



CHIN HIN GROUP BERHAD

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

| | Individual Quarter | | | Cumulative Quarter | | | |
|--|--------------------|--------------------------|--------------------------|--------------------|--------------------------|--------------------------|--------------|
| | Note | 31 Mar 2019 RM'000 | 31 Mar 2018 RM'000 | Changes % | 31 Mar 2019 RM'000 | 31 Mar 2018 RM'000 | Changes % |
| Revenue | | 242,680 | 265,324 | -9% | 242,680 | 265,324 | -9% |
| Cost of sales | | (219,316) | (241,842) | | (219,316) | (241,842) | |
| Gross profit | | 23,364 | 23,482 | | 23,364 | 23,482 | |
| Other operating income | | 1,821 | 1,357 | | 1,821 | 1,357 | |
| Administrative expenses | | (15,927) | (15,987) | | (15,927) | (15,987) | |
| Operating profit | | 9,258 | 8,852 | 5% | 9,258 | 8,852 | 5% |
| Finance costs | | (6,049) | (4,736) | | (6,049) | (4,736) | |
| Listing expenses | | - | - | | - | - | |
| Share of results of associates | | 2,284 | 1,607 | | 2,284 | 1,607 | |
| Profit before taxation | | 5,493 | 5,723 | -4% | 5,493 | 5,723 | -4% |
| Taxation | B5 | (1,437) | (1,549) | | (1,437) | (1,549) | |
| Profit after taxation | | 4,056 | 4,174 | -3% | 4,056 | 4,174 | -3% |
| Other comprehensive income | | | | | | | |
| Exchange translation differences | | (62) | (361) | | (62) | (361) | |
| Total comprehensive income for the financial period | | 3,994 | 3,813 | | 3,994 | 3,813 | |
| PROFIT AFTER TAX | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | |
| Owners of the Company | | 4,439 | 3,776 | 18% | 4,439 | 3,776 | 18% |
| Non-controlling interests | | (383) | 398 | | (383) | 398 | |
| | | 4,056 | 4,174 | | 4,056 | 4,174 | |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019 (Cont'd)**

(The figures have not been audited)

| | Note | Individual Quarter | | | Cumulative Quarter | | |
|---|------|--------------------------|--------------------------|--------------|--------------------------|--------------------------|--------------|
| | | 31 Mar 2019 RM'000 | 31 Mar 2018 RM'000 | Changes % | 31 Mar 2019 RM'000 | 31 Mar 2018 RM'000 | Changes % |
| TOTAL COMPREHENSIVE INCOME | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | |
| Owners of the Company | | 4,377 | 3,415 | | 4,377 | 3,415 | |
| Non-controlling interests | | (383) | 398 | | (383) | 398 | |
| | | <u>3,994</u> | <u>3,813</u> | | <u>3,994</u> | <u>3,813</u> | |
| Earnings per share attributable to owners of the Company (sen): | | | | | | | |
| - Basic | B11 | <u>0.81</u> | <u>0.68</u> | | <u>0.81</u> | <u>0.68</u> | |
| - Diluted | B11 | <u>0.81</u> | <u>0.68</u> | | <u>0.81</u> | <u>0.68</u> | |
| Profit Before Interest and Tax | | <u>9,258</u> | <u>8,852</u> | 5% | <u>9,258</u> | <u>8,852</u> | 5% |

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 31 MARCH 2019**
(The figures have not been audited)

| | 31 March 2019 RM'000 | (Audited) 31 December 2018 RM'000 |
|--|-------------------------------------|--|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 475,977 | 469,656 |
| Investment properties | 68,980 | 68,460 |
| Investment in an associate | 33,828 | 31,695 |
| Goodwill | 39,048 | 39,048 |
| Other investment | 26 | 26 |
| TOTAL NON-CURRENT ASSETS | 617,859 | 608,885 |
| CURRENT ASSETS | | |
| Inventories | 93,960 | 88,469 |
| Trade receivables | 307,922 | 337,920 |
| Other receivables | 41,652 | 42,147 |
| Hire purchase receivables | 212 | 326 |
| Tax recoverable | 6,381 | 6,455 |
| Fixed deposits with licensed banks | 19 | 19 |
| Cash and bank balances | 40,016 | 52,729 |
| | 490,162 | 528,065 |
| Assets held for sale | 20,440 | 20,440 |
| TOTAL CURRENT ASSETS | 510,602 | 548,505 |
| TOTAL ASSETS | 1,128,461 | 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 | 173 | 235 |
| Revaluation reserve | 16,367 | 16,367 |
| Retained earnings | 236,086 | 231,552 |
| Total equity attributable to Owners of the Company | 420,238 | 415,766 |
| Non-controlling interests | 1,569 | 1,952 |
| TOTAL EQUITY | 421,807 | 417,718 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019 (Cont'd)

(The figures have not been audited)

| | 31 March 2019 RM'000 | (Audited) 31 December 2018 RM'000 |
|--------------------------------------|----------------------------|--|
| CURRENT LIABILITIES | | |
| Amount due to customers | 4,417 | 6,522 |
| Trade payables | 129,603 | 136,017 |
| Other payables | 44,763 | 55,799 |
| Amount owing to directors | 5,429 | 5,964 |
| Finance lease payables | 610 | 551 |
| Bank borrowings | 416,226 | 425,307 |
| Tax payable | 1,948 | 2,598 |
| TOTAL CURRENT LIABILITIES | 602,996 | 632,758 |
| NON-CURRENT LIABILITIES | | |
| Finance lease payables | 182 | 426 |
| Bank borrowings | 91,973 | 95,123 |
| Deferred tax liabilities | 11,503 | 11,365 |
| TOTAL NON-CURRENT LIABILITIES | 103,658 | 106,914 |
| TOTAL LIABILITIES | 706,654 | 739,672 |
| TOTAL EQUITY AND LIABILITIES | 1,128,461 | 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 FIRST (1ST) QUARTER ENDED 31 MARCH 2019**
(The figures have not been audited)

| | <-----Attributable to owners of the parent-----> | | | | | | Total | Non-Controlling Interests | Total Equity | |
|--|--|-----------------|----------------|--------------------------------------|---------------------|-------------------|----------|---------------------------|--------------|-------|
| | <----- Non-Distributable -----> | | | Distributable | | | | | | Total |
| | Share Capital | Treasury Shares | Merger Reserve | Foreign Currency Translation Reserve | Revaluation Reserve | Retained Earnings | | | | |
| 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 FIRST (1ST) QUARTER ENDED 31 MARCH 2019 (Cont'd)**
(The figures have not been audited)

| | <-----Attributable to owners of the parent-----> | | | | | | | Total | Non-Controlling Interests | Total Equity |
|---|--|---------------------------|--------------------------|--|-------------------------------|-----------------------------|---------|-------|---------------------------|--------------|
| | <----- 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 | 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 | - | - | - | - | - | 4,439 | 4,439 | (383) | 4,056 | |
| Foreign exchange translation | - | - | - | (62) | - | - | (62) | - | (62) | |
| Total comprehensive income | - | - | - | (62) | - | 4,439 | 4,377 | (383) | 3,994 | |
| Balance as at 31 March 2019 | 325,796 | (4,992) | (153,192) | 173 | 16,367 | 236,086 | 420,238 | 1,569 | 421,807 | |

Notes:

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

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

* Pursuant to subsection 618(3) and 618(4) of the Companies Act, 2016, the Group may exercise its right to use the share premium amount within 24 months after the commencement of the Companies Act, 2016.

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

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

| | Cumulative quarter | |
|--|--------------------|----------------|
| | 31 Mar 2019 | 31 Mar 2018 |
| | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | |
| Profit before taxation | 5,493 | 5,723 |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | 6,801 | 4,996 |
| Impairment on trade receivables | 620 | 8 |
| Interest expense | 6,049 | 4,736 |
| Interest income | (238) | (319) |
| Inventories written off | 1 | 5 |
| (Gain)/Loss on disposal of property, plant and equipment | (124) | 7 |
| Reversal of impairment on trade receivables | - | (75) |
| Share of results of associates | (2,134) | (1,676) |
| Unrealised loss/(gain) on foreign exchange | 3 | (1) |
| Operating profit before working capital changes | 16,471 | 13,404 |
| Changes in working capital: | | |
| Inventories | (5,491) | (17,671) |
| Trade receivables | 29,379 | (5,113) |
| Other receivables | 492 | (15,166) |
| Hire purchase receivables | 115 | 127 |
| Amount due to customers | (2,105) | - |
| Trade payables | (6,414) | 6,274 |
| Other payables | (10,941) | 1,831 |
| Exchange differences | (21) | (106) |
| Amount due to directors | (535) | - |
| | 4,479 | (29,824) |
| Cash generated from/(used in) operations | 20,950 | (16,420) |
| Interest paid | (6,049) | (4,736) |
| Interest received | 238 | 319 |
| Tax paid | (1,884) | (2,345) |
| Tax refund | 7 | - |
| Net cash from/(used in) operating activities | 13,262 | (23,182) |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019 (Cont'd)**

(The figures have not been audited)

| | Cumulative Quarter | |
|---|--------------------------|--------------------------|
| | 31 Mar 2019 RM'000 | 31 Mar 2018 RM'000 |
| Cash Flows From Investing Activities | | |
| Purchase of property, plant and equipment | (13,195) | (26,038) |
| Capital contribution by non-controlling interests | - | 1,200 |
| Purchase of investment properties | (520) | - |
| Proceeds from disposal of property, plant and equipment | 196 | 211 |
| Net cash used in investing activities | <u>(13,519)</u> | <u>(24,627)</u> |
| Cash Flows From Financing Activities | | |
| Drawdown of bank borrowings | 409 | 13,638 |
| Net changes on bankers' acceptance, trust receipt and revolving credits | (1,958) | 42,731 |
| Repayment of finance lease payables | (185) | (504) |
| Repayment of bank borrowings | (3,305) | (6,900) |
| Net cash (used in)/from financing activities | <u>(5,039)</u> | <u>48,965</u> |
| Net (decrease)/increase in cash and cash equivalents | (5,296) | 1,156 |
| 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 | (39) | (253) |
| Cash and cash equivalents at the end of the financial period | <u>24,452</u> | <u>47,976</u> |
| Cash and cash equivalents at the end of the financial year comprises: | | |
| Cash and bank balances | 40,016 | 50,896 |
| Bank overdrafts | (15,564) | (2,920) |
| Fixed deposits with licensed banks | 19 | 19 |
| | <u>24,471</u> | <u>47,995</u> |
| Less: Fixed deposits pledged to licensed banks | (19) | (19) |
| | <u>24,452</u> | <u>47,976</u> |

Notes:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 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 2019

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 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 2017 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 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 |

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 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 |
| 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 |

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.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019 (Cont'd)**A1. Basis of preparation (Cont'd)****I. MFRS 16 Leases (Cont'd)**

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis.

The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

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

A2. Auditors' report of preceding annual audited financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

There were no material changes in estimates used in reporting the current financial quarter and financial period-to-date as compared to the audited financial statements of the Group for the financial year ended 31 December 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 31 March 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 31 Mar 2019 RM'000 | Unaudited Individual quarter 31 Mar 2018 RM'000 | Unaudited Cumulative quarter 31 Mar 2019 RM'000 | Unaudited Cumulative quarter 31 Mar 2018 RM'000 |
|--|--|--|--|--|
| Revenue | | | | |
| • Investment holding and management services | 1,275 | 2,137 | 1,275 | 2,137 |
| • Distribution of building materials and logistics services | 133,294 | 152,547 | 133,294 | 152,547 |
| • Ready-mixed concrete | 16,420 | 26,970 | 16,420 | 26,970 |
| • Manufacturing of fire-rated and wooden door | 10,552 | 5,238 | 10,552 | 5,238 |
| • Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete | 76,640 | 45,406 | 76,640 | 45,406 |
| • Manufacturing of wire mesh and metal roofing systems | 33,315 | 46,450 | 33,315 | 46,450 |
| • Modular building Solutions | 183 | 9,297 | 183 | 9,297 |
| | <u>271,679</u> | <u>288,045</u> | <u>271,679</u> | <u>288,045</u> |
| Adjustments and eliminations | (28,999) | (22,721) | (28,999) | (22,721) |
| | <u>242,680</u> | <u>265,324</u> | <u>242,680</u> | <u>265,324</u> |
| Profit/(Loss) before taxation | | | | |
| • Investment holding and management services | (195) | (180) | (195) | (180) |
| • Distribution of building materials and logistics services | 1,016 | 1,320 | 1,016 | 1,320 |
| • Ready-mixed concrete | (825) | 940 | (825) | 940 |
| • Manufacturing of fire-rated and wooden door | 253 | 702 | 253 | 702 |
| • Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete | 4,193 | 1,236 | 4,193 | 1,236 |
| • Manufacturing of wire mesh and metal roofing systems | (455) | (1,391) | (455) | (1,391) |
| • Modular building Solutions | (661) | 1,796 | (661) | 1,796 |
| | <u>3,326</u> | <u>4,423</u> | <u>3,326</u> | <u>4,423</u> |
| Share of results of associates | 2,284 | 1,607 | 2,284 | 1,607 |
| | <u>5,610</u> | <u>6,030</u> | <u>5,610</u> | <u>6,030</u> |
| Adjustments and eliminations | (117) | (307) | (117) | (307) |
| | <u>5,493</u> | <u>5,723</u> | <u>5,493</u> | <u>5,723</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

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 | Audited |
|---|----------------------|-------------------------|
| | 31 March 2019 | 31 December 2018 |
| | RM'000 | RM'000 |
| Authorised and contracted for: | | |
| -acquisition of property, plant and equipment | 14,558 | 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 31 March 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 | Audited |
|---|----------------------|-------------------------|
| | 31 March 2019 | 31 December 2018 |
| | RM'000 | RM'000 |
| Unsecured | | |
| Corporate guarantees given to the licensed banks for credit facility granted to related companies | 525,953 | 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.

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 2019 were as follows:-

| | Unaudited RM'000 |
|--|-----------------------------|
| Transaction with companies in which the Directors or substantial shareholders have financial interest: | |
| -Transportation services | 750 |
| -Sales of goods | 213 |
| -Purchase of goods | 2,920 |
| -Rental received/receivables | 318 |
| -Rental paid/payables | 62 |
| -Insurance and road tax received | 112 |
| -Hotel accommodation paid | 4 |

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 RM242.68 million, a decrease of RM22.64 million or 8.53% as compared to RM265.32 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 has affected the performance of the distribution of building materials and the ready-mixed concrete sector. 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. Furthermore, the increase also contributed by the surge in export of polymer pipes to Singapore market. The modular building solutions revenue for the current quarter was considerably low due to the tail end project works for the initial six block of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor.

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

The Group's gross profit was declined slightly by RM0.12 million or 0.50% from RM23.48 million in the preceding year corresponding quarter of 2018 to RM23.36 million in the current quarter of 2018. The gross profit margin for the current quarter was recorded at 9.63%, an increase of 0.78% as compared to the preceding year corresponding quarter of 8.85%. 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, better performance in the Drymix Solutions company and the improved margin from the distribution of building materials and logistics services. Besides the improved in margin also due to better steel coil hedging in the manufacturing of wire mesh division.

Other operating income has increased by approximately RM0.46 million or 34.19% from RM1.36 million in the preceding year corresponding quarter to RM1.82 million in the current quarter were due to the recovery of bad debts, higher solar income due to favourable weather and gain on disposal of forklift and motor vehicles.

The Group's finance cost for the current quarter has increased by RM1.31 million as compared to the preceding year corresponding quarter principally due to the drawdown of additional bankers' acceptance, revolving credit, bank overdrafts and overdraft against progressive claim ("ODPC") for working capital purposes. Moreover, additional term loan was staggered drawdown in the second quarter of last financial year to part finance the construction costs and machineries and equipment of the second AAC manufacturing plant in Kota Tinggi, Johor.

Share of profit of associate companies has increased by RM0.68 million or 42.13% for the current quarter as compared to the preceding year corresponding quarter. The increased was solely due to the recognition of accretion of discount as a result of the issuance of Redeemable Preference Shares ("RPS") amounting to RM7.20 million during the financial quarter to reflect the present value of the RPS on initial recognition. The RPS was issued to capitalize the advances from directors.

Given the abovementioned increased in other operating income and share of results of associate companies which set-off fully by the increase in finance costs, the Group reported a lower profit before tax ("PBT") of RM5.49 million as compared to RM5.72 million reported for the preceding year corresponding quarter.

The current financial quarter effective tax rate of 26.16% was lower than the corresponding quarter of 2018 of 27.07% 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 31 Mar 2019 RM'000 | Unaudited Individual quarter 31 Dec 2018 RM'000 | Changes % |
|---|--|--|--------------|
| Revenue | 242,680 | 277,077 | -12% |
| Operating Profit | 9,258 | 16,853 | -45% |
| Profit Before Interest and Tax | 9,258 | 16,853 | -45% |
| Profit Before Tax | 5,493 | 12,648 | -57% |
| Profit After Tax | 4,056 | 8,806 | -54% |
| Profit Attributable to Ordinary Equity Holders of the Parent | 4,056 | 8,806 | -54% |

For the quarter under review, the Group posted a revenue of RM242.68 million as compared to RM277.08 million in the preceding quarter, a decrease of RM34.40 million. The main reason for the lower revenue recorded in the first quarter primarily due to the shorter working months due to Chinese New Year festival holidays observed by the construction industry.

Given the abovementioned festival holidays, the Group reported a lower PBT of RM5.49 million, a decrease of RM2.91 million as compared to the preceding quarter adjusted PBT of RM8.40 million (after deducting the fair value gain on investment properties of RM5.39 million and adding back the impairment losses on property, plant and equipment of RM1.15 million). Moreover, the lower PBT recorded also due to the RM0.66 million losses sustained by the modular building solutions sector versus the profit reported in the preceding quarter of RM1.80 million. The Pengerang project is currently at the tail end stage to complete the initial six (6) block of integrated workers complex. The balance of the contract work, to build the remaining seventeen (17) blocks integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor of approximately RM185.00 million will be resumed once the completed six (6) blocks are rented out. The Company is applying for Certificate of Completion and Compliance ("CCC") at this juncture and targeting to lease out the said completed six (6) blocks which can accommodate 2,496 pax of workers by mid of 2019.

B3. Prospects

Chin Hin will continue to focus on consolidating its existing business to strengthen its presence in the construction material industry. Our new autoclaved aerated concrete ("AAC") production line with 600,000 m³ installed capacity located at Kota Tinggi, Johor is maintaining its production utilisation rate at 30% level as at mid of May 2019. The machine performance has stabilised and achieved better production efficiency. We expect the output to be ramped up in the second half of 2019 to fulfil the export market demand i.e. the Philippines, Singapore and Taiwan. The production of wall panel to cater for Singapore market will boost up the performance of this new plant.

Starken Drymix Solutions Sdn Bhd has turned profitable while maintaining its production utilisation rate at 40% level as at middle of May 2019 due to the variety of product mix manufactured. The machine reliability has stabilised and the company has managed to secure more orders. G-Cast UHPC Sdn Bhd has yet to turnaround in the first quarter due to the projects secured has just kicked off.

B3. Prospects (Cont'd)

The Group is progressively pursuing its product portfolio expansion plan in the infrastructure precast concrete business. The Company has started to supply prestressed 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"), Gemas-Johor Baru (JB) Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE").

We expect our associate companies to continue delivering a better results due to its strong order books. The government of Malaysia has undertaken an open tender in 2019 for an estimated RM2 billion worth of projects under the third cycle of the Large Scale Solar 3 ("LSS3") scheme, to increase electricity generation from renewable energy ("RE"). The tender for the development of the RM2 billion Large Scale Solar 3 (LSS3) scheme projects is opened from Feb 27 to Aug 19. Our associate company is confident to secure some of the subcontract projects from the said LSS3 scheme.

Midah Industries Sdn Bhd, has started to manufacture wooden door, high density fiberboard ("HDF") door, louvers, timber frame, handrail, architrave and skirting since mid of February 2019 besides the fire door. The revenue for the said products is expected to pick up steadily.

The revival of the East Coast Rail Link ("ECRL") and Bandar Malaysia projects is expected to have a positive impact on the country's economic growth in the medium term. The Bandar Malaysia project, which will include offices, a park and 10,000 units of affordable homes, is expected to stimulate the demand for construction materials which we are specialised in. The ECRL, mega public transport initiative, involving a 640-kilometre track, is expected to have a huge urbanisation impact on the states which will be in the path of the ECRL, namely Kelantan, Terengganu, Pahang, Negeri Sembilan, Federal Territory of Putrajaya and Selangor where our building material warehouse already develop a strong footing there. Besides, both mega projects will also stimulate a sturdy demand for the infrastructure products we are focussing on.

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 |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax expense | | | | |
| - Current financial period | 1,262 | 1,571 | 1,262 | 1,571 |
| - Real property gain tax | - | - | - | - |
| - (Over)/Under provision in prior year | - | (147) | - | (147) |
| | <u>1,262</u> | <u>1,424</u> | <u>1,262</u> | <u>1,424</u> |
| Deferred tax | | | | |
| - Current financial period | 175 | 125 | 175 | 125 |
| - (Over)/Underprovision in prior year | - | - | - | - |
| Total tax expense | <u>1,437</u> | <u>1,549</u> | <u>1,437</u> | <u>1,549</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.

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

(ii) Utilisation of proceeds

(a) The status of utilisation of the proceeds of approximately RM41.079 million from the IPO as at 31 March 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 Variation s 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 31 March 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 31 March 2019 are as follow:-

| | Details of the utilisation of proceeds | Utilisation | | | | | | Estimated timeframe for utilisation from the listing date |
|------|--|--------------------|------------------|-------------------|---|--|--|---|
| | | Proposed RM'000 | Actual RM'000 | Balance RM'000 | Variations of Private Placement Proceeds RM'000 | After Variations of Private Placement Proceeds RM'000 | Balance of Private Placement Proceeds RM'000 | |
| i) | Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor | 12,000 | 2,782 | 9,218 | - | - | 9,218 | Within 18 months |
| ii) | Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor | 6,200 | 6,200 | - | - | - | - | Within 12 months |
| iii) | Expansion of existing manufacturing facilities, purchase of new equipment and machineries of MI Polymer Concrete Pipes Sdn Bhd ("MIPCP") in Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products | 2,693 | 2,408 | 285 | - | - | 285 | Within 12 months |
| iv) | Repayment of bank borrowings | 23,600 | 23,600 | - | - | - | - | Within 6 months |
| v) | Future expansion plans # | 10,000 | 10,000 | - | - | - | - | Within 24 months |
| vi) | Working capital purposes | 9,757 | 9,757 | - | *865 | 865 | - | Within 6 months |
| vii) | Expenses for the Private Placement | 1,400 | 535 | 865 | ([*] 865) | - | - | Within 1 month |
| | | 65,650 | 55,282 | 10,368 | - | 865 | 9,503 | |

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

* As provided in the Company's announcement made on 6 June 2017, the Company had transferred RM865,000 of balance unutilised from the estimated expenses incurred for the Private Placement exercise to the working capital purposes.

B7. Borrowings

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

| | As at | (Audited) |
|---|----------------------|-------------------------|
| | 31 March 2019 | 31 December 2018 |
| | RM'000 | RM'000 |
| Bank overdrafts | 15,564 | 22,941 |
| Revolving credits | 83,952 | 59,500 |
| Bankers' acceptance | 303,135 | 329,456 |
| Trust Receipts | 359 | 448 |
| Term loans | 105,189 | 108,085 |
| Total bank borrowings | 508,199 | 520,430 |
| Total bank borrowings comprise:- | | |
| Current: | | |
| Bank overdraft | 15,564 | 22,941 |
| Revolving credits | 83,952 | 59,500 |
| Bankers' acceptance | 303,135 | 329,456 |
| Trust Receipts | 359 | 448 |
| Term loans | 13,216 | 12,962 |
| | 416,226 | 425,307 |
| Non-current: | | |
| Term loans | 91,973 | 95,123 |
| | 508,199 | 520,430 |

B8. Finance lease payables

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

| | As at | (Audited) |
|--|----------------------|-------------------------|
| | 31 March 2019 | 31 December 2018 |
| | RM'000 | RM'000 |
| Present value of minimum lease payments: | | |
| Repayable within twelve months | 610 | 551 |
| Repayables after twelve months | 182 | 426 |
| | 792 | 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 | |
|--|--------------------|----------------|--------------------|----------------|
| | 31 Mar 2019 | 31 Mar 2018 | 31 Mar 2019 | 31 Mar 2018 |
| Profit attributable to ordinary equity holders of the Group (RM'000) | 4,439 | 3,776 | 4,439 | 3,776 |
| 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) | - | (6,320) | - |
| Weighted average number of ordinary shares in issue ('000) | 550,068 | 556,388 | 550,068 | 556,388 |
| Basic earnings per share (sen) | 0.81 | 0.68 | 0.81 | 0.68 |

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 Mar 2019 | 31 Mar 2018 | 31 Mar 2019 | 31 Mar 2018 |
| Profit attributable to ordinary equity holders of the Group (RM'000) | 4,439 | 3,776 | 4,439 | 3,776 |
| Weighted average number of ordinary shares as above | 550,068 | 556,388 | 550,068 | 556,388 |
| Basic earnings per share (sen) | 0.81 | 0.68 | 0.81 | 0.68 |

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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 Mar 2019 RM'000 | Unaudited As at 31 Mar 2018 RM'000 |
|---|---|---|
| Profit before taxation is arrived at after charging/(crediting):- | | |
| Auditor remuneration | | |
| - Current year | 85 | 86 |
| - Overprovision in prior year | - | (7) |
| Bad debts recovered | (138) | - |
| Depreciation of property, plant and equipment | 6,801 | 4,996 |
| Directors' fee | 60 | 60 |
| Directors remuneration | | |
| - Salary, EPF and Socso | 463 | 454 |
| - Other emoluments | 57 | 59 |
| Impairment on trade receivables | 620 | 8 |
| Interest expense | 6,049 | 4,736 |
| Interest income | (238) | (319) |
| Inventories written off | 1 | 5 |
| (Gain)/Loss on disposal of property, plant and equipment | (124) | 7 |
| Realised loss on foreign exchange | 97 | 195 |
| Rental income | (1,193) | (1,128) |
| Rental expenses | 1,768 | 1,067 |
| Reversal of impairment on trade receivables | - | (75) |
| Share of results of associates | (2,134) | (1,676) |
| Unrealised loss/(gain) on foreign exchange | 3 | (1) |

B13. Comparative figures

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

BY ORDER OF THE BOARD

23rd May 2019