulted the company to sustain further losses in this quarter.

## B3. Prospects

In view of the industrial challenges, with the intense competition from the existing and new players, the erratic raw materials prices, the increase of levy, volatility of currency exchange rate and post GST rollout have significantly impacted all the industrial players. In overcoming all these adverse factors, Chin Hin will continue to improve its product quality, improve customer relationship and focus on venturing into the export market to broaden our customer base in the Asean Pacific region. To remain competitive in the market, Chin Hin will reinforce its positioning as one of the market leader and preferred brand of the construction sector, to continue its focus on increasing production capacity for autoclaved aerated concrete (AAC) block & precast concrete, products improvement and continue innovation to fit customers' requirements and exceed industry's specification.

To mitigate the losses sustained at the steel mesh segment, the Company has initiated some action plans to change its product mix by producing more value added products to fetch higher selling price besides the cost cutting exercise undertaken. Moreover, the move to boost export sales has also aid to escalate the selling price of steel mesh. The Group expects these initiatives will produce a positive impact in the second half of 2017.

Moving forward, the Company also expect the newly acquired business i.e. Midah Industries Sdn Bhd, Epic Diversity Sdn Bhd and MI Polymer Concrete Pipes Group of companies to continue contribute positively to the Group's earnings.

**B3. Prospects (Cont'd)**

The Company had on 18 July 2017 entered into a conditional share sale agreement (“SSA”) with the vendors of Atlantic Blue Sdn Bhd (“Atlantic Blue”) for the proposed acquisition of 45% equity interest in Atlantic Blue from the Vendors (“Sale Shares”) for a total cash consideration of RM24.75 million (“Proposed Acquisition”). Atlantic Blue controls approximately 10% of the market share of solar projects in Malaysia, by way of mounting over 30 MW of solar panels on rooftops for residential and industrial buildings across the country. The Proposed Acquisition will enhance the group’s solar income stream. Moreover, the Proposed Acquisition were pursued on the premise of Profit Guarantees on the Target Companies’ profit after taxation of RM20 million within 24 months from the date the purchase consideration is satisfied.

The Group order book currently stands at RM240 million, mainly contributed by the manufacturing sector will keep the company busy for the next 18 months. The Group remain cautiously optimistic to achieve better financial performance in the second half of 2017.

**B4. Estimates/Forecast**

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



## B5. Taxation

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

	Individual Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	2,005	2,718	4,643	4,913
- (Over)/Underprovision in prior year	(1)	-	14	-
	<u>2,004</u>	<u>2,718</u>	<u>4,657</u>	<u>4,913</u>
Deferred tax				
- Current financial period	(50)	250	25	300
Total tax expense	<u>1,954</u>	<u>2,968</u>	<u>4,682</u>	<u>5,213</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 except as below:

- (1) On 6 June 2017, Chin Hin Group Berhad ("Chin Hin") proposes to implement private placement of up to 50,588,800 new ordinary shares in Chin Hin to independent third party investors to be identified ("Proposed Private Placement"), subsequently the proposal was submitted to Bursa Malaysia Securities Berhad on 19 June 2017. On 23 June 2017, Bursa Securities ("Bursa Securities") had approved the listing of and quotation for up to 50,588,800 new Chin Hin Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the following conditions:-
  - a) Chin Hin and its adviser must fully comply with the relevant provisions under the Main Market Listing Requirements ("Main Market LR") pertaining to the implementation of the Proposed Private Placement;
  - b) Chin Hin and its adviser are to inform Bursa Securities upon the completion of the Proposed Private Placement;
  - c) Chin Hin is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed;
  - d) M&A Securities Sdn Bhd must submit to Bursa Securities details of the placees in accordance with Paragraph 6.15 of the Main Market LR as soon as practicable before the listing of the new shares to be issued pursuant to the Proposed Private Placement; and

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

- e) Payment of the additional listing fee for the new shares based on the final issue price, if applicable. In this respect, Chin Hin is required to furnish Bursa Securities a cheque drawn to the order of Bursa Malaysia Securities Berhad for the additional listing fee together with a copy of the details of the computation of the amount of fees payable.

Chin Hin is also required to ensure full compliance of all the requirements as provided under the Main Market LR at all times.

On 20 July 2017, Chin Hin Group Berhad has fixed the first tranche issue price of Private Placement Shares at RM1.30 per Placement Share to be issued pursuant to the Private Placement. The abovementioned issue price of RM1.30 per Placement Share represents a discount of approximately RM0.0182 or 1.38% from the five (5)-day weighted average market price of Chin Hin from 13 July 2017 to 19 July of approximately RM1.3182. Subsequently, the first tranche which made up of 27,000,000 shares of RM1.30 each had been fully issued and latest issued share capital of the Company has been increased to 532,888,000 or RM288,044,000.00 on 1 August 2017.

- (2) On 3 July 2017, Chin Hin Group Berhad had entered into a Memorandum Of Understanding (“MOU”) with the shareholders of the following Companies (hereinafter collectively defined as “Vendors”):-

- Atlantic Blue Sdn Bhd
- Powertrack Sdn Bhd
- Solarvest Energy Sdn Bhd

(collectively defined as “Target Companies”)

The purpose of the MOU is to set forth the general understanding in relation to the proposed acquisition of forty five percent (45%) equity interest of the target companies by purchase consideration of RM24,750,000 in cash. The purchase consideration is arrived at based on the unaudited profit after taxation of the target Companies for financial year ended 31 March 2017 and profit guarantees on the target companies’ profit after taxation up to sum of RM10,000,000 for financial year ending 31 March 2018 and March 2019 respectively to be provided by vendors.

On 18 July 2017, Chin Hin Group Berhad had entered into a conditional shares sale agreement (“SSA”) with the vendors of Atlantic Blue Sdn Bhd (“Atlantic Blue”), namely Tan Chyi Boon, Lim Chin Siu, Tan Paw Boon and Chong Chun Shiong for the proposed acquisition of 45% equity interest in Atlantic Blue from the Vendors comprising 450,000 ordinary shares in Atlantic Blue for a total cash consideration of RM24,750,000. The proposed acquisition of Atlantic Blue is expected to be completed during third quarter of 2017.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**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 2017 are as follow:-

	Details of the utilisation of proceeds	Utilisation				Estimated timeframe for utilisation from the date of listing
		Proposed RM'000	Actual RM'000	Deviation RM'000	Balance RM'000	
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	8,821	-	6,179	Within twenty four (24) months
ii)	Repayment of bank borrowings	15,000	15,000	-	-	Within six (6) months
iii)	Working capital requirements	7,079	7,079	-	-	Within twenty four (24) months
iv)	Listing expenses	4,000	4,000	-	-	Immediately
		41,079	34,900	-	6,179	

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**B7. Borrowings**

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

	<b>As at</b>	<b>(Audited)</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank overdrafts	2,941	4,150
Revolving credits	61,579	11,000
Bankers' acceptance	255,602	239,263
Trust Receipts	449	-
Term loans	55,580	65,904
<b>Total bank borrowings</b>	<b>376,151</b>	<b>320,317</b>
<b>Total bank borrowings comprise:-</b>		
<b>Current:</b>		
Bank overdraft	2,941	4,150
Revolving credits	61,579	11,000
Bankers' acceptance	255,602	239,263
Trust Receipts	449	-
Term loans	23,845	29,653
	<b>344,416</b>	<b>284,066</b>
<b>Non-current:</b>		
Term loans	31,735	36,251
	<b>376,151</b>	<b>320,317</b>

**B8. Finance lease payables**

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

	<b>As at</b>	<b>(Audited)</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of minimum lease payments:		
Repayable within twelve months	2,416	3,617
Repayables after twelve months	783	1,670
	<b>3,199</b>	<b>5,287</b>

**B9. Changes in material litigation**

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

**B10. Dividend Proposed**

On 24 August 2017, the Board of Directors of the Company has approved the declaration and payment of single-tier first interim dividend of approximately 3.7% or RM0.02 per ordinary share totalling RM10,657,760 in respect of the financial year ending 31 December 2017. The entitlement date and the payment date of the first interim dividend to be determined later.

**B11. 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 2017	30 June 2016	30 June 2017	30 June 2016
Profit attributable to ordinary equity holders of the Group (RM'000)	7,035	8,718	15,088	13,732
Weighted average number of ordinary shares in issue ('000)	<u>505,888</u>	<u>484,012</u>	<u>505,888</u>	<u>484,012</u>
Basic earnings per share (sen) ^	<u>1.39</u>	<u>1.80</u>	<u>2.98</u>	<u>2.84</u>

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.

**B12. Retained and unrealised profits/losses**

	(Audited)	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Group		
- Realised	198,996	213,451
- Unrealised	<u>23,962</u>	<u>23,370</u>
	222,958	236,821
Less: Consolidation adjustments	<u>(278)</u>	<u>(29,229)</u>
Total retained earnings as per statement of financial position	<u>222,680</u>	<u>207,592</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

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

	Unaudited As at 30 June 2017 RM'000	Unaudited As at 30 June 2016 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	161	154
- Underprovision in prior year	1	-
Bad debts recovered	(24)	(77)
Depreciation of property, plant and equipment	8,642	8,199
Directors' fee	120	-
Directors remuneration		
- Salary, EPF and Socso	890	-
- Other emoluments	133	-
Gain on disposal of property, plant and equipment	(72)	(520)
Gain on disposal of assets held for sale	(2)	-
Impairment on trade receivables	132	492
Impairment on trade receivables written back	(128)	-
Interest expense	7,852	8,982
Interest income	(518)	(337)
Inventories written off	29	5
Loss on derivative financial assets	-	38
Realised (gain)/loss on foreign exchange	(184)	78
Rental income	(2,230)	-
Rental expenses	1,520	-
Unrealised (gain)/loss on foreign exchange	(3)	250

**B14. Comparative figures**

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

**BY ORDER OF THE BOARD**

**24<sup>TH</sup> AUGUST 2017**