

CHAIRMAN'S STATEMENT

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

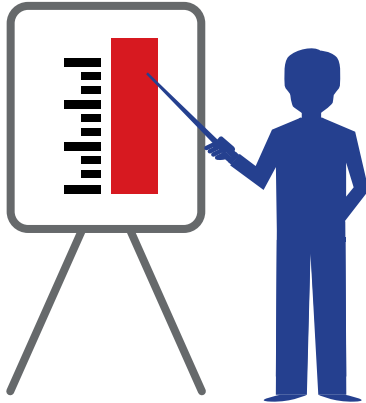
DEAR SHAREHOLDERS,

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 2017 ("FY2017").



CHAIRMAN'S STATEMENT (cont'd)

RM1,015.41
MILLION
REVENUE



OPERATING ENVIRONMENT

The upswing in global economic activity has been strengthened with global growth projected rising to 3.7% in 2018. Notable pickups in foreign investment, trade, and industrial production, coupled with stronger business and consumer confidence, are supporting the recovery. While the baseline outlook is strengthening but growth remains weak in many countries. The recent global risk and uncertainty of the global economy has been contributed by a few factors. This includes the interest rate hike for the US market, the direction of Trump's presidency and geopolitical tension poses concern and impact towards the economy.

On the local front, Malaysia's growth momentum recorded a strong gross domestic product (GDP) growth of 5.9% for the full year, 2017. The demand for certain building materials rose steadily while private consumption, investment, and exports increased at softer paces amid robust government spending. Malaysia's exports started strongly in 2017, in part boosted by the recovery in commodity prices and a pick-up in external demand. Besides, Malaysia with its strong bilateral ties with major economies such as China, the United States, Saudi Arabia, India, and Japan on the Mega Projects has uplifted and boost the foreign investments in the country.

For the year under review, the continuing stiffen competition in subdued property market and slowdown in property sector posted a challenging operating environment for the Group, which resulted dropped in sales volume of ready-mixed concrete and other building material. However, the construction industry remains buoyant boosted by numerous mega infrastructure projects in the country such as Refinery and Petrochemical Integrated Development project in Johor, Light Rail Transit Line 3, East Coast Rail Link (ECRL), Mass Rail Transit Second Line "MRT 2", Pan Borneo Highway, Central Spine Road, 350km KL-Singapore high-speed rail under the Budget 2018 as well as affordable housing projects such as Perumahan Rakyat 1Malaysia (PR1MA), People's Housing Programme (PPR), People's Friendly Homes (PMR) and My Beautiful New Home (MyBNHomes). This positive market development will offer more opportunities for the Group in securing those projects since the Group is a provider and the forte of the Industrialised Building System (IBS) product which can help in speeding up the construction process while reducing time and labour.

CORPORATE GOVERNANCE

The Group has adopted good corporate governance and is committed to ensuring that this high standard of corporate governance is embedded in the Company's policies and procedures, framework and process. The Board places emphasis on upholding the core values of integrity. Besides, the Company emphasis on the future, innovation, good leadership, teamwork, ethics, social responsibility and good customers and stakeholders'

CHAIRMAN'S STATEMENT (cont'd)

relationship to ensure there is fair, transparent and ethical governance practised by the employees across the organisation. This code of best practices is aimed to oversee how the management serves and to protect shareholders' interests.

FINANCIAL PERFORMANCE

The Group registered a revenue of RM1,015.41 million and profit after tax of RM29.61 million. This represents a decrease of 4.10% and a decline of 28.52% respectively, compared with the previous year. However, the current financial year gross profit margin was higher than the preceding year, which was 10.00% and 9.33%, respectively due to the strong gross profit margin from the autoclaved aerated concrete (AAC) block, fire rated door and lockset products. The Group has reported lower profit before tax of RM39.46 million as compared to the preceding year corresponding period of RM51.17 million, mainly due to RM10.57 million fair value adjustments on investment properties being recognised in the financial year ended 31 December 2016 ("FY2016"). The Group has generated a positive cash flow for the financial year with RM47.07 million.

DIVIDEND

The Board has approved the declaration and payment of a first interim single-tier dividend of approximately 3.5% or RM0.02 per ordinary share totalling RM11,127,760 and second interim single tier dividend of approximately 2.6% or RM0.015 per ordinary share totalling RM8,345,820 in respect of the financial year ended 31 December 2017. This dividend payments have distributed approximately 66% of profits after tax to shareholders.

MOVING FORWARD

The global economy remains positive despite growing uncertainty linked to U.S. trade threats posed to world economic growth. The expected faster expansion in global growth would continue to benefit Malaysia's exports, with positive spill-overs to the domestic economic activity. Headline inflation is expected to moderate in 2018, reflecting a smaller contribution from global factors and a stronger Ringgit against the USD compared to 2017.

In Malaysia, the trend of growth is expected to be moderate in 2018 with domestic demand continuing to be the key driver of the growth. The country's fundamentals remain strong, including a stable labour market, low unemployment, stable inflation and a sound financial system with efficient intermediation to support the economy. The ongoing infrastructure projects will boost investment by creating jobs in Malaysia and the external demand will remain healthy. Other indicators, such as the 14 Malaysia-China business memoranda of understanding (MoU) and the 31 Malaysia-India business MoUs, are expected to bring about RM302.4 billion worth of investments into Malaysia. The recently unveiled 2018 Budget, touted as the "mother of all budgets", will further boost the Malaysian economy as we approach 2018.

Besides, the recent government's Economic Transformation Programme (ETP), which is set to turn the country into a high-income and sustainable economy by 2020 is on track. The government has set for its future beyond 2020 with the Transformasi Nasional 2050 (TN50) vision has prepared Malaysians, especially the youth, to face future challenges such as the Fourth Industrial Revolution (Industry 4.0), an ageing society, the era of robots, climate change and the digital economy. Indeed, with the launch of the Digital Free Trade Zone (DFTZ) this year, 60,000 high-income jobs are expected to be created and this is a favourable prospect for 2018.

As a conglomerate in this industry, Chin Hin always remains focused and innovative using its robust business strategy and business model. Through the expansion of the autoclaved concrete and precast concrete businesses, accretive acquisition of the Midah fire door, Epic lockset, MI Polymer Concrete Pipes business and diversify into solar power generation business, has repositioned the Group to become a reputable construction materials solution partner cum trusted brand in the construction sector within Malaysia and Southeast Asia.

CHAIRMAN'S STATEMENT (cont'd)



Moving forward, the Group will focus on consolidating its business and start production on the capacity it has built. The Company continues to adopt the policy of widening its product portfolio and diversify its income stream through organic growth and/or mergers and acquisitions. Barring any unforeseen circumstances, Chin Hin envisages a brighter outlook for the financial year ending 31 December 2018 and working towards becoming an RM1 billion market capitalised company in years to come.

ACKNOWLEDGEMENTS

The Group wishes to acknowledge all who have played a part in our success. On behalf of the Board of Chin Hin, my utmost appreciation goes to you, our valued shareholders, for your unwavering trust and confidence in the Group. I also wish to express my deep gratitude to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all other parties who continue to lend the Group their steadfast support and kind cooperation.

A big thank you to the many external partners that continue to work with us and whose support has been crucial to our success. To the management teams and employees of our subsidiaries and our associate companies, please accept my heartfelt gratitude for your worthy support and cooperation. We certainly look forward to enjoying a mutually beneficial relationship with all of you for many years to come.

To our loyal employees and management team, please accept my sincere thanks for your diligence, commitment to excellence and resilience, especially amidst the year's challenges. To my esteemed colleagues on the Board, thank you for your insights and wise counsel that continue to help steer Chin Hin smartly forward. As we continue on our journey to new heights of success, we ask that all our stakeholders continue to lend us their staunch support. Thank you.

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