CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT
FIRST QUARTER ENDED 31ST MARCH 2018

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

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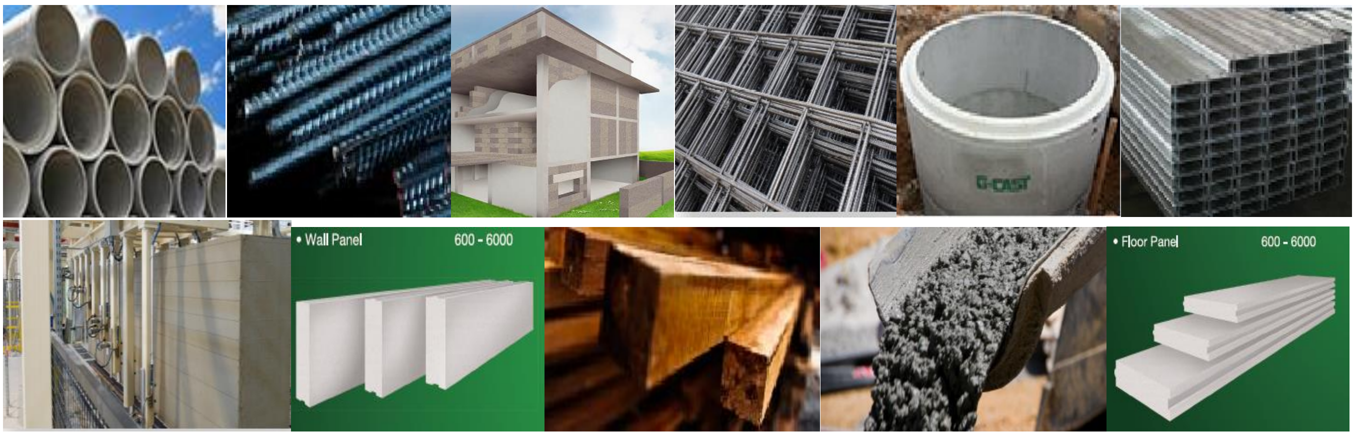

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

		Individual Quarter			Cumulative Quarter		
		31 Mar 2018	31 Mar 2017	Changes	31 Mar 2018	31 Mar 2017	Changes
	Note	RM'000	RM'000	%	RM'000	RM'000	%
Revenue		265,324	261,560	1%	265,324	261,560	1%
Cost of sales		(241,842)	(233,459)		(241,842)	(233,459)	
Gross profit		23,482	28,101		23,482	28,101	
Other operating income		1,357	2,304		1,357	2,304	
Administrative expenses		(15,987)	(15,992)		(15,987)	(15,992)	
Operating profit		8,852	14,413	-39%	8,852	14,413	-39%
Finance costs		(4,736)	(3,632)		(4,736)	(3,632)	
Share of results of associates		1,607	-		1,607	-	
Profit before taxation		5,723	10,781	-47%	5,723	10,781	-47%
Taxation	B5	(1,549)	(2,728)		(1,549)	(2,728)	
Profit after taxation		4,174	8,053	-48%	4,174	8,053	-48%
Other comprehensive income							
Exchange translation differences		(361)	103		(361)	103	
Total comprehensive income for the financial period		3,813	8,156		3,813	8,156	
PROFIT AFTER TAX ATTRIBUTABLE TO:							
Owners of the Company		3,776	8,053	-53%	3,776	8,053	-53%
Non-controlling interests		398	-		398	-	
		4,174	8,053		4,174	8,053	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018 (Cont'd)
(The figures have not been audited)

		Individual Quarter			Cumulative Quarter		
		31 Mar 2018	31 Mar 2017	Changes	31 Mar 2018	31 Mar 2017	Changes
	Note	RM'000	RM'000	%	RM'000	RM'000	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Owners of the Company		3,415	8,156		3,415	8,156	
Non-controlling interests		398	-		398	-	
		3,813	8,156		3,813	8,156	
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	0.68	1.59		0.68	1.59	
- Diluted	B11	N/A	N/A		N/A	N/A	
Profit Before Interest and Tax		8,852	14,413	-39%	8,852	14,413	-39%

Notes:
The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018
(The figures have not been audited)

	31 March 2018 RM'000	(Audited) 31 December 2017 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	402,021	381,198
Investment properties	71,430	71,430
Investment in an associate	28,624	26,948
Goodwill	30,958	30,958
Other investment	39	39
TOTAL NON-CURRENT ASSETS	533,072	510,573
CURRENT ASSETS		
Inventories	89,227	71,561
Trade receivables	315,568	310,388
Other receivables	37,194	22,028
Hire purchase receivables	70	197
Tax recoverable	3,858	3,119
Fixed deposits with licensed banks	19	19
Cash and bank balances	50,896	49,992
TOTAL CURRENT ASSETS	496,832	457,304
TOTAL ASSETS	**1,029,904**	**967,877**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	325,796	325,796
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	(48)	313
Revaluation reserve	8,768	8,768
Retained earnings	221,642	217,866
Total equity attributable to Owners of the Company	402,966	399,551
Non-controlling interests	2,362	764
TOTAL EQUITY	405,328	400,315

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018 (Cont'd)
(The figures have not been audited)

	31 March 2018 RM'000	(Audited) 31 December 2017 RM'000
CURRENT LIABILITIES		
Trade payables	136,455	130,181
Other payables	47,199	45,368
Amount owing to directors	57	56
Finance lease payables	1,510	1,923
Derivative financial liabilities	34	34
Bank borrowings	354,942	315,601
Tax payable	586	769
TOTAL CURRENT LIABILITIES	540,783	493,932
NON-CURRENT LIABILITIES		
Finance lease payables	516	607
Bank borrowings	77,005	66,876
Deferred tax liabilities	6,272	6,147
TOTAL NON-CURRENT LIABILITIES	83,793	73,630
TOTAL LIABILITIES	624,576	567,562
TOTAL EQUITY AND LIABILITIES	**1,029,904**	**967,877**
NET ASSET PER SHARE (RM)	0.73	0.79

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 2017 and the accompanying explanatory notes attached to this interim financial report.*

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	<---Attributable to owners of the parent								
	<--- 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 RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance as at 1 January 2017	252,944	7,656	(153,192)	545	8,768	207,592	324,313	-	324,313
Profit for the financial year	-	-	-	-	-	29,747	29,747	(136)	29,611
Foreign exchange translation	-	-	-	(232)	-	-	(232)	-	(232)
Total comprehensive income	-	-	-	(232)	-	29,747	29,515	(136)	29,379
Transactions with owners:									
Issue of shares	65,650	-	-	-	-	-	65,650	-	65,650
Share issuance expenses #	(454)	-	-	-	-	-	(454)	-	(454)
Acquisition of subsidiaries	-	-	-	-	-	-	-	**	**
Non-controlling interests arising from additional subscription of shares in subsidiary companies	-	-	-	-	-	-	-	900	900
Dividend paid	-	-	-	-	-	(19,473)	(19,473)	-	(19,473)
Total transactions with owners	65,196	-	-	-	-	(19,473)	45,723	900	46,623
Transfer in accordance with Section 618(2) of the Companies Act, 2016	7,656	(7,656)	-	-	-	-	-	-	-
Balance as at 31 December 2017	325,796	-	(153,192)	313	8,768	217,866	399,551	764	400,315

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018 (Cont'd)
(The figures have not been audited)

	<------------Attributable to owners of the parent						------------>		
	<-------- 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 RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance as at 1 January 2018	325,796	-	(153,192)	313	8,768	217,866	399,551	764	400,315
Profit for the financial year	-	-	-	-	-	3,776	3,776	398	4,174
Foreign exchange translation	-	-	-	(361)	-	-	(361)	-	(361)
Total comprehensive income	-	-	-	(361)	-	3,776	3,415	398	3,813
Transactions with owners:									
Non-controlling interests arising from additional subscription of shares in subsidiary companies	-	-	-	-	-	-	-	1,200	1,200
Total transactions with owners	-	-	-	-	-	-	-	1,200	1,200
Balance as at 31 March 2018	325,796	-	(153,192)	(48)	8,768	221,642	402,966	2,362	405,328

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 2017 and the accompanying explanatory notes attached to this interim financial report.

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

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

*** The amount of acquisition of subsidiaries is RM30.00.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	Cumulative quarter	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Cash Flows From Operating Activities		
Profit before taxation	5,723	10,781
Adjustment for:		
Depreciation of property, plant and equipment	4,996	4,092
Impairment on trade receivables	8	529
Interest expense	4,736	3,632
Interest income	(319)	(224)
Inventories written off	5	27
Loss/(Gain) on disposal of property, plant and equipment	7	(69)
Reversal of impairment on trade receivables	(75)	-
Share of results of associates	(1,676)	-
Unrealised loss on foreign exchange	(1)	28
Operating profit before working capital changes	13,404	18,796
Changes in working capital:		
Inventories	(17,671)	(3,127)
Trade receivables	(5,113)	10,782
Other receivables	(15,166)	(15,509)
Hire purchase receivables	127	(3,651)
Trade payables	6,274	(624)
Other payables	1,831	(12,424)
Exchange differences	(106)	123
	(29,824)	(24,430)
Cash used in operations (Carried forward)	(16,420)	(5,634)
Interest paid	(4,736)	(3,632)
Interest received	319	224
Tax paid	(2,365)	(3,953)
Tax refund	-	161
Net cash used in operating activities	(23,202)	(12,834)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2018 (Cont'd)
(The figures have not been audited)

	Cumulative Quarter	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(26,038)	(23,644)
Capital contribution by non-controlling interests	1,200	-
Acquisition of subsidiaries	-	(32,025)
Proceeds from disposal of property, plant and equipment	211	148
Net cash used in investing activities	(24,627)	(55,521)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	13,638	1,260
Net changes on bankers' acceptance, trust receipt and revolving credits	42,731	55,702
Release in fixed deposits pledged	-	1,582
Repayment of finance lease payables	(504)	(1,471)
Repayment of bank borrowings	(6,900)	(6,312)
Net cash generated from financing activities	48,965	50,761
Net increase/(decrease) in cash and cash equivalents	1,136	(17,594)
Cash and cash equivalents at the beginning of the financial period	(253)	69,352
Effect of exchange translation differences on cash and cash equivalents	47,073	9
Cash and cash equivalents at the end of the financial period	47,956	51,767
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	50,896	82,983
Bank overdrafts	(2,920)	(31,216)
Fixed deposits with licensed banks	19	15
	47,995	51,782
Less: Fixed deposits pledged to licensed banks	(19)	(15)
	47,976	51,767

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 2017 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT- FIRST QUARTER ENDED 31 MARCH 2018

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2018

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 2017 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 2017, except for the adoption of standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2018:

MFRS 9	Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 140	Investment Properties – Classification on Change In Use
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new MFRSs, amendments and IC interpretations did not have any material impact on the interim financial report of the Group except for the following:

I. <u>MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)</u>

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 Financial Instruments: Recognition and measurement.

a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC")
- Fair value through Other Comprehensive Income ("FVOCI"); and
- Fair value through Profit or Loss ("FVTPL")

The standards eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

I. MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

a) Classification of financial assets (Cont'd)

Based on its assessment, the financial assets held by the Group and the Company as at 31 March 2018 will be reclassified to the following classification:

Group	31 Mar 2018 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
Financial assets			
Trade receivables	315,568	L&R	AC
Other receivables	37,194	L&R	AC
Hire purchase receivables	70	L&R	AC
Fixed deposits with licensed banks	19	L&R	AC
Cash and bank balances	50,896	L&R	AC

b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recoded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

I. MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

II. MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. 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.

Based on the preliminary initial assessment, the Group does not expect the application of MFRS 15 to have a significant impact on financial statements except for extensive new disclosure in financial statements, in particular information about the Group's remaining performance obligations.

Revenue from sale of goods will be recognised when control of the products has transferred, being the point when products are delivered to customers. As the transfer of risk and rewards generally coincides with the transfer of control at point in time, the timing and amount of revenue recognised under MFRS 15 is unlikely to be materially different from its current practice.

III. MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.

A2. Auditors' report of preceding annual audited financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

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

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A7. Segmental information

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

	Unaudited Individual quarter 31 Mar 2018 RM'000	Unaudited Individual quarter 31 Mar 2017 RM'000	Unaudited Cumulative quarter 31 Mar 2018 RM'000	Unaudited Cumulative quarter 31 Mar 2017 RM'000
Revenue				
• Investment holding and management services	2,137	2,280	2,137	2,280
• Distribution of building materials and logistics services	152,547	162,291	152,547	162,291
• Ready-mixed concrete	26,970	26,214	26,970	26,214
• Manufacturing of fire-rated door	5,238	7,812	5,238	7,812
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	45,406	43,714	45,406	43,714
• Manufacturing of wire mesh and metal roofing systems	46,450	43,070	46,450	43,070
• Modular building Solutions	9,297	-	9,297	-
	288,045	285,381	288,045	285,381
Adjustments and eliminations	(22,721)	(23,821)	(22,721)	(23,821)
	265,324	261,560	265,324	261,560
Profit/(Loss) before taxation				
• Investment holding and management services	(180)	(412)	(180)	(412)
• Distribution of building materials and logistics services	1,320	4,419	1,320	4,419
• Ready-mixed concrete	940	483	940	483
• Manufacturing of fire-rated door	702	1,207	702	1,207
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	1,236	6,243	1,236	6,243
• Manufacturing of wire mesh and metal roofing systems	(1,391)	(1,159)	(1,391)	(1,159)
• Modular building Solutions	1,796	-	1,796	-
	4,423	10,781	4,423	10,781
Share of results of associates	1,607	-	1,607	-
	6,030	10,781	6,030	10,781
Adjustments and eliminations	(307)	-	(307)	-
	5,723	10,781	5,723	10,781

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 of RM0.015 per ordinary share totalling RM8,345,820 in respect of the financial year ending 31 December 2017 was paid on 16 April 2018.

A9. Valuation of property, plant and equipment

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

A10. Valuation of investment properties

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

A11. Capital commitments

The capital commitments of the Group were as follows:-

	Unaudited 31 March 2018 RM'000	Audited 31 December 2017 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	18,615	30,691

A12. Changes in the composition of the Group

Save as disclosed in Note B6(i) on the Status of Corporate Proposal Announced, there were no material changes in the composition of the Group for the current quarter ended 31 March 2018.

A13. Contingent liabilities and contingent assets

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

Unsecured	Unaudited 31 March 2018 RM'000	Audited 31 December 2017 RM'000
Corporate guarantees given to the licensed banks for credit facility granted to related companies	830,006	839,690

A14. Material events subsequent to the end of the quarter

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

A15. Related party transactions

(1) Our Group's transactions with companies in which our directors or substantial shareholders have an interest in for the current quarter ended 31 March 2018 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	887
-Sales of goods	397
-Purchase of goods	3,047
-Rental received/receivables	301
-Rental paid/payables	43
-Insurance and road tax received	29
-Hotel accommodation paid	2

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 quarter ended 31 March 2018, the Group reported a revenue of RM265.32 million, an increase of RM3.76 million or 1.44% as compared to RM261.56 million in preceding year corresponding quarter. The higher revenue for the current quarter of 2018 were mainly due to the increase in revenue from the manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, steel mesh products, ready-mixed concrete sector and the new modular business. However these increase in revenue were off-set by the decrease in revenue from our distribution of building material, fire rated door, lockset and MI Polymer Concrete products. The considerable decline in the revenue from the distribution of building material was due to the further decrease in sales volume of cement by approximately 19.79% as a result of the further softening of housing construction activities in the current quarter of 2018 as compared to the preceding year corresponding quarter. The higher revenue from the manufacturing of autoclaved aerated concrete ("AAC") block was driven by the strong market demand and order books on hand. The higher revenue for the precast concrete products were due to the increase in production capacity from Rawang, Bidor and Kulai plants which were a new start-up plant in 2017. The modular revenue was derived from the turnover recognised for the new fast-track project, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor.

For the current financial quarter under review, the Group's overall gross profit decreased by RM4.62 million or 16.44% from RM28.10 million (10.74%) in the corresponding quarter of 2017 to RM23.48 million (8.85%) in the current quarter of 2018 due to the intensifying competition in the distribution of building material segment especially for cement product as a result of the over-supply effect due to the extra production capacity in the local market. Hence, the gross profit margin for cement has eroded by 1.28%.

B1. Review of performance (Cont'd)

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

The gross profit margin for precast concrete has declined due to the impact of steel price increase versus the locked in project selling price for jacking pipes coupled with selling of higher proportion of lower profit margin product i.e. box culvert and U-drain. The gross profit margin for AAC products also experienced a reduction due to the increase in pallet cost as a result of timber shortage in the market.

The Group's overall gross profit has eroded considerably due to the new start-up companies' initial production cost charged out totalling RM1.12 million. The new start-up companies are Starken Drymix Solutions Sdn Bhd, Sage Evergreen Sdn Bhd (AAC plant at Kota Tinggi, Johor) and G-Cast UHPC Sdn Bhd. However these negative impacts have been off-set to a certain extent by the improved performance of ready-mixed concrete segment and the profit recognised by the modular project, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor. The improved performance for ready-mixed concrete segment was due to the reduction of plant staff and operation cost as a result of our decision to move out entirely from the southern region as there has been a visible slowdown in the property market.

Other operating income has decreased by approximately RM0.95 million or 41.10% from RM2.30 million in the preceding year corresponding quarter to RM1.36 million in the current quarter was mainly due the reversal of RM0.84 million construction cost over provided after the end of defect liability period for the shop-lot located at Taman Bandar Baru Mergong, Alor Setar, Kedah in the first quarter of 2017.

The group finance cost for the current quarter has increased by RM1.10 million due to the drawdown of additional bankers acceptance, revolving credit and term loan to finance Starken AAC Sdn Bhd working capital and the capital expenditures on the new Autoclaved Aerated Concrete (AAC) block and panel plant at Kota Tinggi, Johor. Besides that, the increase in finance cost also due to the drawdown of additional bankers acceptance facility to fund the hedging of wire rod for mesh business.

Share of profits of associate companies of RM1.61 million for the current quarter were derived majority from the Feed In Tariff projects and the 10MW of large scale solar photovoltaic ("LSSPV") plant projects.

The Group registered a lower profit before tax of RM5.72 million in the current financial quarter as compared to RM10.78 million in the corresponding quarter of 2017. The decline in gross profit, the new start-up companies' initial production cost charged out of RM1.12 million and the increase in finance cost as mentioned above has a direct impact on the group profit before tax. Besides, the performance of the group was pulled down by the additional administration and finance expenses charged out for those new start-up companies which amounting to RM1.13 million and RM0.59 million respectively.

The current financial quarter effective tax rate of 27.07% was higher than the corresponding quarter of 2017 of 25.30% mainly due to the deferred tax liabilities recognised for mesh segment due to timing differences and some disallowed expenses were added back.

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B2. Comparison with immediate preceding quarter's results

CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 31 March 2018 RM'000	Unaudited Individual quarter 31 December 2017 RM'000	Changes %
Revenue	265,324	255,678	4%
Operating Profit	8,852	13,213	-33%
Profit Before Interest and Tax	8,852	13,213	-33%
Profit Before Tax	5,723	11,000	-48%
Profit After Tax	4,174	8,513	-51%
Profit Attributable to Ordinary Equity Holders of the Parent	4,174	8,513	-51%

For the quarter under review, the Group posted a revenue of RM265.32 million as compared with RM255.68 million in the preceding quarter, an increase of RM9.65 million. The higher revenue was due to the increase in mesh price in line with the steel price market movement coupled with the reduction in cash rebate granted to customer for CQ Bar, Hard Drawn Wire and Cut-to-size mesh which was in line with the current market practice. Modular project revenue was recognised during the current quarter since the project started to kick off in January 2018. Nevertheless the positive impacts were offset by the lower revenue from our distribution of building material and provision of logistics division, ready mixed concrete sector, manufacturing of fire rated door and manufacturing of AAC and precast concrete product due to the long Chinese New Year holidays observed by the construction industry.

The Group's profit before tax was higher by RM5.28 million in the last quarter of 2017 as compared to the current quarter of 2018 primarily due to the year-end cement rebate received by our distribution of building material business, reversal of impairment on specific trade receivable as a result of successful collection of old debts and higher share of profits from the associate companies. The lower profit before tax for the current quarter also due to the decline of profit margin for precast concrete as a result of further steel price increase versus the locked in project selling price for jacking pipes and the increase in pallet cost due to the timber market shortage for AAC products.

B3. Prospects

The operating environment is expected to remain challenging after the conclusion of Malaysia's General Election 14 which has led to the change in Government. We remain focused on growing our manufacturing of AAC block and modular business. We are confident that our strong fundamentals and resilience will enable us to deliver a satisfactory financial performance this year.

The Kota Tinggi, Johor new autoclaved aerated concrete ("AAC") production line with 600,000 m3 installed capacity has started its testing and commissioning on the new plant and is targeted to begin its commercial production by end of June 2018. Our organic growth company, Starken Drymix Solutions Sdn Bhd has also started its testing and commissioning on their new plant located at Bidor in the mid of May 2018 and managed to ramp up its production capability to 20%. This company will manufacture joint mortar, skim coat, render, grout, tile adhesive compound, admixture and water proofing product. The target market for these products are distributor, applicator and main contractor.

B4. Estimates/Forecast

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

B5. Taxation

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

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	31 Mar 2018 RM'000	**31 Mar 2017 RM'000**	**31 Mar 2018 RM'000**	**31 Mar 2017 RM'000**
Income tax expense				
- Current financial period	1,571	2,638	1,571	2,638
- Unde/(Over)rprovision in prior year	(147)	15	(147)	15
	1,424	2,653	1,424	2,653
Deferred tax				
- Current financial period	125	75	125	75
- (Over)/Underprovision in prior year	-	-	-	-
Total tax expense	1,549	2,728	1,549	2,728

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 30 March 2018, Metex Steel Sdn Bhd ("MSSB"), a wholly-owned subsidiary of the Company, had entered into a Share Sale Agreement with Frontscape Sdn B Bhd for the disposal of the entire equity interest in Formino Metal Sdn Bhd ("FMSB") for a cash consideration of RM10,971,550 and this Share Sale Agreement has been completed on 24 April 2018 in accordance with its terms and conditions, marking the completion of the disposal of FMSB. Consequently, FMSB will cease to be the subsidiary company of MSSB.

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

(ii) Utilisation of proceeds

The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 31 March 2018 are as follow:-

		Utilisation [1]				Estimated timeframe for utilisation from the listing date	Revised expected timeframe for utilisation of proceeds (from the listing date) [2]
		Proposed	Actual	Deviation	Balance		
	Details of the utilisation of proceeds	RM'000	RM'000	RM'000	RM'000		
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	9,310	-	5,690	Within twenty four (24) months	Within thirty six (36) months
ii)	Repayment of bank borrowings	15,000	15,000	-	-	Within six (6) months	No change
iii)	Working capital requirements	7,079	7,079	-	-	Within twenty four (24) months	No change
iv)	Listing expenses	4,000	4,000	-	-	Immediately	No change
		41,079	35,389	-	5,690		

Note:

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

(2) The proposed variation of the utilisation of proceeds is on revised expected timeframe for utilisation of proceeds from the listing date only.

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

(ii) Utilisation of proceeds (Cont'd)

The status of utilisation of the proceeds of approximately RM65.650 million from the private placement as at 31 March 2018 are as follow:-

		Utilisation				Estimated timeframe for utilisation from the date of listing
	Details of the utilisation of proceeds	**Proposed RM'000**	**Actual RM'000**	**Deviation RM'000**	**Balance RM'000**	
i)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	1,606	-	10,394	Within eighteen (18) months
ii)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	6,200	-	-	Within twelve (12) months
iii)	Expansion of existing manufacturing facilities, purchase of new equipment and machineries of MI Polymer Concrete Pipes Sdn Bhd ("MIPCP") in Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products	2,693	2,124	-	569	Within twelve (12) months
iv)	Repayment of bank borrowings	23,600	23,600	-	-	Within six (6) months
v)	Future expansion plans #	10,000	10,000	-	-	Within twenty four (24) months
vi)	Working capital purposes	9,757	9,757	-	-	Within six (6) months
vii)	Estimated expenses for the Proposed Private Placement	1,400	535	-	865	Within one (1) month
		65,650	53,822	-	11,828	

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

B7. Borrowings

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

	As at 31 March 2018 RM'000	(Audited) As at 31 December 2017 RM'000
Bank overdrafts	2,920	299
Revolving credits	77,683	22,652
Bankers' acceptance	261,559	273,585
Trust Receipts	212	486
Term loans	89,573	82,773
Total bank borrowings	**431,947**	**379,795**
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,920	299
Revolving credits	77,683	22,652
Bankers' acceptance	261,559	273,585
Trust Receipts	212	486
Term loans	12,568	16,537
	354,942	**313,559**
Non-current:		
Term loans	77,005	66,236
	431,947	**379,795**

B8. Finance lease payables

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

	As at 31 March 2018 RM'000	(Audited) As at 31 December 2017 RM'000
Present value of minimum lease payments:		
Repayable within twelve months	1,510	1,923
Repayables after twelve months	516	607
	2,026	**2,530**

B9. Changes in material litigation

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

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B10. Dividend Proposed

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

B11. Earnings per share

Basic earnings per ordinary share

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

	Individual Quarter		Cumulative Quarter	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Profit attributable to ordinary equity holders of the Group (RM'000)	3,776	8,053	3,776	8,053
Number of ordinary shares in issues as at 1 January ('000)	556,388	505,888	556,388	505,888
Effect of shares issued during the financial period ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	556,388	505,888	556,388	505,888
Basic earnings per share (sen)	0.68	1.59	0.68	1.59

Diluted earnings per ordinary share

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the end of this quarter.

B12. Retained and unrealised profits/losses

	As at 31 December 2018 RM'000	(Audited) As at 31 December 2017 RM'000
Total retained earnings of the Group		
- Realised	197,554	219,675
- Unrealised	23,117	22,641
	220,671	242,316
Less: Consolidation adjustments	971	(24,450)
Total retained earnings as per statement of financial position	221,642	217,866

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

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

	Unaudited As at 31 March 2018 RM'000	Unaudited As at 31 March 2017 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	86	73
- Under/(over)provision in prior year	(7)	2
Bad debts recovered	-	(2)
Depreciation of property, plant and equipment	4,996	4,092
Directors' fee	60	60
Directors remuneration		
- Salary, EPF and Socso	454	438
- Other emoluments	59	63
Impairment on trade receivables	8	529
Interest expense	4,736	3,632
Interest income	(319)	(224)
Inventories written off	5	27
Loss/(Gain) on disposal of property, plant and equipment	7	(69)
Realised loss/(gain) on foreign exchange	195	(187)
Rental income	(1,128)	(1,333)
Rental expenses	1,067	892
Reversal of impairment on trade receivables	(75)	-
Share of results of associates	(1,676)	-
Unrealised loss on foreign exchange	(1)	28

B14. Comparative figures

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

BY ORDER OF THE BOARD

31st May 2018