www.chinhingroup.com

Headquarter Office:

Chin Hin Group Berhad (1097507-W)

A-1-9, Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, off Jalan Kuchai Lama,
58200 Kuala Lumpur, Wilayah Persekutuan.

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Chin Hin Group Berhad (1097507-W)

Annual Report **2016**

Chin Hin Group Berhad (1097507-W)

Transcending Prospects

Annual Report 2016

ABOUT US

Chin Hin Group Berhad is an Integrated Builders Conglomerate that provides building material and services to the construction and building industries.

The group was founded by Datuk Seri Chiau Beng Teik in 1974 as a small building materials trader with limited capital and credentials.

Through the hard work and perseverance of Datuk Seri Chiau and also his vision and passion for excellence, we are now a billion ringgit conglomerate.

With sound fundamentals, we are today an integrated group with a diversified business portfolio comprising:

1. Distribution of Building Materials, one of the largest in the country with an annual turnover of exceeding RM600 million.
2. Supply of Ready Mix Concrete through multiple Points of Sales throughout the country; and
3. Manufacturing of Building / Construction Products, namely :
    - Pre-cast Concrete Products
    - Autoclaved Aerated Concrete (“AAC”)
    - Wire Mesh Products
    - Metal Roofing Systems; and
    - Fire-rated door

With the wide range of products that we are able to offer our customers, we have now grown into a “one-stop centre” for the building and construction industries in Malaysia.

The coming years will be exciting for the group as we expect the group’s revenues and earnings to grow substantially once our newly-established manufacturing business starts winning our share of the market.

CONTENTS

To be the Malaysia's Leading Integrated Building Materials Specialist.

VISION

MISSION

We believe that our vision must be coupled with clear actions to achieve them inevitably. Our approach comprises three key business purposes:

WORLD-CLASS PERFORMANCE THROUGH INNOVATIONS

- Our goal is to become a world-class performer through innovative and creative approaches by further improving and enhancing our business practices and product quality.

DELIVER VALUE AND QUALITY ALWAYS

- We aim to deliver value-added quality products and services through prudent and disciplined resource management in order to exceed the expectation of our customers.

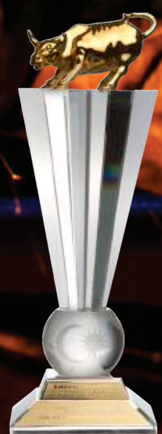
DEVELOPING HUMAN RESOURCES WHILE CONTRIBUTING TO SOCIETY

- In order to achieve greater heights and being a responsible and caring corporate, we constantly train our talents through various formal and on-the-job training programmes.

CORPORATE VALUES

- Fulfilled balance life
- Do the right things
- Exceed expectation
- Treat everyone like family
- Influence & inspire others
- Continuous learning & improvement
- Be open & willing to share

AWARDS & RECOGNITIONS



CORPORATE MILESTONES

Foundation | Expansion | Acceleration

1974

Started as a hardware shop Chop Chin Hin

1995

- Perniagaan dan Pengangkutan Chin Hin Sdn Bhd ("SPPCH") being established.
- SPPCH began operations as a cement transportation company

2008

- SPPCH venture into the ready mixed concrete and subsequently changed its name to PP Chin Hin Sdn Bhd ("PPCH").
- PPCH transformed into one-stop building materials distributor

2011

- Achieved RM1.0 billion revenue
- Commenced factory construction of Starken AAC Sdn Bhd, G-Cast Concrete Sdn Bhd and Metex Steel Sdn Bhd

2014

Commenced operations of Starken AAC factory at Serendah, Selangor

2015

Obtained SC approval for IPO

2016

Listed on Main Market of Bursa Malaysia Securities Berhad on 8th March 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Datuk Seri Chiau Beng Teik
Deputy Group Executive Chairman

Chiau Haw Choon
Group Managing Director

Lee Hai Peng
Executive Director cum Chief Financial Officer

Datuk Cheng Lai Hock
Independent Non-Executive Director

Yeoh Chin Hoe
Senior Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Yeoh Chin Hoe

Member
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani
Datuk Cheng Lai Hock

REMUNERATION COMMITTEE

Chairman
Chiau Haw Choon

Member
Datuk Cheng Lai Hock
Yeoh Chin Hoe

NOMINATION COMMITTEE

Chairman
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani

Member
Datuk Cheng Lai Hock
Yeoh Chin Hoe

RISK MANAGEMENT COMMITTEE

Chairman
Chiau Haw Choon

Member
Yeoh Chin Hoe
Lee Hai Peng

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482)
Chong Voon Wah
(MAICSA 7055003)

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2279 3080
Fax: (603) 2279 3090

HEAD OFFICE

A-1-9, Pusat Perdagangan Kuchai
No.2, Jalan 1/127
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : (603) 7981 7878
Fax: (603) 7981 7575
Email : info@chinhingroup.com
Website : www.chinhingroup.com

PRINCIPAL BANKERS

Maybank Islamic Berhad
Ambank (M) Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

AUDITORS

UHY (AF1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2279 3088
Fax: (603) 2279 3099

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor
Tel : (603) 7720 1188
Fax: (603) 7720 1111

STOCK EXCHANGE LISTING

Bursa Securities Malaysia Sdn Bhd
Main Market - Trading/Services
(Syariah Compliant Stocks)

STOCK NAME/CODE

CHINHIN/5273

CORPORATE STRUCTURE

CHIN HIN GROUP BERHAD

- PP CHIN HIN SDN BHD
  - PP CHIN HIN PTE LTD
  - C&H TRANSPORT SDN BHD
  - * MIDAH INDUSTRIES SDN BHD
  - * EPIC DIVERSITY SDN BHD
- CHIN HIN CONCRETE HOLDING SDN BHD
  - CHIN HIN CONCRETE (KL) SDN BHD
  - CHIN HIN CONCRETE (NORTH) SDN BHD
- STARKEN AAC SDN BHD
  - G-CAST CONCRETE SDN BHD
  - G-CAST POLYMER CONCRETE SDN BHD (F.K.A.: PINTAR SINAR SDN BHD)
  - GREEN CEMENT SDN BHD
  - SAGE EVERGREEN SDN BHD
  - # MI POLYMER CONCRETE PIPES SDN BHD
    - # MI POLYMER CONCRETE PIPES (S) PTE LTD
- METEX STEEL SDN BHD
  - FORMINO METAL SDN BHD (F.K.A.: METAL SPHERE SDN BHD)
  - COMET STEEL SDN BHD
  - ACE LOGISTIC SDN BHD

Note:
- All subsidiaries are 100% owned by its holding company
- F.K.A.: Formerly Known As

* Acquisition of Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd was completed on 31 March 2017

\# Acquisition of MI Polymer Concrete Pipes Sdn Bhd and MI Polymer Concrete Pipes (S) Pte Ltd was completed on 7 April 2017

DIRECTORS' PROFILE

Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani

Independent Non-Executive Chairman

Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani, a Malaysian male, age 57, is our Independent Non-Executive Chairman. He was appointed to our Board on 23 January 2015. Datuk Seri Dr Nik is also of the Chairman of Nomination Committee and a member of Audit Committee of the Company.

Datuk Seri Dr Nik holds a Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London, United Kingdom and a Masters in Law from Queen Mary College, University of London, United Kingdom. He read law at the University of Buckingham, United Kingdom. He also holds a post-graduate Diploma in Syariah Law and Practice (with Distinction) from the International Islamic University Malaysia. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School in 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. He is also a Fellow of the Financial Services Institute of Australasia (FINSIA) since 2006. Previously, he was working in a firm of accountants and at a bank at Kuala Lumpur.

Currently, he is the Chairman and Senior Partner of Messrs Zaid Ibrahim & Co. (a member of ZICO Law). Prior to joining Messrs Zaid Ibrahim & Co., Datuk Seri Dr Nik was with Messrs Baker & McKenzie (International Lawyers), Singapore.

He sits on the Board of Directors of Fraser & Neave Holdings Berhad, UMW Holdings Berhad, T7 Global Berhad (formerly known as Tanjung Offshore Berhad) and Ranhill Holdings Berhad, the companies listed in Bursa Malaysia Securities Berhad. He is also the Chairman of Al Rajhi Banking & Investment Corporation (Malaysia) Berhad and is a director of MSIG Insurance (M) Berhad and Amanah Saham Nasional Berhad.

He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE

Datuk Seri Chiau Beng Teik

Deputy Group Executive Chairman

Datuk Seri Chiau Beng Teik, a Malaysian male, age 56, is our founder and Deputy Group Executive Chairman. He was appointed to our Board on 23 January 2015. He is responsible for the overall strategy and business direction of our Group where he reviews all major investments and major capital expenditure as well as financing proposals of the Group and recommends it to the Board. He is not actively involved in the daily operational matters of our Group. He finished his primary education at SJK(C) Pei Min, Padang Setar in Alor Setar, Kedah in December 1974. As our founder, he has forty two (42) years of working and managing experiences in Chin Hin.

Datuk Seri Chiau Beng Teik started working at his father's hardware shop at the young age of 13 in January 1975. After many years of experience gained from working with his father, he took over the business and ventured into the business of trading building materials and cement transportation under the name of Chop Chin Hin in March 1994. In February 1995, he started a cement distributor trading company named Syarikat Perniagaan dan Pengangkutan Chin Hin Sdn Bhd which is now known as PP Chin Hin Sdn Bhd. Over the years, he has played an instrumental role in the growth of our Group, expanding our business from a single office in Alor Setar, Kedah to a group of companies with an expansive network of branch offices and factories throughout Peninsular Malaysia. He currently serves as Director for a number of subsidiaries within our Group and also has directorships in various other businesses.

Datuk Seri Chiau Beng Teik is the father of Chiau Haw Choon, the Group Managing Director and a major shareholder of the Company and spouse of Datin Wong Mee Leng, a major shareholder of the Company. He does not hold directorships in any public companies. He has no conflict of interest with the Company other than those disclosed in the Company's circular to shareholders dated 28 April 2017 and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE

Chiau Haw Choon

Group Managing Director

Mr Chiau Haw Choon, a Malaysian male, age 33, is our Group Managing Director. He was appointed to our Board on 23 January 2015. He reports to our Deputy Group Executive Chairman as well as the Board. As our Group Managing Director, his responsibilities are ensuring Board decisions and directions are implemented, providing strong leadership, communicating the vision, management, philosophy and business strategies to our employees, keeping our Board fully informed of all important aspects of our Group's operations and ensuring sufficient information is disseminated to our Board, as well as ensuring the day-to-day business of our Group are effectively managed. He is in charge of the day-to-day operational matters and decisions of the Group. Working closely with all the Business Unit Heads, he oversees our Group's overall execution and implementation of the strategies and corporate policies of our businesses and operations, and is also responsible for the execution and implementation of short term and long term business plans, strategic planning and continuing growth of our Group. He is also responsible for our Group's corporate social responsibility activities. He graduated from Deakin University, Australia with a Bachelor's Degree in Finance and Marketing in April 2009.

Upon graduation in 2009, he joined our Group as Group Managing Director to assist Datuk Seri Chiau Beng Teik in transforming our Group from a family owned business to a professionally-run corporation.

His vision is to grow our Group into a major player in the building materials industry and under his leadership together with the help of a team of professionals recruited by him, he diversified our Group's building materials distribution business by moving upstream into manufacturing of building materials products. He was instrumental in our successful transformation from merely distribution of building materials into an integrated building materials provider. He contributed to the rapid growth of our Group's annual revenue, which in 2011 exceeded a billion Ringgit Malaysia, making us one of the major building materials traders in Malaysia. Whilst expanding the business, he also played an instrumental role in the establishment of proper procedures, systems and controls for all the business units to ensure proper corporate governance as the business grows.

Mr Chiau Haw Choon is presently the Chairman of Remuneration Committee and Risk Management Committee of the Company.

He is the son of Datuk Seri Chiau Beng Teik, the Deputy Group Executive Chairman and a major shareholder of the Company, and Datin Wong Mee Ling, a major shareholder of the Company. He does not hold directorships in any public companies. He has no conflict of interest with the Company other than those disclosed in the Company's circular to shareholders dated 28 April 2017 and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE

Lee Hai Peng

Executive Director cum Chief Financial Officer

Lee Hai Peng, a Malaysian male, age 51, is our Executive Director cum Chief Financial Officer. He was appointed to our Board on 23 January 2015. He is a member of Risk Management Committee. He is responsible for our Group's overall financial and accounting functions, which include treasury, corporate finance, credit risk, cash flow management and financial planning functions. He obtained his professional qualification from Chartered Institute of Management Accountants (UK) in August 1994. He is a registered Chartered Accountant with the Malaysian Institute of Accountants and has over twenty three (23) years of working experiences in the field of audit, marketing, corporate finance and accounting.

In June 1991, he began his career at BDO Binder as an Audit Assistant where he was involved in various audit assignments for public listed companies in Malaysia. He left in November 1992 to join Messrs Gee & Co. as its Branch Manager, responsible for its audit, secretarial and tax matters. In December 1994, he joined Trontex (M) Sdn Bhd as an Executive Director, where he was responsible for the overall finance and accounting functions, marketing and business operations of the company. Subsequently, he joined our Group in September 2008 as our Group Accountant. He was promoted and become our Group Financial Controller in April 2009.

Mr Lee Hai Peng does not hold directorships in any public companies, he has no relation with any director and/ or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE

Datuk Cheng Lai Hock

Independent Non-Executive Director

Datuk Cheng Lai Hock, a Malaysian male, aged 58, is our Independent Non-Executive Director. He was appointed to our Board on 23 January 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Datuk Cheng Lai Hock obtained a Bachelor's degree in Administrative Studies from the University of Dundee, United Kingdom in September 1982. He also obtained his Master's in Business Administration majoring in Accounting from Universiti Utara Malaysia in September 2003. He is a fellow member of the Malaysia Association of Company Secretaries since July 1992, Associate Member of the Association of International Accountants since December 1999 and Associate Member of the Chartered Tax Institute of Malaysia since April 2002. He is also the President of Kedah Chinese Assembly Hall and Deputy President of the Federation of Chinese Associations Malaysia. He has over 30 years of experience as company secretary and more than 16 years of experience as a tax consultant.

Datuk Cheng Lai Hock began his career as an Administrative Executive in P. Hand Chemical Sdn Bhd in November 1992. Thereafter, he started his own secretarial firm in October 1994. In November 2000, he was granted a tax agent license by the Ministry of Finance, and he commenced the provision of tax advisory services since then. He is a committee member of the Kedah State Government's Chinese Affairs Committee since September 2008. He was appointed as the Justice of Peace by His Royal Highness The Sultan of Kedah Darul Aman in 2012.

Datuk Cheng was appointed to be an Independent Non-Executive Director of SC Estate Builder Berhad on 20 January 2016. He has subsequently been elected as Chairman of the Board with effect from 16 May 2016. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE

Yeoh Chin Hoe

Senior Independent Non-Executive Director

Mr Yeoh Chin Hoe, a Malaysian male, aged 66, was appointed as an Independent Non-Executive Director of our Board 23 January 2015. On 26 May 2016, he was appointed by the Board as Senior Independent Non-Executive Director of the Company. He is also the Chairman of our Audit Committee and a member of Remuneration Committee, Nomination Committee of the Company, and Risk Management Committee. He graduated with a Diploma in Business Management from Aberdeen College of Commerce (Scotland) in June 1973. Thereafter, he began his accountancy and audit training with Spicer & Pegler Chartered Accountants in London, United Kingdom from July 1974 to December 1978. He is a Fellow of the Association of Chartered Certified Accountants since December 1984, a member of Malaysian Institute of Accountants since September 1989, a member of the Malaysian Institute of Certified Public Accountants since June 1999 and a Fellow of The Institute of Chartered Secretaries and Administrators since September 1999. He later obtained a Master's Degree in Business Administration (General Management) from University Putra Malaysia in July 1997. He is also a Chartered Audit Committee Director of the Malaysian Institute of Internal Auditors since August 2010.

Mr Yeoh joined Harrisons Trading (Peninsular) Sdn Bhd in 1980 and was appointed as Finance Director in 1990 and subsequently Managing Director in 1997 until he retired in 2006. He then set up a business management consulting firm called BPI Corptall Consulting Sdn Bhd in 2006 as a consultant specialising in business process improvement and general business management service.

Mr Yeoh is also Senior Independent Director and the Audit Committee Chairman of Weida (M) Berhad. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

KEY SENIOR MANAGEMENT PROFILE

Tan Cheak Joo
Chief Executive Officer
- PP Chin Hin Sdn Bhd
Director
- Midah Industries Sdn Bhd
- Epic Diversity Sdn Bhd

Tan Ming Hong
Chief Executive Officer
- Chin Hin Concrete (KL) Sdn Bhd and Chin Hin Concrete (North) Sdn Bhd

Ng Wai Luen
Chief Executive Officer
- Starken AAC Sdn Bhd and G-Cast Concrete Sdn Bhd
Director
- MI Polymer Concrete Pipes Sdn Bhd
-MI Polymer Concrete Pipes (S) Pte Ltd

Lok Boon Cheng
Chief Executive Officer
- Metex Steel Sdn Bhd

Chiau Haw Choon
Group Managing Director

Lee Hai Peng
Executive Director cum Chief Financial Officer

KEY SENIOR MANAGEMENT PROFILE

Tan Cheak Joo

Chief Executive Officer- PP Chin Hin Sdn Bhd | 46 years of age, Malaysian, Male

Tan Cheak Joo was appointed as Chief Executive Officer of PP Chin Hin Sdn Bhd in 2016. He was appointed as Director of Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd in 2017.

He completed his secondary school at Sekolah Menengah Jenis Kebangsaan Seg Hwa, Johor in December 1988 and has since then acquired over seventeen (17) years of working experience in the trading and manufacturing of building materials.

In April 1991, he started working as the Personal Assistant of the Managing Director at a textile manufacturer, Li Ann Textile in Batu Pahat, Johor. He then left to join Gainvest Builders (M) Sdn Bhd, a building contractor company that was involved in the construction of high rise buildings and infrastructure projects in May 1995 as a Site Supervisor.

In June 1996, he joined United Straits Amalgamated Sdn Bhd as a Sales Executive selling building materials. In June 1997, he joined NCK Wire Manufacturer Sdn Bhd as a Sales Executive selling British Reinforcement Concrete wire mesh and other steel wire products. In April 2000, he joined F.S. Steel Sdn Bhd, a company involved in the manufacturing of steel products and trading and distribution of building materials as its Sales Director. He then joined PP Chin Hin Sdn Bhd in August 2004 where he was involved in growing and expanding our business operations, which included the setting up of our branches in Kuala Lumpur, Mentakab, Kuala Terengganu, Melaka, Johor and Ipoh.

He has been one of the Executive Committee Member of the Building Materials Distributors Association of Malaysia since December 2013.

Mr Tan Cheak Joo does not hold directorships in any public companies, he has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Lok Boon Cheng

Chief Executive Officer- Metex Steel Sdn Bhd | 52 years of age, Malaysian, Male

Lok Boon Cheng was appointed as Chief Executive Officer of Metex Steel Sdn Bhd in 2016.

He manages the manufacturing and sales of the wire mesh for our Group. He graduated from University of Malaya with a Bachelor's Degree in Civil Engineering in April 1988. He is a registered Professional Engineer from Board of Engineers Malaysia. He has more than twenty-five(25) years of working experience in the business of manufacturing steel products for the construction industry.

Upon graduation, he was employed by Engineering & Environmental Consultants as a graduate engineer. He then left and joined Hume Industries Bhd in October 1988 as Product/Marketing Engineer until April 1991 before moving to join Southern Steel Berhad in May 1991 as a Technical Engineer. Over the years with Southern Steel Berhad, he was promoted a number of times to different positions, such as Technical Service Manager (April 1993); Operations Manager (April 1995); Senior Manager (April 1999); General Manager (January 2003) and finally as Senior General Manager in June 2008. During his tenure as Senior General Manager, he was responsible for managing the overall businesses for the company, which includes the manufacturing of mesh reinforcement, cut and bend reinforcement bars and also the sales and marketing of steel billets and steel bars. He was also a director and board member of Steel Industries Sabah Sdn Bhd. He left Southern Steel Berhad in June 2012 and subsequently joined our Group to spearhead the setting up of Metex Steel Sdn Bhd.

Mr Lok Boon Cheng does not hold directorships in any public companies, as he has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

KEY SENIOR MANAGEMENT PROFILE

Ng Wai Luen

Chief Executive Officer- Starken AAC Sdn Bhd and G-Cast Concrete Sdn Bhd
48 years of age, Malaysian, Male

Ng Wai Luen was appointed as Chief Executive Officer of Starken AAC Sdn Bhd and G-Cast Concrete Sdn Bhd in 2016. He was appointed as Director of MI Polymer Concrete Pipes Sdn Bhd and MI Polymer Concrete Pipes (S) Pte Ltd in 2017.

He manages the manufacturing and sales activities of lightweight concrete products and precast concrete products of our Group. He obtained a Bachelor of Business Degree in Accounting from Royal Melbourne Institute of Technology University, Australia in November 1992. He also obtained his Certified Public Accountants ("CPA") of Australia with distinctions and Malaysian CPA in December 1994 and June 1995, respectively. He has since then become a member of CPA of Australia and CPA of Malaysia as well as a Chartered Accountant of Malaysia Institute of Accountants. He has over twenty (20) years of working experiences in the field of auditing, finance and general management.

Upon his graduation, he joined KPMG Malaysia as a Junior Auditor in December 1992. He was subsequently promoted as its Audit Senior in June 1994 and Audit Supervisor in January 1995. During his tenure at KPMG Malaysia, he was responsible for the audit of public listed companies and due diligence reviews for various corporate exercises.

In March 1996, he left KPMG Malaysia and joined OKA Corporation Berhad as its Finance Manager. In December 2002, he was promoted as its General Manager and Chief Financial Officer, responsible for its restructuring and development prior to its listing on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) in June 2003. During his stint at OKA Corporation Berhad, he oversaw the overall sales, marketing and day-to-day management of the company and factory operations. He was also involved in the setting up of new factories. He subsequently joined our Group as the Head of Starken AAC Sdn Bhd in December 2010.

Mr Ng is the director of Perak Transit Berhad. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Tan Ming Hong

Chief Executive Officer- Chin Hin Concrete (KL) Sdn Bhd and Chin Hin Concrete (North) Sdn Bhd
57 years of age, Malaysian, Male

Tan Ming Hong was appointed as Chief Executive Officer of Chin Hin Concrete (KL) Sdn Bhd and Chin Hin Concrete (North) Sdn Bhd in 2015.

He obtained a Bachelor of Applied Science majoring in Mechanical Engineering in October 1983 from University Of Ottawa, Canada. He has more than thirty (30) years of experience in the ready-mixed concrete and quarries operation.

He began his career in 1984 at a local ready-mixed concrete company, Pertama Ready Mix Concrete (M) Sdn Bhd as a factory manager. In 1992, he joined Pioneer Concrete (M) Sdn Bhd as its Senior Plant Manager where he was responsible for the daily operations of the company. In 2001, he joined Hanson Building Materials Malaysia Sdn Bhd, a British based building materials company as Regional Manager where he was responsible for the sales and marketing of building materials in the southern region of Malaysia. In 2007, he left and joined Cemex Concrete (Malaysia) Sdn Bhd, a global building materials company headquartered in Mexico as Operation & Technical Director where he oversees the nationwide operation for quarry, asphalts and ready-mixed concrete business. Thereafter in 2011, he took up the role of Chief Operating Officer at Tasek Concrete Sdn Bhd (a subsidiary of Tasek Corporation Berhad).

Subsequently he left and joined the Chin Hin Group as Chief Operating Officer of Chin Hin Concrete (KL) Sdn Bhd and Chin Hin Concrete (North) Sdn Bhd in 2012. However, he later joined the ready-mixed concrete/cement division of Holcim Malaysia Sdn Bhd as Vice President in 2014 where he was in-charged of aggregates, cement and ready-mixed concrete division. Subsequently in July 2015, in view of his extensive experience in the building materials industry, we have approached him to rejoin us to lead the ready-mixed concrete business unit.

Mr Tan Ming Hong does not hold directorships in any public companies, as he has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

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

CHAIRMAN'S STATEMENT

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

CHAIRMAN'S STATEMENT

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

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

In financial year ended 31 December 2016 ("FY2016"), Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group") continued to focus on its core businesses of manufacturing in tandem with growing industry demand from the construction sector.

Despite the continued slowdown in the property sector, demand for autoclaved aerated concrete ("AAC") blocks, precast concrete and steel mesh products continued to rise, fueled by a growing momentum in the overall construction sector on the back of government backed infrastructure development projects. These include the affordable housing projects such as Perumahan Rakyat 1Malaysia (PR1MA) and the People's Housing Programme (PPR) as well as transportation projects such as the Mass Rapid Transit Second Line ("MRT 2") and the Light Rail Transit Line 3 ("LRT 3"), encapsulated under the 11th Malaysia Plan.

On the back of this industry momentum, Chin Hin remained busy to meet the increasing demand for its products. The Group focused on increasing production capacity at its existing plants and also investing in new plants. Quality remained a key focus to ensure that as we ramped up quantity, the end product continued to meet or exceed industry specifications.

Having realised a major milestone by becoming a public listed entity in FY 2016, the Group continues to pursue its agenda of becoming a market leader and the preferred brand of the construction sector. We continued to diligently pursue our internal and external business strategies for rapid growth.

FINANCIAL REVIEW

In FY 2016, turnover decreased by 11.70% to RM1,058.83 million from RM1,199.15 million in the preceding year. As a result, overall gross profit decreased by 2.68% to RM98.82 million from RM101.54 million year-on-year.

The decline in revenue that attributed to lower contribution from the Group's distribution of building material and ready-mixed concrete segment due to sluggish housing construction activities. The negative impact, however was partly offset by the increase in revenue from autoclaved aerated concrete ("AAC") block, precast concrete and steel mesh product segments.

Gross profit margin has improved to 9.33% in FY 2016 from 8.47% in the preceding year. The increase in the Group's gross profit margin was mainly contributed by stronger contribution from the manufacturing sector and shifting in the Group's strategy from distribution of "high volume and low margin" products to "low volume and high margin" offerings. This was augmented by an increased focus on a higher grade of ready-mixed concrete sales.

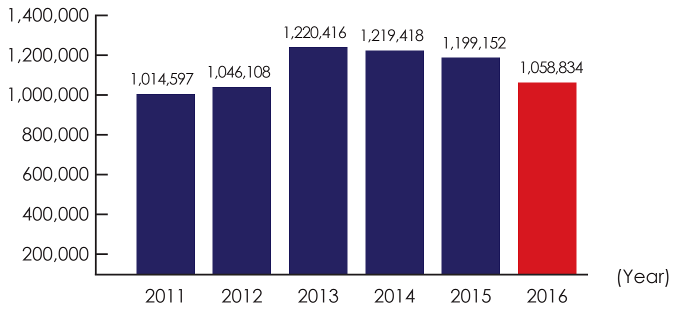
The Group recorded a higher profit before tax for RM51.17 million in the current financial year as compared to RM38.98 million in the preceding year. The significant increase was mainly contributed by a stronger contribution from manufacturing segment, lower finance cost, other operating income mainly from the 2.425MW solar power panels and the fair value adjustment on investment properties. For comparative purposes if the fair value adjustment of RM10.57 million and one-off listing expenses of RM2.92 million were excluded from our FY 2016 operating results, the Group's profit before tax would have increased by RM4.54 million or 11.65% as compared to last year despite the drop in revenue of RM140.32 million.

The Group's effective tax rate was 19.0% in FY 2016 which was lower than the 22.5% in FY 2015 and statutory tax rate of 24%. During the year under review, the Group has qualified for a reinvestment allowance for the hefty sum of investment in capital expenditures for its capacity expansion. Besides, the Company still possessed a huge amount of unabsorbed capital allowances carried forward and some unabsorbed business losses carried forward.

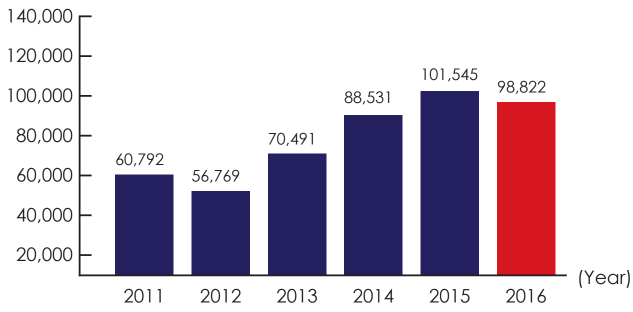
Financial Indicators	FY 2016	FY 2015	Difference (%)
Revenue (RM'000)	1,058,834	1,199,152	(11.7)%
Gross Profit (RM'000)	98,822	101,545	(2.7)%
Profit Before Tax ("PBT") (RM'000)	51,170	38,979	31.3%
Profit After Tax ("PAT") (RM'000)	41,426	30,221	37.1%
Net assets	1.01	1.08	(0.07)
Gearing ratio (times)	1.00	1.57	(0.6)
Gross Profit Margin (%)	9.3	8.5	0.8%
Net Profit Margin ("PAT") (%)	3.9	2.5	1.4%

MANAGEMENT DISCUSSION & ANALYSIS

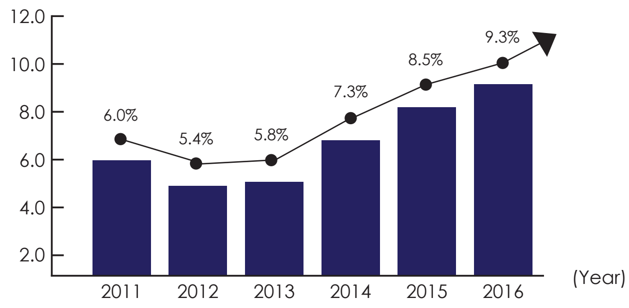
Revenue (RM'000)



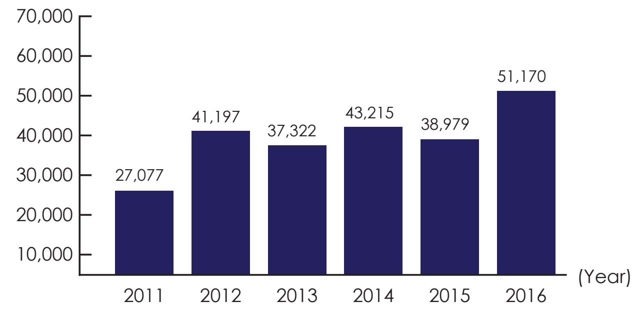
Gross Profit (RM'000)



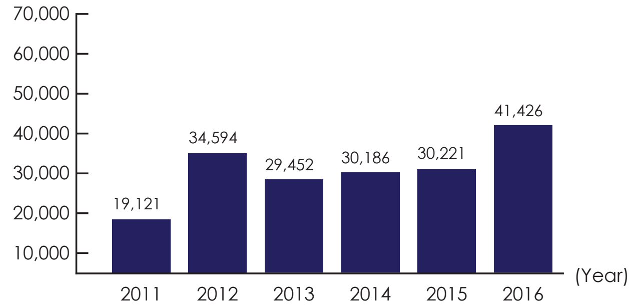
Gross Profit Margin (%)



Profit Before Taxation (PBT) (RM'000)



Profit After Taxation (PAT) (RM'000)



Utilising funds from the listing exercise, the Group has successfully pared down its debts and hence reduced its gearing ratio to 1.00 times. This is a further reflection of Chin Hin's strong business fundamentals and puts the Company in a prime position to seek additional loans, if needed.

The Group's order book presently stands at RM236.10 million. This will keep the company busy for the next 2-3 years. Growth in the order book stems particularly from the manufacturing segment, i.e. precast concrete, autoclaved aerated concrete ("AAC") block and ready-mixed concrete.

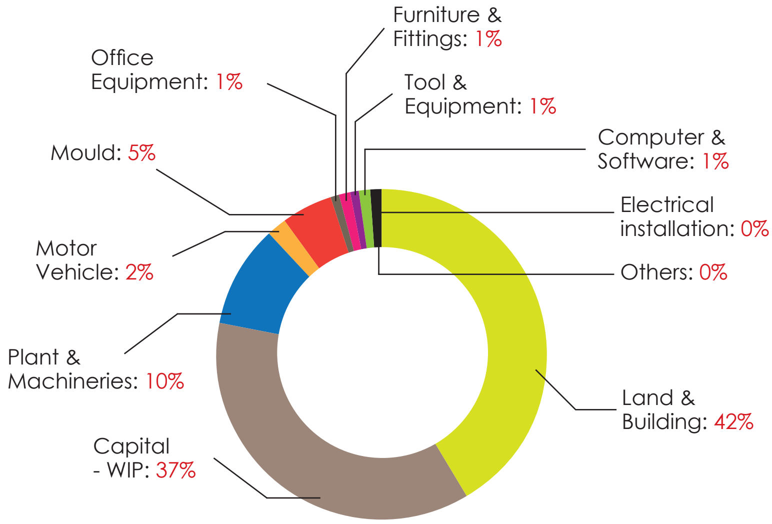
MANAGEMENT DISCUSSION & ANALYSIS

Order Book

Order books	FY 2016
G-Cast Sdn Bhd	84.59 million
Starken AAC Sdn Bhd	70.47 million
Metex Steel Sdn Bhd	24.23 million
Formino Metal Sdn Bhd	7.59 million
Chin Hin Concrete (KL) Sdn Bhd	49.22 million
TOTAL	**236.10 million**

Capital Expenditure

Robust Capital Expenditure	FY 2016 (RM)
Land & Building	30,225,621
Capital - WIP	26,571,351
Plant & Machineries	7,415,584
Mould	3,490,475
Motor Vehicle	1,506,914
Tool & Equipment	724,792
Computer & software	642,426
Office Equipment	428,823
Furniture & Fittings	415,525
Electrical installation	89,259
Others	10,500
Total	**71,521,270**



BREAKDOWN OF CAPEX

In FY 2016, 89% of total capital expenditure incurred was due to outlay on land & building, capital work in progress (WIP) and plant & machineries, mainly to extend the production capacity of the manufacturing plants. Of this, 42% were spent on land & building, 47% were for capital work in progress and on plant & machineries.

Major land and building expenditure were:-

- Acquisition of a 50.6 acres freehold land located at Mukim of Kota Tinggi, Daerah Kota Tinggi for a total consideration of RM21,935,236. Total Capex of RM85 million will be allocated for this Johor expansion plan.
- Acquisition of twenty six (26) parcels of leasehold vacant land held under individual titles at Lot 12448 through to Lot 12473, located in Mukim Bidor, Daerah Batang Padang, Perak with a combined size of 18.55 acres. The total cost consideration for the acquisition is approximately RM7.0 million. The Company spent another RM2.44 million to construct the G-Cast factory, allowing us to expand our customer base and address the rising demand for precast concrete production division.

Major Capital WIP (work in progress) and plant & machinery expenditure were:

- One machine line for autoclaved aerated concrete ("AAC") block and wall panel product which was purchased from Wehrhahn GmbH, a German based counterpart. This machine will

Signing Ceremony for the purchase of one machine line for Autoclaved aerated concrete ("AAC") block and wall panel product from Wehrhahn GmbH, a German-based counterpart be installed at Starken's upcoming factory in Kota Tinggi, Johor. The said machine which is valued at EUR 4 million (approximately RM19 million) will increase production capacity by 420,000 meter cube, as well as enabling Chin Hin to expand into the overseas markets, especially in the Asia Pacific region. The Group has paid a progressive payment to date of RM8.25 million to Wehrhahn GmbH in FY 2016. Besides, the Company has paid an additional RM6.69 million for other plant and machineries (capital WIP) to be installed at this factory;

- Autoclave 6 and other equipment installed at autoclaved aerated concrete ("AAC") block factory at Serendah worth RM1.32 million;
- Wet concrete batching plant, wire cage machine, spun pipe feeder machine, gantry crane and other factory equipment amounting to RM7.4 million were purchased for G-Cast factory in Serendah, Kulai and Bidor;
- World's latest wide body, fast speed CTS welder, MG800 from Schlatter Industries AG of Switzerland and Koch-3 machine. Total capital expenditure spent at the Nilai mesh factory is approximately RM6.56 million;
- Floor decking roll forming machine, C & Z purlin machine for roofing segment of RM1.21 million;
- Solar power panel worth RM2.55 million.

Statements of Cash Flows

	2016 RM'000	2015 RM'000	Change
Net Cash Inflows from Operating activities	6,018	39,575	-85%
Net Cash (Outflows)/Inflows for Investing activities	(51,788)	(14,835)	> 100%
Net Cash (Outflows)/Inflows for Financing activities	(50,959)	29,038	> -100%
Net (decrease)/increase in cash balance	(96,728)	53,778	> -100%
Cash balance at beginning of the year	165,883	112,060	48%
Cash balance at end of year	69,353	165,883	-58%

The Group's net cash inflow from operating activities for the financial year decreased by 85% to RM6.02 million, largely due to the outflow of working capital for the purchase of raw materials to meet increasing demand for autoclaved aerated concrete ("AAC") block and precast concrete. Other key items included repayment of advances to directors and the provision of financial assistance under the Money Lending License Act.

Cash outflows from investing activities recorded a net outflow of RM51.79 million mainly due to:

- Acquisition of a 50.6 acres freehold land located at Mukim of Kota Tinggi, Daerah Kota Tinggi for a total consideration of RM21,935,236.

- The aforementioned acquisition of twenty six (26) parcels of leasehold vacant land in Mukim Bidor, Daerah Batang Padang, Perak, for a total consideration of approximately RM7.0 million;

- The acquisition of property, plant and machineries and capital WIP of RM69.21 million at Starken AAC Sdn Bhd, G-Cast Concrete Sdn Bhd, Metex Steel Sdn Bhd and Formino Metal Sdn Bhd for the expansion of production capacity; offset by proceeds from the disposal of the Group's motor vehicles and investment property.

The net cash outflows for financing activities of RM50.96 million, mainly stemmed from the net repayment of bank borrowings of RM93.09 million and the payout of first single tier interim dividend to our shareholders during the year amounting to RM7.59 million. This was offset by the proceeds from the issuance of 63,197,900.00 new ordinary shares at Initial Public Offering (IPO) price of RM0.65 per share.

MANAGEMENT DISCUSSION & ANALYSIS

Statements of Financial Position

	2016 RM'000	2015 RM'000
ASSETS		
Non current assets	365,065	304,500
Current assets	455,376	548,452
Total Assets	820,441	852,952
EQUITY AND LIABILITIES		
EQUITY		
Share capital	252,944	221,345
Share premium	7,656	-
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	545	452
Revaluation reserve	8,769	8,769
Retained earnings	207,592	183,873
Total equity attributable to owners of the Company	324,314	261,247
LIABILITIES		
Non current liabilities	43,084	85,356
Current liabilities	453,043	506,349
Total liabilities	496,127	591,705
Total Equity and Liabilities	820,441	852,952
Net assets per share attributable to ordinary owner of the company	RM0.64	RM0.59

In FY 2016, total assets of the Group decreased by RM32.51 million to close the year at RM820.44 million. The decrease was mainly due to the reduction in cash and bank balances for the acquisition of property, plant and equipment worth RM63.77 million for capacity expansion in the autoclaved aerated concrete ("AAC"), precast concrete and steel mesh plant.

On the liabilities side, total liabilities decreased by RM95.58 million, mainly due to the pared down term loan, bankers' acceptance and hire purchase debts with funds from the listing exercise and internally generated profits.

The net assets per share has increased by RM0.05 or 8.47% due to the increase in net operating profit of RM13.15 million after netting off the first and second single tier interim dividend payout of RM17.71 million, fair value adjustment on investment properties of RM10.57 million and issued paid up share capital of RM31.60 million with a premium of RM7.66 million.

INTERNAL BUSINESS STRATEGY

We continued to pursue internal improvements across the Group through revamping processes and systems to deliver enhanced quality and productivity as well as to reduce operating cost. Chin Hin also adopted CRM solutions to manage not just customer orders, but also to analyse and identify insights into an individual customer's buying patterns. Such insights will empower us to better meet customers' requirements by preparing orders in advance or by providing customised bundling options to meet their requirements. The CRM solution was implemented in stages over the last quarter of FY 2016, supported by necessary training for the sales and marketing staff.

With regard to quality initiatives, Chin Hin sought to acquire quality accreditations, namely the ISO 9001 and ISO 14001 standards. In tandem with this effort, our manufacturing plants also intensified efforts to develop their quality management system (QMS) processes to enhance overall quality within their respective plant operations.

MANAGEMENT DISCUSSION & ANALYSIS

Our quality efforts have borne fruit; Metex Steel Sdn Bhd was recommended for ISO 9001: 2015 Quality Management System and ISO 14001: 2015 Environmental Management System by SGS (Malaysia) Sdn Bhd and SGS United Kingdom Ltd in the last quarter of FY 2016. The Company received these certifications in the first half of 2017. Metex Steel Sdn Bhd will join Starken AAC Sdn Bhd, G-Cast Concrete Sdn Bhd, Chin Hin Concrete (KL) Sdn Bhd and Chin Hin (North) Sdn Bhd, who already have been ISO 9001 certified.

SEGMENTAL OVERVIEW

Distribution of Building Material and Provision of Logistics Services

The distribution of building material and provision of logistics services sector recorded a total revenue of RM708.45 million in FY 2016, a decline of 18.06% as compared to RM864.58 million recorded in the previous year. The Division contributed 66.74% of the Group's consolidated revenue. The decline in revenue was due to the decrease in sales volume of cement by approximately 14.12% as a result of the slowdown in housing construction activities in 2016. The decrease in revenue was also attributed to the decline in sales volume of steel bars by approximately 24.64%, a result of the shift in the Group's strategy from distribution of "high volume and low margin" to "low volume and high margin" products. Despite the decrease in revenue from distribution of building materials, gross profit margin has increased from 6.37% in FY2015 to 7.27% in FY2016. This is mainly due to the Group being able to negotiate better pricing and rebates from suppliers, thereby reducing sales costs. Higher profit margin was achieved for steel bar sales as a result of the recovery of global steel prices.

There was an increase in profit before tax of RM18.89 million as compared to FY 2015. The increase was derived from the fair value adjustment of RM10.57 million from its investment properties, gain on disposal of investment property and motor vehicles of RM2.16 million, reduction of finance cost as a result of pared down of term loan, bankers' acceptance with funds from the listing exercise and the settlement of hire purchase debts after the disposal of motor vehicles to CHL Logistics Sdn. Bhd.

READY-MIXED CONCRETE

The total revenue for the ready-mixed concrete segment decreased by approximately RM23.88 million or 14.73% in FY2016. The Division contributed 13.04% of the Group's consolidated revenue. The decreased was due to lower sales volume captured as most of the Group's high rise projects had reached their completion stage. The decrease in revenue from ready-mixed concrete was also due to stiff competition from competitors offering lower selling prices. This sector recorded a profit before tax of RM7.25 million, representing an increase of 0.95% as compared to FY 2015. Despite the decrease in revenue, profit before tax increased due to the change in our Group's strategy, which was focused on higher grade ready-mixed concrete with better margins and reduction of the finance cost mainly from hire purchase interest as a result of the disposal of the motor vehicles to CHL Logistics Sdn. Bhd.

MANUFACTURING SECTOR

Manufacturing of Autoclaved Aerated Concrete ("AAC") and Precast Concrete

The manufacturing of AAC and precast concrete recorded a total revenue of RM124.64 million in FY2016, representing a growth of 30.77% as compared to RM95.31 million recorded in FY2015 and contributed 10.42% of the Group's consolidated revenue. This sector recorded a profit before tax of RM14.28 million, representing an increase of 57.56% as compared to FY 2015.

The increase in revenue and profit before tax for autoclaved aerated concrete ("AAC") block was mainly due to the rising number of projects specified by local consultants as a result of the high adoption rate in the market which eroding the conventional brick market share. The increase in both revenue and earnings for precast concrete were due to the improved market demand for jacking pipes and manholes arising from the implementation of Langat Sewerage Project and Centralised Sewage Treatment Plant and the Sewerage Project at Daerah Kinta, Perak. Moreover, the positive growth was contributed by the additional earnings from the 1.425MW of solar panels.

MANAGEMENT DISCUSSION & ANALYSIS

Manufacturing of Steel Mesh and Metal Roofing Systems

The manufacturing of steel mesh and metal roofing systems recorded a total revenue of RM151.00 million in FY 2016, representing an increase of 5.19% as compared to RM143.54 million recorded in FY 2015, and contributed 9.80% of the Group's consolidated revenue. This sector recorded an increase of profit before tax of RM1.89 million, representing an increase of 57.95% as compared to FY 2015. The increase in revenue and earnings were aided by the recovery of global steel prices, which contributed to higher margins in the wire mesh segment and additional earnings from 1MW of solar generation.

PROSPECTS

Manufacturing & Trading Sector

The Group has actively expanded the production capacity of its autoclaved aerated concrete ("AAC") block, precast concrete and steel mesh by setting up more plants locally to strengthen its product presence and customer portfolios in Asia Pacific.

Precast concrete capacity will be increased to 300,000 metric tonnes in 2017 from the four plants, which are located in Serendah, Kulai (10 acres of a leased industrial land), Bidor and Rawang (18 acres of a leased industrial land). The new plants at Bidor and Rawang started their operations in January 2017; contribution from these plants will commence by the first quarter of 2017. With the government's continuous focus in the water and sewerage sector, we are optimistic about precast concrete business prospects ahead in the future undertaking.

The Group has finalised the acquisition of 50.6 acres of land in Kota Tinggi, Johor for RM22 million. The Company's production capacity will be further enhanced with the setup of a 45,000 tonne precast plant and a 420,000 m3 autoclaved aerated concrete ("AAC") block plant at the site. The new autoclaved aerated concrete ("AAC") and wall panel plant will be equipped with high-tech German machinery, which had already been purchased with the delivery scheduled by FY 2017. The two plants in Johor are targeted to be operational in the first quarter of 2018 to ease the current strong and rising order demand for autoclaved aerated concrete ("AAC") blocks as a result of high adoption rate in the market (reflected in the longer lead time of 4-5 months).

The Johor production line of autoclaved aerated concrete ("AAC") is interchangeable between autoclaved aerated concrete ("AAC") blocks and wall panels. The wall panel is well established in overseas market, especially in Singapore. The Housing and Development Board of Singapore (HDB) has accepted Starken's wall panel for their government's affordable housing project. This justifies the rationale in establishing the plant in Johor within close proximity to Singapore, which is a long established market for our products. This plant will be geared up to increase the production quantity of wall panels to cater for the increasing demand from the local market as well as neighbouring countries.

The Group has also installed the world's latest wide body, fast-speed CTS welder, MG 800 from Schlatter Industries AG of Switzerland in December 2016 at Nilai's steel mesh plant; this is expected to increase production capacity by 2,000 tonnes per month. The Group's wire mesh capacity is expected to increase by 33% from 6,000 to 8,000 metric tonnes per month. This new machine is expected to contribute positively to our Group's earnings in 2017.

In continuing to strengthen our manufacturing divisions, we have entered into conditional share sale agreements ("SSA") with Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd's vendors to acquire the entire issued and paid up share capital of both companies for a total cash consideration of RM17.08 million. The Management believes that these strategic acquisitions will yield tremendous value to Chin Hin Group and they can further enhance our vertical integration strategy. Furthermore, the acquisitions were pursued on the premise of Profit Guarantee Agreements for two consecutive financial years, i.e. 2017 and 2018 with a guaranteed profit before tax each year of not less than RM3.0 million for Chin Hin.

MANAGEMENT DISCUSSION & ANALYSIS

Midah Industries Sdn Bhd is primarily involved in the manufacturing of quality fire-rated doors, having 27 years of solid experience. It currently has a total of 15 fire doors' licenses granted by the Fire and Rescue Department Malaysia (FRDM). It is one of the top five market players in the local fire door industry. To date, it has a total installed capacity of 60,000 units of fire door per annum at the Semenyih factory.

This acquisition could further expand Chin Hin's product range such as hollow metal doors and fire rated roller shutter with higher margin potential. As such, it should improve the profit margins of Chin Hin's trading segment. In addition, Chin Hin is also able to leverage on its 4,000 strong customer network.

Signing Ceremony for the Acquisition of Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd

Epic Diversity Sdn Bhd is a trading company which supplies various types of high quality door locks, miscellaneous architectural hardware accessories, cylindrical lock and sliding door systems. It specialises in the planning and implementation of ironmongery packages for commercial, industrial as well as residential properties. Chin Hin can leverage on Epic's ironmongery expertise to widen its existing trading product range.

In continuing to further strengthen our manufacturing divisions, we have entered into conditional share sale agreements ("SSA") to acquire the entire issued and paid up share capital of MI Polymer Concrete Pipes Sdn Bhd ("MIPCP") for a total cash consideration of RM35 million. This acquisition further broaden our product range in the concrete piping segment, and capitalise on growing water and sewage related infrastructure spending in the region. MIPCP was established in 2009 and a technology pioneer owning intellectual property rights in manufacturing of polymer concrete pipes in the Asean region.

Signing Ceremony for the Acquisition of MIPCP

The MIPCP's Batu Pahat plant with 20,000 tonnes per annum is currently running at 100% capacity. We are planning to set up another plant adjacent to the current facility which will double up its production capacity when completed by end of the year.

Synergistic acquisitions provide a faster means for our organisation's growth. It offers a faster solution in dealing with increasing competition, immediate benefit of economies of scale while enabling us to quickly penetrate the niche markets that offer lucrative opportunities.

Moving forward, Chin Hin will be actively looking for more merger and acquisition opportunities that can enhance the group's earnings prospects apart from organic growth.

Solar Power Generation Income

In FY 2016, Chin Hin was granted certification by the Sustainable Energy Development Authority of Malaysia with a total of 2.425MW Feed in Tariff. This has contributed positively to the Group's strategy of recurring income generation.

The Group recorded a Green Technology Solar Panel (other operating) gross income of RM2.14 million in the current financial year from its electricity production capacity of 2,425 kilowatt per hour ("kWh"). The Group currently holds an existing 21-year agreement whereby the Company will deliver and sell, and TNB will purchase and accept the metered renewable energy. The earlier 1,425 kWh renewable energy sources of income have been granted pioneer status with tax exemption of 100% of statutory income for 10 years by the Malaysian Investment Development Authority (MIDA). The Group will continue to record the 2.425MW Feed in Tariff solar panels recurring income, which shall further boost up the bottom line of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

FUTURE OUTLOOK

While Malaysia's economy is forecasted to grow at a pace of 4.2%, we foresee the construction sector, maintaining its average growth rate of 8%-10% in FY 2017. Our optimism is understandably cautious, centred on the expected start of a gradual recovery in the property sector.

Recent industry data from various reputable sources point to improvement in consumer sentiments, though issues with end-financing and the perceived costly prices of homes remain as stumbling blocks. However, for the most part, consumers have adjusted themselves to market realities i.e. a "market crash" is highly unlikely and 2017 presents a prime opportunity to buy a home, more so with the government expanding eligibility for more buyers under PR1MA. However, the recovery will be gradual and is expected to only take effect in the later part of FY 2017. Yet, we are positive that this is a favourable development and will augur well for the construction industry, especially for players such as Chin Hin.

Equally positive is the Malaysian Government's aspirations under the 11th Malaysia Plan and the recently announced Budget. Essentially, the government aims to increase the efficiency and productivity of water and sewerage services by expanding and upgrading such services particularly in the rural areas.

The remaining five states namely Kedah, Kelantan, Pahang, Selangor and Terengganu are expected to migrate to the new licencing regime in line with the Water Services Industry Act (WSIA) during the 11th Malaysia Plan. Sewerage services, however which are part of the WSIA, have yet to be integrated. Chin Hin is optimistic on precast concrete order replenishments going forward since we are involved in the Langat Centralised Sewage Treatment Plant (CSTP).

Above and beyond, the continued momentum of the government's mega infrastructure and housing projects such as Perumahan Rakyat 1Malaysia (PR1MA), People's Housing Programme (PPR), People's Friendly Homes (PMR), Tun Razak Exchange, Bandar Malaysia, etc are set to drive growth in Malaysia's construction industry in the medium term. The rollout of these projects will underpin the growth in the demand for building materials. We shall continue to benefit from the affordable housing developments and infrastructure projects such as Light Rail Transit Line 3 "LRT3" and Mass Rapid Transit Second Line "MRT 2" under the 11th Malaysia Plan since we provide Industrialised Building System (IBS).

With regard to industry challenges, we foresee intense market competition with the emergence of new players entering the market. The government's recent decisions to freeze hiring of new foreign workers, the increase of levy and the rising cost of raw materials will have a significant impact on all industrial players. In mitigating these adverse factors, Chin Hin will continue to improve on its product quality and services in order to stay competitive in the market and to seek long term contracts with flexi price positions with clients.

As a matter of fact, the Group is also looking actively to widen its product portfolio and diversify its income stream through organic growth and/or mergers and acquisitions. Barring any unforeseen circumstances, the results of the Group in 2017 are expected to be satisfactory. We look to the future with cautious optimism and strong business fundamentals.

CORPORATE SOCIAL RESPONSIBILITY

Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group") is committed fully in playing its role as a corporate citizen by giving back to the community it serves. We believe that as we grow and realise greater accomplishments, we have a responsibility to deliver more revenue and profits, but to also create sustainable value for all stakeholders based on a triple bottom-line of people, profits and planet. In doing so, we develop a more equitable and sustainable business approach that will hold us in better stead moving forward.

Given the nature of our business which is in the construction sector, our Corporate Social Responsibility ("CSR") agenda is aligned to key stakeholders and communities who are influenced or impacted by our business activities.

Going forward, we plan to formulate a structured approach to CSR towards driving greater sustainability of our efforts; and ensuring that we are here to do good for the betterment of the company, community and country.

WORKFORCE

Chin Hin views human capital to be of vital importance to business sustainability. Our professional talent is one of our distinctive business advantages and hence, special effort has been undertaken towards facilitating the recruitment, retention, development and rewarding of our workforce. This talent development effort also includes creating a high performance organisational culture that enables staff to function at desired levels of work excellence.

One key initiative that the Group has undertaken is its 100 Days Journey programme for new hires. The 100 Days Journey is a Group orientation programme to help new recruits acclimatise to, and embrace Chin Hin's inherent business culture and the working processes of the organisation. The programme includes talks, lectures, workshops and other activities including meeting other new hires. Ultimately, the 100 Days Journey is to enable staff to effectively contribute to the Group and derive job satisfaction in the quickest possible time.

In August 2016, the Group launched the Chin Hin Academy. The Chin Hin Academy is an in-house training initiative to develop internal trainers to meet the Group's specific training and development requirements. We intend to develop our internal team of trainers as this will not only prove cost effective in the long-term, it will also allow Chin Hin to hone specific skill sets within the organisation while reducing dependence on external trainers.

At present, 16 in-house trainers are undergoing certification by the Malaysian Institute of Human Resource Management (MIHRM). We look forward to doubling the number of certified in-house trainers to meet the Group's requirements, especially with present and rapid expansion of the Group's subsidiary companies.

On a separate note, the Group continued to hold various external and internal training programmes for staff. These include hiring Microsoft Certified Trainer (MCT) and Microsoft Office Specialist Master (MOSM) Instructors to provide on-the-job software training for staff. Unique from other training courses, the above were conducted to guide staff on optimising their productivity while using the Microsoft office suite. The course was conducted by experienced instructors who conducted a hands-on practical session based on everyday work scenarios.

Promoting social media of Chin Hin Academy

Officially launching of Chin Hin Academy in August 2016

CORPORATE SOCIAL RESPONSIBILITY

Chin Hin also sponsored the Global Leadership Summit Malaysia event. The Group also sent its staff to the event as part of its overall talent development strategy.

We continued to remunerate staff competitively against industry standards while providing various employment benefits. These include bonus payout on an annual basis and other opportunities.

We also held social activities for staff such as the Chin Hin Family Day. Such events by bringing our people together amidst a fun environment to help forge closer bonds and a closer sense of community.

LEADERSHIP BENCH

As we aspire to be a RM1 billion market capitalised company in the next five years, it is imperative that we develop sufficient talent to meet our leadership succession plans to drive the Group forward.

In addressing this challenge, Chin Hin has developed a comprehensive management trainee development programme. High-calibre talents have been identified to participate and they will be mentored by the present senior leadership across the Group to learn hands-on while on the job. The programme at present is still in its infancy stage and we look forward to sharing more details in the future.

COMMUNITY

Despite the challenging financial period, we have continued to fulfil our CSR obligations by reaching out to the underprivileged and needy. This was achieved via strategically planned initiatives as well as ad-hoc events. One of the former is Chin Hin's Lion King Project ("LKP"). Under the LKP, Chin Hin employed 10 staff as mentors to coach and work with 12 underprivileged youth.

Under the two-year programme, these youths will be mentored and coached closely to develop key life skills such as leadership and job skills; while being inculcated with other important attributes and values. LKP graduates will be offered an internship or employment opportunities with the Group, thus providing these youths with a viable career option.

Thus far, the programme had delivered resounding results. The selected youths are already displaying a new-found confidence and self-belief and are becoming better adjusted members of society.

During the Starken Awards held at University Tunku Abdul Rahman's ("UTAR") Sungai Long Campus on June 2 2016, Chin Hin awarded cash prizes amounting to RM5,400.00 in total to 16 students from UTAR's Civil Engineering and Architecture programmes for excelling in their studies.

It is hoped that this incentive for excellent performance will motivate them to further excel in their academic pursuits. We continue to build on our close collaboration with UTAR as a means of developing industry talent, providing avenues for innovative ideas to flourish and to inspire young minds to be catalysts of change for the betterment of industry, community and country.

Starken Awards held at University Tunku Abdul Rahman ("UTAR") Sungai Long Campus

Chin Hin awarded cash prizes to 16 students from UTAR's Civil Engineering and Architecture programmes


Mentor class under Chin Hin's Lion King Project ("LKP")


12 underprivileged youth participating career planning under Chin Hin's Lion King Project ("LKP")

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

The Group is mindful of its carbon footprint and is committed to operating in ways that will reduce it as part of its sustainability commitment. All business plans and actions taken by the Group are implemented with considerations for the environment.

In FY 2016, the Sustainable Energy Development Authority of Malaysia granted Chin Hin a certification for a total of 2.425MW Feed-in Tariff. Aside from generating recurring income for the Group, solar power production is a conscientious effort to harness the benefits of alternative energy sources; while serving as an example for others to emulate accordingly.

With the rise of global warming and other environmental conditions, we believe that solar power, given Malaysia's ample sunlight exposure, presents a viable proposition for homes and businesses and we will continue to play our role in its propagation. Granted, our involvement in solar power generation is still at an early phase, going forward, we intend to grow our solar power operations as a key component of our business.

Solar power aside, we continue to seek ways to operate sustainably in the manufacture of our products. Starken's autoclaved aerated concrete ("AAC") blocks are eco-friendly. They reduce at least 30% of environmental waste, 50% of greenhouse radiation and over 60% integrated energy on the surface of the brick. It is certified as a green and environmentally friendly product.

The Group continues to comply with local and international environmental standards. One of the Group's subsidiaries is currently accredited with the globally recognised ISO 14001 standard. An internationally accredited standard, the ISO 14001 is designed to improve resource efficiency, reduce waste and minimise costs. It serves as an assurance to Company's management, employees and external stakeholders that environmental impact is being measured and improved upon.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Chin Hin Group Berhad ("Chin Hin" or "the Company") is committed to ensuring that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to safeguard shareholders' investments and to protect the interests of all stakeholders.

Set out below is a statement, made pursuant to paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), on the Group's corporate governance ("CG") practices in accordance with the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions Reserved for the Board and Those Delegated to Management

The respective roles and responsibilities of the Board and Management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for the oversight and overall management of the Group including assessing and agreeing with the Group's corporate objectives, and the goals and targets to be met by Management.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view to the long term viability of the Group.

Each Business Unit in the Group has an appointed senior management team whom is responsible for managing the day-to-day running of the Business Unit's business activities in accordance with the direction and delegation of the Board. Senior Management meets regularly to discuss and resolve operational issues. The Group Managing Director briefs the Board on business performance & operations and management initiatives during quarterly board meetings.

Clear Roles and Responsibilities

The Board is responsible for establishing the Group's goals and strategic directions, setting goals and targets for Management and monitoring the achievement of those goals and targets. The Board also oversees the process of evaluating the adequacy and effectiveness of the system of internal controls and risk management processes.

The principal roles and responsibility assumed by the Board are as follows:

- <u>Review and adopt strategic plan of the Group</u>

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercises which support the Group's business plan and budget plan.

- <u>Implementation of internal compliance controls and justifies measures to address principal risks</u>

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To formulate and have in place an appropriate succession plan

  The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

- Developing and implementing an investor relations program or shareholder communications policy for the Group

  The Board recognised that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company's website is the primary medium of providing information to all shareholders and stakeholders.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.chinhingroup.com.

The Company has a clear distinction and separation of roles between the Chairman and the Group Managing Director, with clear division of responsibilities. The Chairman is primarily responsible in leading and guiding the Board, and also serves as the communication point between the Board and the Group Managing Director whilst the Group Managing Director and his management team is responsible for implementing the plans chartered out and the day-to-day management of the Group, with clear authority delegated by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as laid out in the terms of reference and to report to the Board with the necessary recommendation.

Board Charter

The Board has been formalised and adopted a Board Charter on 26 May 2016 which serves as a source of reference for Directors. The Board Charter is established to provide guidance and clarity on the Board's roles and responsibilities as well as the relationship between the Board and shareholders.

The Board Charter is available on the Company's website at www.chinhingroup.com.

Code of Conduct and Ethics

The Company has issued a Code of Conduct and Ethics ("the Code") that applies to all Directors and employees of the Group. The Code is guided by the Group's Core Values and all employees are required to read, understand and abide by the Code.

The Group's Employee Engagement Team actively promotes and inculcates these values throughout the Group via regular engagement, dialogue and training programs.

The Code was adopted on 26 May 2016 and will be reviewed from time to time when there are significant developments requiring the Code to be amended. A copy of the Code is available for reference at the Company's website at www.chinhingroup.com.

Whistle Blowing Policy

A whistle blowing policy has also been established and approved by the Board on 26 May 2016 which is committed to upholding the Group's business ethics of honesty, integrity and transparency.

A copy of the whistle blowing policy is available at the Company's website at www.chinhingroup.com.

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Mr Yeoh Chin Hoe
Designation : Audit Committee Chairman
Email : yeohhoe@gmail.com

Promote Sustainability

The Board is aware of the importance of business sustainability and ensures that there is a plan for promoting sustainability in the Group's business strategies, taking into account the environmental, social, cultural and governance ("ESG") aspects of business operations.

Further details of the Group's core areas of ESG consideration are disclosed in the "Corporate Social Responsibility Statement" set out on pages 28 to 30 of this Annual Report.

Access to Information and Advice

Unless otherwise agreed, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board at least seven (7) days before the date of the meeting. This is to ensure that the Directors are given sufficient time to read the Board papers and seek any clarification that they may need from Management or to consult the Company Secretaries or independent advisers before the Board Meetings, if necessary. This enables the Directors to discuss the issues effectively at the board meetings.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

All Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, all Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretaries, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the MMLR of Bursa Securities are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the

Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Nomination Committee

As recommended by MCCG 2012, the Company has established the Nomination Committee comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The present members of the Nomination Committee are:

Chairman		
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	-	Independent Non-Executive Chairman
Members		
Yeoh Chin Hoe	-	Senior Independent Non-Executive Director
Datuk Cheng Lai Hock	-	Independent Non-Executive Director

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.chinhingroup.com.

The Nomination Committee shall meet at least once a year unless otherwise determine by the Nomination Committee. The quorum for a meeting shall be at least two (2) members, majority of members present must be Independent Non-Executive Directors.

The summary of activities undertaken by the Nomination Committee during the financial year included the following:

(a) Reviewed and adopted the Terms of Reference of the Nomination Committee.

Board Composition

At present, the Board consists of six (6) members, comprising of three (3) Executive Directors and three (3) Independent Non-Executive Directors, thus, the requirement under Paragraph 15.02 of the MMLR of Bursa Securities that at least two (2) or one-third (1/3) of the Board, whichever is higher, must be Independent Directors, is fulfilled.

Collectively, the Directors have a wide range of experience and expertise in business, corporate, legal and financial matters that add value to the Board as a whole. Profiles of the Directors are set out in pages 7 to 12 of this Annual Report.

Recruitment and Assessment Criteria

It is the duty of the Nomination Committee to assess the suitability of the candidates before recommending the candidates to the Board for appointment. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Memorandum and Articles of Association of the Company. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programs for the Board.

In assessing suitability of candidates,

(a) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of:

- the Business, the Markets and the Industry in which the Group operates; and
- the accounting, finance and legal matters.

(b) where a need has been identified, the Nomination Committee shall entask the Company's Chairman or Group Managing Director:

- to search/recommend for potential candidates from within the Company; or
- engage its Human Resources Department to advertise (whether locally or internationally); or
- appoint recruitment advisers; or
- draw references and recommendations from the fellow directors of the Company.

(c) the Company's Chairman or Group Managing Director:

- shall shortlist potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates would be encouraged to join; and
- recommend to the Nomination Committee the candidate who best matches the needs of the Board.

The Nomination Committee will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

(a) the merits and time commitment required for a Director to effectively discharge his or her duties to the Company;

(b) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

(c) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annual basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annual basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2016, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

Re-election of Directors

In accordance with the Company's Articles of Association, at the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the AGM in every subsequent year, an election of directors shall take place and one-third (1/3) of the Directors (including the Managing Director) for the time being, or if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including a Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2017 are as stated in the Notice of Annual General Meeting.

Workplace Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG 2012 to the establishment of the boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluates the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board does not comprise of any female director.

Remuneration Committee

In line with the best practices of MCCG 2012, the Board has set up a Remuneration Committee which comprises majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The present members of the Remuneration Committee are as follow:

Chairman

Chiau Haw Choon	- Group Managing Director

Members

Yeoh Chin Hoe	- Senior Independent Non-Executive Director
Datuk Cheng Lai Hock	- Independent Non-Executive Director

The terms of reference of the Remuneration Committee can be viewed at the Company's website at www.chinhingroup.com.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

The summary of activities undertaken by the Remuneration Committee during the financial year included the following:

(a) Reviewed and adopted the Terms of Reference of the Remuneration Committee; and

(b) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors for the financial year ended 31 December 2016

Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the financial year ended 31 December 2016 were as followings:

Component	Company		Group	
	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Directors' Fees	-	200	-	200
Salary and Other Emoluments	1,871	16	1,954	16
Total	**1,871**	**216**	**1,954**	**216**

* *Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.*

Number of Directors whose remuneration falls into the following bands:

Component	Number of Directors			
	Company		Group	
	Executive	Non-Executive	Executive	Non-Executive
RM50,000 to RM100,000	-	2	-	2
RM100,001 to RM150,000	-	1	-	1
RM150,001 to RM200,000	1	-	1	-
RM350,001 to RM400,000	1	-	-	-
RM400,001 to RM450,000	-	-	1	-
RM950,001 and above	1	-	1	-

The Board is of the opinion that disclosure of remuneration by appropriate components and bands is adequate to meet the objectives of the MCCG 2012.

PRINCIPLE 3: REINFORCE INDEPENDENCE

Annual Assessment of Independence

Annual assessments will be conducted by Nomination Committee on annual basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the MMLR of Bursa Securities.

Based on the assessment carried out for the financial year ended 31 December 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfil the definition of independence as set out in the MMLR of Bursa Securities.

Tenure of Independent Directors

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG 2012, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject the said Director to be redesignated as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the Annual General Meeting of the Company.

As at the date of this Statement, none of the Independent Directors has served more than nine (9) years on the Board.

Separation of Positions of Chairman and Group Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG 2012 where the positions of the Chairman and Group Managing Director are to be held by different individuals, and that the Chairman should be a non-executive member of the Board.

The roles of the Independent Non-Executive Chairman and the Group Managing Director are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Independent Non-Executive Chairman are not related to the Group Managing Director, and are responsible for leading the Board in the oversight and supervision of the Group's management; whilst the Group Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implementing the Board's policies and decisions.

The roles and responsibilities of the Chairman and the Group Managing Director are clearly defined in the Board Charter, which is available on the Company's website at www.chinhingroup.com.

Independent Chairman

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and more than one-third (1/3) of the Board consists of Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

PRINCIPLE 4: FOSTER COMMITMENT

Time Commitment

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of MMLR.

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meetings

A total of three (3) Board meetings were held during the financial year ended 31 December 2016. The attendance record of each Director are as follows:

Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani	3/3	100
Datuk Seri Chiau Beng Teik	3/3	100
Datuk Cheng Lai Hock	2/3	67
Mr Chiau Haw Choon	3/3	100
Mr Lee Hai Peng	3/3	100
Mr Yeoh Chin Hoe	3/3	100

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2016 as stipulated under Paragraph 15.05 of the MMLR of Bursa Securities.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting. At the end of each Board and Board Committee meetings, the date of the next meetings is to be re-confirmed.

Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as specified by Bursa Securities.

During the financial year ended 31 December 2016, the Directors attended the relevant training programs and seminars to keep abreast of relevant changes in law, regulations, business environment, risk management, general economic and industry developments:

NAME OF DIRECTORS	COURSE TITLE / ORGANISER
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	Name Of Conference/Training: 7th SC-OCIS Roundtable Topic: Influencing Change in Finance & Society: Public Policy & Legislative Priorities Conference Organiser: SC & OXCIS Name Of Conference/Training: The Development of Islamic Banking in Malaysia Conference Organiser: The Asian Law Centre and the Transactional Law Group, University of Melbourne Name Of Conference/Training: CEO Coffee Talk for Law students Conference Organiser: Counseling and Career Services Centre, International Islamic University Malaysia Topic: Career Opportunities for Law Graduates Name of Conference/Training: Investment Account Platform (IAP) Conference Organiser: BNM Name of Conference/Training: International Forum on the World's Economic Outlook: Challenges & Opportunities for Malaysian Companies Conference Organiser: PNB Name of Conference/Training: How Effective Boards Engage on Succession Planning for the CEO and Top Management Conference Organiser: PNB Name of Conference/Training: 8th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2016 Conference Organiser: Asian Institute of Finance (AIF) co-hosted with the Compliance Officers' Networking Group (CONG) and fully supported by Bank Negara Malaysia
Datuk Seri Chiau Beng Teik	Name of Conference/Training: Asian Institute of Finance's Distinguished Speaker Series 2016 - "Riding The Leadership Rollercoaster: An Observer's Guide" Conference Organiser: Asian Institute of Finance (AIF)
Chiau Haw Choon	Name of Conference/Training: Program for Directors of Public Listed Companies Organiser: Bursatra Sdn Bhd Name of Conference/ Training: Program for Directors of Public Listed Companies Organiser: Bursatra Sdn Bhd Name of Conference/Training: Premier Business Management Program Organiser: Harvard Club of Malaysia

NAME OF DIRECTORS	COURSE TITLE / ORGANISER
Lee Hai Peng	Name of Conference/Training: Program for Directors of Public Listed Companies Organiser: Bursatra Sdn Bhd
Datuk Cheng Lai Hock	Name of Conference/Training: Common Violations/Offences Under the New Companies Act 2016 Organiser: Malaysian Association of Companies Secretaries Name of Conference/ Training: Secretarial Compliance Issues Organiser: Malaysian Association of Companies Secretaries
Yeoh Chin Hoe	Name of Conference/Training: Seminar on Proposed Malaysian Code on Corporate Governance 2016 – Implications on Listed Issuers Board Organiser: Coalition for Business Integrity Berhad

The Directors will undergo relevant training programs and seminars from time to time and as and when necessary to update themselves with the relevant knowledge and skills to discharge their duties effectively.

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and/or Board meetings.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2016 are prepared in accordance with the Malaysian Financial Reporting Standards, MMLR and the Companies Act, 1965. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The Responsibility Statement by the Directors pursuant to MMLR of Bursa Securities is set out in page 44 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and make recommendations to the Board, the appointment or re-appointment of the external auditors. The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. Where necessary, the Audit Committee will also meet with the external auditors without the presence of executive Board members or management personnel to allow the Audit Committee and the external auditors to exchange independent views on matters which require the Audit Committee's attention.

In assess or determine the suitability and independence of the external auditors, the Audit Committee has take into consideration of the followings:

(a) the adequacy of the experience and resources of the external auditors;

(b) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(c) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and

(d) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants. A summary of activities of the Audit Committee during the financial year under review is set out in the Audit Committee Report on pages 56 to 61 of this Annual Report.

PRINCIPLE 6: RECOGNISE AND MANAGE RISK

Sound Risk Management Framework and Internal Controls System

The Group has established a Risk Management Policy and Guidelines which sets out its risk management strategy, risk structure, risk assessment processes, risk communication and action plans.

The Risk Management Committee was formed on 18 August 2016 to assist the Board in identifying, mitigating and monitoring critical risks highlighted by business units. The Risk Management Committee comprises the following members:

Name	Executive position
Chiau Haw Choon (Chairman)	Group Managing Director
Lee Hai Peng (Member)	Executive Director cum Chief Financial Officer
Yeoh Chin Hoe (Member)	Senior Independent Non-Executive Director

The Risk Management Committee is responsible for implementing risk management policies and strategies approved by the Board. It monitors and manages the principal risk exposures by ensuring that Management has taken the necessary steps to mitigate such risks and recommends action where necessary. The Risk Management Committee reports to the Audit Committee at least twice a year and briefs the Board on its findings if so required.

The Statement on Risk Management and Internal Control as set out in pages 53 to 55 of this Annual Report provides an overview of the management of risks and state of internal controls within the Group.

Internal Audit Function

The Directors acknowledge their responsibility to maintain a system of internal control and risk management. The Board seeks regular assurance on the continuity and effectiveness of the internal control and risk management system through independent review by the Group's in-house Internal Audit function.

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively. The internal auditors adopt a risk based approach towards the planning and conduct of their audits, and this is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

The activities of the internal auditors during the financial year are set out in the Audit Committee Report on page 61 of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies and Procedures

The Group recognised the value of transparent and effective communications with the investment community mainly communicates with its shareholders, stakeholders and the public through press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders; it is not only established just to comply with the MMLR of the Bursa Securities.

The Group also endeavours to provide additional disclosures of information on a voluntary basis, where necessary. The Management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Besides the above, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Company strived to provide a high level of transparency reporting in order to provide value for its shareholders and investors.

By these methods, the Group aims to build long-term relationships with its shareholders and investors through appropriate channels for disclosure of information.

Leverage on Information Technology for Effective Dissemination of Information

The Group's website at www.chinhingroup.com incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual report.

The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

The Group also actively engages the public via Facebook and other social media platforms and will continue to actively leverage on Information Technology for effective dissemination of information.

Shareholders and investors may also forward their enquiries to the Company via email to info@chinhingroup.com.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Dialogue with Shareholders

In addition to the dissemination of information to shareholders via announcements to Bursa Securities, its website, circulars and press releases, interviews are conducted from time to time with fund managers and local journalists by Management and reported in the local newspapers.

Annual and extraordinary general meetings act as ideal opportunities to communicate with shareholders. During general meetings, the Group Managing Director will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought.

Encourage Shareholder Participation at General Meetings

The Annual Report, which contains the Notice of Annual General Meeting, is sent to shareholders at least twenty one (21) days prior to the date of the meeting. The Notice of Annual General Meeting, which sets out the business to be transacted at the Annual General Meeting, is also published in at least one (1) nationally circulated daily newspaper. Items of special business included in the Notice of Annual General Meeting will be accompanied by an explanation of the proposed resolution.

At each meeting, shareholders are able to participate in the question-and-answer session in respect of the matters listed in the Notice of Annual General Meeting.

Poll Voting

In line with Paragraph 8.29A of the MMLR, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG 2012 with regards to strengthening engagement and communication with shareholders.

The Company's Investor Relations Department plays an important role in conducting regular dialogues and discussions with fund managers, financial analysts, shareholders and media. These meetings provide financial analysts and institutional fund managers with ongoing updates on the Group's development activities to better understand the business and strategic direction of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year, and of the results and cash flows of the Group and of the Company for that year then ended.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and applied applicable approved accounting standards and made reasonable and prudent judgements and estimates as presented in this Annual Report.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and that the financial statements comply with the requirements of the Companies Act 1965.

The Directors have general responsibilities for taking such steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board recognised the importance of good corporate governance towards long term sustainability of the Group. To this end, the Board always strives to adopt the principles and recommendations promoted by the MCCG 2012. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the MCCG 2012 where practical and appropriate.

OTHER DISCLOSURE REQUIREMENTS

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

As at 31 December 2016, the gross proceeds from the public issue amounting to approximately RM41.079 million was partially utilised from the date of listing in the following manner :

		Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Reallocation (RM'000)	Balance utilisation (RM'000)	Estimated timeframe for utilisation from the listing date
	Purpose					
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	5,973	-	9,027	Within twenty four (24) months
ii)	Repayment of bank borrowings	15,000	15,000	-	-	Within six (6) months
iii)	Working capital requirements	7,079	7,079	-	-	Within twenty four (24) months
iv)	Listing expenses	4,000	4,000	-	-	Immediately
	Total	**41,079**	**32,052**	**-**	**9,027**	

Notes: The utilisation of proceeds as disclosed above should be read in conjuction with the Prospectus of the Company dated 18 February 2016.

AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2016 were as follows :

		Company (RM)	Group (RM)
Audit Services Rendered		35,000	305,169
Non-Audit Services Rendered			
(a)	Professional fees for Reporting Accountant for listing exercise	193,000	193,000
(b)	Verification for the application of Pioneer Status Certificate	-	8,000
(c)	Review of statement of risk management and internal control	5,000	5,000

MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts or contracts relating to loan entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Party Transactions of a Revenue and Trading Nature ("RRPT")

The Company is seeking approval from shareholders for the proposed new shareholders' mandate and renewal of the existing shareholders' mandate for the Group to enter into RRPT(s) of a revenue or trading nature pursuant at the forthcoming Annual General Meeting to be held on 25 May 2017.

The details of RRPTs of a revenue or trading nature of the Group for the financial period from 18 August 2016 to 31 December 2016 are follows:

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
AS Chin Hin Sdn Bhd	CHGB Group	• Supply and/ or purchase of building materials based on prevailing market price.	893	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Beng Soo and Ng Peng Peng, the brother and sister-in-law of Datuk Seri Chiau Beng Teik, are the directors and substantial shareholders of AS Chin Hin Sdn Bhd.
		• Provision and/ or receipt of transportation services based on prevailing market price.	-	
Italia Ceramics Sdn Bhd	PP Chin Hin Sdn Bhd	• Supply and/ or purchase of building materials based on prevailing market price.	1,215	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Yeoh Hock Seng, the brother-in-law of Datuk Seri Chiau Beng Teik, is a director and substantial shareholder of Italia Ceramics Sdn Bhd.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
CH Hardware & Transport Sdn Bhd	C&H Transport Sdn Bhd	• Provision of transportation services based on prevailing market price.	3,157	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Thean Bee, the brother of Datuk Seri Chiau Beng Teik, is the director and substantial shareholder of CH Hardware & Transport Sdn Bhd.
Pintar Muda Development Sdn Bhd	CHGB Group	• Sale of building materials based on prevailing market price.	4	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. • Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors of Pintar Muda Development Sdn Bhd, which in turn is a wholly-owned subsidiary of PP Chin Hin Realty Sdn Bhd, a Major Shareholder of CHGB.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
GA Hotel Management Sdn Bhd	• PP Chin Hin Sdn Bhd • Chin Hin Concrete (North) Sdn Bhd	• Sale of building materials based on prevailing market price.	-	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. • Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors of GA Hotel Management Sdn Bhd, which in turn is a wholly-owned subsidiary of PP Chin Hin Realty Sdn Bhd, a Major Shareholder of CHGB.
Chip Hin Trading Sdn Bhd	CHGB Group	• Provision and/ or receipt of transportation services based on prevailing market price.	-	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Beng Sun, the brother of Datuk Seri Chiau Beng Teik, is the director and substantial shareholder of Chip Hin Trading Sdn Bhd.
CHL Logistic Sdn Bhd	CHGB Group	• Provision and/ or receipt of transportation services based on prevailing market price.	2,861	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB.
		• Sales and/or purchase of building materials based on prevailing market price.	3,190	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
CHL Logistic Sdn Bhd (cont'd)	CHGB Group	• Sale of vehicle insurance premium and road tax to CHL Logistic Sdn Bhd (as agent of the insurance company).	322	• Datin Seri Wong Mee Leng is a Major Shareholder of CHGB. • Chiau Haw Loon, the son of Datuk Seri Chiau Beng Teik and Datin Seri Wong Mee Leng, and brother of Chiau Haw Choon, is the director and substantial shareholder of CHL Logistic Sdn Bhd.
		• Rental income received by Chin Hin Concrete (KL) Sdn Bhd for office space rented to CHL Logistic Sdn Bhd. • Rental income received for motor vehicles rented out to CHL Logistic Sdn Bhd.	8 524	
Chin Hin Gypsum Sdn Bhd	Starken AAC Sdn Bhd	• Purchase of raw materials based on prevailing market price.	536	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Datuk Seri Chiau Beng Teik is the director and substantial shareholder of Chin Hin Gypsum Sdn Bhd.
Sens Hotel Sdn Bhd	PP Chin Hin Sdn Bhd	• Rental income received from Sens Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin Sdn Bhd.	61	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. • Datin Seri Wong Mee Leng is a Major Shareholder of CHGB. • Chiau Haw Loon, the son of Datuk Seri Chiau Beng Teik and Datin Seri Wong Mee Leng and brother of Chia Haw Choon, is the director and substantial shareholder of Sens Hotel Sdn Bhd.
		• Rental income received from Sens Hotel Sdn Bhd for renting parking lot belonging to PP Chin Hin Sdn Bhd.	5	

<table>
<tr><th>Related Party</th><th>CHGB Group - Transacting Party</th><th>Nature of Transaction with CHGB Group</th><th>Value of Transaction (RM'000)</th><th>Nature of relationship between CHGB Group and the Related Party</th></tr>
<tr><td>Teras Maju Sdn Bhd</td><td>PP Chin Hin Sdn Bhd</td><td>• Sale of building materials based on prevailing market price.</td><td>-</td><td>• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB.
• Yeoh Hock Seng, the brother-in-law of Datuk Seri Chiau Beng Teik is the director and substantial shareholder of Teras Maju Sdn Bhd.</td></tr>
<tr><td>Laksana Saujana Sdn Bhd</td><td>PP Chin Hin Sdn Bhd</td><td>• Rental expenses paid to Laksana Saujana Sdn Bhd for renting of warehouse-cum office.</td><td>45</td><td>• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB.
• Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB.
• Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors and substantial shareholders of Laksana Saujana Sdn Bhd.</td></tr>
<tr><td rowspan="2">Chin Hin Hotel Sdn Bhd</td><td rowspan="2">PP Chin Hin Sdn Bhd</td><td>• Rental income received from Chin Hin Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin Sdn Bhd.</td><td>238</td><td rowspan="2">• Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB.
• Chiau Haw Choon is the director of Chin Hin Hotel Sdn Bhd, which in turn, is substantially owned by PP Chin Hin Realty Sdn Bhd, a Major Shareholder of CHGB.</td></tr>
<tr><td>• Sale of building materials based on prevailing market price.</td><td>-</td></tr>
</table>

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
Chin Hin Concrete Mix Sdn Bhd	PP Chin Hin Sdn Bhd	• Rental paid for renting of office space by PP Chin Hin Sdn Bhd.	4	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. • Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors and substantial shareholders of Chin Hin Concrete Mix Sdn Bhd.
Murni Jaya Enterprise Sdn Bhd	C&H Transport Sdn Bhd	• Provision of transportation services based on prevailing market price.	1,412	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Beng Sun, the brother of Datuk Seri Chiau Beng Teik, is the director and substantial shareholder of Murni Jaya Enterprise Sdn Bhd.
PP Chin Hin Realty Sdn Bhd	• PP Chin Hin Sdn Bhd • Chin Hin Concrete (KL) Sdn Bhd • CHGB	• Sale of building materials based on prevailing market price.	-	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB.
		• Rental income received from PP Chin Hin Realty Sdn Bhd for renting of office space belonging to PP Chin Hin Sdn Bhd.	68	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

<table>
<tr><th>Related Party</th><th>CHGB Group - Transacting Party</th><th>Nature of Transaction with CHGB Group</th><th>Value of Transaction (RM'000)</th><th>Nature of relationship between CHGB Group and the Related Party</th></tr>
<tr><td rowspan="3">PP Chin Hin Realty Sdn Bhd (cont'd)</td><td rowspan="3"></td><td>• Rental income received from PP Chin Hin Realty Sdn Bhd for renting parking lot belonging to PP Chin Hin Sdn Bhd.</td><td>3</td><td rowspan="3">• Datin Seri Wong Mee Leng is a Major Shareholder of CHGB.

• PP Chin Hin Realty Sdn Bhd is a Major Shareholder of CHGB.

• Datuk Seri Chiau Beng Teik, Datin Seri Wong Mee Leng and Chiau Haw Choon are the directors and substantial shareholders of PP Chin Hin Realty Sdn Bhd.</td></tr>
<tr><td>• Rental paid to PP Chin Hin Realty Sdn Bhd for rental of office space by Chin Hin Concrete (KL) Sdn Bhd.</td><td>7</td></tr>
<tr><td>• Rental paid to PP Chin Hin Realty Sdn Bhd for rental of office space by CHGB.</td><td>9</td></tr>
</table>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group") is pleased to present its Statement on Risk Management and Internal Control, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"). This statement has been made in accordance with the recommendations of the revised Malaysian Code of Corporate Governance 2012 which requires the Board to Directors of listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's internal control and risk management systems to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of such systems. The Board ensures the effectiveness of such systems through regular quarterly reviews. These responsibilities are delegated to the Audit Committee which is empowered by their terms of reference which had been approved by the Board.

Due to inherent limitations in the systems of internal control and risk management, such systems can only manage rather than eliminate all risks of failure to achieve business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

RISK MANAGEMENT FRAMEWORK

As part of the Board's commitment to protect shareholders interests, the Board has established a robust risk management framework by formalizing a Risk Management Committee to ensure that enterprise risk management practices are rolled out and practiced throughout the Group.

The Risk Management Committee will oversee the process of identifying, evaluating, monitoring and managing significant risks faced by the Group throughout the financial year. The Group's risk management framework establishes the context in relation to the Group's business and sets out the process for risk identification, risk profiling and risk mitigation with regular reporting, monitoring, reviewing and communicating of risk issues. The salient features of the risk management framework are as follows:

1. The Risk Management Committee has been established at Board level, Group Senior Management level and at the respective business units' level to maintain risk oversight within the Group.

2. The risk management framework outlines the Group's risk management system, defines management's responsibilities, and sets the Group's risk appetite and risk tolerance. The framework has been incorporated into the Group's risk management policy and guidelines.

RISK MANAGEMENT FRAMEWORK (cont'd)

3. Risk assessments are undertaken by management of the respective Business units, headed by its CEO, to identify and update risks. The Risk Management Committee will meet on a quarterly basis to deliberate on the significant risks identified by management. Matters deliberated include identifying new risks, reviewing the existing risk profiles, internal control procedures and status of risk mitigating action plans. Risk management reports will be prepared for the Board Risk Management Committee's review on a quarterly basis.

4. Third party oversight and continuous review of the risk management activities are conducted by the Group Internal Audit team. In particular, Group Internal Audit will incorporate into its internal audit plan the necessary audit procedures to check the adequacy and effectiveness of the controls established to address the identified risks in the risk register.

INTERNAL CONTROL

The features of the Group's system of internal control will assist the Group's objective of providing reasonable assurance against the occurrence of an event those would have an impact on the achievement of the Group's business objectives. The key features include the following:

1. An organization structure which formally defines lines of responsibility and limits of authority to facilitate the operations of the individual Business Units and Group Support Divisions.
2. Relevant Board Committees with formal terms of reference outlining functions and duties delegated by the Board.
3. A Group centralized control over key functions such as finance, human resource, credit control, information technology, marketing, business processes and internal audit.
4. Annual Strategic planning workshop and setting of key performance indicators established for each individual executive before the next financial year.
5. Detailed Budgeting processes which include the review of actual performance compared with budget, with detailed explanations provided for major variances.
6. Systematic performance appraisal process for all employees of the Group conducted two times a year which includes the review of the results of key performance indicators.
7. A dedicated business processes team which conducts continuous development and improvement of the Group's policies and standard operating procedures.
8. Monthly Executive Committee (EXCO) meetings to discuss the Group's financial performance, business development, operational and corporate issues.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the in-house Internal Audit Department which reports directly to the Audit Committee on the adequacy and effectiveness of the risk management and internal control systems.

During the financial year, quarterly internal audits were conducted in accordance with the annual internal audit plan. Internal audit reports on the findings, audit recommendations and agreed management action plans have been reviewed and approved by the Audit Committee.

The Group Internal Audit also conducts follow-ups to assess the status of implementation of agreed upon action plans. The results on the status of these follow-ups reviews are also highlighted to the Audit Committee.

A total cost of RM499,790 was incurred on internal audit activities for the financial year ended 31 December 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding of the processes the Board has adopted in reviewing the adequacy and integrity of risk management and internal control within the Group.

MANAGEMENT'S ASSURANCE

The Group Managing Director and Group Chief Financial Officer, representing the management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

AUDIT COMMITTEE'S REPORT

MEMBERSHIP OF THE AUDIT COMMITTEE

Mr Yeoh Chin Hoe
Chairman
Senior Independent Non-Executive Director

Datuk Cheng Lai Hock
Member
Independent Non-Executive Director

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

MEETINGS

The Audit Committee held three (3) meetings during the financial year ended 31 December 2016. The attendance of each Audit Committee member was as follows:-

	Attendance
Mr Yeoh Chin Hoe	3/3
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	3/3
Datuk Cheng Lai Hock	2/3

COMPOSITION AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Composition

The Board shall appoint the Audit Committee from amongst themselves. The Audit Committee shall comprise of at least three (3) members, all of whom must be Non-Executive Directors. The majority of the Audit Committee members shall be independent directors.

All members of the Audit Committee have a working familiarity with basic finance and accounting practices, and at least one (1) member:

a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
b) if he is not a member of MIA, he must have at least 3 years of working experience and:
    i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
c) fulfils such other requirements as prescribed by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board annually to determine whether the Audit Committee and each of its members have carried out their duties in accordance with their terms of reference.

If a member of the Audit Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

AUDIT COMMITTEE'S REPORT (cont'd)

Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman at any meeting of the Audit Committee, the other members shall amongst themselves elect another member who must be an independent director to chair the meeting.

The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman of the Board, the Group Managing Director, Chief Financial Officer ("CFO"), other senior members of management, head of internal audit and external auditors in order to be kept informed of matters affecting the Company.

Meetings

The Audit Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Audit Committee Chairman's discretion. Other than the circumstances which the Chairman of the Audit Committee considers inappropriate, the Executive Directors, Group Accountants, the representatives of the internal auditors and external auditors will attend any meeting of the Audit Committee to make known their views on any matter under consideration by the Audit Committee or which in their opinion, should be brought to the attention of the Audit Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Audit Committee. Where necessary, the Audit Committee shall meet with the external auditors without the present of any Executive Directors and members of the management.

The Company Secretaries or his nominee or such other persons authorised by the Board shall act as the Secretary of the Audit Committee.

Quorum

The quorum for a meeting of the Audit Committee shall consist of not less than two (2) members, majority of members present must be Independent Non-Executive Directors.

Minutes

The Company Secretaries shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required. The Audit Committee shall report to the Board on the proceeding of each Audit Committee meeting and the minutes of each meeting shall be tabled to the Board for notation.

Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board is authorised as follows:-

(i) The Audit Committee is authorised by the Board to investigate any matter within the Audit Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Audit Committee.

(ii) The Audit Committee is authorised by the Board to obtain external legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

(iii) The Audit Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

(iv) The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Audit Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Audit Committee.

(v) The Internal Auditors report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Audit Committee. The Audit Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member with an opportunity to submit his/her reasons for resigning.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

(a) Financial Reporting

To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor, focusing particularly on:

i) Any significant changes to accounting policies and practices;

ii) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;

iii) Significant adjustments arising from the audit;

iv) Compliance with accounting standards and other legal requirements; and

v) Going concern assumption.

(b) Risk Management and Internal Control

i) To consider the effectiveness of the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to mitigate losses and maximize opportunities;

ii) To assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;

iii) To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;

iv) To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures;

v) To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;

vi) To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself; and

vii) To report to the Board of Directors any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

(c) Internal Audit Function

i) To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;

ii) To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;

iii) To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;

iv) To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;

v) To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;

vi) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and

vii) To request and review any special audit which the Committee deems necessary.

(d) External Audit

i) To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;

ii) To review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to the Board, the appointment or re-appointment of the external auditors;

iii) In assess or determine the suitability and independence of the external auditors, the Audit Committee shall take into consideration of the following:

- the adequacy of the experience and resources of the external auditors;
- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

iv) To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;

v) To review the external auditor's audit report, and management letter and management's response to the management letter;

vi) To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised;

vii) To review the external auditors' findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken; and

viii) To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

(e) Related Party Transactions/Conflict of Interest Situations

To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(f) Audit Reports

To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit services and summary of the activities for inclusion in the Annual Report and to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

(g) Other Matters

i) To verify the allocation of options pursuant to the Share Issuance Scheme or the allocation of shares pursuant to any incentive plan for employees of the Group at the end of each financial years as being in compliance with the criteria which is disclosed to the employees and make a statement in the Annual Report that such allocation has been verified;

ii) To exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy of the Group; and

iii) To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board.

A copy of the terms of reference of the Audit Committee is available for reference at the Company's website at www.chinhingroup.com.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, the Audit Committee carried out the following activities:

1. Financial Statements

(a) Reviewed the quarterly financial reports before they were presented to the Board for approval; and
(b) Reviewed the year-end financial statements of the Group and obtained assurance that the financial reporting and disclosure requirements of the relevant authorities had been duly complied with.

2. Matters relating to External Audit

(a) Reviewed with the external auditors, their audit plan covering the audit objectives and approach, key audit areas and the relevant accounting standards issued by the Malaysian Accounting Standards Board and other relevant technical pronouncements that are relevant to the Group;
(b) Reviewed with the external auditors, their audit report and findings on financial reporting matters, and reported such matters to the Board of Directors;
(c) Reviewed with the external auditors, their evaluation of the system of internal controls, their management letter setting out internal control recommendations and management's response thereto; and
(d) Evaluated the performance of the external auditors and made recommendations to the Board on their reappointment and audit fees.

3. Matters relating to Internal Audit

(a) Reviewed the internal auditors' annual audit plan to ensure adequate scope and coverage of the Group's activities based on identified and assessed key risk areas;
(b) Reviewed the internal auditors' observations, recommendations for improvements and management's response thereto. Reported major findings to the Board and made recommendations to the Board for consideration and approval based on the internal audit reports; and
(c) Monitored the outcome of the follow-up audits conducted to ascertain all agreed upon action plan was adequately implemented to address the key risks.

4. Matters relating to Risk Management

a) Approved the setting of the Board Risk Management Committee and the Risk Management Committees of the respective Business Units; and
b) Reviewed the updates on the risk profile and summary of risk presented by the Risk Management Committee.

INTERNAL AUDIT FUNCTION

The internal audit function is performed in-house and undertaken by the Group's Internal Audit Department which reports directly to the Audit Committee on its activities based on the approved annual plan. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The internal audit activities carried out for the financial year includes, inter alia, the following:

- Prepared the annual plan for the approval of the Audit Committee;
- Ascertained the extent of compliance with the established Group policies, procedures and statutory requirements;
- Reviewed the system of internal controls and key operating processes based on the approved annual plan by adopting a risk-based approach and recommended improvements to the existing system of controls; and
- Followed up on the implementation status of previously issued audit recommendations.

The Internal Audit reports incorporating the audit observations, audit recommendations and management action plans were issued to the Audit Committee and follow-ups were conducted by the Internal Audit team to ensure that all recommendations and action plans had been implemented.

For further details on the risk management, internal controls and internal audit functions, please refer to the Statement on Risk Management and Internal Controls on pages 53 to 55 in this Annual Report.

Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal Activities

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Net profit for the financial year - attributable to owners of the parent	41,425,652	21,007,613

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in financial statements.

Dividends

Since the end of the last financial year, the Company paid the following dividends:

	RM
A first interim single tier dividend of 3% or 1.5 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 13 July 2016	7,588,320
A second interim single tier dividend of 4% or 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 10 April 2017	10,117,760
	17,706,080

The Board of Directors does not recommend any final dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company increased its issue and paid-up share capital from RM221,345,050 to RM252,944,000 as part of its initial public offering in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad. The issued and paid-up share capital was increased by the public issue of 63,197,900 new ordinary shares of RM0.50 each in the following manner:

(i) 25,294,400 new shares available for application by the Malaysian Public;
(ii) 6,400,000 new shares available for application by our eligible Directors and employees; and
(iii) 31,503,500 new shares by way of private placement to identified investors.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

DIRECTORS' REPORT (cont'd)

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office since the date of last report are:

Chiau Haw Choon
Datuk Cheng Lai Hock
Datuk Seri Chiau Beng Teik
Datuk Seri Dr Nik Norzrul Thani Bin N. Hassan Thani
Lee Hai Peng
Yeoh Chin Hoe

Directors' Interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 01.01.2016	Bought	Sold	At 31.12.2016
Interests in the Company				
Direct Interests				
Chiau Haw Choon	142,895,750	-	142,895,750	-
Datuk Cheng Lai Hock	-	100,000	-	100,000
Datuk Seri Chiau Beng Teik	244,034,320	-	194,877,120	49,157,200
Datuk Seri Dr Nik Norzrul Thani Bin N. Hassan Thani	-	200,000	100,000	100,000
Lee Hai Peng	-	2,324,000	-	2,324,000
Yeoh Chin Hoe	-	100,000	-	100,000
Indirect Interests				
Chiau Haw Choon *	-	303,532,800	-	303,532,800
Datuk Seri Chiau Beng Teik *	-	303,532,800	-	303,532,800

* deemed interest by virtue of the shareholdings in holding company.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

 (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

 (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

 (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

 (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

 (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

 (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

 (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

 (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

 (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

 (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Ultimate Holding Company

During the financial year, PP Chin Hin Realty Sdn. Bhd. has acquired the entire equity interest of Divine Inventions Sdn. Bhd. and becomes the ultimate holding company of the Company.

Immediate Holding Company

During the financial year, Divine Inventions Sdn. Bhd. has acquired 60% of the equity interest of the Company and becomes the immediate holding company.

DIRECTORS' REPORT (cont'd)

Significant Events

The significant events are disclosed in Note 36 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 37 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 April 2017.

DATUK SERI CHIAU BENG TEIK

CHIAU HAW CHOON

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 72 to 140 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 40 to the financial statements on page 141 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf the Board of Directors in accordance with a resolution of the Directors dated 21 April 2017.

DATUK SERI CHIAU BENG TEIK

CHIAU HAW CHOON

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, LEE HAI PENG, being the Director primarily responsible for the financial management of Chin Hin Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 72 to 141 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the Federal)
Territory on 21 April 2017)

LEE HAI PENG

Before me,

NO. W710
MOHAN A.S. MANIAM
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHIN HIN GROUP BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chin Hin Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 140.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
Valuation of Investment Properties The Group's investment properties comprises of both commercial and residential properties amounting to RM71.28 million, representing approximately 9% of the Group's total assets as at 31 December 2016. The Group has appointed valuers to conduct the valuation of their investment properties. In conducting their valuation, the valuers will generally adopt the sales comparison method in deriving the range of the valuation outcome. The valuation of the Group's investment properties is inherently subjected to, among others, the individual nature of each property, its location and the expected future rental income of that particular investment property. Therefore, any changes in the assumptions / estimates used in deriving the valuation of the investment properties could result in material changes to the financial statements of the Group.	We have reviewed the valuation reports prepared by third party valuer and ensure that the valuation adopted by the Group is consistent with the range of valuation indicated within the respective valuation report. We evaluated the independent valuer's competence, capabilities, independence and objectivities. We assessed the appropriateness methodologies and key assumptions applied in the valuations. It was evident from our review of the valuation reports that close attention has been paid to each property's individual characteristic and its overall quality, geographical location and desirability as a whole. There was no evident of management bias or influence noted on the valuation report. We reviewed the accounting treatment of the investment properties and assessed the adequacy of the disclosure in the financial statements of the Group in accordance with MFRS 140 *Investment Property*.

Key Audit Matters (cont'd)

Key Audit Matters	How we addressed the key audit matters
Impairment on Trade Receivables The Group's trade receivables amounting to RM295.48 million, representing approximately 65% of the Group's total current asset as at 31 December 2016. Given the material credit exposure in its portfolio of trade receivables, the assessment of impairment which involves significant estimation, subjective assumptions and application of significant judgements could result in material changes the financial statements of the Group. The Group has its internal credit control department which reviews and monitors the payment pattern of their customers. The Board of Directors of the Group is of the opinion that the trade receivable turnover days of approximately 102 days as at 31 December 2016 is within its industry's norm.	We have reviewed the Group's trade receivables to determine whether are there any indication of impairment. Our impairment review is focused towards trade receivables which are overdue but not impaired as at 31 December 2016. We reviewed the Group's policy on management of credit risk and its credit exposures. We assessed the reasonableness of the methods and assumptions used by the management in estimating the recoverable amount and impairment loss. We also tested the accuracy and completeness of the data used by the management. We develop our understanding on trade receivables which poses a high risk of default through reviewing the trade receivables ageing analysis, discussion with the Group's internal credit control department and validating to legal reports by solicitors for cases where the Group has commenced legal actions. We reviewed the adequacy of the impairment loss and enquired the management regarding the recoverability of a sample of trade receivables that are individually significant and group of receivables with similar credit risk characteristics. We examined the repayment patterns, review any settlement agreement and obtained evidence of cash receipts where these has been received. We considered the adequacy of disclosure made in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

Information other than the Financial Statements and Auditors' Report thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Responsibilities of Directors for the Financial Statements (cont'd)

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHIN HIN GROUP BERHAD (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 40 on page 141 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

21 April 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	293,702,712	200,758,741	1,359,681	140,767
Investment properties	5	71,280,000	103,491,050	-	-
Investment in subsidiary companies	6	-	-	251,739,895	251,739,895
Hire purchase receivables	7	82,153	250,060	-	-
		365,064,865	304,499,851	253,099,576	251,880,662
Current Assets					
Inventories	8	52,795,593	44,819,086	-	-
Trade receivables	9	295,479,338	302,567,612	-	-
Other receivables	10	24,344,276	16,577,628	198,244	2,040,511
Hire purchase receivables	7	5,401,756	459,541	-	-
Amount due from subsidiary companies	11	-	-	96,015,825	17,486,096
Derivative financial assets	12	-	38,498	-	-
Tax recoverable		2,255,893	155,673	-	-
Fixed deposits with licensed banks	13	1,596,838	11,315,483	-	-
Cash and bank balances		73,502,108	168,855,397	14,715,097	223,317
		455,375,802	544,788,918	110,929,166	19,749,924
Assets held for sale	14	-	3,662,637	-	-
		455,375,802	548,451,555	110,929,166	19,749,924
Total Assets		820,440,667	852,951,406	364,028,742	271,630,586

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016 (cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
EQUITY					
Share capital	15	252,944,000	221,345,050	252,944,000	221,345,050
Reserves	16	71,369,496	39,902,223	11,143,218	186,153
Total Equity		324,313,496	261,247,273	264,087,218	221,531,203
LIABILITIES					
Non-Current Liabilities					
Finance lease payables	17	1,670,137	10,414,547	-	-
Bank borrowings	18	36,250,433	70,683,809	-	-
Deferred tax liabilities	19	5,163,600	4,257,221	49,500	-
		43,084,170	85,355,577	49,500	-
Current Liabilities					
Trade payables	20	126,820,722	146,496,856	-	-
Other payables	21	35,666,242	18,087,072	10,833,094	955,957
Amount due to Directors	22	2,000	10,908,802	-	-
Amount due to subsidiary companies	11	-	-	89,041,900	49,143,426
Finance lease payables	17	3,617,466	9,701,639	-	-
Bank borrowings	18	284,065,932	318,218,210	-	-
Tax payables		2,870,639	2,935,977	17,030	-
		453,043,001	506,348,556	99,892,024	50,099,383
Total Liabilities		496,127,171	591,704,133	99,941,524	50,099,383
Total Equity and Liabilities		820,440,667	852,951,406	364,028,742	271,630,586

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	23	1,058,833,845	1,199,151,596	30,540,000	5,660,000
Cost of sales		(960,011,774)	(1,097,607,050)	-	-
Gross profit		98,822,071	101,544,546	30,540,000	5,660,000
Other income		12,030,293	8,693,193	7,215	838
Fair value adjustment on investment properties		10,570,958	-	-	-
Distribution expenses		(11,443,891)	(10,486,835)	-	-
Administrative expenses		(32,552,224)	(28,452,660)	(6,391,713)	(5,287,835)
Other expenses		(7,060,619)	(11,803,226)	-	-
Listing expenses		(2,920,412)	-	(2,920,412)	-
Finance costs	24	(16,275,882)	(20,515,769)	-	-
Profit before taxation	25	51,170,294	38,979,249	21,235,090	373,003
Taxation	26	(9,744,642)	(8,758,361)	(227,477)	(140,000)
Profit for the financial year		41,425,652	30,220,888	21,007,613	233,003
Other comprehensive income					
Exchange translation differences for foreign operations		92,169	407,874	-	-
Total comprehensive income for the financial year		41,517,821	30,628,762	21,007,613	233,003
Profit for the financial year attributable to:					
Owners of the parent		41,425,652	30,220,888	21,007,613	233,003
Total comprehensive income attributable to:					
Owners of the parent		41,517,821	30,628,762	21,007,613	233,003
Earnings per share					
Basic earnings per share (sen)	27	8	7		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

	Attributable to owners of the parent					
	Non-distributable				Distributable	
	Share Capital RM	Foreign Currency Translation Reserve RM	Merger Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total Equity RM
Group						
At 1 January 2015	221,345,050	44,724	(153,191,580)	8,768,544	153,651,773	230,618,511
Profit for the financial year	-	-	-	-	30,220,888	30,220,888
Foreign exchange translation	-	407,874	-	-	-	407,874
Total comprehensive income	-	407,874	-	-	30,220,888	30,628,762
At 31 December 2015	221,345,050	452,598	(153,191,580)	8,768,544	183,872,661	261,247,273

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016 (cont'd)

		[---Attributable to owners of the parent						---]
		[---Non-distributable				---]	Distributable	
	Note	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Merger Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total Equity RM
Group								
At 1 January 2016		221,345,050	-	452,598	(153,191,580)	8,768,544	183,872,661	261,247,273
Profit for the financial year		-	-	-	-	-	41,425,652	41,425,652
Foreign exchange translation		-	-	92,169	-	-	-	92,169
Total comprehensive income		-	-	92.169	-	-	41,425,652	41,517,821
Transaction with owners:								
Issue of ordinary shares	15, 16[(a)]	31,598,950	9,479,685	-	-	-	-	41,078,635
Shares issuance expenses	16[(a)]	-	(1,824,153)	-	-	-	-	(1,824,153)
Dividends to owners of the Company	28	-	-	-	-	-	(17,706,080)	(17,706,080)
Total transactions with owners		31,598,950	7,655,532	-	-	-	(17,706,080)	21,548,402
At 31 December 2016		252,944,000	7,655,532	544,767	(153,191,580)	8,768,544	207,592,233	324,313,496

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016 (cont'd)

	Note	Non-distributable Share Capital RM	Non-distributable Share Premium RM	Distributable (Accumulated Losses) / Retained Earnings RM	Total Equity RM
Company					
At 1 January 2015		221,345,050	-	(46,850)	221,298,200
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	233,003	233,003
At 31 December 2015		221,345,050	-	186,153	221,531,203
At 1 January 2016		221,345,050	-	186,153	221,531,203
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	21,007,613	21,007,613
Transactions with owners:					
Issue of ordinary shares	15, 16[a]	31,598,950	9,479,685	-	41,078,635
Share issuance expenses	16[a]	-	(1,824,153)	-	(1,824,153)
Dividends to owners of the Company	28	-	-	(17,706,080)	(17,706,080)
Total transactions with owners		31,598,950	7,655,532	(17,706,080)	21,548,402
At 31 December 2016		252,944,000	7,655,532	3,487,686	264,087,218

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Operating Activities				
Profit before taxation	51,170,294	38,979,249	21,235,090	373,003
Adjustments for:				
Bad debts written off	491,477	1,648,905	-	-
Deposit written off	15,274	-	-	-
Depreciation of property, plant and equipment	16,257,866	14,786,069	139,083	13,787
Dividend income	-	-	(23,700,000)	-
Fair value adjustment on investment properties	(10,570,958)	-	-	-
Gain on disposal of property, plant and equipment	(2,338,825)	(15,054)	-	-
Gain on disposal of investment property	(891,853)	-	-	-
Gain on unrealised foreign exchange	(197,596)	(43,013)	-	-
Impairment on trade receivables	1,144,123	3,415,272	-	-
Impairment on other receivables	15,200	-	-	-
Interest expenses	16,336,467	20,706,308	-	-
Interest income	(700,628)	(1,281,182)	(7,215)	(838)
Inventories written off	47,096	23,743	-	-
Loss/(Gain) on derivative financial assets	38,498	(33,873)	-	-
Loss on disposal of assets held for sale	-	18,999	-	-
Loss on disposal of investment in subsidiary companies	-	-	-	151,290
Property, plant and equipment written off	13,231	4,604	-	-
Reversal of impairment on trade receivables	(1,382,581)	(3,193,347)	-	-
Operating profit/(loss) before working capital changes	69,447,085	75,016,680	(2,333,042)	537,242
Changes in working capital:				
Inventories	(8,023,603)	(688,930)	-	-
Trade receivables	6,835,255	(13,163,210)	-	-
Other receivables	(7,797,122)	2,367,896	1,842,267	(1,532,406)
Hire purchase receivables	(4,774,308)	420,557	-	-
Trade payables	(19,676,134)	7,723,365	-	-
Other payables	7,461,410	(2,460,632)	(240,623)	840,657
Amounts due from/to subsidiary companies	-	-	(38,631,255)	33,700,185
Amount due to Directors	(10,906,802)	51,955	-	-
	(36,881,304)	(5,748,999)	(37,029,611)	33,008,436

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2016 (cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash generated from/(used in) operations		32,565,781	69,267,681	(39,362,653)	33,545,678
Interest paid		(16,336,467)	(20,706,308)	-	-
Interest received		700,628	1,281,182	7,215	838
Tax paid		(11,011,291)	(10,885,647)	(160,947)	(140,000)
Tax refund		7,470	211,348	-	-
Dividend received		-	-	23,700,000	-
Exchange differences		92,033	406,771	-	-
		(26,547,627)	(29,692,654)	23,546,268	(139,162)
Net cash generated from/(used in) operating activities		6,018,154	39,575,027	(15,816,385)	33,406,516
Cash Flows From Investing Activities					
Acquisition of subsidiary companies		-	-	-	(54,836,895)
Purchase of property, plant and equipment	4(e)	(63,769,270)	(19,497,829)	(1,357,997)	(102,064)
Purchase of investment properties		-	(319,011)	-	-
Proceeds from disposal of investment properties		1,575,000	-	-	-
Proceeds from disposal of assets held for sales		-	4,616,281	-	-
Proceeds from disposal of investment in subsidiary companies		-	-	-	21,755,710
Proceeds from disposal of property, plant and equipment		10,406,661	365,186	-	-
Net cash used in investing activities		(51,787,609)	(14,835,373)	(1,357,997)	(33,183,249)
Cash Flows From Financing Activities					
Dividend paid		(7,588,320)	-	(7,588,320)	-
Drawdown of term loans		748,369	61,056,812	-	-
Net changes on banker acceptance, trust receipt and revolving credits		(32,821,000)	(26,159,960)	-	-
Release in fixed deposits pledged		9,718,645	18,661,795	-	-
Proceeds from issue of share	15	41,078,635	-	41,078,635	-
Payment of share issue expenses	16(a)	(1,824,153)	-	(1,824,153)	-
Repayment of finance lease payables		(14,828,583)	(10,662,254)	-	-
Repayment of term loans		(45,442,441)	(13,857,944)	-	-
Net cash (used in)/generated from financing activities		(50,958,848)	29,038,449	31,666,162	-

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2016 (cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Net (decrease)/increase in cash and cash equivalents	(96,728,303)	53,778,103	14,491,780	223,267
Cash and cash equivalents at the beginning of the financial year	165,883,273	112,059,816	223,317	50
Effect of exchange translation differences on cash and cash equivalents	197,596	45,354	-	-
Cash and cash equivalents at the end of the financial year	69,352,566	165,883,273	14,715,097	223,317
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	73,502,108	168,855,397	14,715,097	223,317
Bank overdraft	(4,149,542)	(2,972,124)	-	-
Fixed deposits with licensed banks	1,596,838	11,315,483	-	-
	70,949,404	177,198,756	14,715,097	223,317
Less: Fixed deposits with licensed banks	(1,596,838)	(11,315,483)	-	-
	69,352,566	165,883,273	14,715,097	223,317

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is at No. A-1-9, Wisma Chin Hin, Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

On 6 January 2016, the Company shareholders, namely Datuk Seri Chiau Beng Teik, Chiau Haw Choon and Datin Seri Wong Mei Leng have entered into a sale and purchase agreement with Divine Inventions Sdn. Bhd. ("Divine Inventions") to dispose 60% of the equity interest of the Company for a total consideration of RM151,766,400, and subsequently, Divine Inventions became the immediate holding company of the Company.

During the financial year, PP Chin Hin Realty Sdn. Bhd. has acquired the entire equity interest of Divine Inventions Sdn. Bhd. and becomes the ultimate holding company of the Company.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012–2014 Cycle	

Adoption of above new MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendment to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:
* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above MFRSs when they become effective.

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes noncancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below (cont'd):

(iii) MFRS 16 *Leases (cont'd)*

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

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

2. Basis of Preparation (cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2016 for investment properties and revalued land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 4 and 5.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies of the carrying value of recognised and unrecognized deferred tax are disclosed in Note 19.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9 and 10.

2. Basis of Preparation (cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax expense based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2016, the Group has tax recoverable and payable of RM2,255,893 (2015: RM155,673) and RM2,870,639 (2015: RM2,935,977) respectively.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group, for matters in the ordinary course of business. Details of contingent liabilities are disclosed in Note 35.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisition of business are accounted for using the acquisition method other than those resulted in a business combination involving common control entities is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combination.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

Subsidiary companies (cont'd)

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at fair value at the date of acquisition and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

3. Significant Accounting Policies (cont'd)

(b) Foreign currency translation (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

3. Significant Accounting Policies (cont'd)

(c) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Capital work-in-progress consists of plant and machinery under installation. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
Leasehold building	Over the remaining lease period
Computer equipment and software	10% - 20%
Cabin	10%
Crane	10%
Electrical installation	10%
Fire protection and security system	10%
Furniture and fittings	10%
Motor vehicles	20%
Mould	10%
Office equipment	20%
Plant and machinery	10% - 20%
Signboard	10%
Skid tank	10%
Tools and equipment	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. Significant Accounting Policies (cont'd)

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

3. Significant Accounting Policies (cont'd)

(e) Investment properties (cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

3. Significant Accounting Policies (cont'd)

(f) Financial assets (cont'd)

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. Significant Accounting Policies (cont'd)

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Raw materials, work-in-progress, finished goods and consumables are stated at the lower of cost and net realisable value.

Cost of raw material and consumables are determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, assets held for sale and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

3. Significant Accounting Policies (cont'd)

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. Significant Accounting Policies (cont'd)

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the reporting period.

3. Significant Accounting Policies (cont'd)

(o) Revenue (cont'd)

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Interest Income

Interest income is recognised on accruals basis using the effective interest method.

(v) Management fee

Management fee is recognised on accrual basis when services are rendered.

(vi) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for these intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (cont'd)

(q) Income taxes (cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(s) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number or ordinary shares in issue during the year. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the parent and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

3. Significant Accounting Policies (cont'd)

(u) Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

4. Property, Plant and Equipment

	At 1 January 2016 RM	Reclassification RM	Additions RM	Disposals RM	Written off RM	Transfer RM	Exchange differences RM	At 31 December 2016 RM
Group								
2016								
At Valuation								
Freehold building	35,070,000	-	-	-	-	-	-	35,070,000
Leasehold building	4,000,000	(600,000)	-	-	-	-	-	3,400,000
At Cost								
Computer equipment and software	1,557,703	-	642,426	-	(3,299)	-	-	2,196,830
Cabin	54,790	-	-	-	-	-	-	54,790
Crane	460,000	-	-	-	-	-	-	460,000
Electrical installation	3,791,245	-	89,259	-	-	-	-	3,880,504
Fire protection and security system	161,928	-	-	-	-	-	-	161,928
Freehold land and building	29,995,422	-	30,001,921	-	-	25,761,498	-	85,758,841
Leasehold building	3,955,876	600,000	223,700	-	-	20,000,000	-	24,779,576
Furniture and fittings	7,907,568	(481,499)	415,525	-	-	-	-	7,841,594
Motor vehicles	50,070,863	-	1,506,914	(14,843,843)	(80,100)	-	-	36,653,834
Mould	3,927,186	-	3,490,475	-	-	-	-	7,417,661
Office equipment	3,729,376	481,499	428,823	-	(442)	-	394	4,639,650
Plant and machinery	96,946,153	8,142,550	7,415,584	-	-	-	-	112,504,287
Signboard	129,320	-	10,500	-	-	-	-	139,820
Skid tank	9,600	-	-	-	-	-	-	9,600
Tool and equipment	8,696,698	(6,460,000)	724,792	-	-	-	-	2,961,490
Capital in progress	-	(1,682,550)	26,571,351	-	-	-	-	24,888,801
	250,463,728	-	71,521,270	(14,843,843)	(83,841)	45,761,498	394	352,819,206

4. Property, Plant and Equipment (cont'd)

	[------------	------------	------------	Accumulated depreciation	------------	------------	------------]	Carrying amount
	At 1 January 2016 RM	Reclassification RM	Charge for the financial year RM	Disposals RM	Written off RM	Transfer RM	Exchange differences RM	At 31 December 2016 RM	At 31 December 2016 RM
Group									
2016									
At Valuation									
Freehold building	2,805,988	-	350,647	-	-	-	-	3,156,635	31,913,365
Leasehold building	486,154	(84,804)	33,987	-	-	-	-	435,337	2,964,663
At Cost									
Computer equipment and software	622,379	-	335,598	-	(2,529)	-	-	955,448	1,241,382
Cabin	39,049	-	3,517	-	-	-	-	42,566	12,224
Crane	197,300	-	46,000	-	-	-	-	243,300	216,700
Electrical installation	741,532	-	389,232	-	-	-	-	1,130,764	2,749,740
Fire protection and security system	67,716	-	16,192	-	-	-	-	83,908	78,020
Freehold land and building	1,208,065	-	673,031	-	-	-	-	1,881,096	83,877,745
Leasehold building	149,197	84,804	310,200	-	-	-	-	544,201	24,235,375
Furniture and fittings	3,938,993	(171,271)	671,509	-	-	-	-	4,439,231	3,402,363
Motor vehicles	21,783,237	-	5,206,289	(6,776,007)	(68,081)	-	-	20,145,438	16,508,396
Mould	739,933	-	514,517	-	-	-	-	1,254,450	6,163,211
Office equipment	2,520,408	171,271	536,421	-	-	-	258	3,228,358	1,411,292
Plant and machinery	13,876,168	51,000	6,890,595	-	-	-	-	20,817,763	91,686,524
Signboard	32,326	-	11,461	-	-	-	-	43,787	96,033
Skid tank	9,599	-	-	-	-	-	-	9,599	1
Tool and equipment	486,943	(51,000)	268,670	-	-	-	-	704,613	2,256,877
Capital in progress	-	-	-	-	-	-	-	-	24,888,801
	49,704,987	-	16,257,866	(6,776,007)	(70,610)	-	258	59,116,494	293,702,712

4. Property, Plant and Equipment (cont'd)

	At 1 January 2015 RM	Reclassification RM	Additions RM	Disposals RM	Written off RM	Exchange differences RM	At 31 December 2015 RM
Group							
2015							
At Valuation							
Freehold building	35,070,000	-	-	-	-	-	35,070,000
Leasehold building	4,000,000	-	-	-	-	-	4,000,000
At Cost							
Computer equipment and software	1,363,309	-	194,394	-	-	-	1,557,703
Cabin	54,790	-	-	-	-	-	54,790
Crane	460,000	-	-	-	-	-	460,000
Electrical installation	3,701,867	-	89,378	-	-	-	3,791,245
Fire protection and security system	161,928	-	-	-	-	-	161,928
Freehold land and building	32,474,614	(2,736,888)	257,696	-	-	-	29,995,422
Leasehold building	-	2,736,888	1,218,988	-	-	-	3,955,876
Furniture and fittings	7,285,322	-	628,318	-	(6,072)	-	7,907,568
Motor vehicles	41,047,688	-	9,646,000	(622,825)	-	-	50,070,863
Mould	3,137,581	-	789,605	-	-	-	3,927,186
Office equipment	3,500,540	-	238,721	(12,431)	-	2,546	3,729,376
Plant and machinery	88,596,693	-	8,349,460	-	-	-	96,946,153
Signboard	94,120	-	35,200	-	-	-	129,320
Skid tank	9,600	-	-	-	-	-	9,600
Tool and equipment	1,358,726	-	7,380,812	(42,840)	-	-	8,696,698
	222,316,778	-	28,828,572	(678,096)	(6,072)	2,546	250,463,728

4. Property, Plant and Equipment (cont'd)

	[---Accumulated depreciation					---]	Carrying amount
	At 1 January 2015 RM	Reclassification RM	Charge for the financial year RM	Disposal RM	Written off RM	Exchange differences RM	At 31 December 2015 RM	At 31 December 2015 RM
Group								
2015								
At Valuation								
Freehold building	2,455,341	-	350,647	-	-	-	2,805,988	32,264,012
Leasehold building	440,166	-	45,988	-	-	-	486,154	3,513,846
At Cost								
Computer equipment and software	352,458	-	269,921	-	-	-	622,379	935,324
Cabin	35,532	-	3,517	-	-	-	39,049	15,741
Crane	151,300	-	46,000	-	-	-	197,300	262,700
Electrical installation	365,805	-	375,727	-	-	-	741,532	3,049,713
Fire protection and security system	51,523	-	16,193	-	-	-	67,716	94,212
Freehold land and building	838,044	(82,387)	452,408	-	-	-	1,208,065	28,787,357
Leasehold building	-	82,387	66,810	-	-	-	149,197	3,806,679
Furniture and fittings	3,178,195	-	762,266	-	(1,468)	-	3,938,993	3,968,575
Motor vehicles	16,491,529	-	5,569,054	(277,346)	-	-	21,783,237	28,287,626
Mould	388,219	-	351,714	-	-	-	739,933	3,187,253
Office equipment	2,091,145	-	435,598	(7,778)	-	1,443	2,520,408	1,208,968
Plant and machinery	8,101,996	-	5,774,172	-	-	-	13,876,168	83,069,985
Signboard	21,999	-	10,327	-	-	-	32,326	96,994
Skid tank	9,599	-	-	-	-	-	9,599	1
Tool and equipment	274,056	-	255,727	(42,840)	-	-	486,943	8,209,755
	35,246,907	-	14,786,069	(327,964)	(1,468)	1,443	49,704,987	200,758,741

4. Property, Plant and Equipment (cont'd)

	Office equipment RM	Computer software RM	Furniture and fittings RM	Signboard RM	Motor vehicles RM	Total RM
Company						
2016						
Cost						
At 1 January	85,364	28,500	22,500	20,000	-	156,364
Additions	166,039	68,255	177,703	-	946,000	1,357,997
At 31 December	251,403	96,755	200,203	20,000	946,000	1,514,361
Accumulated depreciation						
At 1 January	7,366	6,522	375	1,334	-	15,597
Charge for the financial year	18,737	11,652	12,494	2,000	94,200	139,083
At 31 December	26,103	18,174	12,869	3,334	94,200	154,680
Carrying amount						
At 31 December	225,300	78,581	187,334	16,666	851,800	1,359,681
2015						
Cost						
At 1 January	26,500	27,800	-	-	-	54,300
Additions	58,864	700	22,500	20,000	-	102,064
At 31 December	85,364	28,500	22,500	20,000	-	156,364
Accumulated depreciation						
At 1 January	883	927	-	-	-	1,810
Charge for the financial year	6,483	5,595	375	1,334	-	13,787
At 31 December	7,366	6,522	375	1,334	-	15,597
Carrying amount						
At 31 December	77,998	21,978	22,125	18,666	-	140,767

4. Property, Plant and Equipment (cont'd)

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 18 to the financial statements are:

	Group	
	2016 RM	2015 RM
Freehold building	46,163,683	46,748,545
Leasehold building	7,415,092	7,320,525
Freehold land and building	15,629,975	12,151,639
	69,208,750	66,220,709

(b) Assets held under finance leases and term loan financing

The carrying amount of the property, plant and equipment of the Group acquired under finance lease financing and term loan financing are as follows:

	Group	
	2016 RM	2015 RM
Freehold land	5,258,185	5,258,185
Plant and machinery	55,038,381	55,891,261
Motor vehicle	4,323,843	18,365,981
	64,620,409	79,515,427

The above leased assets are pledged as security for the related financing facilities.

(c) The remaining leasehold period of the buildings ranged from 83 to 93 years (2015: 84 to 94 years).

(d) The carrying amount of property, plant and equipment which were registered under related parties' name and hold in trust are as follows:

	Group	
	2016 RM	2015 RM
Motor vehicle	261,374	463,415

(e) The aggregate additional cost for the property, plant and equipment of the Group and the Company during the financial year acquired under finance lease, term loan financing and cash payment are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Aggregate costs	71,521,270	28,828,572	1,357,997	102,064
Less: Finance lease financing	-	(9,330,743)	-	-
Less: Term loans financing	(7,752,000)	-	-	-
Cash payments	63,769,270	19,497,829	1,357,997	102,064

4. Property, Plant and Equipment (cont'd)

(f) Revaluation of land and buildings

Land and buildings of a subsidiary company were revalued in March 2013, by Messrs. CH Williams Talhar & Wong, an independent professional valuer. The valuation was determined by reference to recent market transaction on arm's length term.

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been RM28,013,571 (2015: RM28,322,227).

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

(g) The carrying amount of property, plant and equipment of the Group pending for strata title are as follows:

	Group 2016 RM	Group 2015 RM
Freehold building	61,673,713	32,509,985

(h) During the financial year, certain investment properties and assets held for sale have been transferred to property, plant and equipment as disclosed in Notes 5 and 14 of the financial statements.

5. Investment Properties

	Group 2016 RM	Group 2015 RM
At 1 January	103,491,050	95,675,899
Additions	-	319,011
Disposals	(683,147)	-
Transfer from assets held for sale (Note 14)	-	7,496,140
Transfer to property, plant and equipment (Note 4)	(42,098,861)	-
Changes in fair value recognised in profit or loss	10,570,958	-
At 31 December	71,280,000	103,491,050
Included in the above are:		
At fair value		
Freehold land and building	71,280,000	73,963,813
Leasehold land and building	-	20,000,000
Warehouse	-	683,147
	71,280,000	94,646,960
At cost		
Freehold land and building	-	8,844,090
	71,280,000	103,491,050

(a) Investment properties under leases

Investment properties comprise a number of freehold land and building, leasehold land and buildings and warehouse that are leased to third parties. Each of the leases contains a cancellable period ranging from two (2) to three (3) years. Subsequent renewals are negotiated with the lessee on an average renewal period of two (2) years. No contingent rents are charged.

During the financial year, two investment properties have been transferred to property, plant and equipment, since the building has been used by a related company of the Group.

5. Investment Properties (cont'd)

(b) Disposal of investment properties

On 2 August 2016, the subsidiary company PP Chin Hin Sdn. Bhd. has entered into a sale and purchase agreement with the purchaser to dispose off a single storey warehouse with a total consideration of RM1,575,000. The subsidiary company has a gain on disposal of investment properties amounting to RM891,853.

(c) Fair value basis of investment properties

The investment properties are valued at fair value based on market values determined by two independent firms of professional valuers, Messrs. CH Williams Talhar & Wong Sdn. Bhd. and VPC Alliance (KL) Sdn. Bhd. amounting to RM71,280,000 (2015: RM103,491,050). The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

The increase in fair value of RM10,570,958 (2015: Nil) has been recognised in the profit or loss during the financial year.

(d) Income and expenses recognised in profit or loss.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2016	**2015**
	RM	**RM**
Rental income	4,530,988	4,694,218
Direct operating expenses:		
- Income generating investment properties	1,828	1,560
- Non-income generating investment properties	(257,750)	(265,844)

(e) Investment properties pledged as securities to licensed banks

Investment properties of the Group amounting to RM71,280,000 (2015: RM61,167,189) have been pledged to secure banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

6. Investment in Subsidiary Companies

	Company	
	2016	**2015**
	RM	**RM**
At cost		
Unquoted share in Malaysia	251,739,895	251,739,895

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. Investment in Subsidiary Companies (cont'd)

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal Activities
Direct interest:				
PP Chin Hin Sdn. Bhd.	Malaysia	100	100	Dealing in cement, hardware and general trading, letting of properties, hire purchase financing and property development
Chin Hin Concrete Holdings Sdn. Bhd.	Malaysia	100	100	Management Company
Metex Steel Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of welded mesh and wire products, metal roofing and light weight trusses system
Starken AAC Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of AAC blocks
Indirect interest: Held through PP Chin Hin Sdn. Bhd.				
- PP Chin Hin Pte Ltd*	Singapore	100	100	Trading and distribution of building materials in Singapore
- C&H Transport Sdn. Bhd.	Malaysia	100	100	Transportation of cement
Held through Starken AAC Sdn. Bhd.				
- G-Cast Polymer Concrete Sdn. Bhd. (Formerly known as Pintar Sinar Sdn. Bhd.)	Malaysia	100	100	Property investment and contract worker provider
- G-Cast Concrete Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of precast concrete products
- Green Cement Sdn. Bhd.	Malaysia	100	100	Dormant
- Sage Evergreen Sdn. Bhd.	Malaysia	100	-	Dormant
Held through Metex Steel Sdn Bhd.				
- Formino Metal Sdn. Bhd. (Formerly known as Metal Sphere Sdn. Bhd.)	Malaysia	100	100	Manufacturing and supplies of metal roof and structural steel system
- Comet Steel Sdn. Bhd.	Malaysia	100	100	Dormant
- Ace Logistic Sdn. Bhd.	Malaysia	100	100	Investment holding

6. Investment in Subsidiary Companies (cont'd)

Details of the subsidiary companies are as follows: (cont'd)

Name of Company	Country of Incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal Activities
Held through Chin Hin Concrete Holdings Sdn. Bhd.				
- Chin Hin Concrete (North) Sdn. Bhd.	Malaysia	100	100	Processing and trading in mixed concrete
- Chin Hin Concrete (KL) Sdn. Bhd.	Malaysia	100	100	Selling and distribution of ready-mixed concrete

* *Subsidiary company not audited by UHY*

On 9 September 2016, Starken AAC Sdn. Bhd. a wholly-owned subsidiary company of the Company acquired two (2) ordinary shares of RM1.00 each in Sage Evergreen Sdn. Bhd. ("SESB") at a total consideration of RM2. Subsequently, SESB has becomes an indirect wholly-owned subsidiary company of the Company.

The merger method of accounting was adopted for consolidation of in which the results of the subsidiary are presented as if the merger had been effected throughout the current period and previous financial periods. The assets and liabilities combined are accounted for based on the carrying amount from the perspective of the common control shareholders at the date of transfer.

There are no significant restrictions on the ability of the Group to access or use the assets and settle the liabilities of the subsidiary companies.

7. Hire Purchase Receivables

	Group 2016 RM	Group 2015 RM
Minimum lease received		
Within once year	6,273,061	592,305
Later than one year and not later than two years	97,086	277,707
Later than two years and not later than five years	12,849	93,164
	6,382,996	963,176
Less: Future finance receive	(899,087)	(253,575)
Present value of minimum lease payments	5,483,909	709,601
Present value of minimum lease received		
Within once year	5,401,756	459,541
Later than one year and not later than two years	73,986	218,083
Later than two years and not later than five years	8,167	31,977
	5,483,909	709,601

Hire purchase facilities granted to customer are based on credit procedures and policies set by the Group in accordance with Hire-Purchase Act 1967.

The hire purchase receivables of the Group is bearing interest rate ranging from 5% to 18% (2015: 5% to 18%) per annum.

8. Inventories

	Group 2016 RM	Group 2015 RM
Raw materials	31,168,355	23,721,205
Work-in-progress	-	3,931,386
Finished goods	20,817,189	10,512,189
Consumables	756,979	6,638,156
Scrap	53,070	16,150
	52,795,593	44,819,086
Recognised in profit or loss:		
Inventories recognised as cost of sales	932,458,168	1,063,061,504
Inventories written off	47,096	23,743

9. Trade Receivables

	Group 2016 RM	Group 2015 RM
Trade receivables		
- Third parties	303,702,927	287,746,743
- Related parties	457,437	23,740,353
	304,160,364	311,487,096
Less: Accumulated impairment losses	(8,681,026)	(8,919,484)
	295,479,338	302,567,612

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2015: 60 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related parties refer to companies in which the Directors of the Group have substantial financial interests. The amount owing by related parties represent unsecured, non-interest bearing and repayable on demand.

Movements in the amount of impairment losses of trade receivables are as follows:

	Group 2016 RM	Group 2015 RM
At 1 January	8,919,484	8,697,559
Impairment lossess recognised	1,144,123	3,415,272
Amount recovered	(1,382,581)	(3,193,347)
At 31 December	8,681,026	8,919,484

9. Trade Receivables (cont'd)

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	239,788,602	258,069,126
Past due not impaired:		
Less than 30 days	25,609,984	22,711,277
31 to 60 days	12,056,065	6,730,987
More than 60 days	18,024,687	15,056,222
	55,690,736	44,498,486
	295,479,338	302,567,612
Impaired	8,681,026	8,919,484
	304,160,364	311,487,096

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2016, trade receivables of RM55,690,736 (2015: RM44,498,486) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM8,681,026 (2015: RM8,919,484), related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

10. Other Receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables				
- Third parties	17,012,674	7,732,443	89,127	5,547
- Related parties	3,104	11,657	-	-
	17,015,778	7,744,100	89,127	5,547
Less: Accumulated impairment	(15,200)	-	-	-
	17,000,578	7,744,100	89,127	5,547
Deposits	1,233,921	1,592,110	14,500	66,200
Prepayments	6,109,777	7,241,418	94,617	1,968,764
	24,344,276	16,577,628	198,244	2,040,511

During the financial year, the other receivables mainly consists of the advance payment to the third parties for the purchased of solar system amounting to RM5,003,465 and the goods and services tax claimable by the subsidiary company for the purchased of freehold land amounting to RM1,344,620.

Related parties refer to companies in which the Directors of the Group have substantial financial interests. The amount owing by related parties represent unsecured, non-interest bearing and repayable on demand.

10. Other Receivables (cont'd)

Movements in the amounts of impairment losses of other receivables are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	-	-	-	-
Impairment losses recognised	15,200	-	-	-
At 31 December	15,200	-	-	-

Other receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

11. Amount Due from/(to) Subsidiary Companies

This represents unsecured, non-interest bearing and repayable on demand.

12. Derivative Financial Assets

	Group			
	2016		2015	
	Contract/ Notional amount USD	Financial Asset RM	Contract/ Notional amount USD	Financial Asset RM
Non hedging derivative				
Current				
Foreign currency contracts	-	-	1,136,958	38,498

The Group has forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

During the financial year, the Group recognised a loss of RM38,498 (2015: gain of RM33,873) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. Fixed Deposits with Licensed Banks

The fixed deposits of the Group have been pledged with licensed banks as security for credit facilities granted to the Group as disclosed in Note 18.

The interest rates and maturities of deposits range from 2.70% to 4.00% (2015: 2.70% to 4.00%) per annum and 30 to 365 days (2015: 30 to 365 days).

14. Assets Held for Sale

	Group	
	2016 RM	**2015 RM**
At 1 January	3,662,637	15,794,057
Transfer to property, plant and equipment (Note 4)	(3,662,637)	-
Transfer to investment properties (Note 5)	-	(7,496,140)
	-	8,297,917
Disposals	-	(4,635,280)
At 31 December	-	3,662,637

During the financial year, an asset held for sale has been transferred to property, plant and equipment, since the management has decided to use the building for the operation of the Group.

15. Share Capital

	Group/Company			
	Number of Shares		Amount	
	2016 Units	**2015 Units**	**2016 RM**	**2015 RM**
Ordinary shares of RM0.50 each:				
Authorised				
At 1 January/31 December	1,000,000,000	1,000,000,000	500,000,000	500,000,000
Issued and fully paid shares				
At 1 January	442,690,100	442,690,100	221,345,050	221,345,050
Shares issued during the financial year	63,197,900	-	31,598,950	-
At 31 December	505,888,000	442,690,100	252,944,000	221,345,050

During the financial year, the Company increased its issued and paid-up share capital from RM221,345,050 to RM252,944,000 as part of its initial public offering in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad. The issued and paid-up share capital was increased by the public issue of 63,197,900 new ordinary shares of RM0.50 each in the following manner:

(i) 25,294,400 new shares available for application by the Malaysian Public;
(ii) 6,400,000 new shares available for application by our eligible Directors and employees; and
(iii) 31,503,500 new shares by way of private placement to identified investors.

15. Share Capital (cont'd)

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

16. Reserves

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable					
Share premium	(a)	7,655,532	-	7,655,532	-
Merger reserve	(b)	(153,191,580)	(153,191,580)	-	-
Revaluation reserve	(c)	8,768,544	8,768,544	-	-
Foreign currency translation reserve	(d)	544,767	452,598	-	-
Retained earnings		207,592,233	183,872,661	3,487,686	186,153
		71,369,496	39,902,223	11,143,218	186,153

The nature of reserves of the Group and the Company is as follows:

(a) Share premium

	Group/Company	
	2016 RM	2015 RM
Non-distributable		
At 1 January	-	-
Premium from public issue	9,479,685	-
Share issuance expenses	(1,824,153)	-
At 31 December	7,655,532	-

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of shares.

(b) Merger reserve

The merger arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the merger method of accounting.

(c) Revaluation reserve

The revaluation reserve represents increases in the fair value of land and buildings, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17. Finance Lease Payables

	Group 2016 RM	Group 2015 RM
Minimum lease payments:		
Within one year	3,792,940	10,562,034
Later than one year and not later than two years	1,590,023	6,554,861
Later than two years and not later than five years	120,584	4,373,699
	5,503,547	21,490,594
Less: Future finance charges	(215,944)	(1,374,408)
Present value of minimum lease payments	5,287,603	20,116,186
Present value of minimum lease payments		
Within one year	3,617,466	9,701,639
Later than one year and not later than two years	1,551,909	6,084,209
Later than two years and not later than five years	118,228	4,330,338
	5,287,603	20,116,186
Analysed as:		
Repayable within twelve months	3,617,466	9,701,639
Repayables after twelve months	1,670,137	10,414,547
	5,287,603	20,116,186

The Group leases plant and machinery under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The finance lease payables of the Group is bearing interest ranged from 2.65% to 3.82% (2015: 2.60% to 3.82%) per annum.

18. Bank Borrowings

	Group 2016 RM	Group 2015 RM
Secured		
Bank overdraft	4,149,542	2,972,124
Revolving credits	11,000,000	6,000,000
Bankers' acceptance	239,263,000	277,084,000
Term loans	65,903,823	102,845,895
	320,316,365	388,902,019
Analysed as:		
Current		
Bank overdraft	4,149,542	2,972,124
Revolving credits	11,000,000	6,000,000
Bankers' acceptance	239,263,000	277,084,000
Term loans	29,653,390	32,162,086
	284,065,932	318,218,210
Non-current		
Term loans	36,250,433	70,683,809
	320,316,365	388,902,019

18. Bank Borrowings (cont'd)

The bank borrowings are secured by the following:

(a) Legal charge on the land and building as disclosed in Note 4 and investment properties as disclosed in Note 5;

(b) Pledged of fixed deposits of the Group as disclosed in Note 13;

(c) Joint and several guaranteed by the Company's Directors;

(d) Corporate guarantee by certain subsidiary companies;

(e) Debentures incorporating fixed or floating charges over all present and future assets of the Group; and

(f) Legal charge over shop offices of a subsidiary company and deed of assignment of rental proceeds (present and future) derived from the shop offices.

The maturity of bank borrowings is as follows:

	Group	
	2016	**2015**
	RM	**RM**
Within one year	284,065,932	318,218,210
Later than one year and not later than two years	10,691,797	33,507,876
Later than two years and not later than five years	16,757,211	27,535,755
Later than five years	8,801,425	9,640,178
	320,316,365	388,902,019

The range of interest rates per annum is as follows:

	Group	
	2016	**2015**
	%	**%**
Bank overdraft	6.80 - 8.10	6.80 - 7.85
Bankers' acceptance	3.39 - 4.40	4.15 - 5.56
Revolving credits	4.24 - 4.80	4.50 - 5.27
Term loans	5.05 - 6.85	5.00 - 6.23

19. Deferred Tax Liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
At 1 January	4,257,221	4,122,547	-	-
Recognised in profit or loss	107,367	453,994	27,900	-
Under provision in prior years	799,012	(319,320)	21,600	-
At 31 December	5,163,600	4,257,221	49,500	-

19. Deferred Tax Liabilities (cont'd)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Deferred tax liabilities	14,729,867	12,324,186	49,500	-
Deferred tax assets	(9,566,267)	(8,066,965)	-	-
	5,163,600	4,257,221	49,500	-

The components of deferred tax liabilities and assets are as follows:

<u>Deferred tax liabilities</u>

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Difference between carrying amount of property, plant and equipment and its tax base	14,729,867	12,324,186	49,500	-

<u>Deferred tax assets</u>

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Other temporary differences	-	156,100	-	-
Reinvestment allowances	600,300	-	-	-
Unabsorbed tax lossess	1,295,790	859,633	-	-
Unutilised capital allowances	7,670,177	7,051,231	-	-
	9,566,267	8,066,964	-	-

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unused tax losses	6,273,553	7,137,256	-	-
Unutilised capital allowances	1,535,512	1,831,870	-	-
	7,809,065	8,969,126	-	-

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

20. Trade Payables

	Group 2016 RM	Group 2015 RM
Trade payables		
- Third parties	124,215,180	144,020,204
- Related parties	2,605,542	2,476,652
	126,820,722	146,496,856

Credit terms of trade payables of the Group ranged from 14 to 120 days (2015: 30 to 90 days) depending on the term of the contracts.

Related parties refer to companies in which the Directors of the Group have substantial financial interests. The amount owing to related parties represents unsecured, non-interest bearing and repayable on demand.

21. Other Payables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables				
- Third parties	17,076,778	9,531,019	143,242	94,584
- Related parties	1,053,037	1,470,593	392,520	736,873
	18,129,815	11,001,612	535,762	831,457
Deposit received	1,191,225	1,167,687	-	-
Accruals	16,345,202	5,917,773	10,297,332	124,500
	35,666,242	18,087,072	10,833,094	955,957

The other payables mainly consists of goods and services tax output tax amounting to RM7,613,891 and purchase of property, plant and equipment amounting to RM2,389,521.

Related parties refer to companies in which the Directors of the Group have substantial financial interests. The amount owing to related parties represents unsecured, non-interest bearing and repayable on demand.

22. Amount Due to Directors

This represents unsecured advances, non-interest bearing and repayable on demand.

23. Revenue

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of goods	1,022,791,354	1,162,992,548	-	-
Services rendered	31,538,658	31,599,347	-	-
Hire purchase interest received	228,767	129,767	-	-
Dividend income	-	-	23,700,000	-
Management fees received	-	-	6,840,000	5,660,000
Rental income from investment properties	4,275,066	4,429,934	-	-
	1,058,833,845	1,199,151,596	30,540,000	5,660,000

24. Finance Costs

	Group 2016 RM	Group 2015 RM
Bank overdraft	316,038	705,686
Bankers acceptance	10,224,976	13,220,124
Banker guarantee	86,899	55,663
Letter of credit	68,870	7,991
Revolving credit	206,984	425,768
Term loans	4,610,305	4,740,605
Others	-	1,538
Related party companies	-	132,812
Finance lease	822,395	1,416,121
	16,336,467	20,706,308
Less: Finance lease interest recognised under cost of sales	(60,585)	(190,539)
	16,275,882	20,515,769

25. Profit before Taxation

Profit before taxation is determined after charging/(crediting) amongst other, the following items:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Auditors' remuneration				
- Statutory				
- Current year	306,969	262,595	35,000	10,000
- Over provision in prior years	(1,800)	(13,900)	-	-
- Non statutory				
- Current year	206,000	-	-	-
- Under provision in prior years	5,000	25,000	5,000	-
Bad debts written off	491,477	1,648,905	-	-
Deposit written off	15,274	-	-	-
Depreciation of property, plant and equipment	16,257,866	14,786,069	139,083	13,787
Non-executive Directors' remunerations				
- Fee	200,000	-	200,000	-
- Other emoluments	15,500	-	15,500	-
Impairment on trade receivables	1,144,123	3,415,272	-	-
Impairment on other receivables	15,200	-	-	-
Inventories written off	47,096	23,743	-	-
Loss on disposal of investment in subsidiary company	-	-	-	151,290
Property, plant and equipment written off	13,231	4,604	-	-
Rental expenses on:-				
- Car park	-	-	7,200	7,200
- Land	300,000	300,000	-	-
- Office equipments	6,345	81,780	1,337	-
- Premises	838,680	1,096,750	51,300	16,000
- Machinery	2,980	4,130	-	-
- Photocopy machine	8,060	7,440	-	-
- Plant	211,632	-	-	-
- Hostel	120,010	101,960	-	-
- Motor vehicle	-	517,416	-	-
- Factory equipment	184,455	66,830	-	-

25. Profit before Taxation (cont'd)

Profit before taxation is determined after charging/(crediting) amongst other, the following items: (cont'd)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Bad debts recovered	(113,803)	(1,140)	-	-
Fair value adjustment on investment properties	(10,570,958)	-	-	-
Gain on disposal of property, plant and equipment	(2,388,825)	(15,054)	-	-
Loss/(Gain) on derivative financial asset	38,498	(33,873)	-	-
Gain on disposal of investment properties	(891,853)	-	-	-
Loss on disposal of assets held for sale	-	18,999	-	-
Loss/(Gain) on foreign exchange				
- Realised	300,082	(212,170)	-	-
- Unrealised	(197,596)	(43,013)	-	-
Interest income from bank	(236,606)	(30,146)	(7,215)	(838)
Interest income from fixed deposits	(104,563)	(638,732)	-	-
Interest from overdue account	(359,459)	(525,653)	-	-
Other interest income	-	(86,651)	-	-
Rental income	(473,620)	(1,380,932)	-	-
Rental of motor vehicles income	(1,989,170)	(1,255,382)	-	-
Reversal of impairment on trade receivables	(1,382,581)	(3,193,347)	-	-
Other income from solar power panels	(2,135,034)	-	-	-

26. Taxation

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Tax expenses recognised in profit or loss:				
Current year taxation	9,662,708	9,921,102	179,030	140,000
Over provision in prior years	(824,445)	(1,297,415)	(1,053)	-
	8,838,263	8,623,687	177,977	140,000
Deferred tax:				
Origination and reversal of temporary differences	107,367	453,994	27,900	-
Under/(Over) provision in prior years	799,012	(319,320)	21,600	-
	906,379	134,674	49,500	-
	9,744,642	8,758,361	227,477	140,000

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profits for the financial year.

26. Taxation (cont'd)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation	51,170,294	38,979,249	21,235,090	373,003
At Malaysian statutory tax rate of 24% (2015: 25%)	12,280,871	9,744,812	5,096,422	93,251
Non taxable income	(4,277,274)	(144,686)	(5,688,000)	-
Expenses not deductible for tax purposes	2,919,623	2,639,297	798,508	51,177
Utilisation of current year capital allowances	(854,156)	(875,077)	-	(4,428)
Utilisation of current year reinvestment allowances	-	60,575	-	-
Deferred tax assets not recognised	(287,413)	(991,466)	-	-
Income under partial tax exemption scheme	(10,165)	(58,359)	-	-
Differentiate of tax rate	(1,411)	-	-	-
Over provision of taxation in prior years	(824,445)	(1,297,415)	(1,053)	-
Under/(Over) provision of deferred tax in prior years	799,012	(319,320)	21,600	-
Tax expenses for the financial year	9,744,642	8,758,361	227,477	140,000

The Group has the following estimated unabsorbed capital allowances and unused tax losses available for set-off against future taxable profits. The said amounts are subjected to approval by the Inland Revenue Board.

	Group	
	2016 RM	2015 RM
Unutilised capital allowances	33,494,583	31,212,000
Unutilised reinvestment allowances	2,501,166	-
Unused tax losses	11,672,678	10,719,060
	47,668,427	41,931,060

27. Earnings Per Share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2016 RM	**2015 RM**
Profit attributable to owners of the parent for basic earnings	41,425,652	30,220,888
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	442,690,100	442,690,100
Effect of ordinary shares issued during the financial year	52,319,573	-
Weighted average number of ordinary shares at 31 December	495,009,673	442,690,100
Basic earnings per ordinary share (sen)	8	7

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

28. Dividends

	Group/Company	
	2016 RM	**2015 RM**
Dividends recognised as distribution to ordinary shareholders of the Company:		
First interim single tier dividend paid in respect of the financial year ended		
- 31 December 2016 (single tier dividend of 3% or 1.5 sen per ordinary share)	7,588,320	-
Second interim single tier dividend paid in respect of the financial year ended		
- 31 December 2016 (single tier dividend of 4% or 2.0 sen per ordinary share)	10,117,760	-
	17,706,080	-

The Directors do not recommend the payment of a final dividend for the current financial year.

29. Staff Costs

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries, wages and other emoluments	34,522,735	31,914,888	2,849,873	3,320,346
Defined contribution plans	4,146,360	3,825,204	351,306	306,684
Other benefits	1,720,982	2,068,965	141,363	6,990
	40,390,077	37,809,057	3,342,542	3,634,020

29. Staff Costs (cont'd)

Included in staff costs is aggregate amount of remuneration received and receivables by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive Directors				
Salaries, bonus and incentives	1,578,800	1,370,800	1,506,800	1,370,800
Defined contribution plans	210,846	183,395	200,256	183,395
Other emoluments	164,225	142,000	164,225	142,000
	1,953,871	1,696,195	1,871,281	1,696,195

30. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 9, 10, 11, 20, 21, and 22 to the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group	
	2016 RM	2015 RM
Transactions with companies in which Directors of the Company has substantial financial interests		
- Transportation services rendered	18,490,044	16,043,688
- Sales of goods	2,352,084	3,288,329
- Purchase of goods	13,586,552	12,648,623
- Rental received/receivables	3,073,331	3,158,295
- Rental paid/payables	154,450	139,200
- Other income	869,141	520,243
	38,525,602	35,798,378

	Company	
	2016 RM	2015 RM
Transactions with subsidiary companies		
- Dividend income	23,700,000	-
- Management fee income	6,840,000	5,660,000

30. Related Party Disclosures (cont'd)

(c) Compensation of key management personnel

Remuneration of Directors and other member of key management are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, fees and other emoluments	5,190,153	4,406,482	1,886,525	1,512,800
Defined contribution pension plan	570,199	556,719	200,256	183,395
	5,760,352	4,963,201	2,086,781	1,696,195

31. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has five (5) reportable segments as follows:

Investment holding and management services	Investment holding and provision of management services
Distribution of building materials and provision of logistics	Trading and distribution of building materials, letting of properties and hire purchase financing
Ready-mixed concrete	Distribution of ready-mixed concrete
Manufacturing of AAC and precast concrete products	Manufacturing and sales of precast concrete products
Manufacturing of wire mesh and metal roofing systems	Manufacture and sales of wire mesh and metal roofing systems

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Investment holding and provision of management services are being managed by two different operating segments within the Group. These operating segments have been aggregated to form a reportable segment as management services taking into account the following factors:

- These operating segments have similar long-term gross profit margin;
- The nature of the services and production processes are similar; and
- The methods used to render the services to the customers are similar

Other non-reportable segments comprise operations related to rental of investment properties. None of these segments met the quantitative thresholds for reporting segments in 31 December 2016 and 31 December 2015.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment liabilities is neither included in the internal management reports nor provided regularly to the management. Hence, no disclosure is made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. Segment Information (cont'd)

	Investment holding and management services RM	Distribution of building materials and provision of logistics RM	Ready-mixed concrete RM	Manufacturing of AAC and precast concrete products RM	Manufacturing of wire mesh and metal roofing systems RM	Adjustments and elimination RM	Per consolidated financial statements RM
Group							
2016							
Revenue							
External customers	-	706,684,834	138,103,679	110,297,069	103,748,263	-	1,058,833,845
Inter-segment	32,730,000	1,769,936	148,820	14,342,035	47,249,694	(96,240,485)	-
Total revenue	32,730,000	708,454,770	138,252,499	124,639,104	150,997,957	(96,240,485)	1,058,833,845
Results							
Segment results	21,275,415	42,555,282	8,012,069	16,506,299	7,625,771	(29,229,288)	66,745,548
Interest income	7,215	430,287	235,179	225	30,173	(2,451)	700,628
Finance costs	-	(10,551,763)	(994,186)	(2,222,758)	(2,509,626)	2,451	(16,275,882)
Profit/(Loss) before taxation	21,282,630	32,433,806	7,253,062	14,283,766	5,146,318	(29,229,288)	51,170,294
Taxation	(279,656)	(4,669,661)	(1,853,489)	(2,103,458)	(838,378)	-	(9,744,642)
Net profit/(loss) for the financial year	21,002,974	27,764,145	5,399,573	12,180,308	4,307,940	(29,229,288)	41,425,652
Assets							
Segment assets	380,675,151	516,911,707	93,243,069	187,489,353	170,662,241	(600,062,124)	748,919,397
Capital expenditure	1,441,787	400,270	433,120	59,689,361	9,556,732	-	71,521,270
Total assets	382,116,938	517,311,977	93,676,189	247,178,714	180,218,973	(600,062,124)	820,440,667

31. Segment Information (cont'd)

	Investment holding and management services RM	Distribution of building materials and provision of logistics RM	Ready-mixed concrete RM	Manufacturing of AAC and precast concrete products RM	Manufacturing of wire mesh and metal roofing systems RM	Adjustments and elimination RM	Per consolidated financial statements RM
Group							
2016							
Other non-cash items							
Deposit written off	-	-	15,274	-	-	-	15,274
Depreciation of property, plant and equipment	268,313	2,703,821	3,013,792	6,072,744	3,766,997	432,199	16,257,866
Impairment on trade receivables	-	106,777	630,723	184,399	222,224	-	1,144,123
Impairment on other receivables	-	15,200	-	-	-	-	15,200
Bad debts written off	-	491,477	-	-	-	-	491,477
Fair value adjustment on investment properties	-	(10,740,958)	-	-	-	-	(10,740,958)
Gain on disposal of property, plant and equipment	-	(1,271,402)	(950,487)	(68,064)	(48,872)	-	(2,338,825)
Gain on disposal of investment properties	-	(891,853)	-	-	-	-	(891,854)
Gain on unrealised foreign exchange	-	-	-	(59,325)	(138,271)	-	(197,596)
Inventories written off	-	47,096	-	-	-	-	47,096
Loss on revaluation of investment properties	-	170,000	-	-	-	-	170,000
Loss on derivative financial asset	-	-	-	-	38,498	-	38,498
Property, plant and equipment written off	-	-	12,019	442	770	-	13,231
Recovered of bad debts	-	(113,803)	-	-	-	-	(113,803)
Reversal of impairment on trade receivables	-	(570,872)	(418,411)	(13,140)	(380,158)	-	(1,382,581)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. Segment Information (cont'd)

	Investment holding and management services RM	Distribution of building materials and provision of logistics RM	Ready-mixed concrete RM	Manufacturing of AAC and precast concrete products RM	Manufacturing of wire mesh and metal roofing systems RM	Adjustments and elimination RM	Per consolidated financial statements RM
Group							
2015							
Revenue							
External customers	-	857,354,594	161,533,194	80,575,315	99,688,493	-	1,199,151,596
Inter-segment	7,460,000	7,225,615	598,509	14,733,205	43,855,902	(73,873,231)	-
Total revenue	7,460,000	864,580,209	162,131,703	95,308,520	143,544,395	(73,873,231)	1,199,151,596
Results							
Segment results	615,558	26,307,386	8,357,389	11,564,805	6,054,303	5,314,395	58,213,836
Interest income	838	735,930	479,549	2,470	125,411	(63,016)	1,281,182
Finance costs	-	(13,503,417)	(1,652,344)	(2,501,588)	(2,921,436)	63,016	(20,515,769)
Profit before taxation	616,396	13,539,899	7,184,594	9,065,687	3,258,278	5,314,395	38,979,249
Taxation	(211,266)	(5,532,033)	(712,734)	(1,738,850)	(563,478)	-	(8,758,361)
Net profit for the financial year	405,130	8,007,866	6,471,860	7,326,837	2,694,800	5,314,395	30,220,888
Assets							
Segment assets	290,913,474	590,034,408	94,399,436	144,974,392	158,186,882	(454,385,758)	824,122,834
Capital expenditure	293,248	6,494,565	2,041,587	12,169,089	7,830,083	-	28,828,572
Total assets	291,206,722	596,528,973	96,441,023	157,143,481	166,016,965	(454,385,758)	852,951,406

31. Segment Information (cont'd)

	Investment holding and management services RM	Distribution of building materials and provision of logistics RM	Ready-mixed concrete RM	Manufacturing of AAC and precast concrete products RM	Manufacturing of wire mesh and metal roofing systems RM	Adjustments and elimination RM	Per consolidated financial statements RM
Group							
2015							
Other non-cash items							
Bad debts written off	-	1,426,450	142,314	-	80,141	-	1,648,905
Bad debts recovered	-	(1,140)	-	-	-	-	(1,140)
Depreciation of property, plant and equipment	129,069	3,004,294	3,259,152	4,978,639	3,414,915	-	14,786,069
Gain on disposal of property, plant and equipment	-	-	(15,054)	-	-	-	(15,054)
Gain on disposal of assets held for sale							
Gain on unrealised foreign exchange	-	-	-	(43,013)	-	-	(43,013)
Impairment on trade receivables	-	2,238,346	949,478	35,385	192,063	-	3,415,272
Inventories written off	-	23,743	-	-	-	-	23,743
Loss on disposal of assets held for sale	-	18,999	-	-	-	-	18,999
Property, plant and equipment written off	-	-	-	4,604	-	-	4,604
Reversal of impairment on trade receivables	-	(3,016,877)	(62,945)	-	(113,525)	-	(3,193,347)

31. Segment Information (cont'd)

Adjustment and eliminations

Interest income, finance costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and investment properties.

Inter-segment revenues are eliminated on consolidation.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Group				
Malaysia	1,055,177,956	1,176,439,320	365,060,199	304,493,313
Singapore	3,655,889	22,712,276	4,666	6,538
	1,058,833,845	1,199,151,596	365,064,865	304,499,851

Non-current assets for this purpose consist of property, plant and equipment and investment properties.

32. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
Group				
2016				
Financial Assets				
Trade receivables	295,479,338	-	-	295,479,338
Other receivables	18,234,499	-	-	18,234,499
Hire purchase receivables	5,483,909	-	-	5,483,909
Fixed deposits with licensed banks	1,596,838	-	-	1,596,838
Cash and bank balances	73,502,108	-	-	73,502,108
	394,296,692	-	-	394,296,692

32. Financial Instruments (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
Group				
2016				
Financial Liabilities				
Trade payables	-	126,820,722	-	126,820,722
Other payables	-	35,666,242	-	35,666,242
Amount due to Directors	-	2,000	-	2,000
Finance lease payables	-	5,287,603	-	5,287,603
Bank borrowings	-	320,316,365	-	320,316,365
	-	488,092,932	-	488,092,932
2015				
Financial Assets				
Trade receivables	302,567,612	-	-	302,567,612
Other receivables	9,336,210	-	-	9,336,210
Hire purchase receivables	709,601	-	-	709,601
Derivative financial assets	-	-	38,498	38,498
Fixed deposits with licensed banks	11,315,483	-	-	11,315,483
Cash and bank balances	168,855,397	-	-	168,855,397
	492,784,303	-	38,498	492,822,801
Financial Liabilities				
Trade payables	-	146,496,856	-	146,496,856
Other payables	-	18,087,072	-	18,087,072
Amount due to Directors	-	10,908,802	-	10,908,802
Finance lease payables	-	20,116,186	-	20,116,186
Bank borrowings	-	388,902,019	-	388,902,019
	-	584,510,935	-	584,510,935

32. Financial Instruments (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2016			
Financial Assets			
Other receivables	103,627	-	103,627
Amounts due from subsidiary companies	96,015,825	-	96,015,825
Cash and bank balances	14,715,097	-	14,715,097
	110,834,549	-	110,834,549
Financial Liabilities			
Other payables	-	10,833,094	10,833,094
Amounts due to subsidiary companies	-	89,041,900	89,041,900
	-	99,874,994	99,874,994
2015			
Financial Assets			
Other receivables	71,747	-	71,747
Amounts due from subsidiary companies	17,486,096	-	17,486,096
Cash and bank balances	223,317	-	223,317
	17,781,160	-	17,781,160
Financial Liabilities			
Other payables	-	955,957	955,957
Amounts due to subsidiary companies	-	49,143,426	49,143,426
	-	50,099,383	50,099,383

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

32. Financial Instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for banking facilities and supply of goods and services granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM356,129,317 (2015: RM64,181,248), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. Financial Instruments(cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	Total 2 to 5 years RM	Total After 5 years RM	contractual cash flows RM	carrying amount RM
Group						
2016						
Financial liabilities						
Trade payables	126,820,722	-	-	-	126,820,722	126,820,722
Other payables	35,666,242	-	-	-	35,666,242	35,666,242
Amount due to Directors	2,000	-	-	-	2,000	2,000
Finance lease payables	3,792,940	1,590,023	120,584	-	5,503,547	5,287,603
Bank borrowings	291,436,272	36,580,195	28,595,330	6,969,314	363,581,111	320,316,365
	457,718,176	38,170,218	28,715,914	6,969,314	531,573,622	488,092,932
2015						
Financial liabilities						
Trade payables	146,496,856	-	-	-	146,496,856	146,496,856
Other payables	18,087,072	-	-	-	18,087,072	18,087,072
Amount due to Directors	10,908,802	-	-	-	10,908,802	10,908,802
Finance lease payables	10,562,034	6,554,861	4,373,699	-	21,490,594	20,116,186
Bank borrowings	323,020,030	36,592,870	33,162,689	7,907,009	400,682,598	388,902,019
	509,074,794	43,147,731	37,536,388	7,907,009	597,665,922	584,510,935

32. Financial Instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2016			
Financial liabilities			
Other payables	10,833,094	10,833,094	10,833,094
Amount due to subsidiary companies	89,041,900	89,041,900	89,041,900
	99,874,994	99,874,994	99,874,994
2015			
Financial liabilities			
Other payables	955,957	955,957	955,957
Amount due to subsidiary companies	49,143,426	49,143,426	49,143,426
	50,099,383	50,099,383	50,099,383

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Singapore Dollar (SGP), Euro (EUR), Chinese Renminbi (RMB) and Thai Baht (THB).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. Financial Instruments(cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

(a) Foreign currency risk (cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in					
	USD RM	SGD RM	EUR RM	RMB RM	THB RM	Total RM
2016						
Cash and bank balances	35,996	1,779,842	-	-	-	1,815,838
Trade receivables	-	358,448	-	-	358,448	358,448
Other receivables	43,708	-	33,243	-	-	76,951
Trade payables	(706)	(139,966)	(45,424)	-	(13,453)	(199,549)
Other payables	-	-	-	(106,235)	-	(106,235)
	78,998	1,998,324	(12,181)	(106,235)	(13,453)	1,945,453
2015						
Cash and bank balances	90,172	434,906	-	-	-	525,078
Trade receivables	16,740	2,737,524	-	-	-	2,754,264
Other receivables	-	-	6,840	-	-	6,840
Trade payables	(1,070)	(939,124)	-	-	(5,420)	(945,614)
Other payables	-	-	-	(106,235)	-	(106,235)
	105,842	2,233,306	6,840	(106,235)	(5,420)	2,234,333

32. Financial Instruments(cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

(a) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the USD, SGD, EUR, RMB and THB exchange rates against RM, with all other variables held constant.

Group	2016 Change in currency rate RM	Effect on profit before tax RM	2015 Change in currency rate RM	Effect on profit before tax RM
USD	Strengthened 10%	7,900	Strengthened 10%	10,584
	Weakened 10%	(7,900)	Weakened 10%	(10,584)
SGD	Strengthened 10%	199,832	Strengthened 10%	223,331
	Weakened 10%	(199,832)	Weakened 10%	(223,331)
EUR	Strengthened 10%	1,218	Strengthened 10%	684
	Weakened 10%	(1,218)	Weakened 10%	(684)
RMB	Strengthened 10%	10,624	Strengthened 10%	10,624
	Weakened 10%	(10,624)	Weakened 10%	(10,624)
THB	Strengthened 10%	1,345	Strengthened 10%	542
	Weakened 10%	(1,345)	Weakened 10%	(542)

32. Financial Instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

(b) Interest rate risk

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2016	**2015**
	RM	**RM**
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	1,596,838	11,315,483
Financial liability		
Finance lease payables	5,287,603	20,116,186
Floating rate instruments		
Financial liability		
Bank borrowings	320,316,365	388,902,019

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ (decreased) the Group's profit before taxation by RM3,203,164 (2015: RM3,889,020), arising mainly as a result of lower/ higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

32. Financial Instruments (cont'd)

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
Group				
2016				
Finance lease payables	-	1,640,806	-	1,670,137
2015				
Finance lease payables	-	10,339,778	-	10,414,547

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current financial year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

33. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total loan and borrowings	325,603,968	409,018,205	-	-
Less: Fixed deposits with licensed banks	(1,596,838)	(11,315,483)	-	-
Less: Cash and bank balances	(73,502,108)	(168,855,397)	(14,715,097)	(223,317)
Net debts/(cash)	250,505,022	228,847,325	(14,715,097)	(223,317)
Total equity	324,313,496	261,247,273	264,087,218	221,531,203
Gearing ratio (times)	0.77	0.88	#	#

The gearing ratio is not applicable as the Company does not has any loan and borrowings as at 31 December 2016 and 31 December 2015.

There were no changes in the Group's approach to capital management during the financial year.

34. Capital Commitments

As at the reporting date, the Group has the following commitments for the acquisition of the property, plant and equipment.

	Group	
	2016	**2015**
	RM	**RM**
Capital expenditures		
Authorised and contracted for:		
Property, plant and equipment	33,393,744	289,000

35. Contingent Liabilities

	Group 2016 RM	Group 2015 RM
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	560,305,700	176,863,292

36. Significant Events During the Financial Year

(a) On 12 May 2016, Metex Steel Sdn. Bhd., a direct wholly-owned subsidiary of the Company has been granted Feed-in Tariff ("FiT") certification by the Sustainable Energy Development Authority of Malaysia ("SEDA Malaysia").

(b) On 15 September 2016, Sage Evergreen Sdn. Bhd., an indirect wholly-owned subsidiary company has entered into a Sale and Purchase Ageement with TKW Capital Sdn. Bhd. for the acquisition of a piece of freehold land located at Mukim of Kota Tinggi, Daerah Kota Tinggi, Johor for a total cash consideration of RM21,935,236 ("Proposed Acquisition"). The Proposed Acquisition has been duly completed on 3 January 2017.

(c) On 22 September 2016, PP Chin Hin Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 22 September 2016 entered into conditional shares sale agreements with the Midah Vendors and Epic Vendors (hereinafter collectively defined as "Vendors") for the following acquisitions:

(i) proposed acquisition of 500,000 ordinary shares of RM1.00 each in Midah Industries Sdn. Bhd. ("Midah") which represents the entire issued and paid-up share capital of Midah for a total cash consideration of RM14,500,000 ("Proposed Acquisition of Midah"); and

(ii) Proposed acquisition of 300,000 ordinary shares of RM1.00 each in Epic Diversity Sdn. Bhd. ("Epic") which represents the entire issued and paid-up shares capital of Epic for a total cash consideration of RM3,800,000 ("Proposed Acquisition of Epic").

(d) On 26 October 2016, there are five (5) subsidiaries of the Company have entered into five (5) separate agreements with CHL Logistics Sdn. Bhd. ("CHL" or "the Purchaser") respectively for the disposal of motor vehicles for a total sale considerations of RM8,665,000 as follows:

(i) Metex Steel Sdn. Bhd. ("MTSB"), a wholly-owned subsidiary of the Company entered into an Assets Sale Agreement ("MTSB Agreement") with CHL to dispose of motor vehicles for a total consideration of RM264,600 ("Disposal of Motor Vehicle by MTSB");

(ii) PP Chin Hin Sdn. Bhd. ("PPCH"), a wholly-owned subsidiary of the Company entered into an Assets Sale Agreement ("PPCH Agreement") with CHL to dispose of motor vehicles for a total consideration of RM4,336,700 ("Disposal of Motor Vehicle by PPCH");

(iii) Starken AAC Sdn. Bhd. ("Starken"), a wholly-owned subsidiary of the Company entered into an Assets Sale Agreement ("Starken Agreement") with CHL to dispose of motor vehicles for a total consideration of RM275,000 ("Disposal of Motor Vehicle by Starken");

(iv) Chin Hin Concrete (KL) Sdn. Bhd. ("CHCKL"), a wholly-owned subsidiary of the Company entered into an Assets Sale Agreement ("CHCKL Agreement") with CHL to dispose of motor vehicles for a total consideration of RM2,870,600 ("Disposal of Motor Vehicle by CHCKL"); and

36. Significant Events During the Financial Year (cont'd)

(d) On 26 October 2016, there are five (5) subsidiaries of the Company have entered into five (5) separate agreements with CHL Logistics Sdn. Bhd. ("CHL" or "the Purchaser") respectively for the disposal of motor vehicles for a total sale considerations of RM8,665,000 as follows: (cont'd)

(v) C&H Transport Sdn. Bhd. ("CHT"), a wholly-owned subsidiary of the Company entered into an Assets Sale Agreement ("CHT Agreement") with CHL to dispose of motor vehicles for a total consideration of RM918,100 ("Disposal of Motor Vehicle by CHT");

The Disposal of Motor Vehicle by MTSB, Disposal of Motor Vehicle by PPCH, Disposal of Motor Vehicle by Starken, Disposal of Motor Vehicle by CHCKL and Disposal of Motor Vehicle by CHT shall be collectively referred to as "The Proposed Disposals".

37. Subsequent Events

(i) On 31 March 2017, the Proposed Acquisition of Midah and Proposed Acquisition of Epic have fully completed and the total purchase considerations has adjusted from RM18,300,000 to RM17,079,000.

(ii) On 3 April 2017, Starken AAC Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a conditional shares sale agreement ("SSA") with MI Polymer Concrete Pipes Sdn. Bhd. ("MIPCP") Vendors for the proposed acquisition of the entire issued and paid up share capital of MIPCP which comprises of 1,000,000 ordinary shares of MIPCP for a total considerations of RM35,000,000 ("Purchase Consideration") ("Proposed Acquisition of MIPCP"). Subsequently, the Proposed Acquisition of MIPCP has completed on 7 April 2017.

38. Comparative Information

The following reclassification were made to the financial statement of prior year to be consistent with current year presentation.

	As previously stated RM	Reclassification RM	As restated RM
Group			
2015			
Statements of Financial Position			
Non-Current Assets			
Hire purchase receivables	-	250,060	250,060
Current Assets			
Hire purchase receivables	709,601	(250,060)	459,541

39. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of Directors on 21 April 2017.

40. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiary companies				
- Realised	213,451,283	156,450,982	3,438,186	186,153
- Unrealised	23,370,238	22,107,284	49,500	-
	236,821,521	178,558,266	3,487,686	186,153
Less: Consolidation adjustments	(29,229,288)	5,314,395	-	-
Total retained earnings	207,592,233	183,872,661	3,487,686	186,153

The disclosures of realised and unrealised profits or losses above are solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

TOP 10 PROPERTIES

No.	Title No:	Property Address	Tenure	Description of property/ Existing use	Category of land use/ Land area/ Built-up area (sq metre)	Acquisition/ Revaluation Date	Approximate age of building (years)	Net Carrying Amount as at 31 December 2016
1.	GRN 42280, Lot 89, Mukim Kota Tinggi, Daerah Kota Tinggi, Johor	GRN 42280, Lot 89, Mukim Kota Tinggi, Daerah Kota Tinggi, Johor	Freehold	Description of property: Land Existing use: N/A	Category of land use: N/A Land area: 204,745m^2 Built-up area: N/A	15/9/16	N/A	23,107,761.76
2.	Individual title held under PN 97898, Lot 40023 (formerly known as HS(D) 45098, PT No. 16047), Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Selangor	Plot 6, Jalan Bunga Azalea 1/2, Kawasan Industri Bunga Azalea, 48200 Serendah, Selangor Darul Ehsan	Leasehold 99 years expiring 7 July 2109	Description of property: Land Existing use: Factory	Category of land use: Industrial Land area: 83,190.5m^2 Built-up area: 17,554m^2	29/12/16	N/A	19,784,946.00
3.	Individual title held under GM 4075, Lot No 15311, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang	No.2271, Mukim 14, Jalan IKS Bukit Minyak, Kawasan Perindustian Bukit Minyak, 14000 Bukit Mertajam, Pulau Pinang.	Freehold	Description of property: Single storey factory with office unit Existing use: Factory	Category of land use: Industrial Land area: 12,240m^2 Built-up area: 3,754m^2	23/6/16	4	8,584,739.11

TOP 10 PROPERTIES (cont'd)

No.	Title No:	Property Address	Tenure	Description of property/ Existing use	Category of land use/ Land area/ Built-up area (sq metre)	Acquisition/ Revaluation Date	Approximate age of building (years)	Net Carrying Amount as at 31 December 2016
4.	Geran No. 164790, Lot 19035, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 2A, Jalan Intan 1, Phase Nu 3A1, Nilai Utama Enterprise Park, Nilai, 71800 Seremban, Negeri Sembilan.	Freehold		Category of land use: Industrial Land area: 10595m^2 Built-up area: #	9/12/16	3	7,040,077.16
5.	Geran No. 164789, Lot 19034, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 2, Jalan Intan 1, Phase Nu 3A1, Nilai Utama Enterprise Park, Nilai, 71800 Seremban, Negeri Sembilan.	Freehold	Description of property: Two-storey office building, two units of semi-detached industrial factory units for AAC plant and metal roofing manufacturing, one batching plant, one electrical room and one canteen block erected on contiguous industrial land Existing use: Tenanted	Category of land use: Industrial Land area: 9291m^2 Built-up area: #	9/12/16	3	6,173,606.13
6.	Geran No. 164808, Lot 19055, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 6, Jalan Intan 1, Phase Nu 3A1, Nilai Utama Enterprise Park, Nilai, 71800 Seremban, Negeri Sembilan.	Freehold		Category of land use: Industrial Land area: 8150m^2 Built-up area: #	9/12/16	3	5,415,443.97

TOP 10 PROPERTIES (cont'd)

No.	Title No:	Property Address	Tenure	Description of property/ Existing use	Category of land use/ Land area/ Built-up area (sq metre)	Acquisition/ Revaluation Date	Approximate age of building (years)	Net Carrying Amount as at 31 December 2016
7.	HS(D) 283205, PT 35461,Mukim Damansara, Daerah Petaling, Negeri Selangor	No. 28, Jalan Kerawang U8/108, Taman Perindustrian Tekno Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan	Freehold	Description of property: 3-storey semi-detached factory unit with lift Existing use: Tenanted	Category of land use: Industrial Land area: $824.2m^2$ Built-up area: $663.3m^2$	31/12/16	1	4,550,000.00
8.	Geran No. 164787, Lot 19033, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 6, Jalan Intan, Phase Nu 3A1, Nilai Utama Enterprise Park, Nilai, 71800 Seremban, Negeri Sembilan.	Freehold	Description of property: Two-storey office building, two units of semi-detached industrial factory units for AAC plant and metal roofing manufacturing, one batching plant, one electrical room and one canteen block erected on contiguous industrial land Existing use: Tenanted	Category of land use: Industrial Land area: $4895m^2$ Built-up area: #	9/12/16	3	3,252,588.74

TOP 10 PROPERTIES (cont'd)

No.	Title No:	Property Address	Tenure	Description of property/ Existing use	Category of land use/ Land area/ Built-up area (sq metre)	Acquisition/ Revaluation Date	Approximate age of building (years)	Net Carrying Amount as at 31 December 2016
9.	Individual title held under GM 312, Lot No 1675, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang	No 2271, Mukim 14, Jalan IKS Bukit Minyak, Taman IKS, Kawasan Perindustian Bukit Minyak, 14000 Bukit Mertajam, Pulau Pinang.	Freehold	Description of property: land Existing use: N/A	Category of land use: N/A Land area: 9,081.1m^2 Built-up area: N/A	23/6/16	N/A	3 ,662,637.40
10.	Master title held under HSM 13217, PT15196 (formerly known as GM 3754, Lot 44773), Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Units A-0-1 ,A-1-1 and A-2-1, Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur.	Freehold	Description of property: Three Storey Stratified shop/office Existing use: Partly occupied by our Group as office premises, partly tenanted by our related party, and party tenanted by third party and party vacant	Category of land use: Building Land area: 196.3m^2 Built-up area: 572.9m^2	21/2/06	7	3,050,908.20

Note: The properties located on No. 2, 2A & 6, Jalan Intan 1, Phase NU3A1, Nilai Utama Enterprise Park, Negeri Sembilan Darul Khusus comprises a single storey office block, single storey warehouse, open-sided single storey BRC wire mesh factory and a guardhouse. As such, #: the total built-up area of the factory is 17,210.98 m^2 across these four (4) parcels of contiguous industrial lands.

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

SHARE CAPITAL

Total Number of Issued Shares	:	505,888,000
Issued Share Capital	:	RM252,944,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017

	No. of holders	% of shareholders	No. of holdings	% of shares
1 – 99	7	0.41	150	0.00
100 - 1,000	222	12.93	167,700	0.03
1,001 - 10,000	908	52.88	4,734,450	0.94
10,001 - 100,000	426	24.81	15,611,700	3.09
100,001 to less than 5% of issued shares	153	8.91	181,841,200	35.94
5% and above of issued shares	1	0.06	303,532,800	60.00
	1,717	100.00	505,888,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

		Direct	%	Indirect	%
1	Divine Inventions Sdn Bhd	303,532,800	60.00	-	-
2	PP Chin Hin Realty Sdn Bhd	-	-	303,532,800 [(a)]	60.00
3	Datuk Seri Chiau Beng Teik	49,157,200	9.72	303,532,800 [(a)]	60.00
4	Datin Seri Wong Mee Leng	-	-	303,532,800 [(a)]	60.00
5	Chiau Haw Choon	-	-	303,532,800 [(a)]	60.00

(a) Deemed interest for the shares held by Divine Inventions Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2017

		Direct	%	Indirect	%
1	Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani	100,000	0.02	-	-
2	Datuk Seri Chiau Beng Teik	49,157,200	9.72	303,532,800 [(a)]	60.00
3	Chiau Haw Choon	-	-	303,532,800 [(a)]	60.00
4	Lee Hai Peng	2,324,000	0.46	-	-
5	Yeoh Chin Hoe	100,000	0.02	-	-
6	Datuk Cheng Lai Hock	100,000	0.02	-	-

(a) Deemed interest for the shares held by Divine Inventions Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

		No. of shares	% of shares
1.	DIVINE INVENTIONS SDN BHD	303,532,800	60.00
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	19,000,000	3.76
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	15,000,000	2.97
4.	PEH LIAN HWA	11,350,000	2.24
5.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	10,000,000	1.98
6.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	7,007,000	1.39
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	5,894,600	1.17
8.	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	5,825,000	1.15
9.	KUMPULAN WANG SIMPANAN GURU-GURU	4,366,000	0.86
10.	CHEONG KAI MENG	4,253,900	0.84
11.	DATUK SERI CHIAU BENG TEIK	4,000,000	0.79
12.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAWARIA SDN BHD	4,000,000	0.79
13.	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	3,881,900	0.77
14.	KEH CHUAN SENG	3,835,300	0.76
15.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	3,569,300	0.71
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	3,313,000	0.65
17.	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG PRINCIPLED GROWTH FUND	3,050,800	0.60
18.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL (MARGIN)	2,910,600	0.58
19.	AMANAHRAYA TRUSTEES BERHAD PMB DANA AL-AIMAN	2,885,000	0.57
20.	PEH LIAN HWA	2,610,000	0.52
21.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	2,540,000	0.50
22.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	2,000,000	0.40
23.	CHE HALIN BIN MOHD HASHIM	2,000,000	0.40
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HAI PENG	2,000,000	0.40

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017) (cont'd)

		No. of shares	% of shares
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHOON YEOK	2,000,000	0.40
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOK BOON CHENG	1,540,100	0.30
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KIAN HIN	1,462,900	0.29
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	1,458,200	0.29
29.	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG AIIMAN EQUITY FUND	1,411,000	0.28
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR AFFIN HWANG EQUITY FUND	1,407,200	0.28
	TOTAL	**438,104,600**	**86.60**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third (3rd) Annual General Meeting of Chin Hin Group Berhad ("Chin Hin" or "the Company") will be held at Chin Hin Culture Centre, No. F-0-1 and F-0-2 Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees and other benefits payable of up to RM1,322,000 for the financial year ending 31 December 2017 and thereafter. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire pursuant to Article 95 of the Company's Articles of Association:

   (a) Mr Chiau Haw Choon (Ordinary Resolution 2)

   (b) YBhg Datuk Cheng Lai Hock (Ordinary Resolution 3)

4. To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 4)

   As Special Business:
   To consider and, if thought fit, to pass the following resolutions:

5. **Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016** (Ordinary Resolution 5)

   THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

6. **Proposed New Shareholders' Mandate and Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** (Ordinary Resolution 6)

   THAT, subject to compliance with all applicable laws, regulations and guidelines, approval be and is hereby given to the Company to enter into Recurrent Related Party Transactions of a revenue or trading nature with related parties as set out in Section 2.4 of the Circular to Shareholders dated 28 April 2017 for the purposes of Paragraph 10.09, Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), subject to the following:

(i) the transactions are necessary for the day-to-day operations of the Company's subsidiary in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;

(ii) the mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

(iii) disclosure is made in the annual report of the Company of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholder's mandate is in force, where:

(a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1.0 million; or

(b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the higher;

and amongst other, based on the following information:

(a) the type of the Recurrent Related Party Transactions made; and

(b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationships with Chin Hin Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

7. To transact any other ordinary business of the Company for which due notice shall be given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
Date: 28 April 2017

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.

6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 18 May 2017 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

EXPLANATORY NOTES:

1. **Audited Financial Statements for the Financial Year Ended 31 December 2016**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolution 5: Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016**

   The Proposed Ordinary Resolution 5, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Extraordinary General Meeting held on 18 August 2016 and which will lapse at the conclusion of the Third (3rd) Annual General Meeting.

3. Ordinary Resolution 6: Proposed New Shareholders' Mandate and Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 6, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Third (3rd) Annual General Meeting of the Company are:

i)	Mr Chiau Haw Choon	Article 95	(Ordinary Resolution 2)
ii)	YBhg Datuk Cheng Lai Hock	Article 95	(Ordinary Resolution 3)

The profile of the Directors standing for re-election for Ordinary Resolutions 2 and 3 are set out on pages 7 to 12 of the Annual Report 2016. The shareholdings of the abovenamed Directors in the Company are disclosed on page 144 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 39 of the Annual Report 2016.

The Third (3rd) Annual General Meeting of the Company will be held at Chin Hin Culture Centre, No. F-0-1 and F-0-2 Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m.

CHIN HIN GROUP BERHAD (1097507-W)

Form of Proxy

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

I / We (Full Name in Block Letters)____
NRIC No. / Passport No. / Company No. ____
of____
being a member / members of CHIN HIN GROUP BERHAD hereby appoint:__________________________
______________________________NRIC No. / Passport No.___________________________________
of____
and/or ____________________________NRIC No. / Passport No.___________________________________
of____

or failing *him/her, the Chairman of the meeting as my / our proxy to vote and act on my / our behalf at the Third (3rd) Annual General Meeting of Chin Hin Group Berhad ("Chin Hin" or "the Company") to be held at Chin Hin Culture Centre, No. F-0-1 and F-0-2 Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable for the financial year ending 31 December 2017.		
2.	To re-elect Mr Chiau Haw Choon as Director.		
3.	To re-elect YBhg Datuk Cheng Lai Hock as Director.		
4.	To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
5.	To approve the authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016		
6.	To approve the Proposed Shareholders' Mandate.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolution as he/she may think fit.)

Signed this __________ day of ____________________, 2017.

Signature : ____
(If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy
No. of Shares: ……………

Percentage : ……………….%

Second Proxy
No. of Shares: ……………

Percentage : ……………….%

NOTES:

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 18 May 2017 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

Fold this flap for sealing

AFFIX
STAMP

THE SHARE REGISTRAR OF
CHIN HIN GROUP BERHAD
Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor

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1st fold here