



CHIN HIN GROUP BERHAD

INTERIM FINANCIAL REPORT FIRST QUARTER ENDED 31ST MARCH 2021

CHIN HIN GROUP BERHAD

Registration No.:201401021421(1097507-W)
(Incorporated in Malaysia)

Headquarters/Head Office:
A-1-9, Pusat Perdagangan Kuchai
No.2, Jalan 1/127
Off Jalan Kuchai Lama
58200 Kuala Lumpur

Tel. No.: 03-7981 7878
Fax. No.: 03-7981 7575
Email: info@chinhingroup.com



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021**
(The figures have not been audited)

	Individual Quarter			Cumulative Quarter		
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	Changes %	31 Mar 2021 RM'000	31 Mar 2020 RM'000	Changes %
Revenue	307,915	256,305	20%	307,915	256,305	20%
Cost of sales	(280,836)	(234,118)		(280,836)	(234,118)	
Gross profit	27,079	22,187		27,079	22,187	
Other operating income	9,140	1,700		9,140	1,700	
Administrative expenses	(17,310)	(17,555)		(17,310)	(17,555)	
Operating profit	18,909	6,332	199%	18,909	6,332	199%
Finance costs	(3,378)	(5,934)		(3,378)	(5,934)	
Share of results of associates	2,735	936		2,735	936	
Profit before taxation	18,266	1,334	1269%	18,266	1,334	1269%
Taxation	B5 (3,726)	(676)		(3,726)	(676)	
Profit after taxation	14,540	658	2110%	14,540	658	2110%
Other comprehensive income						
Exchange translation differences	144	(48)		144	(48)	
Total comprehensive income for the financial period	14,684	610		14,684	610	
PROFIT AFTER TAX						
ATTRIBUTABLE TO:						
Owners of the Company	15,156	1,428	961%	15,156	1,428	961%
Non-controlling interests	(616)	(770)		(616)	(770)	
	14,540	658		14,540	658	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021 (Cont'd)**
(The figures have not been audited)

	Individual Quarter			Cumulative Quarter			
	31 Mar	31 Mar	Changes	31 Mar	31 Mar	Changes	
	2021	2020		2021	2020		
Note	RM'000	RM'000	%	RM'000	RM'000	%	
TOTAL COMPREHENSIVE INCOME							
ATTRIBUTABLE TO:							
Owners of the Company	15,300	1,380		15,300	1,380		
Non-controlling interests	(616)	(770)		(616)	(770)		
	<u>14,684</u>	<u>610</u>		<u>14,684</u>	<u>610</u>		
Earnings per share attributable to owners of the Company (sen):							
- Basic	B11	2.73	0.26	2.73	0.26		
- Diluted	B11	<u>2.73</u>	<u>0.26</u>	<u>2.73</u>	<u>0.26</u>		
Profit Before Interest and Tax		<u>18,909</u>	<u>6,332</u>	199%	<u>18,909</u>	<u>6,332</u>	199%

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 2020 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 2021**
(The figures have not been audited)

	31 March 2021 RM'000	(Audited) 31 December 2020 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	417,556	421,104
Investment properties	27,760	27,760
Investment in an associate	133,298	37,271
Goodwill	34,672	34,672
Other investment	24	24
TOTAL NON-CURRENT ASSETS	613,310	520,831
CURRENT ASSETS		
Contract assets	-	1,634
Inventories	97,679	95,854
Trade receivables	376,473	367,757
Other receivables	16,754	17,197
Net investment in lease	69	69
Tax recoverable	5,076	5,520
Fixed deposits with licensed banks	21	21
Cash and bank balances	47,493	51,249
	543,565	539,301
Assets held for sale	-	11,450
TOTAL CURRENT ASSETS	543,565	550,751
TOTAL ASSETS	1,156,875	1,071,582
EQUITY AND LIABILITIES		
EQUITY		
Share capital	325,796	325,796
Treasury shares	(338)	-
Merger reserve	(147,392)	(147,392)
Foreign currency translation reserve	394	250
Revaluation reserve	6,290	9,413
Retained earnings	280,355	262,067
Total equity attributable to Owners of the Company	465,105	450,134
Non-controlling interests	(5,462)	(4,846)
TOTAL EQUITY	459,643	445,288

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021 (Cont'd)

(The figures have not been audited)

	31 March 2021 RM'000	(Audited) 31 December 2020 RM'000
CURRENT LIABILITIES		
Trade payables	141,192	135,900
Other payables	43,122	56,236
Amount owing to directors	42,005	770
Bank borrowings	387,944	346,991
Lease liabilities	1,314	1,907
Tax payable	2,107	672
TOTAL CURRENT LIABILITIES	617,684	542,476
NON-CURRENT LIABILITIES		
Bank borrowings	62,135	67,043
Lease liabilities	3,640	3,204
Deferred tax liabilities	13,773	13,571
TOTAL NON-CURRENT LIABILITIES	79,548	83,818
TOTAL LIABILITIES	697,232	626,294
TOTAL EQUITY AND LIABILITIES	1,156,875	1,071,582
NET ASSET PER SHARE (RM)	0.83	0.81

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 2020 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 2021**

(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
At 1 January 2021	325,796	-	(147,392)	250	9,413	262,067	450,134	(4,846)	445,288
Effect of adopting MFRS 16	-	-	-	-	-	9	9	-	9
At 1 January 2021, restated	325,796	-	(147,392)	250	9,413	262,076	450,143	(4,846)	445,297
Profit for the financial period	-	-	-	-	-	15,156	15,156	(616)	14,540
Other comprehensive income	-	-	-	144	-	-	144	-	144
Total comprehensive income	-	-	-	144	-	15,156	15,300	(616)	14,684
Realisation of revaluation reserve upon disposal of properties	-	-	-	-	(3,123)	3,123	-	-	-
Transactions with owners:									
Shares repurchased	-	(338)	-	-	-	-	(338)	-	(338)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	(338)	-	-	-	-	(338)	-	(338)
At 31 March 2021	325,796	(338)	(147,392)	394	6,290	280,355	465,105	(5,462)	459,643

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021 (Cont'd)**
(The figures have not been audited)

	<-----Attributable to owners of the parent----->						Distributable	Non-Controlling	Total
	<----- Non-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	RM'000	RM'000
At 1 January 2020	325,796	(4,992)	(153,192)	251	16,368	238,685	422,916	(795)	422,121
Profit for the financial year	-	-	-	-	-	21,259	21,259	(4,355)	16,904
Other comprehensive income	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income	-	-	-	(1)	-	21,259	21,258	(4,355)	16,903
Realisation of revaluation reserve upon disposal of properties	-	-	-	-	(6,199)	6,199	-	-	-
Realisation of reserves upon disposal of a subsidiary company	-	-	5,800	-	(756)	(5,044)	-	-	-
Transactions with owners:									
Shares repurchased	-	(7,892)	-	-	-	-	(7,892)	-	(7,892)
Disposal of treasury shares	-	12,884	-	-	-	6,532	19,416	-	19,416
Dividends to owners of the Company	-	-	-	-	-	(5,564)	(5,564)	-	(5,564)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	304	304
Total transactions with owners	-	4,992	-	-	-	968	5,960	304	6,264
At 31 December 2020	325,796	-	(147,392)	250	9,413	262,067	450,134	(4,846)	445,288

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 2020 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021**
(The figures have not been audited)

	Cumulative quarter	
	31 March 2021	31 March 2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	18,266	1,334
Adjustment for:		
Depreciation of property, plant and equipment	8,060	8,602
Impairment on trade receivables	1,351	1,082
Interest expense	3,378	5,934
Interest income	(1,831)	(831)
Inventories written off	31	7
Gain on disposal of asset held for sale	(150)	-
Loss/(Gain) on disposal of property, plant and equipment	22	(42)
Property, plant and equipment written-off	-	158
Share of results of associates	(2,735)	(936)
Unrealised gain on foreign exchange	(270)	(264)
Operating profit before working capital changes	26,122	15,044
Changes in working capital:		
Inventories	(1,856)	1,176
Trade receivables	(10,067)	(19,167)
Other receivables	714	(1,603)
Net investment in lease	-	4
Contract assets/(liabilities)	1,634	3,337
Trade payables	5,291	9,813
Other payables	(13,115)	(10,503)
Amount due to directors	41,235	(15,850)
	23,836	(32,793)
Cash generated from/(used in) operations	49,958	(17,749)
Interest paid	(3,378)	(5,934)
Interest received	1,831	831
Tax paid	(1,051)	(1,791)
Tax refund	-	1
Net cash from/(used in) operating activities	47,360	(24,642)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021 (Cont'd)**

(The figures have not been audited)

	Cumulative Quarter	
	31 March 2021 RM'000	31 March 2020 RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(4,534)	(4,114)
Acquisition of associate companies	(93,887)	-
Proceeds from disposal of assets held for sales	11,600	580
Proceeds from disposal of property, plant and equipment	-	201
Net cash used in investing activities	<u>(86,821)</u>	<u>(3,333)</u>
Cash Flows From Financing Activities		
Drawdown of bank borrowings	-	-
Net changes on bankers' acceptance, trust receipt and revolving credits	39,755	18,823
Repayment of bank borrowings	(5,081)	(5,851)
Repayment of lease liabilities	(147)	(806)
Shares repurchased	(338)	(1,995)
Net cash from financing activities	<u>34,189</u>	<u>10,171</u>
Net decrease in cash and cash equivalents	(5,272)	(17,804)
Cash and cash equivalents at the beginning of the financial period	49,723	53,547
Effect of exchange translation differences on cash and cash equivalents	144	223
Cash and cash equivalents at the end of the financial period	<u>44,595</u>	<u>35,966</u>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	47,493	38,934
Bank overdrafts	(2,898)	(2,968)
Fixed deposits with licensed banks	21	21
	<u>44,616</u>	<u>35,987</u>
Less: Fixed deposits pledged to licensed banks	(21)	(21)
	<u>44,595</u>	<u>35,966</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 2020 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 2021

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD 31 MARCH 2021

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 2020 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 2020, except for the adoption of standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2021:

Amendments to MFRS 4	Insurance Contracts
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform- Phase 2
MFRS 101	Classification of Liabilities as Current or Non-current- Deferral of Effective Date

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:

	Effective dates for financial period beginning on and after
MFRSs AND IC Interpretations (Including The Consequential Amendments)	
Amendment to MFRS 16 – Covid-19-Related Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to MFRS Standards 2018-2020	
– Amendment to MFRS 1	1 January 2022
– Amendment to MFRS 9	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
MFRS 17 – Insurance Contracts	1 January 2023
Amendments to MFRS 17 – Insurance Contracts	1 January 2023
Amendments to MFRS 101– Classification of Liabilities as Current or Non- Current	1 January 2023
Amendments to MFRS 101– Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108– Definition of Accounting Estimates	1 January 2023
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 2021 (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 2020.

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 has repurchased 250,100 ordinary shares of its issued share capital from the open market, at an average of RM1.3528 per share. Total consideration paid for the share buy-back and the transaction costs amounted to RM338,054 and RM281 respectively. The purchase was 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 2021, the number of treasury shares held was 375,150 ordinary shares, including 125,050 ordinary shares issued on 1 April 2021 via bonus issue on the basis of 1 bonus shares for every 2 ordinary shares held in Chin Hin Group Berhad.

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A7. Segmental information

The Group's operating activities were derived from Seven (7) main business segments, namely the following:-

	Unaudited Individual quarter 31 March 2021 RM'000	Unaudited Individual quarter 31 March 2020 RM'000	Unaudited Cumulative quarter 31 March 2021 RM'000	Unaudited Cumulative quarter 31 March 2020 RM'000
Revenue				
• Investment holding and management services	1,932	1,480	1,932	1,480
• Distribution of building materials and logistics services	177,081	140,534	177,081	140,534
• Ready-mixed concrete	15,491	17,799	15,491	17,799
• Manufacturing of fire-rated and wooden door	9,741	9,786	9,741	9,786
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	89,464	81,369	89,464	81,369
• Manufacturing of wire mesh	43,537	29,624	43,537	29,624
• Modular building Solutions	-	151	-	151
	<u>337,246</u>	<u>280,743</u>	<u>337,246</u>	<u>280,743</u>
Adjustments and eliminations	(29,331)	(24,438)	(29,331)	(24,438)
	<u>307,915</u>	<u>256,305</u>	<u>307,915</u>	<u>256,305</u>
Profit/(Loss) before taxation				
• Investment holding and management services	5,738	(243)	5,738	(243)
• Distribution of building materials and logistics services	4,883	(199)	4,883	(199)
• Ready-mixed concrete	58	253	58	253
• Manufacturing of fire-rated and wooden door	(273)	(424)	(273)	(424)
• Manufacturing of autoclaved aerate concrete ("AAC") and precast concrete	4,144	1,842	4,144	1,842
• Manufacturing of wire mesh	1,517	278	1,517	278
• Modular building Solutions	(464)	(884)	(464)	(884)
	<u>15,603</u>	<u>623</u>	<u>15,603</u>	<u>623</u>
Share of results of associates	2,735	936	2,735	936
	<u>18,338</u>	<u>1,559</u>	<u>18,338</u>	<u>1,559</u>
Adjustments and eliminations	(72)	(225)	(72)	(225)
	<u>18,266</u>	<u>1,334</u>	<u>18,266</u>	<u>1,334</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 second interim dividend of RM0.010 per ordinary share totalling RM5,561,379 in respect of the financial year ended 31 December 2020 was paid on 5 April 2021.

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 2021	Audited 31 December 2020
	RM'000	RM'000
Authorised and contracted for:		
-acquisition of property, plant and equipment	3,190	3,572

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 2021.

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 2021	Audited 31 December 2020
	RM'000	RM'000
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	453,175	404,073
Bank guarantee issued to third parties	3,526	3,364

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 2021 were as follows: -

	Unaudited RM'000
Transaction with companies in which the Directors or substantial shareholders have financial interest:	
-Transportation services	869
-Sales of goods	422
-Purchase of goods	1,826
-Rental received/receivables	98
-Rental paid/payables	696
-Insurance and road tax received	75
-Hotel accommodation paid	-
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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 RM307.92 million, an increase of RM51.61 million or 20.14% as compared to RM256.31 million in the preceding year corresponding quarter. The increase in revenue for the current quarter were mainly contributed by the higher revenue from our distribution of building materials sector, manufacturing wire mesh and the manufacturing of autoclaved aerated concrete ("AAC") and precast concrete segment. Sales was brisk especially from the dealers & warehouse in the distribution of building materials sector due to renovation or upgrading works from end users with the fast-approaching Raya and the higher demand for steel as prices were expected to increase throughout the beginning of 2021 as world supply remained tight and demand rebounded from pandemic levels. The hike in demand for the manufacturing of wire mesh segment experienced the same situation as their product are steel related.

The hike in the sales of our Industrialised Building System ("IBS") products i.e autoclaved aerate concrete ("AAC") block and wall panel as the products are tested to resolve the labour shortage issues faced by the market as it can reduce the construction time by approximately 20%. The labour shortage was resulted from the government's move to freeze the intake of foreign labour. In addition, the 29.09% growth in turnover for Starken Drymix as a result of market acceptance of Starken Drymix's brand and the extra efforts in securing of market shares also contributed to the surge in revenue for this sector.

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

As a result, the Group's gross profit has increased by RM4.89 million or 22.05% from RM22.19 million in the preceding year corresponding quarter of 2020 to RM27.08 million in the current quarter of 2021. The gross profit margin for the current quarter was recorded at 8.79%, an increase of 0.13% as compared to the preceding year corresponding quarter of 8.66%. The higher margin was contributed by the cement volume rebate coupled with the special rebate received from the suppliers on top the early payment incentives. Moreover, the higher margin also caused by the higher selling price fetch from the steel products resultant from the "steel tsunami".

Other operating income has increased by RM7.44 million or 437.65% from RM1.70 million in the preceding year corresponding quarter to RM9.14 million in the current quarter. The surged was mainly due to the gain on disposal of Solarvest Holdings Berhad's warrants totalling RM7.22 million and the gain on disposal of the Kuchai office lot of RM0.15 million.

The Group's finance cost for the current quarter has decreased by RM2.56 million as compared to the preceding year corresponding quarter principally due to the pare down of bank borrowings. Bankers' acceptance utilisation has increased in early March due to the surge in steel bar offtake to fulfil the order.

Share of profit from our associate companies have increased by RM1.80 million or 192.20% as compared to the preceding year corresponding quarter primarily due to the share of Signature International Berhad's profit for March 2021 of RM0.41 million after the acquisition of 30.45% stake on 8 March 2021. The balance of the growth in earnings were contributed by the Solarvest's commercial and industrial business segment and a minor share of profit from our new associate company, Starken Philippines of RM0.02 million.

Given the abovementioned increased in the gross profit, other operating income and share of results of associates coupled with the decreased in the finance costs, the Group reported a surge in profit before tax ("PBT") of RM16.93 million for this quarter.

The current financial quarter effective tax rate of 20.40% was much lower than the corresponding quarter of 2020 of 50.67% 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 in 2020 which have pulled down the denominator considerably which 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 the implementation of MCO 1.0.

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B2. Comparison with immediate preceding quarter's results

CURRENT QUARTER vs. PRECEDING QUARTER

	Unaudited Individual quarter 31 March 2021 RM'000	Unaudited Individual quarter 31 December 2020 RM'000	Changes %
Revenue	307,915	311,262	-1%
Operating Profit	18,909	16,782	13%
Profit Before Interest and Tax	18,909	18,521	2%
Profit Before Tax	18,266	14,565	25%
Profit After Tax	14,540	7,807	86%
Profit Attributable to Ordinary Equity Holders of the Parent	14,540	7,807	86%

For the quarter under review, the Group posted a revenue of RM307.92 million as compared to RM311.26 million in the preceding quarter, a decrease of RM3.34 million or 1.07%. However, the Group reported a considerably higher profit before tax ("PBT") of RM18.27 million, an increase of RM3.70 million as compared to the preceding quarter PBT of RM14.57 million. In the preceding quarter, there were disposal gains on Ace Logistic Sdn Bhd and the twenty-nine properties belongs to PP Chin Hin Sdn Bhd which amounting to RM3.86 million and RM1.54 million respectively. If we have excluded these gains from the preceding quarter results, the current quarter's PBT has improved by RM9.10 million. The main contributor for the considerable surge in the current quarter's PBT were due to the gain on disposal of Solarvest Holdings Berhad's warrants which amounting to RM7.22 million and the brisk of sales experienced as elaborated in section B1.

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B3. Prospects

Despite the challenging business environment during the Covid-19 pandemic and the continued implementation of movement control orders, the Group is consciously optimistic to deliver a better result this year following the strong recovery in our preceding and current quarter performance.

The management continued to initiate cost cutting measures via digitalisation and automation across officewide and plantwide respectively to lower down its operation cost and to stay competitive in the market. The businesses' performance continued to be seen on track for earnings recovery in the current quarter of 2021.

Chin Hin has on 28 December 2020 entered into a sales and purchase agreement with Datuk Seri Chiau Beng Teik, JP, Chiau Haw Choon and Divine Inventions Sdn Bhd to acquire 176,608,435 ordinary shares in Chin Hin Group Property Berhad ("CHGP"), representing 51.5% equity interest in CHGP and 37,561,700 warrants in CHGP, for total cash consideration of RM88.86 million ("Proposed Acquisition"). Besides, Chin Hin has on 8 March 2021 entered into a conditional share sale agreement with Tenyin Holding Sdn Bhd and Dato' Chooi Yoey Sun to acquire 80,000,000 ordinary shares in Signature International Berhad ("Signature Group"), representing approximately 30.45% equity interest in Signature, for total cash consideration of RM93.60 million ("Acquisition"). Both the acquisitions represent a vertical forward integration strategic opportunity for the Group to expand into the property development segment and a widen product range from the upstream of building materials into the downstream quality kitchen, home and living solutions, which are complementary to the Group's existing business in building materials. Both acquisitions are expected to contribute positively to our Group earnings.

G-Cast Concrete Sdn Bhd are tendering for the East Coast Rail Link ("ECRL") Project and other infrastructure projects in the Asia countries i.e India, the Philippines and Indonesia. However, the progress is still slow due to the lock down of these countries as a result of Covid-19 outbreak. The Company will continuously bid for new contracts to replenish its order book. MI Polymer Concrete Sdn Bhd's export sales to Singapore is increasing gradually due to the slowly lifting of circuit breaker, works were slow as contractors are facing labour shortage as well as to test all their workers and follow strict standard operating procedure ("SOP").

Starken Drymix Solutions Sdn Bhd's production utilisation rate still hovering around 60% as at end of April 2021 by running extended shift to cater for the increase in demand. Moving forward, the company will continue with its on-going initiatives to drive further growth in revenue through market penetration, expanding market coverage.

Our Starken AAC 2's autoclaved aerated concrete ("AAC") production line with 600,000 m3 installed capacity located at Kota Tinggi, Johor maintained its production utilisation rate at 34% in view of the increase demand for the IBS products due to the shortage of foreign labour in the market. The Company will continue to penetrate and expand overseas market to fill up the excess capacity in Starken AAC 2.

Our associate company, Solarvest Group was shortlisted for the 50 MW bid of solar assets in LSS@Mentari which was announced on 12 March 2021 by the Energy Commission. The Company is confident that the Group is in good position to fulfil the requirements and financial close for the bids, backed by its robust financial strength. Besides, the Company is also bidding for the Engineering, Procurement, Construction and Commissioning ("EPCC") projects from other successful bidders in the LSS@Mentari programme. Solarvest aims to clinch approximately 300 MW of EPCC projects, worth about RM600 to RM700 million, which will boost its financial performance in FY2021 up till FY2023.

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		Cumulative Quarter	
	Unaudited		Unaudited	
	31 Mar	31 Mar	31 Mar	31 Mar
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	3,737	1,251	3,737	1,251
- (Over)/Under provision in prior year	-	(144)	-	(144)
	<u>3,737</u>	<u>1,107</u>	<u>3,737</u>	<u>1,107</u>
Deferred tax				
- Current financial period	(10)	(213)	(10)	(213)
- (Over)/Underprovision in prior year	(1)	(218)	(1)	(218)
Total tax expense	<u>3,726</u>	<u>676</u>	<u>3,726</u>	<u>676</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 3 December 2020 entered into subscription contract in relation to subscription to Starken Philippines Inc.'s ("Starken Philippines") unsubscribed share capital, subscription contract in relation to subscription to Starken Philippines's increase in its share capital and a deed of revocation to terminate the original subscription agreement dated 19 June 2019 to subscribe for 33,000 shares in Starken Philippines Inc. ("Proposed Subscription"). The Proposed Subscription was completed on 5 March 2021; and
- (b) Proposed acquisition by Chin Hin Group Berhad ("Chin Hin") of 176,608,435 ordinary shares and 37,561,700 warrants in Chin Hin Group Property Berhad for a total consideration of RM88.86 million;
- (c) Proposed Private Placement of up to 20% of the issued ordinary shares in Chin Hin (excluding treasury shares). Bursa Securities has approved the listing and quotation for the proposed Private Placement Shares on the Main Market of Bursa Securities on 19 February 2021.

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

The status of utilisation of the proceeds of approximately RM76.45 million from the disposal of Ace Logistic Sdn Bhd and the 35 properties as at 31 March 2021 are as follow: -

	Details of the utilisation of proceeds	Utilisation					Estimated timeframe for utilisation from the completion of the proposed disposal
		Proposed RM'000	Actual RM'000	Balance RM'000	*Variation of disposal proceeds RM'000	After variation of disposal proceeds RM'000	
i)	Repayment of bank borrowings	50,000	50,000	-	-	-	Within 3 months
ii)	Working capital to purchase inventories	23,450	15,109	8,341	144	8,485	Within 12 months
iii)	Expenses for the exercise	3,000	2,856	144	(144)	-	Within 3 months
		76,450	67,965	8,485	-	8,485	

Note:

* The Company had transferred RM144,000 of unutilised balance from the estimated expenses incurred on the disposal of Ace Logistic Sdn Bhd and the 35 properties to the working capital for purchase of inventories.

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B7. Borrowings

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

	As at 31 March 2021 RM'000	(Audited) As at 31 December 2020 RM'000
Bank overdrafts	2,898	1,526
Revolving credits	88,813	93,331
Bankers' acceptance	275,117	230,626
Trust Receipts	-	218
Term loans	83,252	88,333
Total bank borrowings	450,080	414,034
Total bank borrowings comprise:-		
Current:		
Bank overdraft	2,898	1,526
Revolving credits	88,813	93,331
Bankers' acceptance	275,117	230,626
Trust Receipts	-	218
Term loans	21,116	21,290
	387,944	346,991
Non-current:		
Term loans	62,136	67,043
	450,080	414,034

B8. Lease liabilities

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

	As at 31 March 2021 RM'000	(Audited) As at 31 December 2020 RM'000
Present value of minimum lease payments:		
Repayable within twelve months	1,314	1,907
Repayables after twelve months	3,640	3,204
	4,954	5,111

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 except as otherwise stated here.

B9. Changes in material litigation (Cont'd)

Save as disclosed, as at 27 May 2021, there are no material litigation, claims or arbitration, proceedings pending or threatened, against Chin Hin Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect Chin Hin Group.

On 30 June 2017, Chin Hin Concrete (KL) Sdn Bhd ("CHCKL"), our wholly owned subsidiary sued Betamusifa Trading Sdn Bhd & Anor ("BTSB") for the sum of RM579,568.00 being goods sold and delivered. BTSB counter claimed CHCKL on 5 March 2019 for the following: -

- (a) rectification works of approximately RM1.4 million due to understrength concrete; and
- (b) liquidated ascertained damages for delay caused to the completion of the project/development ("LAD") attributable to CHCKL's provision of alleged under-strength cement.

On 3 September 2019, the Kuala Lumpur High Court held as follows:

- (i) BTSB is liable to pay CHCKL for goods sold and delivered of RM579,568.00;
- (ii) CHCKL is liable to pay BTSB rectification costs of approximately RM1.4 million and cost of RM30,000.00; and
- (iii) LAD was dismissed on the ground that the said LAD was not provided for or agreed in writing by the parties.

Both parties made an appeal to the Court of Appeal whereupon BTSB appealed against the payment of RM579,568.00 to CHCKL and dismissal of LAD of approximately RM36.8 million; and CHCKL appealed against the rectification cost of RM1.4mil. Trial on the appeal was conducted on 5 January 2021. Decision for the appeal was initially fixed on 17 February 2021. Trial on the appeal was conducted on 5 January 2021 and the decision for the appeal was originally fixed on 17 February 2021 but was re-scheduled to 20 April 2021. Putrajaya Court of Appeal requires more time to deliberate on the decision for CHCKL's appeal against BTSB and therefore the decision date has been postponed again whereby another Case Management is fixed on 29-6-2021 for the Court to update on a new date for decision.

Our Company sought the necessary legal advice on the above subject matter and is of the opinion that we have a valid defence against appeal for the LAD by BTSB. In addition, the Board is of the view that the decision by Kuala Lumpur High Court to dismiss the LAD is justified because CHCKL is merely a construction material supplier to BTSB and in the absence of any express LAD contractual clause between CHCKL and BTSB, the claim for LAD is frivolous and it cannot be substantiated at law.

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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 March 2021	31 March 2020	31 March 2021	31 March 2020
Profit attributable to ordinary equity holders of the Group (RM'000)	15,156	1,428	15,156	1,428
Number of ordinary shares in issues as at 1 January ('000)	556,388	550,068	556,388	550,068
Effect of shares issued during the financial period ('000)	(222)	(2,166)	(222)	(2,166)
Weighted average number of ordinary shares in issue ('000)	556,166	547,902	556,166	547,902
Basic earnings per share (sen)	2.73	0.26	2.73	0.26

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 2021	31 March 2020	31 March 2021	31 March 2020
Profit attributable to ordinary equity holders of the Group (RM'000)	15,156	1,428	15,156	1,428
Weighted average number of ordinary shares as above	556,166	547,902	556,166	547,902
Basic earnings per share (sen)	2.73	0.26	2.73	0.26

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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 2021 RM'000	Unaudited As at 31 March 2020 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Auditor remuneration		
- Current year	73	86
- (Over)/underprovision in prior year	-	8
Bad debts recovered	-	(21)
Depreciation of property, plant and equipment	8,060	8,602
Directors' fee	45	60
Directors remuneration		
- Salary, EPF and Socso	515	516
- Other emoluments	67	59
Impairment on trade receivables	1,351	1,082
Interest expense	3,378	5,934
Interest income	(1,831)	(831)
Inventories written off	31	7
Gain on disposal of asset held for sale	(150)	-
Loss/(Gain) on disposal of property, plant and equipment	22	(42)
Property, plant and equipment written off	-	158
Realised loss on foreign exchange	99	190
Rental income	(179)	(800)
Rental expenses	967	1,012
Share of results of associates, net of tax	(2,141)	(1,281)
Unrealised gain on foreign exchange	(270)	(264)

B13. Comparative figures

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

BY ORDER OF THE BOARD

28 May 2021