

CHAIRMAN'S STATEMENT

DEAR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present the Annual Report and audited financial statements of Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group") for the financial year ended 31 December 2016 ("FY2016").

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



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The year under review was Chin Hin's maiden year as a public listed company. Having debuted on Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market on 8 March 2016, the Group saw its share price close at a 33.85% premium, a jump of 22 cents on its first day of trading. The share price continues to remain stable with strong interest from investors. We are encouraged by the strong support received which is a reflection of investor's confidence in the Chin Hin Group and its business model.

FY 2016 was certainly a challenging year, fraught with many difficulties within the global and local macro-economic environment. Malaysia saw GDP growth, moderate to 4.2% on the back of declining foreign investments, exports and reduced domestic consumption. The continued depreciation of the Ringgit against the US Dollar and other major currencies further impacted economic performance and market sentiments.

However, the construction industry continued to be resilient, underpinned by major infrastructure projects across the country. These included the Mass Rapid Transit Second Line "MRT 2" and Light Rail Transit Line 3, the Tun Razak Exchange and others. On the back of this momentum, the construction sector posted a commendable growth performance of 8%-10%.

Against this backdrop, the Group continued to deliver strong business and operational performance.

FINANCIAL PERFORMANCE

For the year under review, Chin Hin posted revenue of RM1,058.83 million, an 11.70% decrease from the previous year's RM1,199.15 million. Despite this, profit before tax increased by RM12.19 million attributed to stronger contribution from manufacturing segment, lower finance cost and other operating income mainly from 2.425 MW solar power panels and a fair value adjustment on investment properties amounting to RM10.57 million.

DIVIDEND

The Board has proposed a first single tier interim dividend of 1.50 sen per share amounting to RM7,588,320 and a second single tier interim dividend of 2.00 sen per share amounting to RM10,117,760. This represents close to 40% of profits after tax returned to shareholders via dividend payments.

OUTLOOK & PROSPECTS

We foresee FY2017 to be challenging, given the prolonged weakness in both the global and local economy. Recent global factors such as the gradual recovery of the oil and gas sector, Brexit, the policies of the new US President currently offer little clarity on the global economy going forward. Improved GDP growth and productivity from key markets such as China and India, which will help provide a stimulus for the region's economies.

In Malaysia, we expect economic trends in FY2017 to be similar to the previous year. There will be moderate GDP growth, but domestic consumption will continue to be stymied by bleak household's sentiment. The weakened ringgit will continue to have a dampening effect on the overall economy.

However, the silver lining is that the construction industry is likely to maintain its positive growth momentum. The stimulus effect of the various infrastructure projects such as the Tun Razak Exchange, the Mass Rapid Transit

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Second Line "MRT 2", Light Rail Transit Line 3, Bandar Malaysia and so on will continue to drive activity within the sector. The property sector is also expected to bottom out with buying sentiment making a slow but progressive recovery.

Regardless of the market conditions, Chin Hin will draw from its robust business model and diverse and growing business portfolio to face the challenges and operate sustainably in FY2017. Our business strategies are backed by our comprehensive assets, proven business acumen and a sound strategy to expand our market share and to grow into markets both locally and overseas.

Chin Hin is one of the country's top three building material trading companies with product offerings with more than 1,000 items. We are also one of the largest cement distributors in Malaysia with over 4,000 customers, from big construction companies to small hardware shops. With our distribution network of 13 branches and five warehouses across Malaysia and Singapore, the Group is in an excellent position to grow its market share.

Going forward, the Group will seek to enhance its earnings via both acquisitions and organic growth. Barring unforeseen circumstances, the Group is on track towards becoming a RM1 billion market capitalised company within the next five years.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to convey my sincere thanks to the Management team and staff of Chin Hin Group, for their tireless dedication and professionalism during the year under review.

I also wish to express my appreciation to my fellow members of the Board and the members of the Board Committees for their astute leadership and counsel, to our business partners, clients, shareholders, various regulatory and government authorities. Last but not least, I would like to take this opportunity to thank our shareholders who have placed their trust in our maiden year as a public listed entity. With your continued support, we will strive for greater achievements.

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

