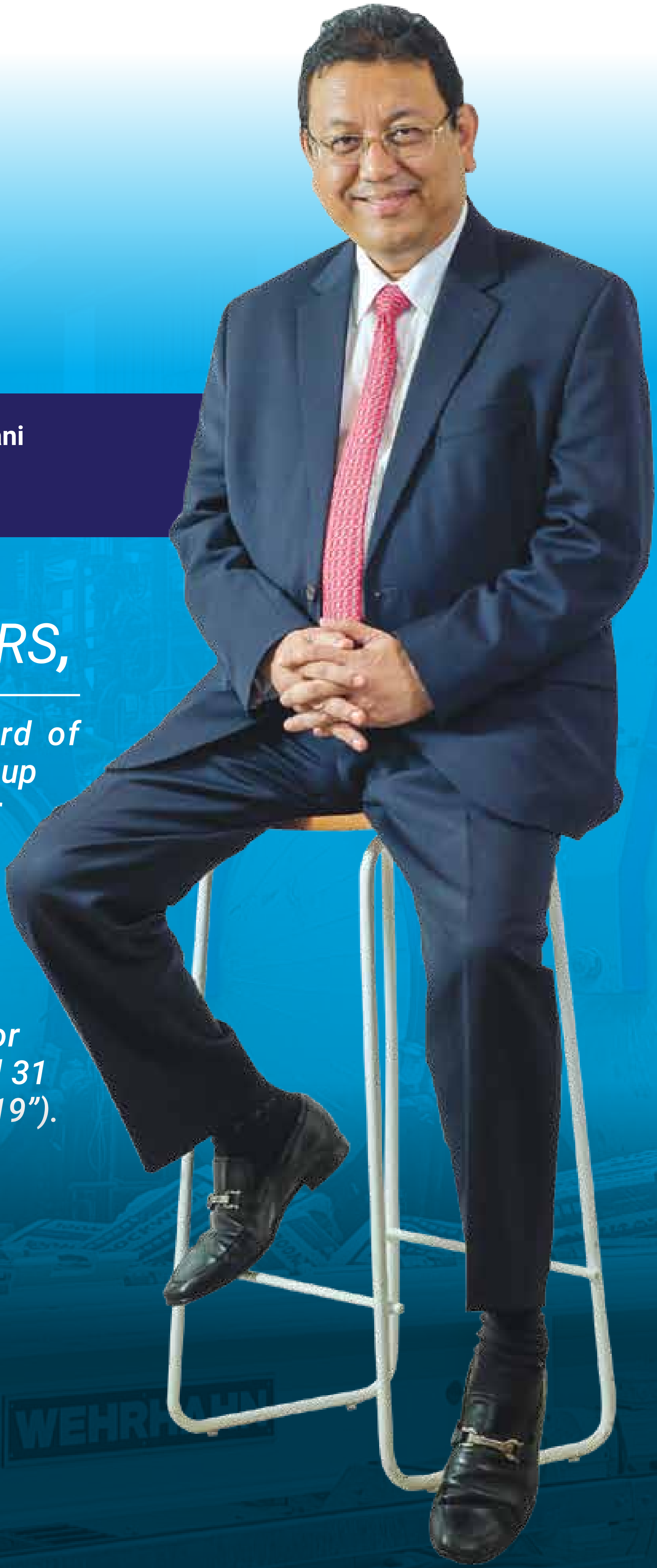


Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani
Independent Non-Executive Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group"), it is my pleasure and privilege to present the Annual Report and Audited Financial Statement for the financial year ended 31 December 2019 ("FY2019").

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

CHIN HIN GROUP BERHAD ("Chin Hin / Group") is a fully integrated building materials manufacturer and distributor conglomerate. We began our journey approximately fifty (50) years ago with a humble beginning as a building materials trader in Alor Setar. Over the years, our hard work, vision, commitment and customer focus have enabled us to become a highly respected leader in building materials and a billion Ringgit public-listed company with nation-wide presence. Chin Hin today has expanded its business to cover not only trading but also manufacturing and services across:

- Fire-Rated and Wooden Door
- High Quality Door Locks
- Steel Door Frames
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistics
- Modular Building Solutions
- Pre-Cast Concrete Products
- Polymer Concrete Pipes
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete ("UHPC")
- Solar Power Investment Business

For the financial year ended 31 December 2019 ("FY2019"), the Group continued to focus on its core businesses to consolidate its presence as one of the preferred and trusted market leaders in the building material industry. In FY2019, the Group has ventured into its upstream industries by expanding into wooden door manufacturing business. Besides, Chin Hin also focusing on high density fiberboard door, louvres, timber frame, handrail, architrave and skirting as well.

Chin Hin has embarked on the de-gearing plan and has begun to trim its group gearing level via the disposal of non-core assets such as shop offices and vacant sites in order to pare down its borrowings level and to strengthen the group financial position with the enhancement of the Group's current ratio.

The Group will continue to build on its supply chain system and core competencies to remain as one of the market leaders. We will also continue to invest in brand building and promotional activities to remain competitive, to strengthen and expand our distribution network in Malaysia as well as other regions for our current products base and source for new business opportunities that are in synergy with the Group's current product range and activities.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

STATEMENTS OF COMPREHENSIVE INCOME

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Revenue	1,056,458	1,105,417	(48,959)	(4.43)
Gross profit	100,077	101,508	(1,431)	(1.41)
Gross profit margin (%)	9.47%	9.18%	0.29%	3.16
Profit before tax ("PBT")	22,923	33,749	(10,826)	(32.08)
Profit after tax ("PAT")	15,302	24,099	(8,797)	(36.50)
PAT margin (%)	1.45%	2.18%	(0.73%)	(33.49)

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Revenue Breakdown

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Investment holding and management services	17,841	16,206	1,635	10.09
Distribution of building materials and provision of logistics	587,639	633,467	(45,828)	-7.23
Ready-mixed concrete	64,174	96,939	(32,765)	-33.80
Manufacturing of fire-rated and wooden door	43,294	24,532	18,762	76.48
Manufacturing of AAC and precast concrete products	332,636	221,020	111,616	50.50
Manufacturing of wire mesh and metal roofing systems	136,717	167,478	(30,761)	-18.37
Modular building solutions	6,637	52,892	(46,255)	-87.45
Sub-total	**1,188,938**	**1,212,534**	**(23,596)**	**-1.95**
Adjustment and eliminations	(132,480)	(107,117)	(25,363)	-23.68
Total	**1,056,458**	**1,105,417**	**(48,959)**	**-4.43**

The Group reported revenue of RM1,056.46 million in FY2019, a decrease of RM48.96 million or 4.43% as compared to RM1,105.42 million in the preceding financial year ended 31 December 2018 ("FY2018"). The decrease in revenue in FY2019 was mainly resultant from the lower revenue generated from the segments below:

- modular building solutions;
- manufacturing of wire mesh;
- ready-mixed concrete; and
- distribution of building materials and logistics services.

In this respect, the modular building solutions revenue was considerably much lower due to the end-work activity for the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor in the second quarter of FY2019. Please refer to "Review of Operating Activities" below for further analysis.

The sluggish property market arising from the property overhang and lack of growth substance to spur the momentum of construction activities have affected the performance of the ready-mixed concrete, manufacturing of wire mesh sector and the distribution of building materials and logistics services.

However, the decrease was mitigated by the increased revenue from our manufacturing of fire-rated and wooden door, AAC and precast concrete divisions.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

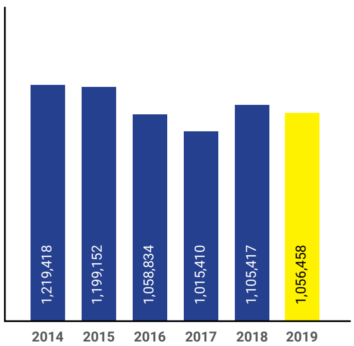
STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Revenue Breakdown (Cont'd)

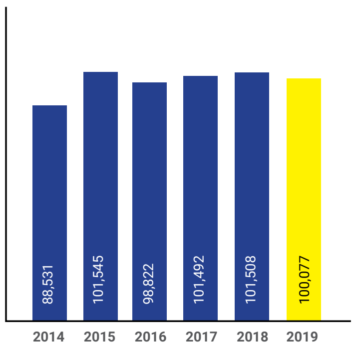
The revenue from the manufacturing of AAC block and precast concrete had increased by approximately 0.5 times. The increase was driven by the growth in the market demand for panel in the domestic and Singapore's markets, while the increase in revenue from the precast concrete products and others were mainly due to the followings:

- surge in sales volume for prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe and emergency walkway as a result of product portfolio expansion plan in the infrastructure sector;
- increase in export sales of polymer pipes to Singapore as we continued to dominate the market for jacking pipes of diameter 800mm and below;
- higher sales and production volume from Starken AAC 2 Sdn Bhd (formerly known as Sage Evergreen Sdn Bhd) ("Starken AAC 2") after its testing and commissioning in last July 2018;
- more than 2 times growth in sales turnover for Starken Drymix Solutions Sdn Bhd ("Starken Drymix") whom specialise in the production of thin adhesive base, render, skim coat, tile adhesive, panel plaster and basic skim;
- growth in the sales turnover of Green Cement Sdn Bhd ("Green Cement") for selling pulverised fuel ash ("PFA") to companies which were approved by the Department of Environment ("DOE"); and
- surge in revenue for G-Cast UPHC Sdn Bhd ("G-Cast UPHC ") in its second year of operation.

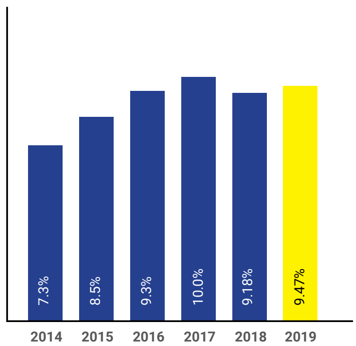
REVENUE (RM'000)



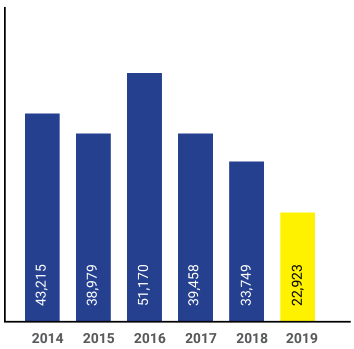
GROSS PROFIT (RM'000)



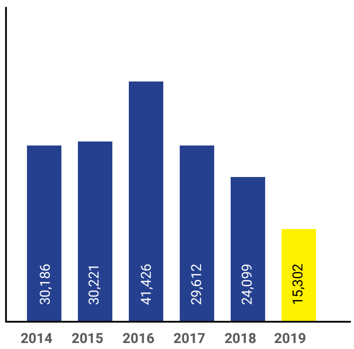
GROSS PROFIT MARGIN (RM'000)



PROFIT BEFORE TAXATION (PBT) (RM'000)



PROFIT AFTER TAXATION (PAT) (RM'000)



REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Gross profit and gross margin

The Group's gross profit has decreased by RM1.43 million or 1.41% to RM100.08 million in FY2019 (FY2018: RM101.51 million). However, the gross profit margin for the current year was recorded at 9.47%, an increase of 0.29 basis point as compared to the preceding year of 9.18%. The higher gross profit margin was primarily due to the reasons below:

- better margin from precast concrete products as a result of the product portfolio expansion plan in the infrastructure sector which required added technical skill;
- gross profit recorded in FY2019 as opposed to gross losses suffered by Starken AAC 2 in FY2018 during its initial start-up;
- margin improvement in Starken Drymix as a result of economies of scale achieved due to higher production output in its second year of operation; and
- lower gross losses suffered by G-Cast UPHC as opposed to the FY2018 which was its first year of operation.

Other income

Other income has increased by RM0.86 million or 11.12% from RM7.75 million in the preceding year to RM8.61 million in the current year primarily due to the to the followings:

- RM0.78 million of gain on disposal of Rawang Units, Gunung Indah Units and Mergong Units, assets held for sale to Chin Hin Building Materials Supply (JB) Sdn Bhd for a total cash consideration of RM21.22 million;
- RM0.61 million of gain on disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang which belongs to the mesh business to PSJ Transport Sdn Bhd for a total cash consideration of RM18.00 million;
- Lease income of RM0.51 million earned from the industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang prior to the disposal of the said property;
- Overdue interest income of RM0.21 million earned by the distribution of building materials segment;
- higher scrap sales from steel related raw materials of approximately RM 0.10 million; and
- gain on disposal of factory equipment, two units of loaders and four units of forklifts totalled RM0.10 million from the AAC division.

and, set-off with the below:

- RM0.19 million loss incurred on the disposal of four storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak for a total cash consideration of RM2.05 million; and
- RM0.11 million overdue interest income charged to its Modular project developer as a result of delayed payment for progress construction works certified in FY2019 (which subsequently being reversed out at consolidation level) as opposed to RM1.31 million charged to Saujana before our acquisition taken place in December 2018.

Fair value adjustment on investment properties

Lower fair value adjustment on investment properties in FY2019 which was resultant from the valuation gain in FY2018 on a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang which belongs to the mesh business.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Expenses

The Group's distribution and administrative expenses have surged by RM1.47 million and RM0.56 million respectively year-on-year ("YoY") solely due to the new businesses i.e. steel door frame and timber door in the central region, new fire door business in the northern region, Starken AAC 2 and precast concrete new plant in Kuantan and Kota Tinggi.

Other expenses have increased by RM0.12 million or 2.85% YoY mainly due to the depreciation of right of use assets arising from the adoption of MFRS 16: Leases.

Net loss on impairment of financial instruments has surged up by RM3.25 million or 116.38% mainly due to the higher provision for impairment of receivables in the ready-mixed concrete and the distribution of building materials sectors.

The Group's finance cost in FY2019 has increased by RM2.36 million YoY principally due to the drawdown of additional revolving credits of RM41.60 million to part-finance the acquisition of assets, property, machines, equipment and new business for G-Cast as well as to finance Starken AAC 2's working capital. Beside, there were additional term loans drawdown of RM10.13 million in the manufacturing of AAC and Precast Concrete Products sector particularly to part finance the total construction cost for Kota Tinggi precast concrete manufacturing plant coupled with the machines and equipment cost related to this new plant. During FY2019, the Company has also pared down its term loan, bankers' acceptance and overdraft by RM17.08 million, RM20.76 million and RM20.56 million respectively.

Share of results of associates

Share of profit from associate company has increased by RM2.25 million or 43.04% YoY mainly contributed by four (4) large scale solar ("LSS") photovoltaic projects i.e.:

- 12.8 MWp DC solar farm in Mukim Asam Kumbang, Kamunting, Daerah Larut and Matang, Perak;
- 13.0 MWp DC solar farm in Mukim Teja, Daerah Kampar, Perak;
- 12.9 MWp DC solar farm in Mukim Sungai Raya, Daerah Kinta, Perak; and
- 9.9 MWp DC floating solar farm in Dengkil, Selangor.

The first three projects have successfully completed with ahead of schedule and achieved the commercial operation date ("COD") in the last quarter of FY2019.

Whereas the 9.9 MWp DC floating solar farm is expected to achieve its COD in the mid of July 2020, delayed by at least another two months due to the Movement Control Order ("MCO") imposed by Malaysia Government. Besides, the higher profits were also contributed by the profit recognised on the 28.26 MWp Net Energy Metering ("NEM") roof-top projects completed during FY2019.

Profit

Given the abovementioned analysis, the Group reported a lower PBT of RM22.92 million as compared to RM33.75 million reported in FY2018.

The effective tax rate of 33.24% in FY2019 was actually higher than the preceding year's of 28.59%. This was mainly due to the real property gain tax ("RPGT") of RM1.58 million being accrued in FY2019. The RPGT was derived from the disposal of investment properties as mentioned in the "Other income" above. If the RPGT is excluded from the taxation computation, the effective tax rate will be worked out at 26.35%.

Order book

The Group's order book presently stands at RM272.17 million, which will keep the Group busy for the next twelve (12) months. In view of the order books on hand and our continuous efforts to secure sales volume, the Group expects the level of sales and profitability in the financial year ending 2020 ("FY2020") will be optimistic.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF FINANCIAL POSITION

	31 December 2019 RM'000	31 December 2018 RM'000	Variance	
			RM'000	%
Non-current assets	564,922	608,885	(43,963)	(7.22)
Current assets	605,714	548,505	57,209	10.43
Total assets	**1,170,636**	**1,157,390**	**13,246**	**1.14**
Total equity	**422,121**	**417,718**	**4,403**	**1.05**
Non-current liabilities	93,039	106,914	(13,875)	(12.98)
Current liabilities	655,476	632,758	22,718	3.59
Total liabilities	**748,515**	**739,672**	**8,843**	**1.20**
Net assets per shares attributable to ordinary owner of the company	0.77	0.75	0.02	2.67

Total assets

As at 31 December 2019, total assets of the Group has increased by RM13.25 million to close the financial year at RM1,170.64 million, with the analysis below:

- the biggest chunk of increase was resulted from the YoY increase in trade receivables and inventories by RM34.22 million after the expansion of its manufacturing sector's sales and product portfolio especially in the manufacturing of AAC and precast concrete sector coupled with the manufacturing of fire-rated and wooden door division;
- the increase in non-current asset held for sale of RM34.10 million arising from the reclassification of PP Chin Hin Sdn Bhd's properties under the header of property, plant & equipment ("PPE") and investment properties ("IP") totalling RM53.96 million as a result of Sale and Purchase Agreement ("SPA") signed between PP Chin Hin Sdn Bhd and Midas Signature Sdn Bhd as mentioned in the Segmental Review below coupled with the reclass of a two-storey shop lot at Gunung Perak, Alor Setar worth RM0.58 million set-off with the sale of Rawang Units, Gunung Indah Units and Mergong Units to Chin Hin Building Materials Supply (JB) Sdn Bhd of RM20.44 million;
- YoY increase in contract assets of RM3.34 million in G-Cast UHPC arising from the progress billing on contract work;
- investment in an associate company of RM6.77 million, arising from our share of PAT in FY2019 net-off with no gain, no loss disposal of Cocotech Sdn Bhd at RM0.15 million; and
- cash and bank balances increased by RM3.20 million;

and, set off with the reasons below:

- reduction of property, plant & equipment ("PPE") of RM7.30 million which principally due to:
  - the PPE of RM29.53 million being reclassified as Non-Current Asset Held for Sale as a result of the SPA signed as highlighted above;
  - depreciation charges of RM30.61 million;
  - the disposal of various assets i.e. factory equipment, motor vehicles and plant & machineries with net book value ("NBV") of RM0.52 million; set-off with
  - right of use of assets of RM6.71 million arising from the adoption of MFRS 16: Leases coupled with the additions of Capex amounted to RM46.68 million, please refer to capital expenditures detailed below;

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF FINANCIAL POSITION (CONT'D)

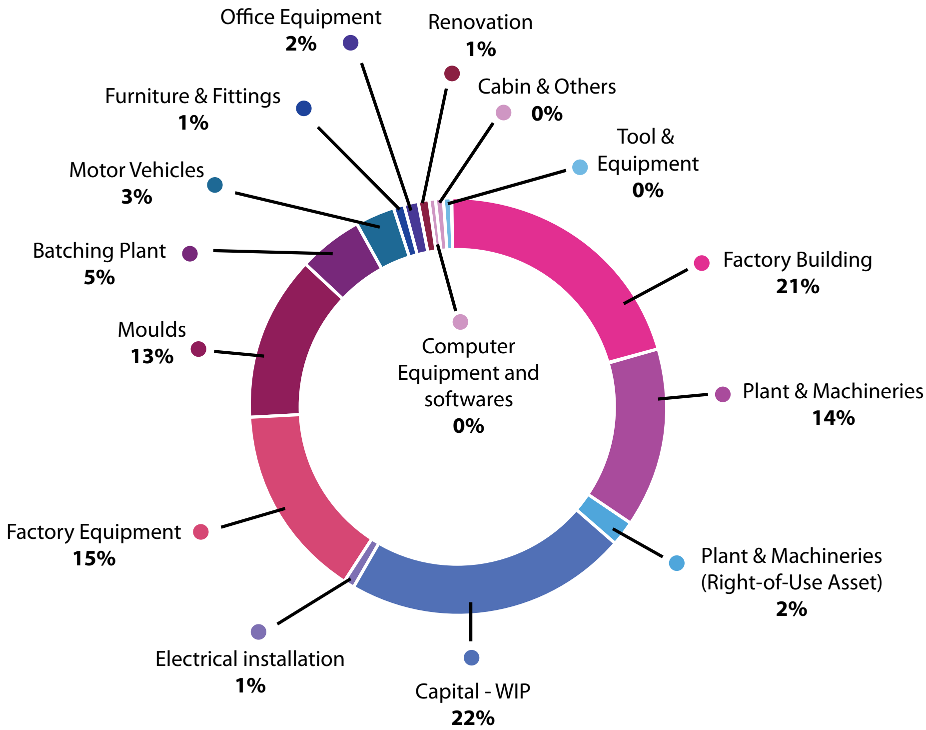
Total assets (Cont'd)

- reduction of IP of RM43.28 million principally arising from:
  - the disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang worth RM17.20 million as mentioned in the "Other Income" above;
  - disposal of a four-storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak worth RM2.24 million;
  - a total of RM25.01 million of the IP was reclassified to Non-Current Asset Held for Sale as a result of the SPA signed as highlighted above; set-off with
  - the purchase of a double-storey semi-detached house worth RM0.52 million via contra of accounts receivable due to non-payment and the fair value gain on investment properties during the year of RM0.65 million by the distribution of building materials and logistic segment.
- the reduction in other receivables of RM15.67 million principally due to the staggered repayment of disposal proceeds from Frontscape Sdn Bhd to Metex Steel Sdn Bhd ("Metex Steel") of RM7.20 million coupled with the settlement of outstanding sum of RM3.28 million from Formino Metal Sdn Bhd to Chin Hin as per the "Settlement Agreement";
- refund of overpayments of Goods and Service Tax by Royal Custom of Malaysia amounting to RM3.85 million has also contributed to the reduction in other receivables; and
- tax recovered from Lembaga Hasil Dalam Negeri of RM1.73 million due to over-estimation of corporate taxation in FY2018.

Capital Expenditure ("Capex")	Breakdown of Capex (RM)
Factory Buildings	9,654,862
Plant & Machineries	6,729,949
Plant & Machineries (Righ-of-Use Asset)	964,000
Capital - WIP	10,277,877
Electrical installation	478,744
Factory Equipment	6,760,601
Moulds	6,028,912
Batching Plant	2,215,742
Motor Vehicles	1,427,085
Furniture & Fittings	409,193
Office Equipment	826,183
Renovation	534,481
Computer Equipment and softwares	159,370
Cabin & Others	195,445
Tool & Equipment	19,380
Total	**46,681,824**

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF FINANCIAL POSITION (CONT'D)



Breakdown of Capex (Total)

In FY2019, 95.41% of total capex was incurred on the outlay on factory building, plant & machineries, capital work-in-progress, electrical installation, factory equipment, mould, batching plant and motor vehicles, mainly arising from setting up G-Cast Concrete Sdn Bhd's plants, Green Cement's cementitious grinding and Starken AAC 2's plants located at Kota Tinggi, Johor.

Besides, the capex was also incurred on Starken Drymix and G-Cast UHPC for the expansion of their production capacity to cater for the increase in sales volume. Additionally, RM2.55 million and RM2.22 million were spent on setting up the wooden door manufacturing division and buying over the existing concrete batching plants from our outsourced concrete producers respectively, with the material information as below:

Capital Expenditures for Expansion of Production Capacity

Factory building

- Additional RM1.03 million was spent on the water taping through horizontal directional drilling pit and intersection for access to Starken AAC 2's plant at Kota Tinggi, Johor;
- RM6.88 million to construct G-Cast Sdn Bhd's new precast concrete plant at Kota Tinggi, Johor;
- Additional RM1.44 million was spent on the extension, improvement and foundation on G-Cast Concrete's several plants located at Serendah, Rawang, Bidor and Kulai and Kuantan; and
- RM0.30 million to construct concrete loading bay and silo platform in Starken Drymix.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Capital Expenditures for Expansion of Production Capacity (Cont'd)

Plant and machineries, Capital WIP, Factory equipment and others

- Additional RM3.01 million was spent on the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor;
- RM6.49 million was spent on constructing the new cementitious grinding plant (Green Cement) located in Kota Tinggi, Johor which inclusive of ball mill grinding system, four (4) units of cement silo, FRP cross flow square type cooling tower, hoppers, filter and weighing machine, air compressor, dust collector, classifier, wheel loader, intelligent laser particle size analyser coupled with electrical installation under construction;
- RM5.98 million was spent for the purchased of moulds for various precast concrete plant located at Serendah, Rawang, Bidor and Kulai, Kota Tinggi and Kuantan to gear up for the product expansion i.e. prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe and emergency walkway. Another RM0.05 million was spent on the addition of moulds in MI polymer and the ready-mixed concrete division;
- Another RM9.78 million was spent on plant and machineries, plant and machineries under construction, factory equipments and motor vehicles especially in the precast concrete plant located at Kota Tinggi and other plants i.e. Rawang, Kuantan, Kulai, Bidor and Serendah for the said expansion. Items bought include spun pipe machines, wire cage machiness, railway structures, mixer concrete batching plants, gantry cranes, girder cranes, C-liftings, precurring railways, compressors, diesel forklift, mixer trucks, wheel loaders, generator sets and etc;
- RM2.41 million on the plant and machineries, capital work-in-progress (factory building and plant and machineries) and factory equipment for the AAC panel plant at Kota Tinggi, Johor with RM0.44 million spent on its electrical installation works;
- RM1.36 million on plant and machineries and factory equipments particularly one unit of SLA 3D printer and one unit of two tons lifting winch system for G-Cast UHPC plant located at Subang;
- RM2.22 million was spent on buying over the existing concrete batching plants from our outsourced concrete producers in Central and Northern region. Another RM0.23 million was used on motor vehicles and moulds;
- RM2.55 million on setting up the wooden door manufacturing division; and
- RM0.83 million was spent on plant & machineries and factory equipment in Starken AAC's plant located at Serendah.

Current assets increased from RM548.51 million as at 31 December 2018 to RM605.71 million as at 31 December 2019, mainly contributed by higher trade receivables and inventories as mentioned above. Trade receivables have hike up by RM17.79 million or 5.26% YoY and trade receivables turnover period has deteriorated to 123 days in FY2019 (FY2018: 112 days) due to the challenging operating environment where all market players have extended their credit term as well as cutting down their selling price in order to maintain their market share.

The inventories have increased by RM16.43 million or 18.57% YoY due to the finished goods for pre-stressed and reinforce concrete beam, crosshead, cable trough and emergency walkway for the mega infrastructure projects in town i.e. Duke Highway, Mass Rapid Transit ("MRT"), Light Rapid Transit ("LRT"), Gemas-Johor Baru Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE"). Our production for the said projects are on track with the construction progress. Besides, the two new precast concrete plants at Kota Tinggi and Kuantan were stocking up for the buffer finished goods. Hence, the said infrastructure-related inventories have increased by RM9.67 million. The remainder of the increase was contributed by the new business i.e. wooden door, Starken Drymix and G-Cast UHPC.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Total equity

Total equity increased by RM4.40 million YoY, mainly due to enhancement of PAT attributable to the owners of the Company of RM18.05 million, and set-off against the dividend declared during the year of RM10.97 million and non-controlling interest of RM2.75 million. As such, our net assets per share has increased by RM0.02 or 2.67% YoY to RM0.77 per share.

Total liabilities

Total liabilities increased by RM8.84 million YoY, mainly contributed by the increase in trade payables, amount due to directors and lease liabilities of RM4.94 million, RM15.85 million and RM5.43 respectively. Trade payables surge mainly due to the increase in purchases during FY2019, which is in line with the increase in inventories, as mentioned above.

The increase in amount due to directors of RM15.85 million was an advance from Datuk Seri Chiau Beng Teik ("Datuk Seri") to Chin Hin to fund the capex in our manufacturing sector. Datuk Seri has issued a letter of support, undertake to provide immediate financial support and/or assistance to Chin Hin in the event that the Company is unable to meet its financial commitments and to ensure that it will continue as a going concern. Lease liability increased was due to the adoption of MFRS 16: Leases.

The said increase in liabilities were set-off by the reduction in total bank borrowings, tax payables, contract liabilities, finance lease liabilities and other payables of RM6.68 million, RM2.05 million, RM6.52 million, RM0.98 million and RM1.14 million respectively. The reduction in bank borrowing was resultant from the repayment of term loan and bank overdraft during FY2019.

STATEMENTS OF CASH FLOWS

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Net Cash flows (used in)/from operating activities	15,417	(68,833)	84,250	>100.00
Net Cash flows (used in) investing activities	(4,404)	(51,912)	47,508	91.52
Net Cash flows from financing activities	12,813	103,523	(90,710)	-87.62
Net decrease in cash and cash equivalents	23,826	(17,222)	41,048	> 100.00

The Group's net cashflows from operating activities for the FY2019 stood at RM15.42 million, largely due to the increase in trade payables and reduction of other receivables as mentioned above. Besides, the positive net cashflows from operating activities also contributed by the tax refund by the Inland Revenue Board of Malaysia due to the overpayment of corporate tax in prior years of assessment ("YA") as a results of estimates of tax payable for a current YA should not be less than 85% of the revised estimate of tax payable for the immediate preceding YA. The considerable decrease in the net cash flows used in the operating activities in FY2018 was contributed by the reduction in trade payables of RM49.73 million as a result of acquisition of Kempurna Sdn Bhd ("Kempurna") and Saujana Vision Sdn Bhd during FY2018.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF CASH FLOWS (CONT'D)

Cash outflows in investing activities recorded at RM4.40 million in FY2019 mainly due the capital expenditures acquired by cash amounted RM45.82 million (net of lease financing of RM0.87 million) as detailed above coupled with the addition of a double-storey semi-detached house located in Kuantan via contra of debts with the distribution of building materials client worth RM0.52 million, and mitigated by the activities below:

- Disposal of investment properties i.e. Rawang Units, Gunung Indah Units and Mergong Units to Chin Hin Building Materials Supply (JB) Sdn Bhd by our distribution of building materials division for a total cash consideration of RM21.22 million;
- Disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang belongs to the mesh business to PSJ Transport Sdn Bhd for a total cash consideration of RM18.00 million;
- Disposal of an investment property, four-storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak by our distribution of building materials division for a total cash consideration of RM2.05 million;
- Disposal of various property, plant and equipments for example gantry crane, motor vehicles, lorry, two units of loaders, six units of forklifts, panel saw machine and a notebook for a total cash consideration of RM0.51 million; and
- Disposal of our investment in an associate company, Cocotech Sdn Bhd for a total consideration of RM0.15 million. The disposal proceeds was used to set-off against the amount owing by our indirect subsidiary, Saujana Vision Sdn Bhd, the vendor to the purchaser. The said disposal was undertaken for the purpose of streamlining and rationalizing Chin Hin's operation by disposing business that is not related to the construction industry. The Proposed Disposal will enable Chin Hin Group to channel the Group's resources into other business activities that are anticipated to be more promising.

The net cash inflows from financing activities of RM12.81 million, mainly stemmed from the advances from Directors of RM15.85 million and supported by the net drawdown of additional banking facilities totalling RM13.88 million which set-off by the dividend payout and repayment of lease liabilities of RM13.75 million and RM3.17 million respectively.

Our business operations are financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and cash generated from our operations, while external source of funds comprises trust receipts and bankers' acceptance, revolving credit, term loans, hire purchase, loan from directors as well as credit terms granted by our suppliers. Credit terms granted to us by our suppliers range from 14 to 120 days.

The management believes that after taking into account our cash and bank balances, proceeds from the disposal of thirty-five (35) units of properties and Ace Logistic Sdn Bhd of RM76.45 million, as well as the funds envisaged to be generated from our business operations, we will have adequate working capital to meet our present and foreseeable day-to-day business operation requirements.

Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

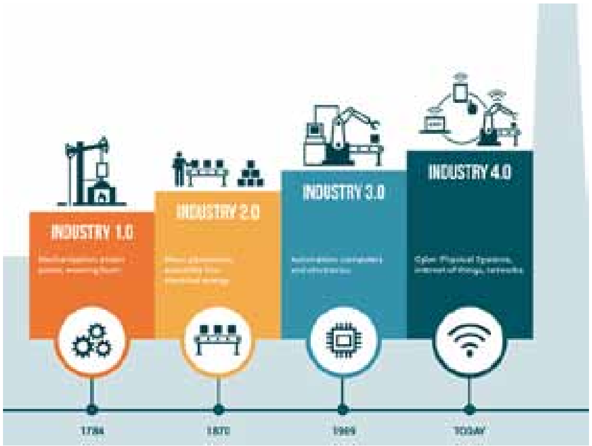
MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES

GENERAL OVERVIEW

Chin Hin has engaged expertise from the Digital Transformation Labs to kickstart their Digital Transformation Programme ("DTAP") for its manufacturing companies to identify business pain points using specific methodologies to brainstorm on new ideas, design new business model, develop new product with the main focus to increase productivity, eliminate human error, improve product quality and reliability, cost reduction, reduce over dependence on foreign labour which to be in line with the government's commitments and efforts to turn to automation and to become a more developed economy.

In a nutshell, Chin Hin has put in all its efforts to prepare its manufacturing plants towards Industry Revolution 4.0. With the engagement of expertise from the Digital Transformation Lab to execute the said DTAP, Chin Hin is able to tag into the DTAP Pilot Grant of 1:1 established by Malaysia Digital Economy Corporation (MDEC) and Malaysian Investment Development Authority (MIDA).



Picture: Kickstart of DTAP in Chin Hin to gear towards Industrial Revolution 4.0

The Company has employed a Technical Assistant General Manager to embark on identifying the best practices to eliminate unproductive processes across all the manufacturing plants in Chin Hin with the final aim to gear towards Industry Revolution 4.0. Besides, Chin Hin also emphasized on the importance of preventive maintenance and to stay lean in maintenance. Lean Maintenance supports a Lean Manufacturing approach by preventing unscheduled downtime. This is to reduce or eliminate the factors that cause machine breakdowns.

FYE 2019 was an innovative year where our manufacturing subsidiaries have introduced many new products to the building material and infrastructure market. Below is the range of product expanded:

- AAC products - AAC single mesh panel, floor panel and sound barrier wall panel. The sound barrier wall panel is a highly effective panelling solution that yields a significant reduction of unwanted noise generated from vehicles or traffic at highways, state or federal roads and railways; and
- Infrastructure products - prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe, emergency walkway, cable plinth, fencing pole, turn out bearer, prestress plank and tunnel walkway.

The "Joint Practises Session" initiated in the mid of 2018 to promote collaboration across business units to leverage on the sales and marketing personnel strength with the ultimate aim to boost up sales through "Cross Selling" is progressing well within the Group. Weekly meetings among sales staffs are still be held and more and more business units are involved to share the market intelligence. This move will definitely benefit the whole Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES

SEGMENTAL OVERVIEW

Distribution of building materials and logistics

The building materials distribution landscape has changed tremendously lately. Number of the building material player is gradually pulling out from the market in view of the intense competition which affected their earnings and margin. As such, the distribution of building materials and logistics sector recorded a total revenue of RM587.64 million in FY2019, a decrease of RM45.83 million or 7.23% as compared to RM633.47 million recorded in the previous financial year, which contributed 55.62% (FY2018: 57.31%) of the Group's consolidated revenue.

Despite the decline in revenue, the gross profit margin has increased marginally by 0.12 basis point from 6.24% in FY2018 to 6.36% in FY2019. The higher margin was contributed by the volume rebate offered by our steel bar supplier and it is also the effect of the Company's strategy to focus on higher margin building material products to supplement the loss of income from cement sales resultant from the impact of Business to Customers (B2C) from the cement manufacturer. As such, PBT has increased marginally by RM0.69 million, from RM6.15 million in FY2018 to RM6.84 million in FY2019.

PP Chin Hin Sdn Bhd ("PP Chin Hin") has on 8 November 2019 entered into thirty-five (35) conditional sale and purchase agreements ("SPAs") with Midas Signature Sdn Bhd ("Midas") for the disposal of properties for a total cash consideration of RM55.65 million ("Proposed Disposal") as per the tabulation below. The Proposed Disposal is deemed to be a related party transaction and shareholders' approval needs to be sought in the upcoming Extraordinary General Meeting which to be scheduled on 15 July 2020:

	Properties	Consideration (RM)
(a)	11 units of shop offices and 89 units of car parks located at Jalan Kuchai Lama, Kuala Lumpur	26,450
(b)	1 unit of factory located at Shah Alam	4,550
(c)	9 units of shop offices located at Taman Bandar Baru Mergong, Alor Setar	8,600
(d)	9 units of shop offices located at Kompleks Perniagaan Sultan Abdul Hamid	7,050
(e)	1 unit of shop office located at Pekan Simpang Kuala, Alor Setar	650
(f)	1 unit of shop office located at Taman Gunung Perak, Alor Setar	600
(g)	3 units of shop offices located at Taman Bandar Baru Mergong, Alor Setar	7,750
	Total	**55,650**

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

The rationale of the Proposed Disposals was to provide an avenue for the Group to unlock the value of its property assets at their market value; and raise cash proceeds which can be channelled towards the Group's business operations, to fund the inventories purchase in order to remain competitive, relevant and protect their margins as well as market shares. The Proposed Tenancy provides the Group with certainty that its on-going business operations will not be disrupted.

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Distribution of building materials and logistics (Cont'd)

Moreover, the proposed disposals will also reduce the administrative time and effort required to monitor the properties and will enable the Group to focus its resources on its core businesses. Separately, the Proposed Disposal will enable the distribution of building materials segment to repay its bank borrowings, which will reduce the Group's gearing level and improve the Group's cash flow position due to the lower interest expense. In view of the capital requirements of the Group's operations and financial obligations, the Group recognises the need to pursue an asset light strategy and to monetise its non-core assets to raise additional funds to improve the Group's financial position with the enhancement of its current ratio.

On 29 May 2020, the circular and independent advice letter in relation to the Proposed Disposals were issued.

Ready-Mixed Concrete

The revenue for the ready-mixed concrete segment decreased by approximately RM32.77 million or 33.80% from RM96.94 million in FY2018 to RM64.17 million in FY2019, which contributed 6.07% (FY2018: 8.77%) of the Group's consolidated revenue. As such, the said segment recorded a loss before tax of RM5.83 million, a decline of RM8.72 million, approximately 302.45% from RM2.88 million PBT in FY2018.

The decrease in revenue and PBT from the ready-mixed concrete segment were mainly due to the stiff competition encountered from cement-based-operators whereby they using their own batching plant to penetrate the market by offering lower selling prices. Besides, the considerable decline also contributed by the shutting down of six (6) site plants in the Central (four plants) and Northern (two plants) region due to the completion of projects. There were additional impairment on receivables and expected credit loss of RM2.61 million and RM0.36 million being provided in FY2019.

Manufacturing of fire-rated and wooden door

The manufacturing of fire-rated and wooden door segment recorded a revenue of RM43.29 million, a surge of RM18.76 million or 76.48% as compared to the preceding year's results of RM24.53 million, which contributed 4.10% (FY2018: 2.22%) of the Group's consolidated revenue. The surge in revenue was contributed by:

- the sales volume from Kempurna, a company specialises in the manufacturing of steel door frame which acquired in the last quarter of FY2018;
- new wooden door business that the Company has ventured into in mid of February, 2019; and
- the new organic growth company, Midah North Sdn Bhd, offset by the drop in sales for fire door business.

The fire door sales have declined by RM2.48 million or 13.95% YoY due to the relocation of factory from Broga to Kapar, same factory with Kempurna in August 2019 and the termination of existing subcontractor whom responsible for the production of fire door in Broga. The production output was affected due to the inexperience in-house workers and foreign workers shortage issues. The inexperience in-house workers need time to acquire the production skill and to get familiarize with the machine. However, the inexperience in-house workers issue has been overcome and the production floor already tried their very best to catch up the shortfall of delivery quantity.

As of the end of December 2019, there were 3,000 units of outstanding fire door has yet to be delivered which caused by the impact of relocation. Midah Industries Sdn Bhd ("Midah") has placed an order for a new sizing machine that can greatly improve the door sizing process from six (6) minutes per door leaf to merely one (1) minute per door leaf to overcome this issue. The machine is a semi-automated machine that will allow Midah to reallocate its workforce to other production process to reduce our over-reliance on foreign workers. Nevertheless, new batch of foreign workers applied to Foreign Workers Division, Malaysian Immigration Department already been approved and expected to ease the labour shortage issue.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of fire-rated and wooden door (Cont'd)

The profit before tax has declined by RM2.38 million, from RM2.38 million in FY2018 to a merely breakevern position in FY2019. The considerable decline in PBT for the manufacturing of fire-rated and wooden door division was contributed by the initial losses sustained by Midah Industries North Sdn Bhd of RM0.55 million and the drop in gross profit margin from the fire door segment, set- off substantially by the PBT earned by Kempurna Sdn Bhd, the door frame manufacturer of RM0.74 million. The fact is substantiated by the raw materials pricing for the fire door business have increased throughout the financial year yet the cost hike cannot be passed on to the client due to market competitiveness. Moreover, door competitors have cut their selling price in order to secure order to ensure their survival. In addition, many projects secured were delayed due to uncertainties clouding for the construction sector as a result of properties overhang.

Manufacturing of AAC and Precast Concrete Products

The manufacturing of AAC and precast concrete products segment recorded a total revenue of RM332.64 million in FY2019, representing a growth of 50.50% as compared to RM221.02 million recorded in FY2018 and contributed 31.49% (FY2018: 19.99%) of the Group's consolidated revenue. This sector recorded a PBT of RM26.98 million, representing an increase of 135.02% as compared to RM11.48 million in FY2018.

Manufacturing of AAC and Precast Concrete Products Sector	2019 RM'000	2019 RM'000	2018 RM'000	2018 RM'000	Remarks
	Revenue	PBT	Revenue	PBT	
Starken AAC Sdn Bhd	109,957	12,672	102,753	7,358	FY2019 – Dividend income of RM9.00 million declared and paid by G-Cast was reflected in the PBT.
G-Cast Concrete Sdn Bhd	120,341	15,991	82,326	9,586	
Starken Drymix Sdn Bhd	21,918	2,260	5,731	171	FY2018 – There was a fair value gain on investment property of RM1.72 million which subsequently reclassified as PPE at the Group consolidation level.
MI Polymer Concrete Pipes Sdn Bhd	14,252	2,865	10,305	6,843	FY2018 – Inter-company sales of RM10.20 million & inter-company dividend received by MI Polymer Concrete Pipes Sdn Bhd of RM5.36 million from MI Polymer Concrete Pipes Pte Ltd.
MI Polymer Concrete Pipes Pte Ltd	14,964	492	10,851	276	FY2019 – inter-company sales of RM14.19 million
G-Cast UHPC Sdn Bhd	9,492	(3,015)	650	(2,921)	
Starken AAC2 Sdn Bhd	38,055	(5,320)	6,594	(10,228)	
Green Cement Sdn Bhd	3,656	1,038	1,810	395	
	332,635	26,983	221,020	11,480	

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of AAC and Precast Concrete Products (Cont'd)

Starken AAC: The increase in revenue of Starken AAC was driven by the growth in market demand for panel in the domestic and Singapore's market. AAC wall panel has gained popularity in Singapore particularly by the Housing and Development Board ("HDB") for its unique features such as fire-resistant and soundproof. Despite that the PBT in Starken AAC's book presented a positive growth, however, if we exclude the RM9.00 million dividend income declared by G-Gast, it presented a 50.10% YoY decrease. The drop in PBT was contributed by the increase in raw materials cost as well as the intense price war due to the excess capacity encountered by the AAC block sector in the local market as a result of subdue property market.

G-Cast Concrete: The increase in the revenue for precast concrete products to RM120.34 million in FY2019 from RM82.33 million in FY2018, a YoY increase of RM38.01 million or 46.17% was due to the surge in sales volume for the supply of prestress and reinforce concrete beam, crosshead, cable trough and emergency walkway to mega infrastructure projects in town as mentioned above. As such, PBT has also increased by RM6.41 million or 66.82% YoY as a result of our Group's product expansion programme which required added technical skills.

Starken Drymix: Our organic growth company, whom specialise in the production of thin adhesive base, render, skim coat, tile adhesive, panel plaster and basic skim has transformed from a loss making company in FY2018 (-RM1.55 million, after set-off of RM1.72 million fair value gain on investment properties) to a profit making company in FY2019 with a PBT of RM2.26 million. The significant improvement was primarily due to the acceptance of "Starken Drymix" brand in the local construction material market.

MI Polymer Concrete Pipes Group of companies' ("MIPCP"): The revenue has increased by RM4.06 million or 37.07% from RM10.96 million in FY2018 to RM15.02 million in FY2019. Consequently, MIPCP's PBT has increased by RM1.60 million or 90.58% YoY. Both of the increase were contributed by the surge in export of polymer pipes to Singapore as we continued to dominate the market for jacking pipes of diameter 800mm and below.

G-Cast UHPC: G-Cast UHPC has endured a loss before tax of RM3.02 million despite the increase in revenue of RM8.84 million or 13.6 times higher YoY. The huge losses incurred as a result of cost over-run due to complexity of installation work attributable to site condition for Pavilion Project.

Starken AAC 2: The revenue has increased by RM31.46 million or 3.77 times YoY after its testing and commissioning in June 2018. Nonetheless, the company has suffered a loss before tax of RM5.32 million in the current year, a reduction of RM4.91 million as compared to the preceding year. 47.74% of the loss was contributed by the finance cost. This new AAC production line in Starken AAC 2 with 600,000m3 installed capacity located at Kota Tinggi, Johor is still hovering its production utilisation rate at 30% level as of 31 December 2019 in view of the excess supply of block in the local market as a result of the subdued property market in Malaysia. However, the export market demand for AAC wall panel is fast gaining in popularity for the affordable housing in Singapore, to supplement the reduction in demand of AAC block from the local market.

Green Cement: The revenue of RM3.66 million and PBT of RM1.04 million derived solely from the selling of PFA to Chin Hin's related company within the Group and a few third party companies. 87.98% of the PFA sold came from the Jimah East Power Plant located in Port Dickson, pursuant to the Letter of Agreement signed with Jimah Energy Ventures Sdn Bhd ("Owner") on 19 April 2018 for the temporary collection of PFA which has expired on 18 July 2018 where the term of the agreement has been extended on a month-to-month basis, to be renewed automatically every month unless terminated by the Owner with not less than seven (7) days' notice in writing. The remaining 12.02% of the PFA sold came from coal-fired power station plant located at Tanjung Bin, Johor Darul Takzim which is owned by Tanjung Bin Power Sdn Bhd, pursuant to the Agreement signed on 14 August 2018 with G-Cast for the collection of coal ash on a non-exclusive basis. The Agreement shall be effective and valid for a period of ten (10) years, with an option to extend for additional three (3) years, or any period to be agreed by both parties. The bottom ash was being used as raw material for the production of precast concrete pipes.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of Wire Mesh and Metal Roofing Systems

Segmental Detail	2019 (RM'000)	2018 (RM'000)	Variance (RM'000)	%
Manufacturing of Wire Mesh and Metal Roofing Systems - loss before tax	1,003	(1,770)	2,773	>100
Adjustments: Gain on revaluation of Investment Properties — Land and factory in Prai	—	(5,093)	5,093	>100
Gain on revaluation of Investment Properties — Land and factory in Nilai belongs to Ace Logistics Sdn Bhd	(200)	—	(200)	—
Loss on disposal of subsidiary company — Formino	—	4,028	(4,028)	100
Formino's Loss before tax for FY2018 (Disposal of Formino - SPA dated 30 March 2018)	—	594	(594)	100
Inter-company interest charged to Metex Modular (other income)	(514)	—	(514)	—
Gain on disposal of land and factory in Prai	(611)	—	(611)	—
Actual Results for the manufacturing of Wire Mesh	(322)	(2,241)	1,919	85.63

The manufacturing of steel mesh and metal roofing systems segment recorded a total revenue of RM136.72 million in FY2019, representing a decrease of 18.37% as compared to RM167.48 million recorded in FY2018, and contributed 12.94% (FY2018: 15.15%) of the Group's consolidated revenue. The sluggish property market arising from property overhang and lack of growth catalyst to spur the momentum of construction activities have affected the sales volume of the manufacturing of wire mesh sector. Nevertheless, the wire mesh business has turnaround from a loss making company in FY2018 to a profitable one in FY2019. Besides the analysis above, the enhancement of profits were primarily due to the to the followings:

- reduction in finance cost of RM1.21 million as a result of an injection of additional paid-up share capital from RM30 million to RM50 million; and
- there were an additional impairment of trade receivables and expected credit loss accrued in FY2018 of RM0.88 million and RM0.13 million respectively.

Metex Steel Sdn Bhd ("Metex Steel") has on 8 November 2019 entered into a conditional share sale agreement ("Ace Logistic SSA") with PP Chin Hin Realty Sdn Bhd ("PP CH Realty") for the disposal by Metex Steel of 100% equity interest in Ace Logistic Sdn Bhd ("Ace Logistic") to PP CH Realty for a cash consideration of RM20,800,000 ("Proposed Disposal of Ace Logistic"). The Proposed Disposal is deemed to be a related party transaction and shareholders' approval needs to be sought in the upcoming Extraordinary General Meeting which to be scheduled on 15 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Modular Building Solutions

Metex Modular Sdn Bhd ("Metex Modular") has recognised RM6.64 million of revenue, a reduction of RM46.25 million or 87.45% YoY. This segment contributed 0.63% (FY2018: 4.78%) of the Group's consolidated revenue. The modular building solutions revenue for the current year was considerably low as the project works to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor for the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor has completed. As a result, this segment recorded a much lower PBT of RM0.80 million as compared to RM9.17 milion in the preceding year.

The Group has decided to defer the balance of project work of RM178.77 million until the said six (6) completed blocks of integrated workers complex, which can accommodate 2,496 pax of worker are rented out.

THE GROUP'S PROSPECTS

The operating environment is envisaged to remain very challenging in FY2020 especially we are in the building material sector in view of the current sluggish property market and lack of growth catalyst to spur the momentum of construction activities in the near term. Moreover, the Covid-19 pandemic, which has infected more than seven million and killed over four hundred thousand worldwide as at 10 June 2020, presents the worst start possible for the recession expected ahead. The MCO which to curb the Covid-19 outbreak has dampened Malaysia economy to a certain extent. Chin Hin has continued to adopt a cautious strategy to focus on consolidating its existing business, turnaround the loss-making investment and to transform digitally all the processes in its manufacturing plant and corporate offices to gear towards "Industrial 4.0 Revolution" by introducing Robotic Process Automation ("RPA").

Trading Sector

The performance of trading sector in the current year will remain challenging and affected by the uncertainties in the business landscape domestically and globally. The soft property market, volatility in the pricing of cement, steel & metal and delay of some mega and major infrastructure projects ("East Coast Rail Link ("ECRL") and Bandar Malaysia") have impacted the construction activities; which in turn affected building materials demand. Recognises the need to be profitable and sustainably generate returns against the backdrop of these challenging and highly competitive operating environment, Chin Hin has continued with on-going initiatives to drive further growth in revenue through market penetration, expanding market coverage especially on the retail and dealers network which generate consistent sales to replace the shortfall from projects sales, sourcing for new products and developed further existing special products to provide solution and value-added services such as value engineering, cost down project supply and other integrated solutions.

Our main focus is to continually identify and distribute a wider range of products suitable for B40 affordable homes, eco-friendly building and smart homes which are the current and future market trend. The size and strength of our distribution network company of eleven (11) branches and nine (9) warehouses that spanned across Peninsular Malaysia, will enable us to sustain our future trading business. Leverage on our marketing & distribution network to secure new agencies and increase the geographical coverage to increase our business. Since YTL Corp Bhd took over Lafarge Malaysia Bhd, their trading arm CMCM Perniagaan Sdn Bhd only sell their own cement while other major trading companies are scaling down their operations due to lower margins and soft market. These development means more window of opportunities for Chin Hin's trading arm to seize for more business of non-cement products.

To be relevant in today's fast paced business and meeting our customers' expectation with excellence, we have taken steps to adopt new technology and digitalisation to enhance our operational processes. This automation will reduce many repetitive processes and the enhanced efficiency augurs well for our Company future competitiveness and growth.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of fire-rated and wooden door Sector

Midah fire door has moved its manufacturing plant from Broga to Kapar during mid of 2019, to streamline its manufacturing operation for fire rated and wooden door. The Company has implemented a cost-cutting measures after the relocation by utilising its own workers to run the production for both the fire-rated and wooden door rather than outsource the production work to subcontractors as practised previously. Kempurna's metal doors and windlow frames factory is just located next to Midah's factory. After the relocation, it has improvised the logistic planning of our end product to customers, and hence customer satisfaction.

Midah fire and wooden door's order bank is picking up slowly in view of the sluggish property market after the MCO. Midah's key philosophy *"We are not just selling a product but we are selling an overall experience to our customer"*. Midah do not compromise selling substandard quality doors albeit operate in a tough market environment where contractors' main concern is pricing. Midah has always position itself as a high quality manufacturer. Lately, a few of the old client whom have left us earlier, began to divert back their orders to us after their bad experience of the unresolved quality problem faced using the cheap and sub-quality competitors.

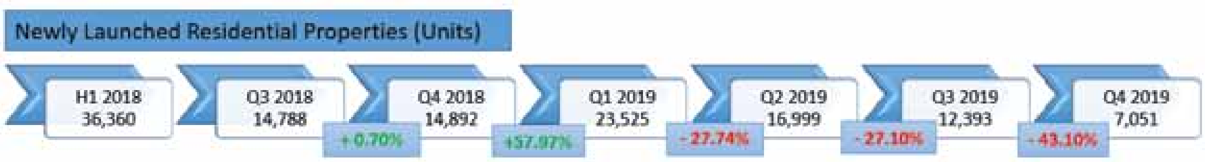
Manufacturing of AAC and Precast Concrete Products Sector

Starken AAC

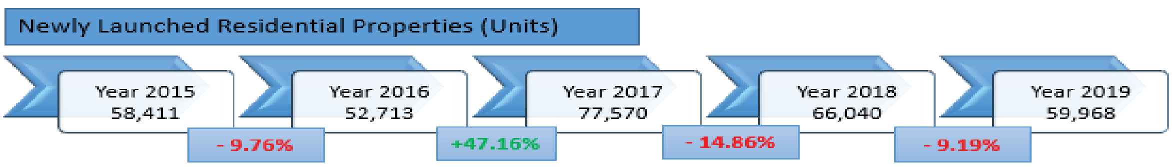
Starken AAC's turnover has dropped gradually despite having RM73.00 million order bank as at the end of December 2019. Property market has shrunk by approximately 52.65% in the fourth quarter of FY2019 as compared with the fourth quarter of FY2018 as per the statistic below, Newly Launched Residential Properties (units) as gazetted by the Valuation and Property Services Department which has caused Starken AAC to perform unsatisfactorily in FY2019. Starken AAC will continue to export its AAC block and wall panel to the neighbouring countries particularly to Singapore, Philippines, Maldives and Australia to expand its market.

Wall panel order from Singapore has increased considerably in FY2019. Our Kota Tinggi's AAC production line maintained its production capacity at 30% as of 31 December 2019 due to the excess supply of block in the local market as a result of subdued property market in Malaysia.

Currently, Starken is supplying to three out of the four affordable housing project by HDB in Singapore which adopted the prefabricated, prefinished, volumetric construction (PPVC) precast system. Nevertheless, the export market demand for panel and block are fast gaining in popularity as the building blocks and panel for affordable housing in Singapore to supplement the reduction in demand from the local market.



Properties Market Status Summary 2019 gazetted by the Valuation and Property Services Department, Ministry of Finance Malaysia



MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of AAC and Precast Concrete Products Sector (Cont'd)

Picture: Starken AAC supplies the AAC panels to 4 star Maniyafaru Resort in Maldives. The AAC panels are used as the wall panels for 262 villas and many of the ancillary buildings in the resort.

G-Cast

Another two new plants have been rolled out in Kuantan and Kota Tinggi in the mid of FY2019 to cater for the hike in demand for the precast concrete products. Now our precast concrete capacity has reached 400,000 metric tonnes per annum. These enlarged capacity has enabled Chin Hin to experience a strong growth in the infrastructure precast concrete business particularly within the railway sub-sector in FY2019 after our recent expansion of product portfolio i.e. prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe, eco-module and emergency walkway which require added technical expertise.

The Company is supplying pre-stressed and reinforce concrete beam, crosshead, cable trough and emergency walkway to the mega infrastructure projects in town. Chin Hin has introduced new products into the local market which include cable plinth, fencing pole, turn out bearer, prestress plank and tunnel walkway for Gemas-Johor Baru EDTP and MRT 2. The efforts to penetrate into the regional markets like the Philippines and Australia has shown some positive signs. Precast concrete and Polymer concrete pipe division are delivering their mock-up products lately to the foreign customers.

Picture: L-Wall with Precast Slap

Picture: Eco-Module

Picture: Eco-Module

Picture: Arch Culverts

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of AAC and Precast Concrete Products Sector (Cont'd)

Picture: Crosshead

Picture: MRT 2 Cable Trough & Walkway

Picture: Prestressed T-Beam

Green Cement

Chin Hin is getting its major supply of PFA from Jimah East plant since early 2018. The 10-year Coal Ash Offtake agreement signed with Tanjung Bin Power Sdn Bhd, a subsidiary of Malakoff Corporation Berhad to collect coal ash on a non-exclusive basis has started on a trial basis since 14 August 2019. The said Agreement has benefitted the Company in terms of lower raw material cost and it is part of our sustainability initiatives to consume the recycle ash as construction material.

Picture : Green Cement's Grinding plant located at Kota Tinggi

Picture : Ball mill at Green Cement's grinding plant located at Kota Tinggi, Johor

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of AAC and Precast Concrete Products Sector (Cont'd)

MI Polymer Concrete Product

MIPCP has completed all the long term test for its pipes. Our pipes are capable of withstanding 50 and 100 years of design life and in compliance with BS EN 14636-1:2009. With the said accreditation, it has enhanced our presence locally and regionally especially in Singapore, the Philippines, Indonesia and Australia. On 4th of December 2019, MIPCP obtained the Category (A) SPAN approval for its complete range of Polymer Concrete Pipes size & Fittings. The previous certificate obtained is Category (B) SPAN approval which is only valid for one year. Now we are waiting for the new Malaysian Sewerage Industry Guidelines (MSIG) to be adopted which has incorporated our polymer pipes. MIPCP has developed a new product i.e. Steel Jacketed (Cladded) Polymer Concrete Jacking Pipes. It is currently under submission for use in PUB Projects in Singapore. It is a special type of pipe which would be used for extremely high strength and corrosion resistance requirements. New range of products will be launched in the second half of FY2020 which include Polymer Concrete Drains and Open Cut Pipes. MIPCP continue to dominate Singapore market for its Jacking Pipes of diameter 800mm and they are actively tender for projects in the Philippines and Jakarta.

Picture: Steel Jacketed (Cladded) Polymer Concrete Jacking Pipe

Picture: Polymer Concrete Drain

Picture: Polymer Open Cut Pipe

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of AAC and Precast Concrete Products Sector (Cont'd)

Starken Drymix

Starken Drymix whom has turnaround since end of FY2018 has reached its production utilisation rate of 49% as of 31 December 2019. The Company has achieved a satisfactory performance in FY2019. Starken Drymix will continue with the organic growth and will focus seriously on the market share expansion programme especially in the infrastructure sector such as LRT and MRT projects as well as hospital projects after we had accumulated enough profiles in the past one year. At the same time, Starken Drymix is also busy exploring the possibilities to joint venture with overseas investor to expand its market share in the ASEAN region.

G-Cast UHPC

G-Cast UHPC has performed unsatisfactorily in FY2019 due to the under costing of Pavilion project secured. Installation cost overrun due to site difficulties has caused the company to suffer a PBT losses of RM2.90 million. Moving forward, G-Cast UHPC will collaborate with the existing form work wall system for the semi-unitized wall where UHPC is being used to replace the exterior wall as precast prefinished permanent wall panel. Besides, G-Cast UHPC will also concentrate to convert the existing unitized wall system into full UHPC wall system.

Picture: Bukit Jalil Pavilion 2 Shopping Mall – Façade walls constructed using UHPC that are highly customised, curved with three pattern features, pre-finish with everlasting pigmented homogeneous colours. Large and lightweight panels allow quick and fast track construction.

Picture: ATSA Corporate Office located at Taman Tun Dr Ismail, Kuala Lumpur – Facade cladding customisation of unlimited pattern possibilities tailored to Architects and clients requirement, completed by G-Cast UHPC

Picture: Shree Lakshmi Narayan Temple located at Jalan Kasipillay, Kampung Kasipillay, Kuala Lumpur – Temple dome tower structure construction using UHPC with high detailing finishing and design

Picture: Very light, thin 3D decorative panels constructed using Fibre Reinforced Polymer ("FRP") at SP Setia Temasya Sales Gallery completed by G-Cast UHPC

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of Wire Mesh Sector

Metex Steel is expecting a slow first half construction activities due to the MCO but gradually picking up its momentum from July 2020 till end of the year. As a quality branded mesh producer, Metex Steel shall continue to strengthen our commitment to improve operational efficiency, product quality image and service/marketing management capability, hence sustaining sales revenue growth according to prevailing market conditions.

In the coming financial year, Metex Steel will continue to emphasize two key strategies, i.e. "Product Standard" and "Product Special Innovation" programme to open up more opportunities for sales revenue growth. In light of recent collapse of under-construction condominium in Kuala Lumpur, we believe the Ministry, Enforcement Authority and leading certification body would be more serious and strict to develop, educate, promote and enforce product quality standard and product safety at construction site. This will directly inculcate the construction stakeholders and general public regarding the importance of product & building safety, technical and legal compliance of meeting the Malaysian Standards requirement and Perakuan Pematuhan Standard ("PPS") enforcement on material quality, site and building public safety.

Over the last few months, with the effort of awareness promotion and product standard compliance programme, the construction industry starts seeing higher level of material quality compliance, purchaser buying pattern switches to product quality standard instead of just on unsustainable price-war. All these positive progress translated to support of more stable and reasonable prices for the mesh industry.

Metex Steel shall intensify its in-house effort by building up strong technical/design support, offering optimum yet competitive costing to the industry and broaden its revenue base. In short, Metex Steel is committed to promote aggressively its "Technical Product Innovation" strategy further. On top of that, Metex Steel shall pull the availability of wide product range and marketing knowledge together from Group's strength and its experience to expand sales as "One-Stop Construction Material" solution partner.

Metex Steel shall continue to optimise its advantages in availability of advanced energy efficient welding technology, higher automated processes, pool of competent technical/process personnel and continuous certifications of both ISO 9001: Quality Management System and ISO 14001: Environmental Management System, to strengthen our "Metex Steel" brand position in the market.

Modular Building Solutions Sector

The completed six (6) blocks of integrated workers complex which can accommodate 2,496 pax has yet to be leased out due to the previous access road for our site at PTD 5209, Kampung Lepau, Pengerang to RAPID's gate 1 which was granted and approved by Pihak Berkuasa Tempatan Pengerang was closed and fenced by Petronas for security reason, we had to arrange for another permanent access with Petronas.

Petronas had acquired and constructed a bypass from Jalan Sultan Sulaiman ("Highway Pengelih R72") to their RAPID's gate 1. Both Johor Petroleum Development Corporation and our state government joint venture partner, Kumpulan Prasarana Rakyat Johor has assisted us to get two accesses from our site to this bypass. The construction period was from March 2019 to January 2020.

Hence, our certification of practical completion ("CPC") was affected due to the above reason and only now we have fully completed and submitted all the relevant documents that were required by the authority. As of to date, we have received a conditional CPC from the authority. We foresee to lease out the said completed six (6) blocks by the third quarter of FY2020 in view of the commencement of RAPID Phase 2. The balance of the contract work, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor of approximately RM178.77 million will be resumed once the completed six (6) blocks are rented out.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Solar Power Generation Income - Other Income and Associates Company

The Group has recorded Green Technology Solar Panel gross income of RM2.91 million in FY2019 from its electricity production capacity of 2,425 kilowatts per hour ("kWh"). Pursuant to the Share Sale Agreement signed between Chin Hin and the vendors of Atlantic Blue Sdn Bhd ("ABSB") for the acquisition of 45% equity interest in ABSB on 18 July 2017, the vendors vide the Promoter's Company guaranteed that ABSB shall attain the PAT of RM20.00 million in aggregate within twenty four (24) months from the Completion Date i.e. 24 August 2017. As at 31 August 2019, ABSB has realised RM25.68 million PAT within the twenty four (24) months period after the completion date as per the tabulation below.

Profit Guarantee Tracking as at 31 August 2019

	RM	RM
Profit Guaranteed by the vendors of ABSB		20,000,000
Minus:		
PAT from September'17 to December'17 (4 months period)	4,883,255	
PAT for FY2018 (12 months period)	10,215,302	
PAT for FYE August 2019 (8 months period)	10,586,113	25,684,668
Profit Guarantee exceeded by		4,901,443
Minus : Non Business Income		
Other Income – accretion of discount on Redeemable Preference Share (RPS)	2,731,601	
Unwinding of discount for RPS	(274,527)	2,457,074
Profit Guarantee exceeded by		**3,227,594**

Our associate company Solarvest Holding Bhd ("Solarvest") has made a strong debut on the Ace Market of Bursa Malaysia on 26 November 2019, opening at 60 sen or 25 sen above its offer price of 35 sen. Solarvest's initial public offering ("IPO") was oversubscribed by thirty-five (35) times. Its listing exercise involved the issuance of 98.83 million new shares, raising about RM34.59mil in IPO proceeds. On the last day of trading in FY2019, Solarvest closed at 74.5 sen, 112.86% higher than its offer price. Proceeds from the IPO will be channelled to expand the solar business in the Southern region of Peninsular Malaysia and into the overseas market such as Taiwan and Vietnam.

Picture: Solarvest made a strong debut on ACE Market on 26th November 2019

In line with government's initiatives to drive the solar photovoltaic agenda and encourage installation among property developers, they are allowed to reserve NEM quota for new projects starting 5 August 2019. This is one of the measures taken by the government to achieve the target of 20 per cent of renewable energy in the national installed capacity mix (excluding large hydro) by 2025.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Solar Power Generation Income - Other Income and Associates Company (Cont'd)

The order books of Solarvest as at end December 2019 stand at RM146.60 million and is expected to remain strong with their healthy sales funnel. Solarvest has secured two new contracts involving engineering, procurement, construction and commissioning (EPCC) works in the Philippines during mid April 2020. The projects were secured from Vivant Energy Corporation ("Vivant"). Vivant's principal business activities include energy distribution and generation, retail electricity supply, and energy-related engineering solutions across Luzon, Visayas and Mindanao in the Philippines. The first project is for developing solar PV systems at ten (10) designated buildings, with a cumulative capacity of 816.2-kilowatt peak (kWp), at the University San Agustin in Iloilo City, the Philippines. The second project is developing 377.52 kWp solar PV systems for Bulihan Industrial Park in Bulacan, the Philippines. These projects are to be completed within a year, both new solar rooftop projects are expected to contribute positively to their financial performance for the financial year ending 31 March 2021. Solarvest aims to make further inroads into the Philippines and are actively in talks with local partners to bid for more projects there. Solarvest move to the Philippines is in line with their strategic intents to diversify their geographical footprint. Chin Hin is confident that Solarvest could be the next earnings growth driver to the Group.

As of the date of this Annual Report, Atlantic Blue has completed three (3) LSS2 projects as detailed under "Share of results of associates" above.

Picture: 9.9MWp DC floating solar plant in Dengkil, Selangor

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

ANTICIPATED OR KNOWN RISKS

In line with Bursa Malaysia Securities Berhad's regulatory framework on the disclosure requirements, we highlight below the key anticipated or known risks that our Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below:-

(i) Risks relating to the industries in which our Group operates

Our Group is involved in the distribution and manufacturing of building materials to the construction and property development industries. As such, our Group is exposed to the vagaries of these industries caused by various factors which include political and economic stability, inflation, labour shortages, as well as increase in raw material costs. Although our Group's management will endeavour to closely monitor and manage our business to mitigate such effects, any adverse changes to the construction and property development industries will adversely affect the business of our Group.

Nevertheless, our Group has been taking effective measures to mitigate the aforementioned risks such as prudent financial management and efficient operating procedures. Further, we constantly keep abreast of economic and regulatory changes relating to our business.

(ii) Operational risks

Due to the nature of our Group's operations, interruptions in our Group's operating capabilities through disruption in electricity supply and failure or damage of production machineries or other disruptions to our manufacturing processes may have an adverse effect to our Group's business and financial performance.

To avoid major breakdowns and disruptions to our operations, electricity supply and relevant equipment are constantly monitored and our production machinery undergoes scheduled maintenance.

(iii) We are dependent on our experienced management and key personnel

We attribute our success to the leadership and continued contribution of our key senior management team led by our Group Managing Director, Chief Executive Officer and Chief Financial Officer. We believe that our continued and future success largely depends' on our continued ability to hire, train, motivate and retain our key senior management and technical team comprising engineers and other qualified personnel needed to develop new products, services, support our existing range of products.

Having a strong key senior management and technical team are vital to maintain the quality of our Group's services whilst retaining the business confidence of the clients. The loss of these key senior management and technical team simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel, may adversely affect our Group's operations. Separately, the loss of our Group Managing Director, Chief Executive Officer and Chief Financial Officer may also adversely affect us.

To mitigate such risk, our Human Resource Department had drawn up a contingency plan for human resource risks such as death, disability and employees quitting. Effective succession planning such as training and coaching the second liner can reduce such risk.

(iv) We are subject to the credit risk of our customers

Our financial performance and position are dependent, to a certain extent on the creditworthiness of our customers. If our customers are unable to pay us on time or have difficulty in making payments to us, our cash flow will be affected. We generally grant our customer credit terms within the range of sixty (60) to one hundred and twenty (120) days. We are exposed to credit risks arising from trade receivable which risks may increase during periods of economic uncertainty or market downturn, and which are beyond our control.

ANTICIPATED OR KNOWN RISKS (Cont'd)

(iv) We are subject to the credit risk of our customers (Cont'd)

During credit application process, our Credit Control Department ("CCD") will perform CCRIS and CTOS check on the background of our new client. Based on the financial data obtained, CCD will recommend the credit limit for management approval. Continuous monitoring of customer payment trend and conduct of customer visit to effectively mitigate the risk of customer default in their payment.

(v) Competition risks

The building materials industry in which our Group operate is highly competitive in nature. Although there is intense competition amongst the existing players (both new and existing in the manufacturing of building material industry, there are high barriers to entry such as high initial capital investment and working capital resources, which lessen the threat from more players entering the industry.

Our strategies are to continually leverage on our economies of scale, negotiating power, strong financial resources and a wide distribution network which other market players do not have.

(vi) We are dependent on obtaining adequate financing to fund our operations

There is an inherent timing difference between our trade collections from our customers and payments to our suppliers. Normally, we are granted trade credit facilities of between fourteen (14) to one hundred and twenty (120) days by our suppliers, whereas our trade collections are between sixty (60) to one hundred and twenty (120) days. As such, we are required to fund our purchases from our suppliers, either from internal resources or borrowings. If we are unable to secure adequate financing, our cash flow, operations, growth and expansion plans will be adversely affected.

Our total borrowings as at 30 April 2020 amounted to approximately RM586.46 million. Any significant increase in interest rates will adversely affect our profitability. Thus far, we do not experience any significant increase in interest rates levels which has resulted in a material adverse impact on our financial performance.

Chin Hin is undertaking a non-core asset trimming exercise and cost optimisation programme to dispose of those non-performing assets and to eliminate unnecessary processes with the ultimate goal to increase efficiency across the board and gear up our manufacturing plant towards Industry Revolution 4.0.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FORWARD-LOOKING STATEMENT

The Malaysian economy is expected to face another tumultuous year in FY2020 as it is being challenged by the domestic sluggish property market and growing internal and external headwind, particularly the outbreak of coronavirus "Covid-19" in the world. The "Covid-19" pandemic is spreading fast and cannot be contained, it has disrupted the world trade, supply chains and travel regionally and internationally.

Following the global Covid-19 outbreak and the recent spike in Covid-19 cases in Malaysia, the Malaysian Prime Minister announced a Restriction of Movement Order on 16 March 2020 as a measure to curb the outbreak. The MCO imposed on all private companies, excluding those involved in essential services has caused a total shutdown of operations on private sector which has a huge damaging effects on businesses and the economy of Malaysia. We foresee that the local market to remain subdue arising from all the negative impacts as mentioned above coupled with the tight lending policy by the financial institution, poor market sentiment and the lack of growth catalyst to spur the momentum of construction activities in the near term.

However on the optimistic tone, the revival of ECRL and Bandar Malaysia projects, building of 100,000 units of affordable homes a year as well as the spilled over of Transit Oriented Development ("TOD") along the main MRT and LRT line augur well for the construction sector. Twenty-four (24) TOD projects have been rolled out along the thirty-one (31) stations of the maiden MRT line. Government driven initiatives such as Bank Negara RM1.50 billion allocation to build and complete affordable homes under the People's Housing Programme, Civil Servants Housing Project, PR1MA, and Syarikat Perumahan Nasional Berhad, stamp duties exemption and assistance to first time buyers coupled with project crowdfunding are some of the positive measures to stimulate the residential property market. This support augurs well in creating demand for building materials and provides the momentum to stimulate the construction activities.

With regard to industry challenges, we foresee intense market competition with the emergence of new players and the over supply of building material products in the market. To mitigate these risk, Chin Hin will focus its attention on the optimisation programme to stay lean and mean and to gear towards Industrial Revolution 4.0 plant-wide to reduce over-reliance on foreign workers. In view of the sluggish property market, the Company has redirected its focus towards tendering overseas projects and approaching foreign customer to expand it geographical market.

Despite the tough market conditions, we are gratified that our efforts over the years to build up our own brand and deliver outstanding products as well as service quality have not gone unrecognised. As mentioned above, the Group will be focusing on growing its geographical expansion and also invest in product development to expand our product offerings. The Group is in the midst of sourcing potential business partners in different markets to form a strategic alliance. With the diversification of market, it opens up greater opportunity for the Group to grow internationally. Barring any unforeseen circumstances, Chin Hin envisages a positive outlook for FY2020 after MCO.