



CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT SECOND QUARTER ENDED 30TH JUNE 2019

CHIN HIN GROUP BERHAD

Company No.: 1097507-W

(Incorporated in Malaysia under the Companies Act, 1965)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019**
(The figures have not been audited)

	Note	Individual Quarter			Cumulative Quarter		
		30 June 2019 RM'000	30 June 2018 RM'000	Changes %	30 June 2019 RM'000	30 June 2018 RM'000	Changes %
Revenue		250,009	284,309	-12%	492,689	549,633	-10%
Cost of sales		(225,987)	(257,800)		(445,303)	(499,642)	
Gross profit		24,022	26,509		47,386	49,991	
Other operating income		1,677	2,239		3,498	3,596	
Administrative expenses		(14,732)	(15,277)		(30,659)	(31,264)	
Operating profit		10,967	13,471	-19%	20,225	22,323	-9%
Finance costs		(7,238)	(5,585)		(13,287)	(10,321)	
Listing expenses		-	-		-	-	
Share of results of associates		2,011	(738)		4,295	869	
Profit before taxation		5,740	7,148	-20%	11,233	12,871	-13%
Taxation	B5	(1,544)	(2,066)		(2,981)	(3,615)	
Profit after taxation		4,196	5,082	-17%	8,252	9,256	-11%
Other comprehensive income							
Exchange translation differences		123	80		61	(281)	
Total comprehensive income for the financial period		4,319	5,162		8,313	8,975	
PROFIT AFTER TAX							
ATTRIBUTABLE TO:							
Owners of the Company		5,109	4,547	12%	9,548	8,323	15%
Non-controlling interests		(913)	535		(1,296)	933	
		4,196	5,082		8,252	9,256	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019 (Cont'd)**
(The figures have not been audited)

		Individual Quarter			Cumulative Quarter		
		30 June	30 June		30 June	30 June	
		2019	2018	Changes	2019	2018	Changes
Note		RM'000	RM'000	%	RM'000	RM'000	%
TOTAL COMPREHENSIVE INCOME							
ATTRIBUTABLE TO:							
Owners of the Company		5,232	4,627		9,609	8,042	
Non-controlling interests		(913)	535		(1,296)	933	
		<u>4,319</u>	<u>5,162</u>		<u>8,313</u>	<u>8,975</u>	
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	<u>0.93</u>	<u>0.82</u>		<u>1.74</u>	<u>1.50</u>	
- Diluted	B11	<u>0.93</u>	<u>0.82</u>		<u>1.74</u>	<u>1.50</u>	
Profit Before Interest and Tax		10,967	13,471	-19%	20,225	22,323	-9%

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 2018 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 2019**
(The figures have not been audited)

	30 June 2019 RM'000	(Audited) 31 December 2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	458,194	469,656
Investment properties	72,220	68,460
Investment in an associate	36,091	31,695
Goodwill	39,048	39,048
Other investment	26	26
TOTAL NON-CURRENT ASSETS	605,579	608,885
CURRENT ASSETS		
Inventories	100,551	88,469
Trade receivables	316,929	337,920
Other receivables	41,550	42,147
Hire purchase receivables	86	326
Tax recoverable	5,662	6,455
Fixed deposits with licensed banks	20	19
Cash and bank balances	23,573	52,729
	488,371	528,065
Assets held for sale	37,640	20,440
TOTAL CURRENT ASSETS	526,011	548,505
TOTAL ASSETS	1,131,590	1,157,390
EQUITY AND LIABILITIES		
EQUITY		
Share capital	325,796	325,796
Treasury shares	(4,992)	(4,992)
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	296	235
Revaluation reserve	16,367	16,367
Retained earnings	241,195	231,552
Total equity attributable to Owners of the Company	425,470	415,766
Non-controlling interests	656	1,952
TOTAL EQUITY	426,126	417,718

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019 (Cont'd)

(The figures have not been audited)

	30 June 2019 RM'000	(Audited) 31 December 2018 RM'000
CURRENT LIABILITIES		
Amount due to customers	4,677	6,522
Trade payables	134,135	136,017
Other payables	36,084	55,799
Amount owing to directors	5,441	5,964
Finance lease payables	499	551
Bank borrowings	427,914	425,307
Tax payable	1,484	2,598
TOTAL CURRENT LIABILITIES	610,234	632,758
NON-CURRENT LIABILITIES		
Finance lease payables	145	426
Bank borrowings	83,286	95,123
Deferred tax liabilities	11,799	11,365
TOTAL NON-CURRENT LIABILITIES	95,230	106,914
TOTAL LIABILITIES	705,464	739,672
TOTAL EQUITY AND LIABILITIES	1,131,590	1,157,390
NET ASSET PER SHARE (RM)	0.77	0.75

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 2018 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 (2ND) QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

	<-----Attributable to owners of the parent----->									
	<----- Non-Distributable ----->					Distributable		Non-		
	Share	Treasury	Merger	Foreign Currency	Revaluation	Retained		Controlling	Total	
	Capital	Shares	Reserve	Translation Reserve	Reserve	Earnings	Total	Interests	Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2018	325,796	-	(153,192)		313	8,768	217,866	399,551	764	400,315
Effect of adopting MFRS 9	-	-	-		-	-	(915)	(915)	-	(915)
	325,796	-	(153,192)		313	8,768	216,951	398,636	764	399,400
Profit for the financial year	-	-	-		-	-	22,947	22,947	1,153	24,100
Foreign exchange translation	-	-	-		(78)	-	-	(78)	-	(78)
Revaluation of assets, net of tax	-	-	-		-	7,599	-	7,599	-	7,599
Total comprehensive income	-	-	-		(78)	7,599	22,947	30,468	1,153	31,621
Transactions with owners:										
Acquisition of subsidiary										
Companies	-	-	-		-	-	-	-	(1,165)	(1,165)
Dividend paid	-	-	-		-	-	(8,346)	(8,346)	-	(8,346)
Non-controlling interests arising from additional subscription of shares in subsidiary companies	-	-	-		-	-	-	-	1,200	1,200
Shares repurchased	-	(4,992)	-		-	-	-	(4,992)	-	(4,992)
Total transactions with owners	-	(4,992)	-		-	-	(8,346)	(13,338)	35	(13,303)
Balance as at 31 December 2018	325,796	(4,992)	(153,192)		235	16,367	231,552	415,766	1,952	417,718

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019 (Cont'd)**

(The figures have not been audited)

	<-----Attributable to owners of the parent----->									
	<----- Non-Distributable ----->					Distributable		Non-		
	Share	Treasury	Merger	Foreign Currency	Revaluation	Retained	Total	Controlling	Total	
	Capital	Shares	Reserve	Translation Reserve	Reserve	Earnings		Interests	Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019	325,796	(4,992)	(153,192)		235	16,367	231,552	415,766	1,952	417,718
Prior year adjustment*	-	-	-		-	-	95	95	-	95
Balance as at 1 January 2019, restated	325,796	(4,992)	(153,192)		235	16,367	231,647	415,861	1,952	417,813
Profit for the financial year	-	-	-		-	-	9,548	9,548	(1,296)	8,252
Foreign exchange translation	-	-	-		61	-	-	61	-	61
Total comprehensive income	-	-	-		61	-	9,548	9,609	(1,296)	8,313
Balance as at 30 June 2019	325,796	(4,992)	(153,192)		296	16,367	241,195	425,470	656	426,126

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 2018 and the accompanying explanatory notes attached to this interim financial report.

* Represented prior year adjustment in relation to accrued dividend payable for treasury shareholder who is not entitled to dividend payment.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019**
(The figures have not been audited)

	Cumulative quarter	
	30 June 2019	30 June 2018
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	11,233	12,871
Adjustment for:		
Depreciation of property, plant and equipment	13,848	10,056
Impairment on trade receivables	1,155	1,635
Interest expense	13,287	10,312
Interest income	(569)	(458)
Inventories written off	13	7
(Gain)/Loss on disposal of property, plant and equipment	(98)	23
Gain on disposal of investment in a subsidiaries	-	(590)
Gain on disposal of other investment	-	(3)
Reversal of impairment on trade receivables	(153)	(241)
Share of results of associates	(4,398)	(938)
Unrealised loss/(gain) on foreign exchange	3	(42)
Operating profit before working capital changes	34,321	32,632
Changes in working capital:		
Inventories	(12,095)	(23,306)
Trade receivables	19,989	(49,012)
Other receivables	593	(37,273)
Hire purchase receivables	241	(449)
Amount due to customers	(1,845)	-
Trade payables	(1,882)	(10,333)
Other payables	(19,620)	10,654
Exchange differences	82	552
Amount due to directors	(523)	-
	(15,060)	(109,167)
Cash generated from/(used in) operations	19,261	(76,535)
Interest paid	(13,287)	(10,312)
Interest received	569	458
Tax paid	(2,876)	(4,560)
Tax refund	7	-
Net cash from/(used in) operating activities	3,674	(90,949)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019 (Cont'd)**
(The figures have not been audited)

	Cumulative Quarter	
	30 June 2019 RM'000	30 June 2018 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(22,987)	(38,495)
Capital contribution by non-controlling interests	-	1,200
Purchase of investment properties	(520)	-
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	204	122
Net cash used in investing activities	(23,303)	(26,938)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	627	25,862
Net changes on bankers' acceptance, trust receipt and revolving credits	16,028	63,123
Release in fixed deposits pledged	(1)	-
Repayment of finance lease payables	(333)	(1,100)
Repayment of bank borrowings	(6,972)	3,102
Shares repurchased	-	(2,463)
Net cash from financing activities	9,349	88,524
Net decrease in cash and cash equivalents	(10,280)	(29,363)
Cash and cash equivalents at the beginning of the financial period	29,787	47,073
Effect of exchange translation differences on cash and cash equivalents	37	(158)
Cash and cash equivalents at the end of the financial period	19,544	17,552
 Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	23,573	20,489
Bank overdrafts	(4,029)	(2,937)
Fixed deposits with licensed banks	20	19
	19,564	17,571
Less: Fixed deposits pledged to licensed banks	(20)	(19)
	19,544	17,552

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 2018 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 2019

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

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 2018 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 2018, except for the adoption of standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2019:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayments Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures
Annual Improvements to MFRSs 2015-2017 Cycle:	
- Amendments to MFRS 3	
- Amendments to MFRS 11	
- Amendments to MFRS 112	
- Amendments to MFRS 123	

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:

MFRSs AND IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 3 – Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 10 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred until further notice
MFRS 17 – Insurance Contracts	1 January 2021
MFRS 101 – Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 108 – Definition of Material (Amendments to MFRS 108)	1 January 2020
MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred until further notice

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019 (CONT'D)**A1. Basis of preparation (Cont'd)**

Note:

Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standards or annual periods beginning before 1 January 2021.

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:

I. 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.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019 (CONT'D)**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 2018.

A6. Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter and period to date.

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 2019, a total number of shares bought back and held as treasury shares were 6,320,000 ordinary shares.

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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 30 June 2019 RM'000	Unaudited Individual quarter 30 June 2018 RM'000	Unaudited Cumulative quarter 30 June 2019 RM'000	Unaudited Cumulative quarter 30 June 2018 RM'000
Revenue				
• Investment holding and management services	1,582	2,335	2,857	4,473
• Distribution of building materials and logistics services	133,466	149,699	266,760	302,246
• Ready-mixed concrete	16,485	26,223	32,905	53,193
• Manufacturing of fire-rated and wooden door	12,872	5,743	23,424	10,980
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	79,820	50,647	156,460	96,054
• Manufacturing of wire mesh and metal roofing systems	33,305	38,835	66,620	85,285
• Modular building Solutions	3,408	34,713	3,591	44,009
	280,938	308,195	552,617	596,240
Adjustments and eliminations	(30,929)	(23,886)	(59,928)	(46,607)
	250,009	284,309	492,689	549,633
Profit/(Loss) before taxation				
• Investment holding and management services	6,140	264	5,945	84
• Distribution of building materials and logistics services	1,093	1,169	2,109	2,489
• Ready-mixed concrete	(507)	1,017	(1,332)	1,956
• Manufacturing of fire-rated and wooden door	594	238	847	941
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	8,898	6,727	13,091	7,963
• Manufacturing of wire mesh and metal roofing systems	1,249	(672)	794	(2,063)
• Modular building Solutions	1,369	3,810	708	5,606
	18,836	12,553	22,162	16,976
Share of results of associates	2,011	(738)	4,295	869
	20,847	11,815	26,457	17,845
Adjustments and eliminations	(15,107)	(4,667)	(15,224)	(4,974)
	5,740	7,148	11,233	12,871

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

A8. Dividend paid

There was no dividend paid for the current financial quarter. A single-tier first interim dividend of RM0.015 per ordinary share totalling RM8,251,020 in respect of the financial year ended 31 December 2018 was paid on 15 April 2019.

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 quarter 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 2019	Audited 31 December 2018
	RM'000	RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	26,198	9,128

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 2019.

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 2019	Audited 31 December 2018
	RM'000	RM'000
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	523,199	520,562

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.

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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 2019 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	1,783
-Sales of goods	402
-Purchase of goods	5,246
-Rental received/receivables	636
-Rental paid/payables	122
-Insurance and road tax received	133
-Hotel accommodation paid	6

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 RM250.01 million, a decrease of RM34.30 million or 12.06% as compared to RM284.31 million in preceding year corresponding quarter. The decrease in revenue for the current quarter were mainly due to lower revenue from the Distribution of building materials and logistics services, ready-mixed concrete sector, manufacturing of wire mesh and the modular building solutions segment despite the increase in revenue from our manufacturing of autoclaved aerated concrete ("AAC") and precast concrete and the manufacturing of fire-rated and wooden door sector. The slow-down in construction sector and the shorter working months due to Raya festival holidays observed by the construction industry has affected the performance of the distribution of building materials and logistic services, ready-mixed concrete and the manufacturing of wire mesh sector. In addition, the ready mixed concrete sector performance was considerably affected by the completion of site plant projects and the slow properties take-up rate in the market which has caused the delay of project launching. The higher revenue from the manufacturing of autoclaved aerated concrete ("AAC") block was driven by the growth in demand for panel in the local and Singapore market. Besides, there was an increase in demand for AAC block in the overseas market especially in the Philippines. The increase in revenue from the precast concrete products were due to the supply of prestress and reinforce concrete beam, crosshead, cable trough and emergency walkway to the mega infrastructure projects in town i.e. Duke Highway, Mass Rapid Transit ("MRT"), Light Rapid Transit ("LRT"), Damansara-Shah Alam Elevated Expressway ("DASH"), Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE"), Gemas-Johor Baru (JB) Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE"). Furthermore, the increase also contributed by the surge in export of polymer pipes to Singapore market. Starken Drymix Solutions Sdn Bhd's revenue has increased considerably as opposed to its infant stage in the preceding year corresponding quarter.

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

The increase in revenue from the manufacturing of fire-rated and wooden door sector was contributed by the steel door frame business which was acquired in the last quarter of 2018 and the wooden door business which has started operation since mid of February 2019. The modular building solutions revenue for the current quarter was considerably low due to the project works for the six block of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor has reaching its tail end.

As such, the Group's gross profit declined by RM2.49 million or 9.38% from RM26.51 million in the preceding year corresponding quarter of 2018 to RM24.02 million in the current quarter of 2019. The gross profit margin of 9.61%, registered an increase of 0.29% as compared to the preceding year corresponding quarter of 9.32%. The increase was primarily due to the pick-up performance in Starken AAC 2 ("formerly known as Sage Evergreen") as opposed to the initial start-up losses sustained in the second quarter of 2018. Moreover, the gross profit margin improvement is also contributed by the gross profit earned in the current quarter for Starken Drymix Solutions Sdn Bhd and G-Cast UHPC Sdn Bhd as opposed to the gross losses sustained in the preceding year corresponding quarter and the improved margin from the distribution of building materials and logistics services.

Other operating income has decreased by approximately RM0.56 million or 25.10% from RM2.24 million in the preceding year corresponding quarter to RM1.68 million in the current quarter was solely due to the RM0.59 million gain on disposal for our metal roofing systems business, Formino Metal Sdn Bhd which was recognised in the preceding year.

The Group's administrative expenses for the current quarter under reviewed has decreased by RM0.55 million as compared to the second quarter of 2018 was contributed by the cost cutting measure undertaken in the losses making business and the reduction of administration staff in Modular Building Solutions sector after the initial six block of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor has almost reached its completion stage.

The Group's finance cost for the current quarter has increased by RM1.65 million as compared to the preceding year corresponding quarter principally due to the drawdown of additional revolving credit, higher usage of bankers' acceptance and overdraft against progressive claim ("ODPC") for working capital purposes

Share of profit of associate companies has increased incredibly by RM2.75 million from a loss of RM0.74 million in the preceding year corresponding quarter. The increased were contributed significantly by the Net Energy Metering ("NEM") roof-top projects i.e. retrofitted solar PV system and Building-Integrated PV ("BIPV") system especially from the industrial and self-consumption sector. In addition, the increased also contributed by the three large scale solar photovoltaic ("LSSPV 2") subcontracting projects work worth a total value of RM158.07 million, 38.7 MWp DC solar farm located in Perak scheduled to be completed by the last quarter of 2019.

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

Given the abovementioned increased in the share of results of associate companies and reduction in administrative expenses which were set-off fully by the increase in finance costs, reduction in other operating income and reduction in gross profit, the Group reported a lower profit before tax ("PBT") of RM5.74 million as compared to RM7.15 million reported in the preceding year corresponding quarter.

The current financial quarter effective tax rate of 26.90% was lower than the corresponding quarter of 2018 of 28.90% mainly due to the unabsorbed losses and capital allowances carried forward from the manufacturing sectors.

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

	Unaudited Individual quarter 30 June 2019 RM'000	Unaudited Individual quarter 31 Mar 2019 RM'000	Changes %
Revenue	250,009	242,680	3%
Operating Profit	10,967	9,258	18%
Profit Before Interest and Tax	10,967	9,258	18%
Profit Before Tax	5,740	5,493	4%
Profit After Tax	4,196	4,056	3%
Profit Attributable to Ordinary Equity Holders of the Parent	4,196	4,056	3%

For the quarter under review, the Group posted revenue of RM250.01 million as compared to RM242.68 million in the preceding quarter, an increase of RM7.32 million. The second quarter revenue improved slightly in view of the shorter working months due to the Islamic holy month of fasting and Raya festival holidays observed by the construction industry.

The Group reported a higher operating profit of RM10.97 million, an increase of RM1.71 million or 18.45% as compared to the preceding quarter due to the improved performance for precast concrete products, polymer pipes, G-Cast UHPC and Green Cement. Sales for precast concrete products i.e. jacking pipes, beams, box culvert and U-drain for the local infrastructure projects have increased in line with the smooth progress of work at site. Export of Polymer pipes to Singapore for Public Utilities Board ("PUB") and Housing Development Board ("HDB") projects were gradually increased in the second quarter as more sewerage projects were successfully tendered. The Ultra High-Performance Concrete ("UHPC") projects secured last year were progressively scheduled for installation in this quarter.

Nevertheless, the profit before tax for the current quarter of RM5.74 million has been pulled down by the increase in finance cost of RM1.19 million as compared to the preceding quarter due to the drawdown of additional revolving credit facilities of RM25 million and bankers' acceptance to finance the working capital requirement.

B3. Prospects

The Group is optimistic about the outlook of Chin Hin, underpinned by its healthy order book from the manufacturing segment and growing earnings contribution from its associates. The increase export of AAC block and AAC panel to the Philippines and Singapore market are anticipated to bump up current utilisation rate at the second AAC plant located in Kota Tinggi, Johor with installed production capacity of 600,000 m3 per annum from 30% to 50%. We expect the output to be ramped up in the second half of 2019 to fulfil the export market. Chin Hin will be subscribing for a 30% stake in Starken Philippines Incorporation ("SPI") for a total cash consideration of 3.30 million peso (around RM270,000.00). Upon completion of the Proposed Subscription, Starken Philippines will be an associated company of Starken Malaysia and Chin Hin. This mark a more significant venture by the Group into the Philippines market. This investment is a positive move which bodes well for profitability.

B3. Prospects (Cont'd)

Starken Drymix Solutions Sdn Bhd continued to record profit in the second quarter of 2019 and will increase its production utilisation rate in line with its order bank as more and more projects are being secured lately. G-Cast UHPC Sdn Bhd's performance has improved considerably and almost turnaround in the second quarter in tandem with the progress of work for project secured last year and is expected to contribute positively to the Group in the coming quarter.

Our associate company, Atlantic Blue Sdn Bhd has already obtained the approval from regulators to proceed with the listing on the Ace Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), via a special purpose vehicle, Solarvest Holdings Berhad ("SHB"). The listing is targeted to take place in the fourth quarter of 2019. In line with government's initiatives to drive the solar photovoltaic (PV) agenda and encourage installation among property developers, they are allowed to reserve Net Energy Metering (NEM) quota for new projects starting August 5. This is one of the measures taken by the government to achieve the target of 20 per cent of renewable energy (RE) in the national installed capacity mix (excluding large hydro) by 2025. We expect our associate companies to continue delivering better results due to its strong order books and aggressive effort in tendering more solar jobs under the third cycle of the Large-Scale Solar 3 ("LSS3") scheme.

Chin Hin has embarked on the de-gearing plan and has begun to trim its group gearing level via the disposal of non-core assets such as shop offices and vacant sites in order to pare down its borrowings.

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 companies, PP Chin Hin Pte Ltd and MI Polymer Concrete Pipes Pte Ltd which are subject to the statutory rate of 17% based on Singapore's tax regime.

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income tax expense				
- Current financial period	1,426	2,579	2,688	4,150
- (Over)/Under provision in prior year	-	(563)	-	(710)
	<u>1,426</u>	<u>2,016</u>	<u>2,688</u>	<u>3,440</u>
Deferred tax				
- Current financial period	118	50	293	175
- (Over)/Underprovision in prior year	-	-	-	-
Total tax expense	<u>1,544</u>	<u>2,066</u>	<u>2,981</u>	<u>3,615</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.

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 2019 are as follow:-

	Details of the utilisation of proceeds	Utilisation ⁽¹⁾						Estimated timeframe for utilisation from the listing date	Revised expected timeframe for utilisation of proceeds (from the listing date) ⁽³⁾
		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	⁽²⁾ 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
		41,079	35,389	5,690	5,690	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 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
	Total	44	5,690

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

(ii) Utilisation of proceeds (Cont'd)

(a) The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 30 June 2019 are as follow (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 2019 are as follow:-

No.	Details of the utilisation	Utilisation					Expected timeframe for utilisation of proceeds (from the listing date)	Revised expected timeframe for utilisation of proceeds (from the listing date)
		(i) Proceeds raised RM'000	Actual utilisation RM'000	Balance of proceeds unutilised RM'000	After variations of the proceeds utilisation RM'000	Balance of Private Placement Proceeds RM'000		
(a)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	2,782	9,218	9,218	7,418	Within 18 months	(iv) Up to 30 months
(b)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	6,200	-	(iii) 285	-	Within 12 months	Up to 24 months
(c)	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	2,408	(iii) 285	-	-	Within 12 months	No change
(d)	Repayment of bank borrowings	23,600	23,600	-	-	-	Within 6 months	No change
(e)	Future expansion plans	10,000	10,000	-	-	-	Within 24 months	No change
(f)	Working capital purposes	9,757	(ii) 10,622	-	-	-	Within 6 months	No change
(g)	Estimated expenses for the Private Placement	1,400	(ii) 535	-	-	-	Within 1 months	No change
		65,650	56,147	9,503	9,503	7,418		

Notes:

- (i) As per Chin Hin's announcement date 6 June 2017
- (ii) Pursuant to the Private Placement announcement dated 6 June 2017, the Company has transferred the unutilised proceeds of RM0.87 million from the estimated expenses incurred for the Private Placement to its working capital requirements.
- (iii) The Company had earmarked RM2.70 million of the Placement Proceeds for the expansion of existing manufacturing facilities and purchase of new equipment and machineries of MIPCP. However, the actual utilisation for the said expansion was lower than the budgeted proceeds and the balance yet to be utilised stands at RM0.29 million. Therefore, the Company proposes to reallocate the unutilised proceeds of RM0.29 million for the purchase of 2 units of gantry cranes for GCCSB's manufacturing facility located in Rawang, Selangor and the purchase is expected to be completed by the third quarter of 2019.
- (iv) The Company requires additional time to complete the construction of GCCSB's new manufacturing and operation facility in Kota Tinggi, Johor, as the Group had mainly focused on the construction and expansion of its new manufacturing facilities in Rawang, Selangor and Bidor, Perak. The Group has commenced construction of its new manufacturing and operation facility in Kota Tinggi, Johor since April 2019 and is expected to be completed by last quarter of 2019.

B7. Borrowings

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

	(Audited)	
	As at	As at
	30 June 2019	31 December 2018
	RM'000	RM'000
Bank overdrafts	4,029	22,941
Revolving credits	112,691	59,500
Bankers' acceptance	292,368	329,456
Trust Receipts	373	448
Term loans	101,739	108,085
Total bank borrowings	511,200	520,430
Total bank borrowings comprise:-		
Current:		
Bank overdraft	4,029	22,941
Revolving credits	112,691	59,500
Bankers' acceptance	292,368	329,456
Trust Receipts	373	448
Term loans	18,453	12,962
	427,914	425,307
Non-current:		
Term loans	83,286	95,123
	511,200	520,430

B8. Finance lease payables

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

	(Audited)	
	As at	As at
	30 June 2019	31 December 2018
	RM'000	RM'000
Present value of minimum lease payments:		
Repayable within twelve months	499	551
Repayables after twelve months	145	426
	644	977

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 23 August 2019, the Board of Directors of the Company has approved the declaration and payment of first single-tier interim dividend of RM0.01 per ordinary share totalling RM5,500,680.00 in respect of the financial year ending 31 December 2019. The entitlement and payment dates are 1 October 2019 and 14 October 2019 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	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Profit attributable to ordinary equity holders of the Group (RM'000)	5,109	4,547	9,548	8,323
Number of ordinary shares in issues as at 1 January ('000)	556,388	556,388	556,388	556,388
Effect of shares issued during the financial period ('000)	(6,320)	145	(6,320)	145
Weighted average number of ordinary shares in issue ('000)	550,068	556,533	550,068	556,533
Basic earnings per share (sen)	0.93	0.82	1.74	1.50

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.

	Individual Quarter		Cumulative Quarter	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Profit attributable to ordinary equity holders of the Group (RM'000)	5,109	4,547	9,548	8,323
Weighted average number of ordinary shares as above	550,068	556,533	550,068	556,533
Basic earnings per share (sen)	0.93	0.82	1.74	1.50

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 2019 RM'000	Unaudited As at 30 June 2018 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	175	133
- Overprovision in prior year	2	(7)
Bad debts recovered	(179)	(85)
Depreciation of property, plant and equipment	13,866	10,056
Directors' fee	120	120
Directors remuneration		
- Salary, EPF and Socso	979	863
- Other emoluments	135	112
Gain on disposal of investment in a subsidiaries	-	(590)
Gain on disposal of other investment	-	(3)
Impairment on trade receivables	1,155	1,635
Interest expense	13,287	10,312
Interest income	(570)	(458)
Inventories written off	13	7
(Gain)/Loss on disposal of property, plant and equipment	(97)	23
Realised loss on foreign exchange	192	277
Rental income	(1,443)	(2,333)
Rental expenses	2,384	3,611
Reversal of impairment on trade receivables	(153)	(241)
Share of results of associates	(4,398)	(938)
Unrealised loss/(gain) on foreign exchange	3	(42)

B13. Comparative figures

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

BY ORDER OF THE BOARD

23rd August 2019