



CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT FIRST QUARTER ENDED 31ST MARCH 2020

CHIN HIN GROUP BERHAD

Company No.: 1097507-W

(Incorporated in Malaysia under the Companies Act, 1965)

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CONTENTS

Unaudited Condensed Consolidated Statement of Comprehensive Income		1-2
Unaudited Condensed Consolidated Statement of Financial Position		3-4
Unaudited Condensed Consolidated Statement of Changes in Equity		5-6
Unaudited Condensed Consolidated Statement of Cash Flows		7-8
Notes To The Interim Financial Report		9-22

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020**
(The figures have not been audited)

	Note	Individual Quarter			Cumulative Quarter		
		31 Mar 2020 RM'000	31 Mar 2019 RM'000	Changes %	31 Mar 2020 RM'000	31 Mar 2019 RM'000	Changes %
Revenue		256,305	242,680	6%	256,305	242,680	6%
Cost of sales		(234,118)	(219,316)		(234,118)	(219,316)	
Gross profit		22,187	23,364		22,187	23,364	
Other operating income		1,700	1,821		1,700	1,821	
Administrative expenses		(17,555)	(15,927)		(17,555)	(15,927)	
Operating profit		6,332	9,258	-32%	6,332	9,258	-32%
Finance costs		(5,934)	(6,049)		(5,934)	(6,049)	
Share of results of associates		936	2,284		936	2,284	
Profit before taxation		1,334	5,493	-76%	1,334	5,493	-76%
Taxation	B5	(676)	(1,437)		(676)	(1,437)	
Profit after taxation		658	4,056	-84%	658	4,056	-84%
Other comprehensive income							
Exchange translation differences		(48)	(62)		(48)	(62)	
Total comprehensive income for the financial period		610	3,994		610	3,994	
PROFIT AFTER TAX							
ATTRIBUTABLE TO:							
Owners of the Company		1,428	4,439	-68%	1,428	4,439	-68%
Non-controlling interests		(770)	(383)		(770)	(383)	
		658	4,056		658	4,056	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020 (Cont'd)**
(The figures have not been audited)

	Note	Individual Quarter			Cumulative Quarter		
		31 Mar	31 Mar	Changes	31 Mar	31 Mar	Changes
		2020	2019		2020	2019	
		RM'000	RM'000	%	RM'000	RM'000	%
TOTAL COMPREHENSIVE INCOME							
ATTRIBUTABLE TO:							
Owners of the Company		1,380	4,377		1,380	4,377	
Non-controlling interests		(770)	(383)		(770)	(383)	
		<u>610</u>	<u>3,994</u>		<u>610</u>	<u>3,994</u>	
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	<u>0.26</u>	<u>0.81</u>		<u>0.26</u>	<u>0.81</u>	
- Diluted	B11	<u>0.26</u>	<u>0.81</u>		<u>0.26</u>	<u>0.81</u>	
Profit Before Interest and Tax		<u>6,332</u>	<u>9,258</u>	-32%	<u>6,332</u>	<u>9,258</u>	-32%

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 2019 and the accompanying explanatory notes attached to the interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**
(The figures have not been audited)

	31 March 2020 RM'000	(Audited) 31 December 2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	457,329	462,353
Investment properties	25,180	25,180
Investment in an associate	39,597	38,315
Goodwill	39,048	39,048
Other investment	25	25
TOTAL NON-CURRENT ASSETS	561,179	564,921
CURRENT ASSETS		
Contract assets	-	3,337
Inventories	103,718	104,901
Trade receivables	373,802	355,711
Other receivables	28,334	26,474
Net investment in lease	75	78
Tax recoverable	5,082	4,730
Fixed deposits with licensed banks	21	20
Cash and bank balances	38,934	55,928
	549,966	551,179
Assets held for sale	53,956	54,536
TOTAL CURRENT ASSETS	603,922	605,715
TOTAL ASSETS	1,165,101	1,170,636
EQUITY AND LIABILITIES		
EQUITY		
Share capital	325,796	325,796
Treasury shares	(6,987)	(4,992)
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	203	251
Revaluation reserve	16,368	16,368
Retained earnings	240,124	238,686
Total equity attributable to Owners of the Company	422,312	422,917
Non-controlling interests	(1,566)	(795)
TOTAL EQUITY	420,746	422,122

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020 (Cont'd)

(The figures have not been audited)

	31 March 2020 RM'000	(Audited) 31 December 2019 RM'000
CURRENT LIABILITIES		
Trade payables	150,769	140,955
Other payables	50,374	60,615
Amount owing to directors	5	15,855
Bank borrowings	451,137	434,432
Lease liabilities	1,959	3,072
Tax payable	314	546
TOTAL CURRENT LIABILITIES	654,558	655,475
NON-CURRENT LIABILITIES		
Bank borrowings	76,177	79,321
Lease liabilities	2,447	2,358
Deferred tax liabilities	11,173	11,360
TOTAL NON-CURRENT LIABILITIES	89,797	93,039
TOTAL LIABILITIES	744,355	748,514
TOTAL EQUITY AND LIABILITIES	1,165,101	1,170,636
NET ASSET PER SHARE (RM)	0.77	0.77

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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net asset per share for the current quarter and comparative financial period is calculated based on the total equity divided by the weighted average number of ordinary shares in issue for the quarter and comparative financial period.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020**

(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	
Balance as at 1 January 2020	325,796	(4,992)	(153,192)		251	16,368	238,686	422,917	(795)	422,122
Effect of adoption of MFRS 16	-	-	-		-	-	10	10	-	10
Balance as at 1 January 2019, restated	325,796	(4,992)	(153,192)		251	16,368	238,696	422,927	(795)	422,132
Profit for the financial year	-	-	-		-	-	1,428	1,428	(771)	657
Foreign exchange translation	-	-	-		(48)	-	-	(48)	-	(48)
Revaluation of assets, net of tax	-	-	-		-	-	-	-	-	-
Total comprehensive income	-	-	-		(48)	-	1,428	1,380	(771)	609
Transactions with owners:										
Shares repurchased	-	(1,995)	-		-	-	-	(1,995)	-	(1,995)
Total transactions with owners	-	(1,995)	-		-	-	-	(1,995)	-	(1,995)
Balance as at 31 December 2020	325,796	(6,987)	(153,192)		203	16,368	240,124	422,312	(1,566)	420,746

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020 (Cont'd)**

(The figures have not been audited)

	<-----Attributable to owners of the parent----->									
	<----- Non-Distributable ----->			Distributable				Non-	Total	
	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	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
Effect of adoption of MFRS 16	-	-	-		-	-	(44)	(44)	-	(44)
Balance as at 1 January 2019, restated	325,796	(4,992)	(153,192)		235	16,367	231,603	415,817	1,952	417,769
Profit for the financial year	-	-	-		-	-	18,050	18,050	(2,747)	15,303
Foreign exchange translation	-	-	-		16	-	-	16	-	16
Revaluation of assets, net of tax	-	-	-		-	1	-	1	-	1
Total comprehensive income	-	-	-		16	1	18,050	18,067	(2,747)	15,320
Transactions with owners:										
Dividend paid	-	-	-		-	-	(10,967)	(10,967)	-	(10,967)
Total transactions with owners	-	-	-		-	-	(10,967)	(10,967)	-	(10,967)
Balance as at 31 December 2019	325,796	(4,992)	(153,192)		251	16,368	238,686	422,917	(795)	422,122

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 2019 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 FIRST (1ST) QUARTER ENDED 31 MARCH 2020**
(The figures have not been audited)

	Cumulative quarter	
	31 March	31 March
	2020	2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,334	5,493
Adjustment for:		
Depreciation of property, plant and equipment	8,602	6,801
Impairment on trade receivables	1,082	620
Interest expense	5,934	6,049
Interest income	(831)	(238)
Inventories written off	7	1
Gain on disposal of property, plant and equipment	(42)	(124)
Property, plant and equipment written-off	158	-
Share of results of associates	(1,281)	(2,134)
Unrealised (gain)/loss on foreign exchange	(264)	3
Operating profit before working capital changes	14,699	16,471
Changes in working capital:		
Inventories	1,176	(5,491)
Trade receivables	(19,167)	29,379
Other receivables	(1,603)	492
Net investment in lease	4	115
Amount due to customers	3,337	(2,105)
Trade payables	9,813	(6,414)
Other payables	(10,503)	(10,941)
Exchange differences	-	(21)
Amount due to directors	(15,850)	(535)
	(32,793)	4,479
Cash (used in)/generated from operations	(18,094)	20,950
Interest paid	(5,934)	(6,049)
Interest received	831	238
Tax paid	(1,446)	(1,884)
Tax refund	1	7
Net cash (used in)/from operating activities	(24,642)	13,262

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020 (Cont'd)**
(The figures have not been audited)

	Cumulative Quarter	
	31 March	31 March
	2020	2019
	RM'000	RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(4,114)	(13,195)
Purchase of investment properties	-	(520)
Proceeds from disposal of assets held for sales	580	-
Proceeds from disposal of property, plant and equipment	201	196
Net cash used in investing activities	(3,333)	(13,519)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	-	409
Net changes on bankers' acceptance, trust receipt and revolving credits	18,823	(1,958)
Repayment of bank borrowings	(5,851)	(3,305)
Repayment of lease liabilities	(806)	(185)
Shares repurchased	(1,995)	-
Net cash from/(used in) financing activities	10,171	(5,039)
Net decrease in cash and cash equivalents	(17,804)	(5,296)
Cash and cash equivalents at the beginning of the financial period	53,547	29,787
Effect of exchange translation differences on cash and cash equivalents	223	(39)
Cash and cash equivalents at the end of the financial period	35,966	24,452
 Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	38,934	40,016
Bank overdrafts	(2,968)	(15,564)
Fixed deposits with licensed banks	21	19
	35,987	24,471
Less: Fixed deposits pledged to licensed banks	(21)	(19)
	35,966	24,452

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 2019 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT- FIRST QUARTER ENDED 31 MARCH 2020

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD 31 MARCH 2020

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 2019 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 2019, except for the adoption of standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards
 Amendments to MFRS 3 Definition of a Business
 Amendments to MFRS 9, Interest Rate Benchmark Reform
 MFRS 139 and MFRS 7
 Amendments to MFRS 101 Definition of Material
 and MFRS 108
 Amendments to MFRS 16 Covid-19 Related Rent Concessions
 Leases

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
MFRS 17 – Insurance Contracts	1 January 2021
Amendments to MFRS 101 – Classification of Liabilities as Current or Non- Current	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	
– Amendment to MFRS 1	1 January 2022
– Amendment to MFRS 9	1 January 2022
– Amendment to MFRS 16	1 January 2022
– Amendment to MFRS 141	1 January 2022
Amendments to MFRS 3 – Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to MFRS 116 – Property, Plant and Equipment (Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137 – Onerous Contracts (Cost of Fulfilling a Contract)	1 January 2022
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (CONT'D)**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 2019.

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 3,460,000 ordinary shares of its issued share capital from the open market, at an average of RM0.577 per share. Total consideration paid for the share buy-back and the transaction costs amounted to RM1,995,125 and RM1,656 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 31 March 2020, the number of treasury shares held was 9,780,000 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 31 March 2020 RM'000	Unaudited Individual quarter 31 March 2019 RM'000	Unaudited Cumulative quarter 31 March 2020 RM'000	Unaudited Cumulative quarter 31 March 2019 RM'000
Revenue				
• Investment holding and management services	1,480	1,275	1,480	1,275
• Distribution of building materials and logistics services	140,534	133,294	140,534	133,294
• Ready-mixed concrete	17,799	16,420	17,799	16,420
• Manufacturing of fire-rated and wooden door	9,786	10,552	9,786	10,552
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	81,369	76,640	81,369	76,640
• Manufacturing of wire mesh and metal roofing systems	29,624	33,315	29,624	33,315
• Modular building Solutions	151	183	151	183
	<u>280,743</u>	<u>271,679</u>	<u>280,743</u>	<u>271,679</u>
Adjustments and eliminations	(24,438)	(28,999)	(24,438)	(28,999)
	<u>256,305</u>	<u>242,680</u>	<u>256,305</u>	<u>242,680</u>
Profit/(Loss) before taxation				
• Investment holding and management services	(243)	(195)	(243)	(195)
• Distribution of building materials and logistics services	(199)	1,016	(199)	1,016
• Ready-mixed concrete	253	(825)	253	(825)
• Manufacturing of fire-rated and wooden door	(424)	253	(424)	253
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	1,842	4,193	1,842	4,193
• Manufacturing of wire mesh and metal roofing systems	278	(455)	278	(455)
• Modular building Solutions	(884)	(661)	(884)	(661)
	<u>623</u>	<u>3,326</u>	<u>623</u>	<u>3,326</u>
Share of results of associates	936	2,284	936	2,284
	<u>1,559</u>	<u>5,610</u>	<u>1,559</u>	<u>5,610</u>
Adjustments and eliminations	(225)	(117)	(225)	(117)
	<u>1,334</u>	<u>5,493</u>	<u>1,334</u>	<u>5,493</u>

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

A8. Dividend paid

There was no dividend paid for the current financial quarter and financial quarter period to date.

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 31 March 2020 RM'000	Audited 31 December 2019 RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	5,496	4,034

A12. Changes in the composition of the Group

Save as disclosed in Note B6(i) on the Status of Corporate Proposal Announced, there were no material changes in the composition of the Group for the current quarter ended 31 March 2020.

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 31 March 2020 RM'000	Audited 31 December 2019 RM'000
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	542,355	525,936
Bank guarantee issued to third parties	4,043	4,120

A14. Material events subsequent to the end of the quarter

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

A15. Related party transactions

- (1) Our Group's transactions with companies in which our directors or substantial shareholders have an interest in for the current quarter ended 31 March 2020 were as follows:-

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	1,427
-Sales of goods	118
-Purchase of goods	2,334
-Rental received/receivables	144
-Rental paid/payables	58
-Insurance and road tax received	107
-Hotel accommodation paid	1

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

A. 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 RM256.31 million, an increase of RM13.63 million or 5.61% as compared to RM242.68 million in the preceding year corresponding quarter despite the shorter working days due to the implementation of Movement Control Order ("MCO") imposed by the Government to curb the spread of Covid-19 pandemic effective from 18 March 2020. The increase in revenue for the current quarter were mainly contribute by the higher revenue from our manufacturing of autoclaved aerated concrete ("AAC") and precast concrete segment, distribution of building material and provision of logistics services and the ready-mixed concrete sector notwithstanding the decrease in revenue from the manufacturing of wire mesh sector, manufacturing of fire-rated and wooden door coupled with the modular building solutions segment.

The higher revenue from the manufacturing of autoclaved aerated concrete ("AAC") block and precast concrete sector was contributed by the surge in revenue from the precast concrete products as a results of our product portfolio expansion plan in the infrastructure sector for examples prestress and reinforce concrete beam, crosshead, cable trough, prestress slab and emergency walkway supplied to Duke Highway, Mass Rapid Transit ("MRT"), Light Rapid Transit ("LRT"), Gemas-Johor Baru Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE") in town. Moreover, the increase also contributed by the surge in export of polymer pipes to Singapore as we continued to dominate the market for jacking pipes for diameter 800mm and below. In addition, the 38.20% growth in turnover for Starken Drymix as a result of market acceptance of Starken Drymix's brand also contributed to the surge in revenue for this sector. However, these positive impacts have been pulled down considerably by the decline in revenue of AAC block due to the intense price war resultant from the excess capacity encountered in the local market as a result of subdue property market.

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

The improved revenue in the distribution of building material and provision of logistics services were attributable to the increase of cement and steel bar sales to the contractors and infrastructure clients whereby their constructions were at the structural and concreting stage which used a lot of the said products. Likewise, for the ready-mixed concrete segment. The sluggish property market arising from the property overhang and MCO has affected the performance of the manufacturing of fire-rated and wooden door plus the manufacturing of wire mesh sector. The modular building solutions revenue for the current quarter was considerably low as the project works for the initial six blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor has fully completed which was pending for leasing.

However, the Group's gross profit has decreased by RM1.18 million or 5.04% from RM23.36 million in the preceding year corresponding quarter of 2019 to RM22.19 million in the current quarter of 2020. The gross profit margin for the current quarter was recorded at 8.66%, a decrease of 0.97% as compared to the preceding year corresponding quarter of 9.63%. The decrease was primarily due to the MCO imposed whereby all our manufacturing plants had to incur fixed overheads such as labour cost, rental and depreciation although the plants were shut down.

Other operating income has decreased by approximately RM0.12 million or 6.64% from RM1.82 million in the preceding year corresponding quarter to RM1.70 million in the current quarter. The higher other operating income in the preceding year was mainly due to the gain on disposal of forklifts and motor vehicles.

The Group's administration expenses for the current quarter has increased by RM1.63 million as compared to the preceding year corresponding quarter primarily contributed by the higher provision for impairment of trade receivables, depreciation for right of use of assets, higher salary cost due to the annual increment which took place during last year April 2019.

The Group's finance cost for the current quarter has decreased slightly by RM0.12 million as compared to the preceding year corresponding quarter principally due to the pare down of term loan.

Share of profit from our associate companies have decreased by RM1.35 million or 59.02% as compared to the preceding year corresponding quarter primarily due to our share in associate company, Solarvest Holdings Bhd has reduced from 45% to 33.61%, after their Initial Public Offering in 26 November 2019. Moreover, the decline also attributable to the impairment of trade debtors, unrealised forex losses due to the devaluation of Ringgit Malaysia and provision for defect liabilities.

Given the abovementioned decreased in the gross profit, dropped in other operating income, increased in the administrative expenses and declined in share of results of associates, the Group reported a reduction in profit before tax ("PBT") for this quarter of RM4.16 million.

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

The current financial quarter effective tax rate of 50.67% was much higher than the corresponding quarter of 2019 of 26.16% mainly due to losses before tax suffered by Starkan AAC 2, G-Cast UHPC, the manufacturing of fire-rated and wooden door sector, the distribution of building materials and logistics services and the modular building solutions sectors have pulled down the denominator considerably. In addition, the share of deferred tax asset of our associates has also distorted the effective tax rate calculation. The losses suffered by most of the said companies were due to the shorter working days in March 2020 as a result of MCO.

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

	Unaudited Individual quarter 31 March 2020 RM'000	Unaudited Individual quarter 31 December 2019 RM'000	Changes %
Revenue	256,305	280,258	-9%
Operating Profit	6,332	6,762	-6%
Profit Before Interest and Tax	6,332	6,762	-6%
Profit Before Tax	1,334	4,322	-69%
Profit After Tax	658	1,356	-51%
Profit Attributable to Ordinary Equity Holders of the Parent	658	1,356	-51%

For the quarter under review, the Group posted a revenue of RM256.31 million as compared to RM280.26 million in the preceding quarter, a decrease of RM23.95 million or 8.55%. The Group reported a considerably lower profit before tax ("PBT") of RM1.33 million, a decrease of RM2.99 million as compared to the preceding quarter PBT of RM4.32 million. The main contributor for the considerable drop in the PBT was due to the shorter working days in March 2020 as a result of the implementation of MCO to curb the outbreak of Covid-19 pandemic.

B3. Prospects

The operating environment is envisaged to remain very challenging in 2020. Malaysia is weathering its worst economic recession in its history just as other developed nations are facing deep downturns due to the Covid-19 pandemic and MCO. The real impact, in fact, will only be felt in the coming months as no one can predict the duration of this economic meltdown.

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B3. Prospects (Cont'd)

Chin Hin has adopted a cost cutting measure through aggressive digitalise transformation programme, whereby all processes in its manufacturing plants and back offices will be digitalised using Optical Character Recognition ("OCR"), E-Form and Robotic Process Automation ("RPA") within a period of six months to increase operating efficiency and to reduce headcounts. The Company is seriously gearing towards "Industrial 4.0 Revolution". Besides, the management is also focusing on closing down and scaling down those unprofitable plants to reduce operation losses in view of the soft market demand for construction materials as a result of property overhang and the economic meltdown due to the Covid-19 pandemic and MCO.

G-Cast is actively quoting for East Coast Rail Link ("ECRL") Project and other infrastructure projects in the overseas market. G-Cast has managed to secure some projects from the Philippines since last year end. We expect G-Cast's order book to increase steadily.

Our new autoclaved aerated concrete ("AAC") production line with 600,000 m3 installed capacity located at Kota Tinggi, Johor cannot sustain its production utilisation rate at 30% level during the MCO period as the demand from construction material industry is still very soft. Moreover, the export sales for panel and block to Singapore have suspended due the lockdown in Singapore as a result of Covid-19 pandemic. The Building and Construction Authority will only allow construction work in Singapore to resume in a controlled manner in phases after the Covid-19 circuit breaker period ended on 1 June 2020. We continue to penetrate and expand overseas market to fill up the excess capacity in Starken AAC 2.

The two projects secured in the Philippines in early April, 2020 has enabled our associate company, Solarvest to make further inroads into the Philippines. Solarvest is actively in talks with local partners to bid for more projects there. The management is confident that Chin Hin is able to pull through this economic meltdown due to Covid-19 pandemic.

B4. Estimates/Forecast

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

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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		Cumulative Quarter	
	Unaudited		Unaudited	
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	1,251	1,262	1,251	1,262
- (Over)/Under provision in prior year	(144)	-	(144)	-
	<u>1,107</u>	<u>1,262</u>	<u>1,107</u>	<u>1,262</u>
Deferred tax				
- Current financial period	(213)	175	(213)	175
- (Over)/Underprovision in prior year	(218)	-	(218)	-
Total tax expense	<u>676</u>	<u>1,437</u>	<u>676</u>	<u>1,437</u>

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 to date:

- (a) Starken AAC Sdn Bhd ("Starken Malaysia"), a wholly-owned subsidiary of the Company, had on 19 June 2019 entered into a subscription agreement ("SA") with Starken Philippines Inc. to subscribe for thirty percent (30%) equity in Starken Philippines Inc. ("Proposed Subscription"). The Proposed Subscription is expected to be completed by fourth quarter of 2020.; and
- (b) 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;
- (c) 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
- (d) 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. The tenancies will commence on the day immediately after the completion of the respective Properties SPAs.

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 31 March 2020 are as follow:-

No.	Details of the utilisation	Utilisation							Revised expected timeframe for utilisation of proceeds (from the listing date)
		(1) Proceeds raised RM'000	Actual utilisation RM'000	Balance of proceeds unutilised RM'000	Variations of the proceeds utilisation RM'000	After Variations of the proceeds utilisation RM'000	Balance of Private Placement Proceeds utilised 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	12,000	-	-	-	-	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	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	(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	9,757	-	(ii) 865	865	-	Within 6 months	No change
(g)	Estimated expenses for the Private Placement	1,400	535	865	(ii) (865)	-	-	Within 1 months	No change
		65,650	64,500	1,150	-	1,150	-	-	

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 (Cont'd)

Notes: (Cont'd)

- (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 facilities in Kota Tinggi, 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 31 March 2020 are as follow:-

	Details of the utilisation of proceeds	Utilisation						Estimated timeframe for utilisation from the completion of the proposed disposal
		Proceeds received RM'000	Actual utilisation RM'000	Balance of proceeds unutilised RM'000	Variations of 17 properties disposal proceeds RM'000	After Variations of 17 properties disposal proceeds RM'000	Balance of 17 properties disposal Proceeds unutilised RM'000	
i)	Repayment of bank borrowings	15,000	1,000	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	-	

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:-

	(Audited)	
	As at	As at
	31 March 2020	31 December 2019
	RM'000	RM'000
Bank overdrafts	2,968	2,381
Revolving credits	123,332	101,100
Bankers' acceptance	305,338	308,693
Trust Receipts	394	447
Term loans	95,282	101,132
Total bank borrowings	527,314	513,753
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,968	2,381
Revolving credits	123,332	101,100
Bankers' acceptance	305,338	308,693
Trust Receipts	394	447
Term loans	19,105	21,811
	451,137	434,432
Non-current:		
Term loans	76,177	79,321
	527,314	513,753

B8. Lease liabilities

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

	(Audited)	
	As at	As at
	31 March 2020	31 December 2019
	RM'000	RM'000
Present value of minimum lease payments:		
Repayable within twelve months	1,959	3,072
Repayables after twelve months	2,447	2,358
	4,406	5,430

B9. Changes in material litigation

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

B10. Dividend Proposed

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	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Profit attributable to ordinary equity holders of the Group (RM'000)	1,428	4,439	1,428	4,439
Number of ordinary shares in issues as at 1 January ('000)	550,068	550,068	550,068	550,068
Effect of shares issued during the financial period ('000)	(2,166)	-	(2,166)	-
Weighted average number of ordinary shares in issue ('000)	547,902	550,068	547,902	550,068
Basic earnings per share (sen)	0.26	0.81	0.26	0.81

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	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Profit attributable to ordinary equity holders of the Group (RM'000)	1,428	4,439	1,428	4,439
Weighted average number of ordinary shares as above	547,902	550,068	547,902	550,068
Basic earnings per share (sen)	0.26	0.81	0.26	0.81

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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 31 March 2020 RM'000	Unaudited As at 31 March 2019 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	86	85
- (Over)/underprovision in prior year	8	-
Bad debts recovered	(21)	(138)
Depreciation of property, plant and equipment	8,602	6,801
Directors' fee	60	60
Directors remuneration		
- Salary, EPF and Socso	516	463
- Other emoluments	59	57
Impairment on trade receivables	1,082	620
Interest expense	5,934	6,049
Interest income	(831)	(238)
Inventories written off	7	1
Gain on disposal of property, plant and equipment	(42)	(124)
Realised loss on foreign exchange	190	97
Rental income	(800)	(1,193)
Rental expenses	1,012	1,768
Share of results of associates, net of tax	(1,281)	(2,134)
Unrealised (gain)/loss on foreign exchange	(264)	3

B13. Comparative figures

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

BY ORDER OF THE BOARD

29 June 2020