



**CHIN HIN GROUP BERHAD**

**INTERIM FINANCIAL REPORT  
SECOND QUARTER ENDED 30<sup>TH</sup> JUNE 2018**

**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 (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018**
*(The figures have not been audited)*

	Note	Individual Quarter			Cumulative Quarter		
		30 June 2018 RM'000	30 June 2017 RM'000	Changes %	30 June 2018 RM'000	30 June 2017 RM'000	Changes %
Revenue		284,309	237,273	20%	549,633	498,833	10%
Cost of sales		(257,800)	(213,549)		(499,642)	(447,008)	
Gross profit		26,509	23,724		49,991	51,825	
Other operating income		2,239	1,137		3,596	3,441	
Administrative expenses		(15,277)	(11,652)		(31,264)	(27,644)	
Operating profit		13,471	13,209	2%	22,323	27,622	-19%
Finance costs		(5,585)	(4,220)		(10,321)	(7,852)	
Share of results of associates		(738)	-		869	-	
Profit before taxation		7,148	8,989	-20%	12,871	19,770	-35%
Taxation	B5	(2,066)	(1,954)		(3,615)	(4,682)	
Profit after taxation		5,082	7,035	-28%	9,256	15,088	-39%
Other comprehensive income							
Exchange translation differences		80	80		(281)	183	
Total comprehensive income for the financial period		5,162	7,115		8,975	15,271	
<b>PROFIT AFTER TAX</b>							
<b>ATTRIBUTABLE TO:</b>							
Owners of the Company		4,547	7,035	-35%	8,323	15,088	-45%
Non-controlling interests		535	-		933	-	
		5,082	7,035		9,256	15,088	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018 (Cont'd)**

*(The figures have not been audited)*

	Individual Quarter			Cumulative Quarter			
	30 June 2018	30 June 2017	Changes	30 June 2018	30 June 2017	Changes	
Note	RM'000	RM'000	%	RM'000	RM'000	%	
<b>TOTAL COMPREHENSIVE INCOME</b>							
<b>ATTRIBUTABLE TO:</b>							
Owners of the Company	4,627	7,115		8,042	15,271		
Non-controlling interests	535	-		933	-		
	<u>5,162</u>	<u>7,115</u>		<u>8,975</u>	<u>15,271</u>		
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	0.82	1.39	1.50	2.98		
- Diluted	B11	N/A	N/A	N/A	N/A		
Profit Before Interest and Tax		<u>13,471</u>	<u>13,209</u>	2%	<u>22,323</u>	<u>27,622</u>	-19%

*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 30 JUNE 2018**
*(The figures have not been audited)*

	<b>30 June 2018 RM'000</b>	<b>(Audited) 31 December 2017 RM'000</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	404,213	381,198
Investment properties	71,430	71,430
Investment in an associate	27,886	26,948
Goodwill	30,958	30,958
Other investment	27	39
<b>TOTAL NON-CURRENT ASSETS</b>	<b>534,514</b>	<b>510,573</b>
<b>CURRENT ASSETS</b>		
Inventories	85,496	71,561
Trade receivables	352,878	310,388
Other receivables	59,289	22,028
Hire purchase receivables	646	197
Tax recoverable	5,492	3,119
Fixed deposits with licensed banks	19	19
Cash and bank balances	20,489	49,992
<b>TOTAL CURRENT ASSETS</b>	<b>524,309</b>	<b>457,304</b>
<b>TOTAL ASSETS</b>	<b>1,058,823</b>	<b>967,877</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	325,796	325,796
Treasury shares	(2,463)	-
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	32	313
Revaluation reserve	8,768	8,768
Retained earnings	226,189	217,866
Total equity attributable to Owners of the Company	405,130	399,551
Non-controlling interests	2,897	764
<b>TOTAL EQUITY</b>	<b>408,027</b>	<b>400,315</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2018 (Cont'd)**
*(The figures have not been audited)*

	<b>30 June 2018 RM'000</b>	<b>(Audited) 31 December 2017 RM'000</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	117,910	130,181
Other payables	49,320	45,368
Amount owing to directors	56	56
Finance lease payables	1,034	1,923
Derivative financial liabilities	34	34
Bank borrowings	376,222	315,601
Tax payable	2,022	769
<b>TOTAL CURRENT LIABILITIES</b>	<b>546,598</b>	<b>493,932</b>
<b>NON-CURRENT LIABILITIES</b>		
Finance lease payables	396	607
Bank borrowings	97,480	66,876
Deferred tax liabilities	6,322	6,147
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>104,198</b>	<b>73,630</b>
<b>TOTAL LIABILITIES</b>	<b>650,796</b>	<b>567,562</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,058,823</b>	<b>967,877</b>
<b>NET ASSET PER SHARE (RM)</b>	<b>0.73</b>	<b>0.79</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 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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018**
*(The figures have not been audited)*

	<-----Attributable to owners of the parent----->										
	<----- Non-Distributable ----->						Distributable		Non-		Total
	Share Capital	Treasury Shares	* Share Premium	Merger Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Retained Earnings	Total	Controlling Interests	Equity	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Balance as at 1 January 2017</b>	252,944	-	7,656	(153,192)	545	8,768	207,592	324,313	-	324,313	
Profit for the financial year	-	-	-	-	-	-	15,088	15,088	-	15,088	
Foreign exchange translation	-	-	-	-	183	-	-	183	-	183	
Total comprehensive income	-	-	-	-	183	-	15,088	15,271	-	15,271	
<b>Balance as at 30 June 2017</b>	252,944	-	7,656	(153,192)	728	8,768	222,680	339,584	-	339,584	
<b>Balance as at 1 January 2018</b>	325,796	-	-	(153,192)	313	8,768	217,866	399,551	764	400,315	
Profit for the financial year	-	-	-	-	-	-	8,323	8,323	933	9,256	
Foreign exchange translation	-	-	-	-	(281)	-	-	(281)	-	(281)	
Total comprehensive income	-	-	-	-	(281)	-	8,323	8,042	933	8,975	
<b>Transactions with owners:</b>											
Non-controlling interests arising from additional subscription of shares in subsidiary companies	-	-	-	-	-	-	-	-	1,200	1,200	
Shares repurchased	-	(2,463)	-	-	-	-	-	(2,463)	-	(2,463)	
Total transactions with owners	-	(2,463)	-	-	-	-	-	(2,463)	1,200	(1,263)	
<b>Balance as at 30 June 2018</b>	325,796	(2,463)	-	(153,192)	32	8,768	226,189	405,130	2,897	408,027	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018 (Cont'd)**

*(The figures have not been audited)*

*Notes:*

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

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018**
*(The figures have not been audited)*

	<b>Cumulative quarter</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	12,871	19,770
Adjustment for:		
Depreciation of property, plant and equipment	10,056	8,642
Gain on disposal of assets held for sale	-	(2)
Gain on disposal of investment in a subsidiaries	(590)	-
Gain on disposal of other investment	(3)	-
Impairment on trade receivables	1,635	132
Interest expense	10,312	7,852
Interest income	(458)	(518)
Inventories written off	7	29
Loss/(Gain) on disposal of property, plant and equipment	23	(72)
Reversal of impairment on trade receivables	(241)	(128)
Share of results of associates	(938)	-
Unrealised loss on foreign exchange	(42)	(3)
<b>Operating profit before working capital changes</b>	<b>32,632</b>	<b>35,702</b>
<b>Changes in working capital:</b>		
Inventories	(23,306)	(10,415)
Trade receivables	(49,012)	26,748
Other receivables	(37,273)	1,187
Hire purchase receivables	(449)	3,131
Trade payables	(10,333)	(26,757)
Other payables	10,654	(6,893)
Exchange differences	552	264
Amount due to directors	-	3
	<b>(109,167)</b>	<b>(12,732)</b>
Cash (used in)/generated from operations	(76,535)	22,970
Interest paid	(10,312)	(7,852)
Interest received	458	518
Tax paid	(4,560)	(6,798)
Tax refund	-	158
<b>Net cash (used in)/from operating activities</b>	<b>(90,949)</b>	<b>8,996</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2018 (Cont'd)**
*(The figures have not been audited)*

	Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(38,495)	(34,850)
Capital contribution by non-controlling interests	1,200	-
Acquisition of subsidiaries	-	(32,025)
Proceeds from disposal of assets held for sales	-	1,235
Proceeds from disposal of other investment	14	-
Proceeds from disposal of investment in subsidiary companies	10,221	-
Proceeds from disposal of property, plant and equipment	122	176
Net cash used in investing activities	<u>(26,938)</u>	<u>(65,464)</u>
<b>Cash Flows From Financing Activities</b>		
Dividend paid	-	(10,118)
Drawdown of bank borrowings	25,862	1,260
Net changes on bankers' acceptance, trust receipt and revolving credits	63,123	67,367
Release in fixed deposits pledged	-	1,582
Repayment of finance lease payables	(1,100)	(2,507)
Repayment of bank borrowings	3,102	(13,461)
Shares repurchased	(2,463)	-
Net cash generated from financing activities	<u>88,524</u>	<u>44,123</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(29,363)</b>	<b>(12,345)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>47,073</b>	<b>69,352</b>
Effect of exchange translation differences on cash and cash equivalents	(158)	(60)
<b>Cash and cash equivalents at the end of the financial period</b>	<b><u>17,552</u></b>	<b><u>56,947</u></b>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	20,489	59,888
Bank overdrafts	(2,937)	(2,941)
Fixed deposits with licensed banks	19	15
	<u>17,571</u>	<u>56,962</u>
Less: Fixed deposits pledged to licensed banks	(19)	(15)
	<u>17,552</u>	<u>56,947</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 2017 and the accompanying explanatory notes attached to this interim financial report.

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## NOTES TO THE INTERIM FINANCIAL REPORT- SECOND QUARTER ENDED 30 JUNE 2018

## A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 (IFRS 9 issued by IASB in July 2014)
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 Group has not applied the following standards, amendments and interpretations under MFRS framework that have been issued by the Malaysia Accounting Standards Boards as they have yet to be effective for the Group:

<b>MFRSs AND IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective dates for financial period beginning on and after</b>
MFRS 16 – Leases	1 January 2019
MFRS 17 – Insurance Contracts	1 January 2021
IC Interpretation 23 – Uncertainty over Income Tax Treatments	1 January 2019

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

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.

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

a) Classification of financial assets

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”).

Based on its assessment, the financial assets held by the Group and the Company as at 30 June 2018 will be reclassified to the following classification:

Group	30 June 2018 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
<b>Financial assets</b>			
Trade receivables	352,878	L&R	AC
Other receivables	59,289	L&R	AC
Hire purchase receivables	646	L&R	AC
Fixed deposits with licensed banks	19	L&R	AC
Cash and bank balances	20,489	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.

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

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 change 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 recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

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.

### III. MFRS 16 Leases (Cont'd)

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 was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities except for the following:-

During the current financial quarter and period to date, the Company repurchase 3,089,300 ordinary shares of its issued share capital from the open market, at an average of RM0.797 per share. The total consideration paid for the share buy-back and transaction costs amounted to RM2,463,002 and RM1,970 respectively were financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 127 (6) of the Companies Act 2016.

During the current financial quarter and period to date, none of the treasury shares is distributed as share dividend to the shareholders.

As at 30 June 2018, the number of treasury shares held was 3,089,300 ordinary shares.

**A7. Segmental information**

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

	<b>Unaudited Individual quarter 30 June 2018 RM'000</b>	<b>Unaudited Individual quarter 30 June 2017 RM'000</b>	<b>Unaudited Cumulative quarter 30 June 2018 RM'000</b>	<b>Unaudited Cumulative quarter 30 June 2017 RM'000</b>
<b>Revenue</b>				
• Investment holding and management services	2,335	2,160	4,473	4,440
• Distribution of building materials and logistics services	149,699	143,327	302,246	305,618
• Ready-mixed concrete	26,223	24,455	53,193	50,669
• Manufacturing of fire-rated door	5,743	8,068	10,980	15,880
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	50,647	43,714	96,054	87,428
• Manufacturing of wire mesh and metal roofing systems	38,835	38,060	85,285	81,130
• Modular building Solutions	34,713	-	44,009	-
	308,195	259,784	596,240	545,165
Adjustments and eliminations	(23,886)	(22,511)	(46,607)	(46,332)
	284,309	237,273	549,633	498,833
<b>Profit/(Loss) before taxation</b>				
• Investment holding and management services	264	301	84	(111)
• Distribution of building materials and logistics services	1,169	3,243	2,489	7,662
• Ready-mixed concrete	1,017	602	1,956	1,085
• Manufacturing of fire-rated door	238	1,081	941	2,287
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	6,727	6,447	7,963	12,691
• Manufacturing of wire mesh and metal roofing systems	(672)	(2,407)	(2,063)	(3,566)
• Modular building Solutions	3,810	-	5,606	-
	12,553	9,267	16,976	20,048
Share of results of associates	(738)	-	869	-
	11,815	9,267	17,845	20,048
Listing expenses	-	(278)	-	(278)
Adjustments and eliminations	(4,667)	-	(4,974)	-
	7,148	8,989	12,871	19,770

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 ended 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 30 June 2018 RM'000	Audited 31 December 2017 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	21,830	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 30 June 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:-

	Unaudited 30 June 2018 RM'000	Audited 31 December 2017 RM'000
<b>Unsecured</b>		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	880,006	830,006

**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 30 June 2018 were as follows:-

	<b>Unaudited RM'000</b>
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	1,956
-Sales of goods	873
-Purchase of goods	5,774
-Purchase of vehicles	287
-Rental received/receivables	614
-Rental paid/payables	86
-Insurance and road tax received	69
-Hotel accommodation paid	3
	<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**

For the current financial quarter under review, the Group reported a revenue of RM284.31 million, an increase of RM47.04 million or 19.82% as compared to RM237.27 million in preceding year corresponding quarter. The higher revenue for the current quarter were mainly derived from the recognition of revenue of RM34.71 million from the modular project to build an integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor. Besides, the higher revenue also due to the increase in revenue from the autoclaved aerated concrete ("AAC") block, precast concrete products, distribution of building material, ready-mixed concrete sector and steel mesh products. However, these increase in revenues were off-set by the decrease in revenue from our manufacturing of fire rated door business and the MI Polymer Concrete products. The higher revenue from the manufacturing of autoclaved aerated concrete ("AAC") block was driven by the growth in market demand for panel whereas the increase in revenue from the precast concrete products were due to the surge in sales volume for box culvert and U-shape drain at Kulai & Rawang plant. Growth in the revenue for the distribution of building materials segment was mainly due to the expansion of imported plywood sales as a results of timber shortage in the market and also the increase in steel bar trading despite the drop in the cement sales. Cement sales were decline by approximately 18.59% as compared to the preceding year corresponding quarter in line with the continue softening of housing construction activities after the 14th General Election. The Group's gross profit increased by RM2.79 million or 11.74% from RM23.72 million (2017 Gross profit margin of 10.00%) in the preceding year corresponding quarter of 2017 to RM26.51 million (2018 Gross profit margin of 9.32%) in the current quarter of 2018. The higher gross profit for the current quarter was mainly due to the recognition of profit of RM4.49 million from the modular project. However, due to the intensifying competition in the distribution of building material segment especially for the cement product as a result of the over-supply effect due to the extra production capacity in the local market has resulted in the gross profit margin for cement to erode by 3.52%.

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

The gross profit margin for precast concrete has also declined due to the selling of higher proportion of lower profit margin product i.e. box culvert and U-drain. The Group's overall gross profit has eroded considerably due to the three new start-up companies' production cost charged out of totalling RM2.22 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 the manufacturing of AAC block, ready-mixed concrete segment and the profit recognised by the modular project. The improved gross profit margin for AAC products was due to selling of higher proportion of wall panel which can fetch a higher margin than AAC block. The improved performance for ready-mixed concrete segment was due to selling of higher grade concrete and ice concrete in the central region and 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 increased by approximately RM1.10 million or 96.92% from RM1.14 million in the preceding year corresponding quarter to RM2.24 million in the current quarter were mainly due the gain on disposal of Formino Metal Sdn Bhd of RM0.59 million and the higher solar income.

The Group's current quarter administration expenses has increased by RM3.63 million as compared to the preceding year corresponding quarter mainly due to the new start-up companies, i.e. Starken Drymix Solutions Sdn Bhd, Sage Evergreen Sdn Bhd, Green Cement Sdn Bhd and G-Cast UHPC Sdn Bhd, administration expenses charged out of RM1.16 million. The increase also contributed by the increase of the staff cost for G-Cast Sdn Bhd's Rawang plant and Metex Modular Sdn Bhd in 2018 to fully kick start their operation. Besides, the rise in the administrative expenses of RM0.80 million were also due to the reclassification of admin expenses to cost of goods sold in one of the subsidiary's account in the second quarter of 2017. Lastly, the annual increment of salary for year 2018 has also impacted the surge in the overall administration expenses.

The Group's finance cost for the current quarter has increased by RM1.37 million due to the drawdown of additional bankers' acceptance, revolving credit and term loan to finance Starken AAC Sdn Bhd's 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 losses of associate companies of RM0.74 million for the current quarter were contributed by the delayed in the start-up of the large scale solar photovoltaic ("LSSPV") project i.e. 61MWp solar farm in Gambang, Pahang. The delayed was due to the foundation challenges i.e. extreme site condition faced at the construction site during the initial earthwork stage of the project. Furthermore, the losses also resulted from the delayed in kicking off for some new Net Energy Metering ("NEM") roof-top projects i.e. retrofitted solar PV system and Building-Integrated PV ("BIPV") system which were caused by the delay in loan processing from the end customers.

The Group registered a lower profit before tax of RM7.15 million in the current financial quarter as compared to RM8.99 million in the corresponding quarter of 2017. The decline in the gross profit margin coupled with the new start-up companies' initial production cost, administration expenses and the finance cost charged out of totalling RM4.25 million have adversely impacted the Group's profit before tax. Besides, the performance of the Group was also pulled down by the additional finance costs incurred to fund the working capital and capital expenditures.

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

For the cumulative quarter ended 30 June 2018 ("Q2 2018"), the Group reported a Profit before Tax ("PBT") of RM12.87 million as compared to the PBT of RM19.77 million reported for the cumulative quarter ended 30 June 2017 ("Q2 2017"). The lower PBT for Q2 2018 is due mainly to new start-up companies' initial production cost, administration expenses and the finance cost charged out of totalling RM7.09 million. Excluding those said costs, the underlying PBT for Q2 2018 shall recorded at RM19.96 million which is marginally higher than the underlying PBT of RM19.77 million for Q2 2017.

The current financial quarter effective tax rate of 28.90% was higher than the corresponding quarter of 2017 of 21.74% mainly due to the considerable losses suffered by the new start-up companies which has pulled down the denominator i.e. profit before tax. However, the said ratio was lowered down by the over provision of taxation in 2017 due to the claiming of reinvestment allowance by G-Cast Concrete Sdn Bhd on the Capital Expenditures spent on the new plants.

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

	<b>Unaudited Individual quarter 30 June 2018 RM'000</b>	<b>Unaudited Individual quarter 31 March 2018 RM'000</b>	<b>Changes %</b>
Revenue	284,309	265,324	7%
Operating Profit	13,471	8,852	52%
Profit Before Interest and Tax	13,471	8,852	52%
Profit Before Tax	7,148	5,723	25%
Profit After Tax	5,082	4,174	22%
Profit Attributable to Ordinary Equity Holders of the Parent	5,082	4,174	22%

For the quarter under review, the Group posted a revenue of RM284.31 million as compared to RM265.32 million in the preceding quarter, an increase of RM18.99 million. The higher revenue was due to the recognition of RM34.71 million revenue from the modular project at Mukim Pengerang. The higher revenue also contributed by the increased sales in the autoclaved aerated concrete ("AAC") block and precast concrete segment which was driven by the strong market demand and order books on hand. 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 wire mesh especially after the 14th General Election.

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**B2. Comparison with immediate preceding quarter's results (Cont'd)****CURRENT QUARTER vs. PRECEDING QUARTER (Cont'd)**

The Group's profit before tax was higher by RM1.43 million in the current quarter as compared to the preceding quarter primarily due to the profit recognised by Metex Modular Sdn Bhd for the Pengerang project with a profit before tax of RM3.81 million, better performance from the autoclaved aerated concrete ("AAC") block and precast concrete segment. Nevertheless, the profit from the rest of the segments have declined due to the postponement of the delivery date for the order secured as instructed by client after the change of government. Furthermore, the current quarter results was pulled down by the additional losses sustained by the new start-up companies of RM2.01 million during the machineries commissioning period. Additional finance cost incurred of RM0.85 million to fund the capital expenditures and working capital for AAC second plant coupled with the share of losses sustained by our associate companies of RM0.74 million have impacted the current quarter results.

**B3. Prospects**

The operating environment is envisaged to remain challenging after the emergence of latest changes in government policies which led to the cancellation of two mega projects worth over RM100 billion i.e. the KL-Singapore High Speed Rail and the MRT 3. The government will be reviewing the existing pipeline of infrastructure projects and is expected to tighten the belt on some government agencies in a bid to make up for the shortfall in the loss of GST revenue. In view of these challenging environment, we have now emphasized to grow our overseas order bank extensively especially for autoclaved aerated concrete ("AAC") block and precast concrete segment in the Asian countries i.e. Philippines and Sri Lanka to mitigate our risk of over dependence on the domestic market.

The Kota Tinggi, Johor new autoclaved aerated concrete ("AAC") production line with 600,000 m3 installed capacity which has started its testing and commissioning in early June 2018 and has ramped up to 15% capacity as of end of August 2018. Nonetheless, there are still some hiccups faced at this new plant since its commissioning. Whereas for our organic growth company, Starken Drymix Solutions Sdn Bhd which is located at Bidor is expected to bump up to 40% of its production proficiency by end of August 2018.

The Company via its indirect wholly-owned subsidiary, G-Cast Concrete Sdn Bhd has entered into a 10-year Coal Ash Offtake agreement with Tanjung Bin Power Sdn Bhd ("TBP"), a subsidiary of Malakoff Corporation Berhad to collect bottom ash and fly ash (collectively hereinafter refer to as the "Coal Ash") on a non-exclusive basis (the "Agreement"). Coal Ash is the by-product from the combustion of 3 x 700 MW coal fired power station plant located at Tanjung Bin, Johor Darul Takzim which is owned by TBP ("Plant"). The said Agreement will benefit the Company in terms of lower raw material cost and it is part of Chin Hin's sustainability initiatives to consume the recycle as generated from the 2,100MW coal-fired power plant as construction material as practiced in Europe and Japan.

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**B4. Estimates/Forecast**

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

**B5. Taxation**

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

	Individual Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	2,579	2,005	4,150	4,643
- Unde/(Over)provision in prior year	(563)	(1)	(710)	14
	<u>2,016</u>	<u>2,004</u>	<u>3,440</u>	<u>4,657</u>
Deferred tax				
- Current financial period	50	-	175	
- (Over)/Underprovision in prior year	-	(50)	-	25
Total tax expense	<u>2,066</u>	<u>1,954</u>	<u>3,615</u>	<u>4,682</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:

On 6 June 2018, PP Chin Hin Sdn Bhd ("PPCH"), a wholly-owned subsidiary of the Company, had entered into 17 conditional sale and purchase agreements with Chin Hin Building Materials Supply (JB) Sdn Bhd for the proposed disposal by PPCH of the following properties for a total cash consideration of RM21,150,000:

1. 5 units of 3-storey shop office located at No. A-23, A-23A, A-25, A-26 and A-27, Jalan Reef 1/1, Pusat Perniagaan Reef, 48000 Rawang, Selangor Darul Ehsan;
2. 3 units of 3-storey shop office located at No. 48, 49 and 50, Jalan Kuala Kedah, Taman Gunung Indah, 05400 Alor Setar, Kedah Darul Aman; and
3. 9 units of 3-storey shop office located at No. 10, 11, 12, 13, 15, 16, 17, 18 and 19, Taman Bandar Baru Mergong, 05150 Alor Setar, Kedah Darul Aman

(collectively known as "Proposed Disposal")

Bursa Malaysia Securities Berhad had on 15 August 2018 approved the Company's application for extension of time up to 3 October 2018 to submit its draft circular for the Proposed Disposal.

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

**(ii) Utilisation of proceeds**

(a) The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 30 June 2018 are as follow:-

Details of the utilisation of proceeds	Utilisation <sup>(1)</sup>						Estimated timeframe for utilisation from the listing date	Revised expected timeframe for utilisation of proceeds (from the listing date) <sup>(3)</sup>
	Proposed RM'000	Actual RM'000	Balance RM'000	Variations of IPO Proceeds RM'000	After Variations of IPO Proceeds RM'000	Balance of IPO Proceeds RM'000		
i) Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	9,310	5,690	<sup>(2)</sup> 5,690	5,690	-	Within 24 months	Within 36 months
ii) Repayment of bank borrowings	15,000	15,000	-	-	-	-	Within 6 months	No change
iii) Working capital requirements	7,079	7,079	-	-	-	-	Within 24 months	No change
iv) Listing expenses	4,000	4,000	-	-	-	-	Immediately	No change
	<b>41,079</b>	<b>35,389</b>	<b>5,690</b>	<b>5,690</b>	<b>5,690</b>	<b>-</b>		

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 amount budgeted for expansion of existing manufacturing facility and purchase of new equipment and machineries has been re-allocated for the purchase of the following machineries:

No.	Machineries	No. of units	Total (RM'000)
(a)	Autoclave	4	4,482
(b)	Spinning moulds	30	345
(c)	Reinforced concrete moulds	10	863
	<b>Total</b>	<b>44</b>	<b>5,690</b>

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

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

(b) The status of utilisation of the proceeds of approximately RM65.650 million from the private placement as at 30 June 2018 are as follow:-

	Details of the utilisation of proceeds	Utilisation						Estimated timeframe for utilisation from the listing date
		Proposed RM'000	Actual RM'000	Balance RM'000	Variations of Private Placement Proceeds RM'000	After Variations of Private Placement Proceeds RM'000	Balance of Private Placement Proceeds 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	-	-	10,394	Within 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 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	2,196	497	-	-	497	Within 12 months
iv)	Repayment of bank borrowings	23,600	23,600	-	-	-	-	Within 6 months
v)	Future expansion plans #	10,000	10,000	-	-	-	-	Within 24 months
vi)	Working capital purposes	9,757	9,757	-	*865	865	-	Within 6 months
vii)	Expenses for the Private Placement	1,400	535	865	(*865)	-	-	Within 1 month
		<b>65,650</b>	<b>53,894</b>	<b>11,756</b>	<b>-</b>	<b>865</b>	<b>10,891</b>	

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

\* As provided in the Company's announcement made on 6 June 2017, if the actual expenses incurred for the Private Placement exercise are higher than the amount budgeted, the deficit will be funded out of the working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for the working capital.

**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 2018</b>	<b>As at</b>
	<b>RM'000</b>	<b>31 December 2017</b>
		<b>RM'000</b>
Bank overdrafts	2,937	2,919
Revolving credits	81,337	61,300
Bankers' acceptance	273,100	234,937
Trade financing	4,996	-
Trust Receipts	413	486
Term loans	110,919	82,835
<b>Total bank borrowings</b>	<b>473,702</b>	<b>382,477</b>
<b>Total bank borrowings comprise:-</b>		
<b>Current:</b>		
Bank overdraft	2,937	2,919
Revolving credits	81,337	61,300
Bankers' acceptance	273,100	234,937
Trade financing	4,996	-
Trust Receipts	413	486
Term loans	13,439	15,959
	<b>376,222</b>	<b>315,601</b>
<b>Non-current:</b>		
Term loans	97,480	66,876
	<b>473,702</b>	<b>382,477</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 2018</b>	<b>As at</b>
	<b>RM'000</b>	<b>31 December 2017</b>
		<b>RM'000</b>
Present value of minimum lease payments:		
Repayable within twelve months	1,034	1,923
Repayables after twelve months	396	607
	<b>1,430</b>	<b>2,530</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.

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**B10. Dividend Proposed**

There was no dividend declared for the current financial quarter.

**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	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Profit attributable to ordinary equity holders of the Group (RM'000)	4,547	7,035	8,323	15,088
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)	0.82	1.39	1.50	2.98

**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.

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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 2018 RM'000	Unaudited As at 30 June 2017 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	133	161
- (Over)/Underprovision in prior year	(7)	1
Bad debts recovered	(85)	(24)
Depreciation of property, plant and equipment	10,056	8,642
Directors' fee	120	120
Directors remuneration		
- Salary, EPF and Socso	863	890
- Other emoluments	112	133
Gain on disposal of assets held for sale	-	(2)
Gain on disposal of investment in a subsidiaries	(590)	-
Gain on disposal of other investment	(3)	-
Impairment on trade receivables	1,635	132
Interest expense	10,312	7,852
Interest income	(458)	(518)
Inventories written off	7	29
Loss/(Gain) on disposal of property, plant and equipment	23	(72)
Realised loss/(gain) on foreign exchange	277	(184)
Rental income	(2,333)	(2,230)
Rental expenses	3,611	1,520
Reversal of impairment on trade receivables	(241)	(128)
Share of results of associates	(938)	-
Unrealised loss on foreign exchange	(42)	(3)

**B14. Comparative figures**

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

**BY ORDER OF THE BOARD**

**30<sup>th</sup> August 2018**