CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT
THIRD QUARTER ENDED 30TH SEPTEMBER 2019

CHIN HIN GROUP BERHAD
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(Incorporated in Malaysia under the Companies Act, 1965)

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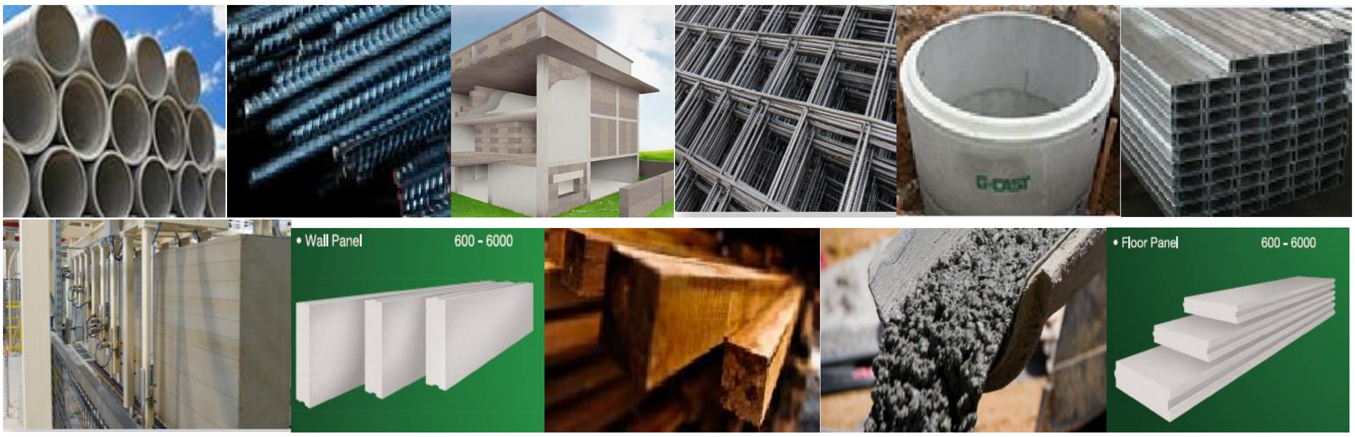

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

		Individual Quarter			Cumulative Quarter		
		30 Sep 2019	30 Sep 2018	Changes	30 Sep 2019	30 Sep 2018	Changes
	Note	RM'000	RM'000	%	RM'000	RM'000	%
Revenue		283,198	278,707	2%	775,887	828,340	-6%
Cost of sales		(255,851)	(253,102)		(701,154)	(752,744)	
Gross profit		27,347	25,605		74,733	75,596	
Other operating income		2,809	1,814		6,307	5,410	
Administrative expenses		(16,376)	(15,746)		(47,035)	(47,010)	
Operating profit		13,780	11,673	18%	34,005	33,996	0%
Finance costs		(6,658)	(5,966)		(19,945)	(16,287)	
Listing expenses		-	-		-	-	
Share of results of associates		1,310	2,523		5,605	3,392	
Profit before taxation		8,432	8,230	2%	19,665	21,101	-7%
Taxation	B5	(1,713)	(2,193)		(4,694)	(5,808)	
Profit after taxation		6,719	6,037	11%	14,971	15,293	-2%
Other comprehensive income							
Exchange translation differences		(76)	187		(15)	(94)	
Total comprehensive income for the financial period		6,643	6,224		14,956	15,199	
PROFIT AFTER TAX ATTRIBUTABLE TO:							
Owners of the Company		7,369	6,399	15%	16,917	14,722	15%
Non-controlling interests		(650)	(362)		(1,946)	571	
		6,719	6,037		14,971	15,293	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019 (Cont'd)
(The figures have not been audited)

	Note	Individual Quarter 30 Sep 2019 RM'000	Individual Quarter 30 Sep 2018 RM'000	Changes %	Cumulative Quarter 30 Sep 2019 RM'000	Cumulative Quarter 30 Sep 2018 RM'000	Changes %
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Owners of the Company		7,293	6,586		16,902	14,628	
Non-controlling interests		(650)	(362)		(1,946)	571	
		6,643	6,224		14,956	15,199	
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	1.34	1.15		3.08	2.65	
- Diluted	B11	1.34	1.15		3.08	2.65	
Profit Before Interest and Tax		13,780	11,673	18%	34,005	33,996	0%

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 SEPTEMBER 2019
(The figures have not been audited)

	30 September 2019 RM'000	(Audited) 31 December 2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	463,234	469,656
Investment properties	68,980	68,460
Investment in an associate	36,941	31,695
Goodwill	39,048	39,048
Other investment	26	26
TOTAL NON-CURRENT ASSETS	608,229	608,885
CURRENT ASSETS		
Inventories	100,240	88,469
Trade receivables	355,536	337,920
Other receivables	42,881	42,147
Hire purchase receivables	82	326
Tax recoverable	6,439	6,455
Fixed deposits with licensed banks	20	19
Cash and bank balances	16,419	52,729
	521,617	528,065
Assets held for sale	20,440	20,440
TOTAL CURRENT ASSETS	542,057	548,505
TOTAL ASSETS	**1,150,286**	**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	220	235
Revaluation reserve	16,367	16,367
Retained earnings	243,063	231,552
Total equity attributable to Owners of the Company	427,262	415,766
Non-controlling interests	6	1,952
TOTAL EQUITY	427,268	417,718

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019 (Cont'd)
(The figures have not been audited)

	30 September 2019 RM'000	(Audited) 31 December 2018 RM'000
CURRENT LIABILITIES		
Amount due to customers	4,408	6,522
Trade payables	137,259	136,017
Other payables	40,620	55,799
Amount owing to directors	5,537	5,964
Finance lease payables	405	551
Bank borrowings	436,865	425,307
Tax payable	754	2,598
TOTAL CURRENT LIABILITIES	625,848	632,758
NON-CURRENT LIABILITIES		
Finance lease payables	989	426
Bank borrowings	83,620	95,123
Deferred tax liabilities	12,561	11,365
TOTAL NON-CURRENT LIABILITIES	97,170	106,914
TOTAL LIABILITIES	723,018	739,672
TOTAL EQUITY AND LIABILITIES	**1,150,286**	**1,157,390**
NET ASSET PER SHARE (RM)	0.78	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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019
(The figures have not been audited)

	<------Attributable to owners of the parent------>								
	<------ Non-Distributable ------>					Distributable		Non-	
	Share Capital RM'000	Treasury Shares RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2018	325,796	-	(153,192)	313	8,768	217,866	399,551	764	400,315
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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019 (Cont'd)
(The figures have not been audited)

	<----Attributable to owners of the parent----						>		
	<---- Non-Distributable				---->	Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 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	-	-	-	-	-	16,917	16,917	(1,946)	14,971
Foreign exchange translation	-	-	-	(15)	-	-	(15)	-	(15)
Total comprehensive income	-	-	-	(15)	-	16,917	16,902	(1,946)	14,956
Transactions with owners:									
Dividend paid	-	-	-	-	-	(5,501)	(5,501)	-	(5,501)
Total transactions with owners	-	-	-	-	-	(5,501)	(5,501)	-	(5,501)
Balance as at 30 September 2019	325,796	(4,992)	(153,192)	220	16,367	243,063	427,262	6	427,268

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

	Cumulative quarter	
	30 September 2019	30 September 2018
Cash Flows From Operating Activities	**RM'000**	**RM'000**
Profit before taxation	19,665	21,101
Adjustment for:		
Bad debts written-off	-	60
Depreciation of property, plant and equipment	20,947	15,557
Impairment on trade receivables	2,586	2,868
Interest expense	19,945	16,278
Interest income	(755)	(669)
Inventories written off	27	12
(Gain)/Loss on disposal of property, plant and equipment	(412)	23
Gain on disposal of investment properties	(780)	-
Gain on disposal of investment in a subsidiaries	-	(590)
Gain on disposal of other investment	-	(3)
Reversal of impairment on trade receivables	(167)	(241)
Share of results of associates	(5,246)	(3,103)
Unrealised gain on foreign exchange	(46)	(62)
Operating profit before working capital changes	55,764	51,231
Changes in working capital:		
Inventories	(11,798)	(25,823)
Trade receivables	(20,035)	(57,093)
Other receivables	(689)	(29,551)
Hire purchase receivables	245	(291)
Amount due to customers	(2,115)	(7,305)
Trade payables	1,242	6,119
Other payables	(15,081)	(2,598)
Exchange differences	(310)	614
Amount due to directors	(428)	(52)
	(48,969)	(115,980)
Cash generated from/(used in) operations	6,795	(64,749)
Interest paid	(19,945)	(16,278)
Interest received	755	669
Tax paid	(5,944)	(7,361)
Tax refund	617	50
Net cash used in operating activities	(17,722)	(87,669)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019 (Cont'd)
(The figures have not been audited)

	Cumulative Quarter	
	30 September 2019 RM'000	30 September 2018 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(34,499)	(48,813)
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	1,076	122
Proceeds from disposal of investment properties	21,220	-
Net cash used in investing activities	(12,723)	(37,256)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	2,399	40,115
Dividend paid	(5,501)	-
Net changes on bankers' acceptance, trust receipt and revolving credits	27,186	83,627
Release in fixed deposits pledged	(1)	-
Repayment of finance lease payables	(455)	(1,662)
Repayment of bank borrowings	(9,396)	(12,781)
Shares repurchased	-	(4,992)
Net cash from financing activities	14,232	104,307
Net decrease in cash and cash equivalents	(16,213)	(20,618)
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	(33)
Cash and cash equivalents at the end of the financial period	13,611	26,422
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	16,419	29,358
Bank overdrafts	(2,808)	(2,936)
Fixed deposits with licensed banks	20	19
	13,631	26,441
Less: Fixed deposits pledged to licensed banks	(20)	(19)
	13,611	26,422

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- THIRD QUARTER ENDED 30 SEPTEMBER 2019

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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. <u>MFRS 16 Leases</u>

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 SEPTEMBER 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 September 2019, the number of treasury shares held was 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 September 2019 RM'000	Unaudited Individual quarter 30 September 2018 RM'000	Unaudited Cumulative quarter 30 September 2019 RM'000	Unaudited Cumulative quarter 30 September 2018 RM'000
Revenue				
• Investment holding and management services	1,402	1,801	4,259	6,273
• Distribution of building materials and logistics services	163,247	173,470	430,007	475,716
• Ready-mixed concrete	14,466	23,972	47,371	77,165
• Manufacturing of fire-rated and wooden door	9,055	6,516	32,479	17,497
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	89,194	55,051	245,654	151,105
• Manufacturing of wire mesh and metal roofing systems	37,186	40,427	103,807	125,712
• Modular building Solutions	2,223	1,585	5,813	45,594
	316,773	302,822	869,390	899,062
Adjustments and eliminations	(33,575)	(24,115)	(93,503)	(70,722)
	283,198	278,707	775,887	828,340
Profit/(Loss) before taxation				
• Investment holding and management services	(22)	(151)	5,923	(67)
• Distribution of building materials and logistics services	2,300	3,079	4,410	5,568
• Ready-mixed concrete	(896)	848	(2,228)	2,804
• Manufacturing of fire-rated and wooden door	(825)	679	22	1,619
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	7,486	1,338	20,578	9,302
• Manufacturing of wire mesh and metal roofing systems	160	169	954	(1,894)
• Modular building Solutions	257	(134)	964	5,472
	8,460	5,828	30,623	22,804
Share of results of associates	1,311	2,523	5,605	3,392
	9,771	8,351	36,228	26,196
Adjustments and eliminations	(1,339)	(121)	(16,563)	(5,095)
	8,432	8,230	19,665	21,101

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 first interim dividend of RM0.010 per ordinary share totalling RM5,500,680 in respect of the financial year ended 31 December 2018 was paid on 14 October 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 September 2019	Audited 31 December 2018
Authorised and contracted for:	RM'000	RM'000
-acquisition of property, plant and equipment	19,336	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 September 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 September 2019	Audited 31 December 2018
Unsecured	RM'000	RM'000
Corporate guarantees given to the licensed banks for credit facility granted to related companies	536,365	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 September 2019 were as follows:-

	Unaudited
Transaction with companies in which the Directors or substantial shareholders have financial interest:	RM'000
-Transportation services	2,593
-Sales of goods	704
-Purchase of goods	7,754
-Rental received/receivables	672
-Rental paid/payables	183
-Insurance and road tax received	153
-Hotel accommodation paid	7

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 RM283.20 million, an increase of RM4.49 million or 1.61% as compared to RM278.71 million in preceding year corresponding quarter. The increase in revenue for the current quarter were mainly due to higher revenue from our manufacturing of autoclaved aerated concrete ("AAC") and precast concrete, the manufacturing of fire-rated and wooden door sector and the modular building solutions sector despite the decrease in revenue from the Distribution of building materials and logistics services, ready-mixed concrete sector and the manufacturing of wire mesh segment. The higher revenue from the manufacturing of autoclaved aerated concrete ("AAC") block was driven by the growth in market demand for panel in the local and Singapore market whereas the increase in revenue from the precast concrete products were due to the expansion of our product portfolio i.e. prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe and emergency walkway. Moreover, the increase also contributed by the surge in export of polymer pipes to Singapore market. The increase in revenue from the manufacturing of fire-rated and wooden door sector were contributed by the steel door frame business which was acquired during the last quarter of 2018 and the new wooden door business ventured into since mid of the first quarter of 2019. The slow-down in construction sector arising from the property overhang, tight lending policy by the financial institution, poor market sentiment as investors stay on the side-lines have affected the performance of the distribution of building materials, ready-mixed concrete and the manufacturing of wire mesh sector.

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B1. Review of performance (Cont'd)

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

The Group's gross profit has increased by RM1.74 million or 6.80% from RM25.61 million in the preceding year corresponding quarter of 2018 to RM27.35 million in the current quarter of 2018. The gross profit margin for the current quarter was recorded at 9.66%, an increase of 0.47% as compared to the preceding year corresponding quarter of 9.19%. The increase was primarily due to the higher gross profit margin earned from selling bigger size polymer pipes ranging from 600 mm to 800 mm internal diameter for various projects secured i.e. Deep Tunnel Sewerage System (DTSS) Phase 2 and Land Transport Authority (LTA) Sewer Diversion works, better performance in the Drymix Solutions company and the better margin from the selling of panel to the local and Singapore market.

Other operating income has increased by approximately RM1.00 million or 54.85% from RM1.81 million in the preceding year corresponding quarter to RM2.81 million in the current quarter were mainly due to the RM0.78 million gain on disposal for the 17 units of three storey shopoffices located in Rawang and Alor Setar to Chin Hin Building Materials Supply (JB) Sdn Bhd for a total cash consideration of RM21.15 million.

The Group's administration expenses for the current quarter has increased by RM0.63 million as compared to the preceding year corresponding quarter principally contributed by the new businesses i.e. steel door frame and timber door in the central region coupled with the new fire door in the northern region.

The Group's finance cost for the current quarter has increased by RM0.69 million as compared to the preceding year corresponding quarter principally due to the rollover of revolving credit and drawdown of term loan in the first half of this year for working capital purposes.

Share of profit of associate companies has decreased by RM1.21 million or 48.08% for the current quarter as compared to the preceding year corresponding quarter. The decreased were partially contributed by the audit adjustment for financial year ended March 2019. The main bulk of the audit adjustment relate to our share of listing expenses charged out of RM0.42 million. The balances of the decrease were due to higher sales and distribution cost as a result of hiring more sales personnel for regional expansion, additional listing expenses incurred and the loss on foreign exchange as a result of devaluation of Ringgit Malaysia against US Dollar.

Given the abovementioned increased in the gross profit margin and other operating income which were set-off substantially by the increase in administrative expenses and finance costs coupled with the reduction in the share of results of associate companies, the Group reported a marginally higher profit before tax ("PBT") of RM8.43 million as compared to RM8.23 million reported in the preceding year corresponding quarter.

The current financial quarter effective tax rate of 20.32% was much lower than the corresponding quarter of 2018 of 26.65% mainly due to the overprovision of taxation in prior month in precast concrete division. There was reinvestment allowance to be claimed as a result of setting up new plant in Kota Tinggi and Kuantan.

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B2. Comparison with immediate preceding quarter's results

CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 30 September 2019 RM'000	Unaudited Individual quarter 30 June 2019 RM'000	Changes %
Revenue	283,198	250,009	13%
Operating Profit	13,780	10,967	26%
Profit Before Interest and Tax	13,780	10,967	26%
Profit Before Tax	8,432	5,740	47%
Profit After Tax	6,719	4,196	60%
Profit Attributable to Ordinary Equity Holders of the Parent	6,719	4,196	60%

For the quarter under review, the Group posted a revenue of RM283.20 million as compared to RM250.01 million in the preceding quarter, an increase of RM33.19 million. The main reason for the lower revenue recorded in the second quarter of this year primarily cause by the shorter working months due to Raya festival holidays observed by the local Muslims in construction industry.

The Group reported a higher profit before tax ("PBT") of RM8.43 million, an increase of RM2.69 million as compared to the preceding quarter PBT of RM5.74 million. The autoclaved aerate concrete ("AAC") and precast concrete sector is the main contributor for the profit hike in this quarter. The progress work for the supply of infrastructure prestress and reinforce concrete beam, crosshead, cable trough and emergency walkway to mega infrastructure projects in town i.e. Duke Highway, Mass Rapid Transit ("MRT"), Light Rapid Transit ("LRT"), Gemas-Johor Baru (JB) Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE") have caught up the momentum after the one-month of fasting and Raya festival holidays observed by the local Muslims. Besides, the better performance in the polymer concrete and Drymix business has contributed to the profit hike in this sector.

The other contributor for the hike in profit in this quarter is the distribution of building materials sector which contributed RM0.78 million as a result of the gain on disposal for the 17 units of three storey shop offices as mentioned above.

B3. Prospects

Chin Hin besides focusing on consolidating its existing business to strengthen its presence in the local construction material industry, had started to penetrate seriously into the regional markets like the Philippines and Australia. The precast concrete and polymer concrete pipe division have lately participated in the tender for a few foreign contracts. The outcome for the tenders is still pending.

Our new autoclaved aerated concrete ("AAC") production line with 600,000 m3 installed capacity located at Kota Tinggi, Johor is still hovering its production utilisation rate at 30% level as at mid of November 2019 in view of the excess supply of block in the local market as a result of the soft property market. Nevertheless, the export market demand for panel and block are increased progressively.

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B3. Prospects (Cont'd)

Starken Drymix Solutions Sdn Bhd whom has turnaround since end of last year has approached its production utilisation rate of 44% as at middle of November 2019. This company has achieved a satisfactory performance for financial year ending September 2019. The machine reliability has stabilised and the company has managed to secure more orders.

The Group continue to pursue its product portfolio expansion plan in the infrastructure precast concrete business. The new products to be introduced into the local market include cable plinth, fencing pole, turn out bearer, prestress plank and tunnel walkway for Gemas-Johor Baru (JB) Electrified Double Track Project ("EDTP") and Mass Rapid Transit 2 ("MRT 2").

Our associate companies Solarvest Holding Bhd ("Solarvest") is slated to debut on the *Ace Market* of Bursa Malaysia on Nov 26, is *planning* to raise RM34.59 million from its initial public offering. Proceeds from the initial public offering will be channelled to expand the solar business in the Southern region of Peninsular Malaysia and into the oversea market such as Taiwan and Vietnam. Solarvest is currently working on a Request for Information (RFI) in Sarawak and Brunei for the Large-Scale Solar Farm ("LSS"). The order books of Solarvest remained strong with their healthy sales funnel. Chin Hin is confident that Solarvest could be the next earnings growth driver to the Group.

Chin Hin has carried out the de-gearing exercise recently via the disposal of non-core assets at the market value to strengthen the group financial position with the enhancement of current ratio.

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 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income tax expense				
- Current financial period	680	1,974	3,368	6,124
- (Over)/Under rprovision in prior year	176	219	176	(491)
	856	2,193	3,544	5,633
Deferred tax				
- Current financial period	311	-	604	175
- (Over)/Underprovision in prior year	546	-	546	-
Total tax expense	1,713	2,193	4,694	5,808

B6. Status of corporate proposals and utilisation of proceeds

I. Status of corporate proposal

Saved as disclosed below, there were no other corporate proposals which had been announced by the Company and are pending for completion as of todate:

a) Metex Steel Sdn Bhd, a wholly-owned subsidiary of the Company, has on 8 November 2019 entered into a conditional share sale agreement with PP Chin Hin Realty Sdn Bhd ("**PP CH Realty**") for the disposal of 100% equity interest in Ace Logistic Sdn Bhd to PP Chin Hin Realty for a cash consideration of RM20,800,000 ("**Proposed Disposal of Ace Logistic**");

b) PP Chin Hin Sdn Bhd ("**PP Chin Hin**"), a wholly-owned subsidiary of the Company, has on 8 November 2019 entered into 35 conditional sale and purchase agreements ("**Properties SPAs**") with Midas Signature Sdn Bhd ("Midas") for the disposal of properties to Midas for a total cash consideration of RM55,650,000 ("**Proposed Disposal of Properties**"); and

c) In conjunction with the Proposed Disposal of Properties, PP Chin Hin will enter into 14 tenancy agreements with Midas for the proposed tenancies of 5 units of shop offices at Kuala Lumpur, 7 units of shop offices at Alor Setar, Kedah and 89 units of car parks at Kuala Lumpur ("**Proposed Tenancy**"). The tenancies will commence on the day immediately after the completion of the respective Properties SPAs.

There was no material development pertaining to the above transactions and the Proposals are expected to be completed by first half of 2020.

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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 RM65.650 million from the private placement as at 30 September 2019 are as follow:-

No.	Details of the utilisation	Utilisation							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	Variantions of the proceeds utilisation RM'000	After Variantions of the proceeds utilisation RM'000	Balance of Private Placement Proceeds RM'000	Expected timeframe for utilisation of proceeds (from the listing date)	
(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	-	-	4,715	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	-	285	[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	285	(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]9,757	-	*865	865	-	Within 6 months	No change
(g)	Estimated expenses for the Private Placement	1,400	[ii]535	865	*(865)	-	-	Within 1 months	No change
		65,650	**55,282**	**10,368**	**-**	**865**	**4,715**	**-**	

Notes:

(i) As per Chin Hin's announcement dated 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.

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

II. Utilisation of proceeds

(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 if it's new manufacturing and operation facilities in Kota Tinngi, Johor since April 2019 and is expected to be completed by last quarter of 2019.

(b) The status of utilisation of the proceeds of approximately RM21.150 million from the disposal of 17 properties as at 30 September 2019 are as follow:-

		Utilisation						
	Details of the utilisation of proceeds	Proposed RM'000	Actual RM'000	Balance RM'000	Variantions of 17 properties disposal proceeds RM'000	After Variantions of 17 properties disposal proceeds RM'000	Balance of 17 properties disposal Proceeds RM'000	Estimated timeframe for utilisation from the completion of the proposed disposal
i)	Repayment of bank borrowings	15,000	1,000	14,000	-	-	14,000	Within 3 months
ii)	Working capital to purchase inventories	5,150	5,150	-	64*	64	-	Within 12 months
iii)	Expenses for the exercise	1,000	936	64	(64)*	-	-	Within 3 months
		21,150	**7,086**	**14,064**	**-**	**64**	**14,000**	

Notes:

* The Company has transferred the unutilised disposal proceeds of RM0.064 million from the estimated expenses incurred to its working capital to purchase inventories.

B7. Borrowings

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

	As at 30 September 2019 RM'000	(Audited) As at 31 December 2018 RM'000
Bank overdrafts	2,808	22,941
Revolving credits	100,047	59,500
Bankers' acceptance	316,219	329,456
Trust Receipts	324	448
Term loans	101,087	108,085
Total bank borrowings	**520,485**	**520,430**
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,808	22,941
Revolving credits	100,047	59,500
Bankers' acceptance	316,219	329,456
Trust Receipts	324	448
Term loans	17,467	12,962
	436,865	**425,307**
Non-current:		
Term loans	83,620	95,123
	520,485	**520,430**

B8. Finance lease payables

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

	As at 30 September 2019	(Audited) As at 31 December 2018
Present value of minimum lease payments:	RM'000	RM'000
Repayable within twelve months	405	551
Repayables after twelve months	989	426
	1,394	**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

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 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit attributable to ordinary equity holders of the Group (RM'000)	7,369	6,399	16,917	14,722
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)	1.34	1.15	3.08	2.65

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 September 2019	30 September 2018	30 September 2019	30 September 2018
Profit attributable to ordinary equity holders of the Group (RM'000)	7,369	6,399	16,917	14,722
Weighted average number of ordinary shares as above	550,068	556,533	550,068	556,533
Basic earnings per share (sen)	1.34	1.15	3.08	2.65

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 September 2019 RM'000	Unaudited As at 30 September 2018 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	255	195
- Overprovision in prior year	2	(2)
Bad debts recovered	(179)	(119)
Bad debts written-off	-	60
Depreciation of property, plant and equipment	20,947	15,557
Directors' fee	180	180
Directors remuneration		
- Salary, EPF and Socso	515	1,320
- Other emoluments	75	259
Gain on disposal of investment in a subsidiaries	-	(590)
Gain on disposal of other investment	-	(3)
(Gain)/Loss on disposal of property, plant and equipment	(412)	23
Gain on disposal of investment properties	(780)	-
Impairment on trade receivables	2,586	2,868
Interest expense	19,945	16,278
Interest income	(755)	(669)
Inventories written off	27	12
Realised loss on foreign exchange	251	309
Rental income	(3,897)	(3,788)
Rental expenses	-	5,308
Interest expenses for leases	167	-
Depreciation of right of use	5,386	-
Reversal of impairment on trade receivables	(167)	(241)
Share of results of associates	(5,246)	(3,103)
Unrealised gain on foreign exchange	(46)	(62)

B13. Comparative figures

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

BY ORDER OF THE BOARD

25th November 2019