www.chinhingroup.com

Chin Hin Group Berhad (1097507-W) // Annual Report **2017**

CHIN HIN™

Chin Hin Group Berhad (1097507-W)

RISING ABOVE CHALLENGES

ANNUAL REPORT 2017

ABOUT US

CHIN HIN GROUP BERHAD is a fully integrated building materials conglomerate. We began our journey nearly 50 years ago as a very small building materials trader in Alor Setar. Over the years, our hard work, vision, commitment and customer focus have enabled us to become a highly respected leader in building materials and a billion ringgit public-listed company with a nation-wide presence.

CHIN HIN GROUP today has expanded its business to cover not only trading but also manufacturing and services across:

- Fire-rated door
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Metal Roofing Systems
- Modular Building Solutions
- Pre-Cast Concrete Products
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete (UHPC)

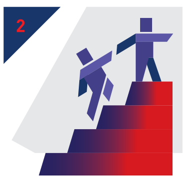
- Our Tagline -

"Malaysia's Preferred Total Building Materials Solutions Partner" captures the spirit of who we are and what we seek to be as a brand.

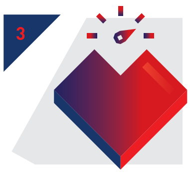
WE ARE DIFFERENT

- We are a multi-platform solution provider for the building materials industry
- We offer outstanding customer experience everytime
- We cultivate, grow and develop talent better than anybody else
- We offer smart, innovative, fast & cost-effective solutions
- We set health, safety & green standards for our industry
- We offer outstanding product quality, safety & peace of mind to our customers everytime
- Our business is more than a business to us. It is a passion.

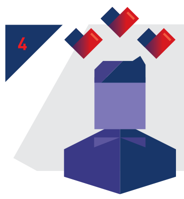
We are building materials experts



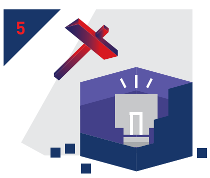
We are a high performance team culture



We are passionate about what we do

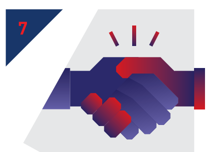


We are committed to the health, well being and growth of our people



We constantly seek breakthrough innovation and ideas

We deliver fast and cost-effective solutions



We offer outstanding & memorable customer experience every time

VISION

Chin Hin Group is the most preferred, trusted and admired total solutions provider & partner to the building materials and construction industry in Malaysia.

MISSION

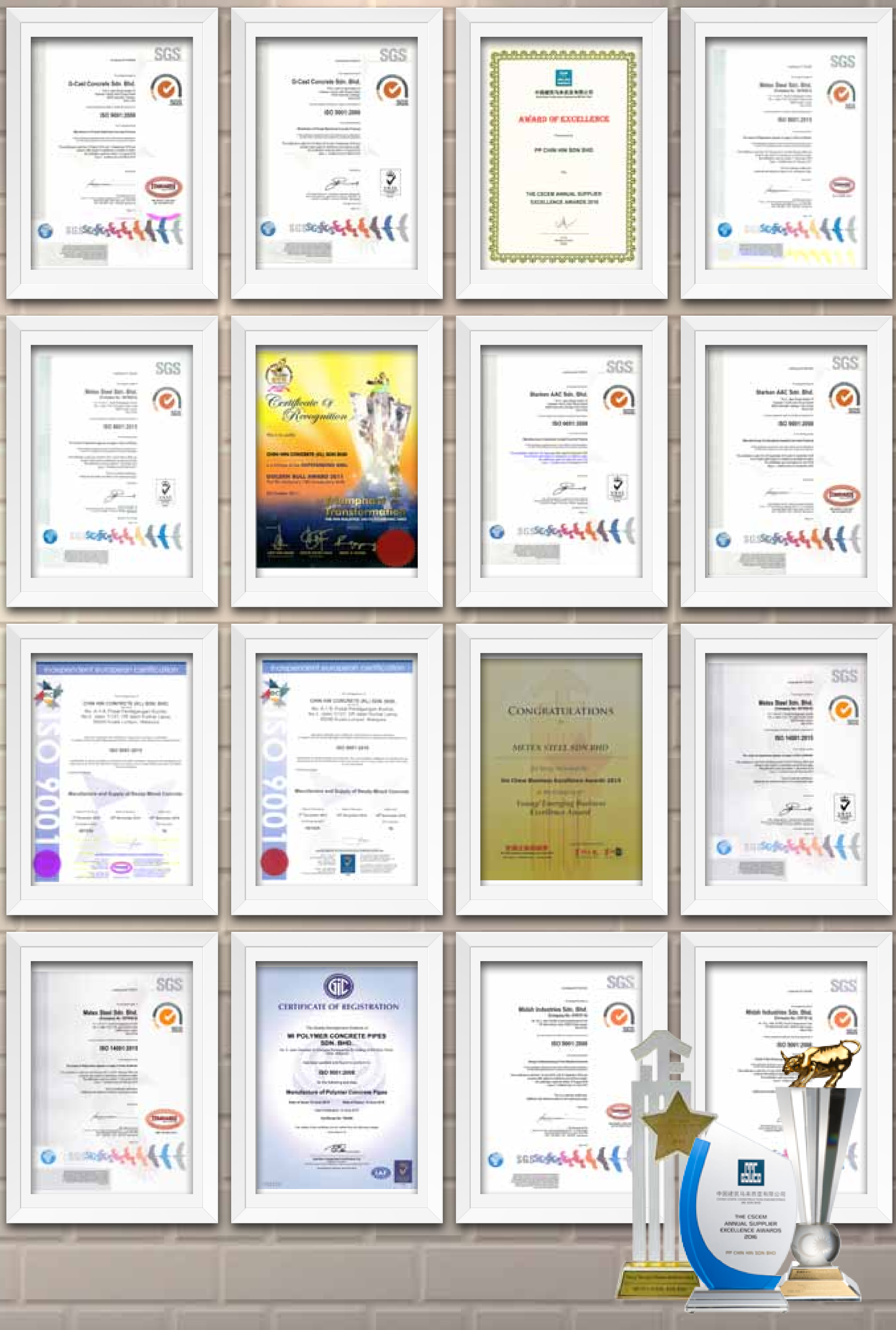
- We offer a total solutions platform for the construction and building materials industry
- We offer the latest technologies, innovations and smart solutions to our customers
- We offer one-stop solutions to meet all the needs of the construction and building materials industry
- We offer consistency, stability, affordability, reliability, accessibility and monetary rewards to our stakeholders and customers
- We are a magnet for outstanding talent as we offer a stimulating, professional, high growth, healthy, happy, innovative environment that rewards, recognises and celebrates our people
- We are a leader and role model to the entire industry in terms of talent, product quality, service, innovation, work environment, customer experience and business growth
- We work as one team and as one family both inside and outside. We consistently seek to exceed the expectations and satisfactions of our customers, suppliers, employees and investors

CONTENTS

CORPORATE VALUES

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

AWARDS & RECOGNITIONS



CORPORATE MILESTONES

FOUNDATION

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

EXPANSION

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
- The largest AAC producer in Malaysia

2015

Obtained SC approval for IPO

ACCELERATION

2016

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

2017

Mergers and Acquisitions
- Midah Industries Sdn Bhd
- Epic Diversity Sdn Bhd
- MI Polymer Concrete Pipes Sdn Bhd
- Atlantic Blue Sdn Bhd (45%)

BUSINESS OVERVIEW

MANUFACTURING

Concrete Solutions
Lightweight AAC, Ultra High Performance Concrete, Drymix, Infrastructural Pipes, Polymer Concrete & Ready-mixed Concrete

Fire-rated Door Solutions
Fire-rated Door & Ironmongery accessories

Civil Structural Solutions
Prefabricated Modular Building System ("PMBS") and Cut-to-Size wire mesh

DISTRIBUTION

Building Materials Trading & Logistic Solutions

RENEWABLE ENERGY

Solarvest Renewable Energy Investment Solutions

CORPORATE INFORMATION

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
Datuk Cheng Lai Hock

Member
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani
Yeoh Chin Hoe
Lee Hai Peng

COMPANY SECRETARIES

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

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

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

- 100% — PP Chin Hin Sdn Bhd
  - PP Chin Hin Pte Ltd
  - C&H Transport Sdn Bhd
  - Midah Industries Sdn Bhd
  - Epic Diversity Sdn Bhd
- 100% — Chin Hin Concrete Holdings Sdn Bhd
  - Chin Hin Concrete (KL) Sdn Bhd
  - Chin Hin Concrete (North) Sdn Bhd
- 100% — Starken AAC Sdn Bhd
  - G-Cast Concrete Sdn Bhd
  - Starken Drymix Solutions Sdn Bhd (F.K.A.: G-Cast Polymer Concrete Sdn Bhd)
  - Green Cement Sdn Bhd
  - Sage Evergreen Sdn Bhd
  - MI Polymer Concrete Pipes Sdn Bhd
    - MI Polymer Concrete Pipes (S) Pte Ltd
  - 70% — G-Cast UHPC Sdn Bhd # (F.K.A.: Diva Victory Sdn Bhd)
- 100% — Metex Steel Sdn Bhd
  - Formino Metal Sdn Bhd (F.K.A.: Metal Sphere Sdn Bhd)
  - Comet Steel Sdn Bhd
  - Ace Logistic Sdn Bhd
  - 70% — Metex Modular Sdn Bhd *
- 100% — Chin Hin Academy Sdn Bhd ^
- 45% — Atlantic Blue Sdn Bhd @
  - Solarvest Energy Sdn Bhd
  - Powertrack Sdn Bhd

Note:

- F.K.A.: Formerly Known As

^ Acquisition of Chin Hin Academy Sdn Bhd was completed on 31 May 2017.

Acquisition of G-Cast UHPC Sdn Bhd (F.K.A.: Diva Victory Sdn Bhd) was completed on 14 September 2017.

* Metex Modular Sdn Bhd was incorporated on 2 November 2017.

@ Acquisition of Atlantic Blue Sdn Bhd was completed on 24 August 2017.

All subsidiaries are 100% owned by its holding company except otherwise stated.

DIRECTORS' PROFILE

Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani

Malaysian | Male | Aged 58
Independent Non-Executive Chairman

Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani was appointed to our Board on 23 January 2015. He is also of the Chairman of Nomination Committee, a member of Audit Committee and Risk Management 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., He was with Messrs Baker & McKenzie (International Lawyers), Singapore.

He sits on the Board of Directors of T7 Global Berhad (formerly known as Tanjung Offshore Berhad) and Ranhill Holdings Berhad, the companies listed in Bursa Malaysia Securities Berhad. He is also a director of 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 (cont'd)

Datuk Seri Chiau Beng Teik

Malaysian | Male | Aged 57
Deputy Group Executive Chairman

Datuk Seri Chiau Beng Teik 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-three (43) years of working and managing experiences in Chin Hin.

Datuk Seri Chiau 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 is the father of Chiau Haw Choon, the Group Managing Director and a major shareholder of the Company and spouse of Datin Seri Wong Mee Leng, a major shareholder of the Company. He sits on the Board of Directors of Boon Koon Group Berhad and Green Ocean Corporation Berhad. He has no conflict of interest with the Company other than those disclosed in the Company's circular to shareholders dated 30 April 2018 and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE (cont'd)

Chiau Haw Choon

Malaysian | Male | Aged 34
Group Managing Director

Mr. Chiau Haw Choon 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 is presently the Chairman of Remuneration 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 Seri Wong Mee Ling, a major shareholder of the Company. He sits on the Board of Directors of Boon Koon Group Berhad. He has no conflict of interest with the Company other than those disclosed in the Company's circular to shareholders dated 30 April 2018 and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE (cont'd)

Lee Hai Peng

Malaysian | Male | Aged 52
Executive Director cum Chief Financial Officer

Mr. Lee Hai Peng 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 four (24) 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 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 (cont'd)

Datuk Cheng Lai Hock

Malaysian | Male | Aged 59
Independent Non-Executive Director

Datuk Cheng Lai Hock was appointed to our Board on 23 January 2015. He is the Chairman of Risk Management Committee and a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Datuk Cheng 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 33 years of experience as company secretary and more than 17 years of experience as a tax consultant.

Datuk Cheng began his career as an Administrative Executive in P. Hand Chemical Sdn Bhd in November 1982. Thereafter, he started his own secretarial firm in October 1984. 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.

Datuk Cheng is an Independent Non-Executive Director of SC Estate Builder 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 (cont'd)

Yeoh Chin Hoe

Malaysian | Male | Aged 67
Senior Independent Non-Executive Director

Mr. Yeoh Chin Hoe was appointed to our Board on 23 January 2015. He is the Chairman of our Audit Committee and a member of Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. 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 sits on the Board of Directors of Weida (M) Berhad and Halex Holdings 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

Sitting, left to right:

Ng Wai Luen
Chief Executive Officer
- *Starken AAC Sdn Bhd*
- *G-Cast Concrete Sdn Bhd*

Director
- *MI Polymer Concrete Pipes Sdn Bhd*
- *MI Polymer Concrete Pipes (S) Pte Ltd*
- *Starken Drymix Solutions Sdn Bhd*
- *G-Cast UHPC Sdn Bhd*

Lee Hai Peng
Executive Director cum Chief Financial Officer

Standing, left to right:

Lok Boon Cheng
Chief Executive Officer
- *Metex Steel Sdn Bhd*

Director
- *Metex Modular Sdn Bhd*

Chiau Haw Choon
Group Managing Director

Tan Cheak Joo
Chief Executive Officer
- *PP Chin Hin Sdn Bhd*

Director
- *Midah Industries Sdn Bhd*
- *Epic Diversity Sdn Bhd*

KEY SENIOR MANAGEMENT PROFILE (cont'd)

Tan Cheak Joo

Chief Executive Officer- PP Chin Hin Sdn Bhd | Director- Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd | 47 years of age, Malaysian, Male

Tan Cheak Joo is the Chief Executive Officer of PP Chin Hin Sdn Bhd. 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 eighteen (18) 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 | Director- Metex Modular Sdn Bhd | 53 years of age, Malaysian, Male

Lok Boon Cheng is the Chief Executive Officer of Metex Steel Sdn Bhd and Metex Modular Sdn Bhd.

He manages the manufacturing & sales of the wire mesh and modular operating 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-eight (28) years of working experience in the business of precast concrete and 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 (cont'd)

Ng Wai Luen

Chief Executive Officer- Starken AAC Sdn Bhd and G-Cast Concrete Sdn Bhd | 49 years of age, Malaysian, Male

Ng Wai Luen is the Chief Executive Officer of Starken AAC Sdn Bhd and G-Cast Concrete Sdn Bhd and Director of Starken Drymix Solution Sdn Bhd. He was appointed as Director of MI Polymer Concrete Pipes Sdn Bhd and MI Polymer Concrete Pipes (S) Pte Ltd and G-Cast UHPC Sdn Bhd 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 Wai Luen 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.


WEHRHAHN

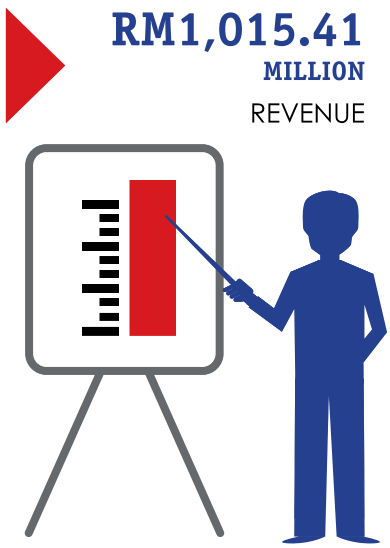
CHAIRMAN'S STATEMENT

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

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group"), it is my pleasure and privilege to present the Annual Report and Audited Financial Statement for the financial year ended 31 December 2017 ("FY2017").

CHAIRMAN'S STATEMENT (cont'd)



OPERATING ENVIRONMENT

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

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

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

CORPORATE GOVERNANCE

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

CHAIRMAN'S STATEMENT (cont'd)

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

FINANCIAL PERFORMANCE

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

DIVIDEND

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

MOVING FORWARD

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

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

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

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

CHAIRMAN'S STATEMENT (cont'd)

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

ACKNOWLEDGEMENTS

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

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

MARKET LANDSCAPE

The financial year ended 31 December 2017 ("FY2017") was indeed a momentous and landmark one indeed for Chin Hin Group Berhad ("Chin Hin" or "the Group"). It marked The Group's continued consolidating of its core business in manufacturing and also a stark interest in the solar industry via the acquisition of 45% equity stake in Atlantic Blue Sdn Bhd ("Atlantic Blue") a company which specialises in large-scale solar farming and provision of solar photovoltaic solutions. To move ahead of its rivals, Chin Hin had ventured into the Pre-fabricated modular building systems to further enhance its business prospects which create synergies with the Group as 70-80% of building components and materials used are supplied-in house.

The Group continues to focus on strengthening its increased production capacity through more synergistic collaborations. We believe this is one of the key strengths, which is unique to us. In addition, the Group remains committed to achieving its corporate vision and mission by adopting innovations and effective business practices as the core enablers.

Our rise to become a reputable construction materials solution partner in the construction industry in Malaysia wasn't an overnight initiative. We continue to push the boundaries and actively seek ways to further consolidate our presence as a market leader and the preferred cum trusted brand of the construction sector.

Financial Review

Financial Indicators	FY2017	FY2016	Variance
Revenue (RM'000)	1,015,410	1,058,834	(4.10)%
Gross Profit (RM'000)	101,492	98,822	(2.70)%
Profit Before Tax ("PBT") (RM'000)	39,458	51,170	(22.89)%
Profit After Tax ("PAT") (RM'000)	29,612	41,426	(28.52)%
Net assets	0.93	1.01	(0.08)
Debt to Equity ratio (times)	0.96	1.00	(0.04)
Gross Profit Margin (%)	10.0	9.3	0.7%
Net Profit Margin ("PAT") (%)	2.9	3.9	(1.0)%

For the financial year under review, the Group revenue decreased by 4.10% to RM1,015.41 million from RM1,058.83 million as compared to the preceding financial year. The lower turnover was due to the decline in revenue from our distribution of building material and ready-mixed concrete sector which were off-set by the increase in revenue from the manufacturing of autoclaved aerated concrete (AAC) blocks, precast concrete products, steel mesh products and the newly acquired fire rated door, lockset and polymer concrete product turnover. The decline in the revenue from the distribution of building material was due to the decrease in sales volume of cement by approximately 21.12% as a result of the further softening of housing construction activities and the impact of cement manufacturers selling direct-to-customer (DTC). The further decrease in revenue from ready-mixed concrete was due to lower sales volume exacerbated by stiffen competition in the subdued property market. The higher revenue from manufacturing of the AAC and precast concrete products were driven by the strong market demand and order books on hand as a result of marketing team's effort in securing more specified projects. Whereas, the higher revenue from manufacturing of steel mesh was due to the extra capacity from the new fast-speed CTS welder, MG800 machine stationed in Nilai.

Gross profit margin has improved to 10.00% in FY2017 from 9.33% as compared to the preceding financial year. The increase in the Group's gross profit margin was mainly contributed by the benefit derived from economies of scale enjoyed by the autoclaved aerated concrete (AAC) block plant located in Serendah and the strong gross profit margin from the fire rated door and lockset products.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Financial Review (cont'd)

Other operating income has decreased by approximately RM2.17 million or 18.04% from RM12.03 million in preceding financial year to RM9.86 million in the FY2017 were mainly due the loss of rental income in 2017 as a result of a disposal of thirty-one (31) units of prime movers, tippers and tankers in the year 2016. Further, the decreased was also due to the one off gain of RM1.45 million from the disposal of the thirty-one (31) units of prime movers, tippers and tankers and a gain of RM0.97 million from the disposal of a unit of warehouses located in Alor Setar during the financial year ended 31 December 2016 ("FY2016").

Distribution expenses have reduced by RM1.35 million or 11.77% due to the adoption of efficient routing and scheduling planning by the logistics departments. The increase in administrative expenses in the current year of RM8.99 million was mainly due to the operating cost of RM5.25 million incurred by the newly acquired companies i.e. Midah Industries Sdn Bhd ("Midah Industries"), Epic Diversity Sdn Bhd ("Epic Diversity") and MI Polymer Concrete Pipes Group of companies and the pre-operating expenses of approximately RM1.62 million being charged out for the newly set-up companies i.e. Green Cement Sdn Bhd ("Green Cement"), Starken Drymix Solutions Sdn Bhd (formerly known as Green Drymix Solutions Sdn Bhd) ("Starken Drymix"), Sage Evergreen Sdn Bhd ("Sage Evergreen") and G-Cast UHPC Sdn Bhd (formerly known as Diva Victory Sdn Bhd) ("G-Cast UHPC"). The balance of additional increase was due to the stamping fee incurred for new banking facilities secured and the share transfer during the acquisition of Midah Industries, Epic Diversity, MI Polymer Concrete Pipes Group of companies and Atlantic Blue and the additional headcount cost for the capacity expansion.

Share of associate company's profit of RM2.62 million for the current year were derived majority from the total Feed In Tariff of 3.24 MW, off-grid and on-grid solar PV systems for small to medium-scale solar projects (up to 1 megawatts or MW), 10MW of large scale solar photovoltaic ("LSSPV") plant projects. One of its landmark project is the 12MW LSSPV plant on ground-mounted solar PV panels located at Bukit Kayu Hitam, Kedah, the first large scale solar project commissioned in Malaysia.

The Group recorded a lower profit before tax of RM39.46 million as compared to the preceding year corresponding period of RM51.17 million. The lower profit before tax was mainly due to the RM10.57 million fair value adjustment on the investment properties in the FY2016. Besides, there was a considerable losses before tax suffered by our steel mesh and metal roofing products segment of RM5.91 million in FY2017 after the adjustment of RM2.30 million on the fair value adjustment on investment properties located at Nilai. The huge losses took place after the imposition of definitive safeguard duties and steel tariff totalling 18.9% by the Ministry of International Trade and Industry (MITI) on imported steel wire rods which has caused the local wire rod price to increase significantly and situation worsening further where some steel producers even selling their mesh finished product lower than their raw wire rod price. The lower contribution from the distribution of building material and ready-mixed concrete business has also pulled down the Group's profitability. However, these negative impacts were set off by the strong contribution from the manufacturing of AAC blocks, precast concrete products, fire rated door products and the solar related income generated from the associate company.

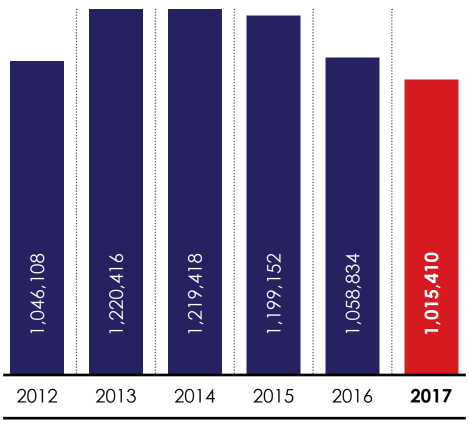
The Group's effective tax rate was 24.95% in FY2017 which was higher than the 19.04% in FY2016 mainly due to the under provision of corporation tax and deferred tax of RM0.23 million and RM1.07 million respectively in the prior year and the share of taxation for the newly acquired associated company of RM0.42 million.

During the current financial year under review, the Group has also qualified for a reinvestment allowance for the hefty sum of investment in capital expenditures as a results of capacity expansion for concrete pipes and mesh business. Besides, the Group still possessed a considerable amount of unabsorbed capital allowances carried forward and unabsorbed business losses carried forward.

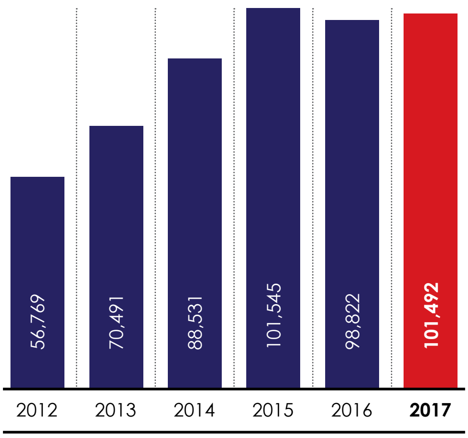
Through the utilisation of the total proceeds of RM65.65 million raised from the private placement completed on 29 September 2017 via the issuance of additional 50,500,000 new ordinary shares at the issued price of RM1.30 per share ("Private Placement"), the Group has further pared down its debts and hence reduced its debt to equity ratio to 0.96 times. The insignificant reduction of debt to equity ratio was mainly due to the drawdown of additional RM41.86 million Term Loan, of which RM40.60 million was used to finance the capital expenditures for the second AAC plant in Kota Tinggi, Johor and the balance was expended to fund the acquisition of a piece of one acre leasehold industrial land held under title Lot PT47840 located at Mukim Simpang Kanan, Batu Pahat, Johor adjacent to the existing MI Polymer Concrete Pipes (MIPCP) plant for the construction of another new plant with production capacity of 20,000 tonnes per annum. Besides, the Group has also drawn down additional revolving credit facility of RM50.30 million as working capital for its AAC block business which was reflected in the net changes in bankers acceptance, revolving credits and trade financing.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

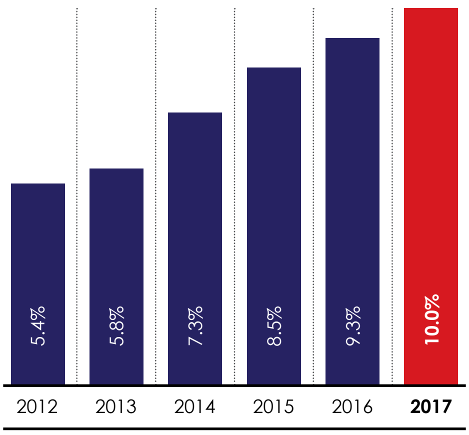
REVENUE (RM'000)



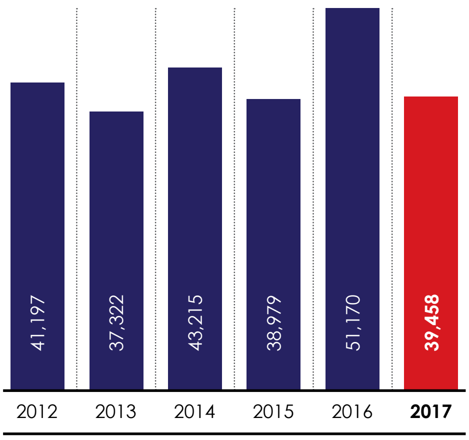
GROSS PROFIT (RM'000)



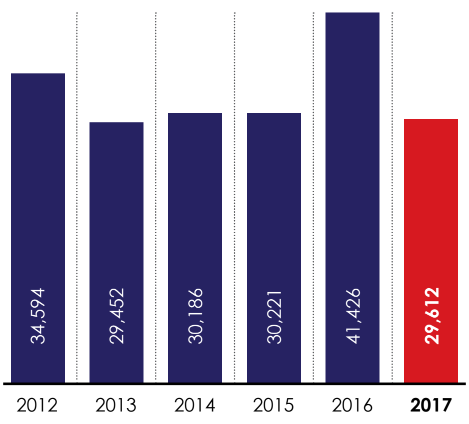
GROSS PROFIT MARGIN (RM'000)



PROFIT BEFORE TAXATION (PBT) (RM'000)



PROFIT AFTER TAXATION (PAT) (RM'000)



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

The Group's order book presently stands at RM497.29 million, which will keep the Group busy for the next 1 – 1 1/2 years. Growth in the order book stems particularly from the provision of solution segment such as design, engineering, manufacturing and construction of Modular unit cum Prefabricated, Prefinished Volumetric Construction (PPVC) Solutions.

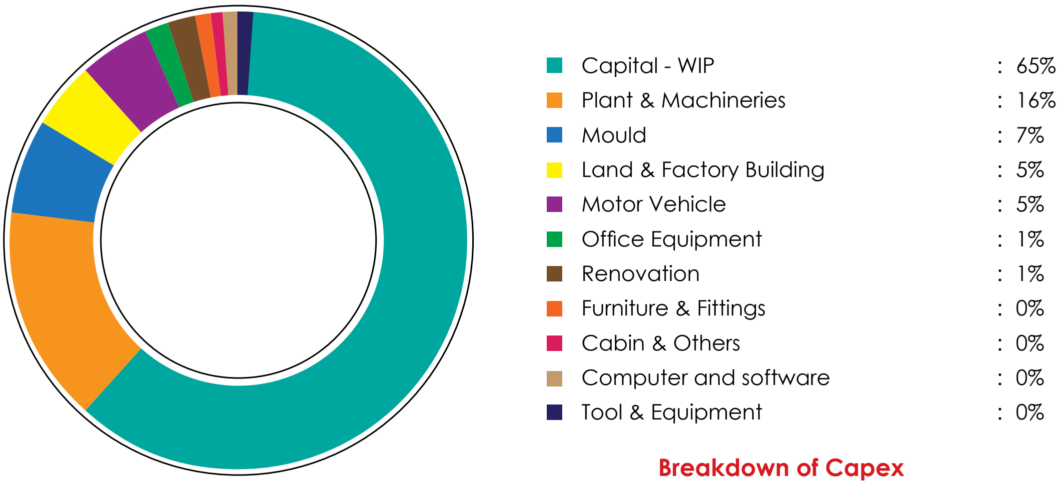
ORDER BOOK

Order Book	FY 2017 (RM)
G-Cast Concrete Sdn Bhd	66.71 million
Starken AAC Sdn Bhd	53.96 million
Metex Steel Sdn Bhd	41.99 million
Midah Industries Sdn Bhd	16.38 million
Chin Hin Concrete (KL) Sdn Bhd	56.16 million
Chin Hin Concrete (North) Sdn Bhd	10.76 million
MI Polymer Concrete Pipes (S) Pte Ltd	13.00 million
Metex Modular Sdn Bhd (PPVC)	238.33 million
Total	**497.29 million**

CAPITAL EXPENDITURE

Robust Capital Expenditure	Breakdown of Capex (RM)
Land & Factory Building	5,260,259
Plant & Machineries	16,676,682
Capital - WIP	66,721,622
Mould	6,685,862
Motor Vehicle	5,131,883
Furniture & Fittings	216,495
Office Equipment	553,693
Renovation	496,893
Computer and software	196,403
Cabin & Others	86,020
Tool & Equipment	21,555
Total	**102,047,367**

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)



Breakdown of Capex

In FY2017, 93% of total capital expenditure incurred was due to outlay on land & building, capital work in progress (WIP), mould and plant & machineries, mainly to extend the production capacity of the manufacturing plants. Of this, 5% were spent on land & factory building, 16% were for plant & machineries, 65% were for capital work in progress and 7% were for moulds.

Major land and factory building expenditure were:-

- The Company had spent RM1.22 million on site clearing, earthworks and ancillary works on the 50.6 acres of freehold land located at Mukim of Kota Tinggi, Daerah Kota Tinggi for the construction of new AAC block & panel plant; and

- The Company had spent additional RM4.00 million to construct G-Cast Concrete Sdn Bhd ("G-Cast")'s new plant at Bidor, Rawang and Kulai, allowing us to expand our customer base and address the rising demand for precast concrete product.

Major Capital - WIP (work in progress), mould and plant & machineries expenditure were:

- The Company had spent RM18.54 million to construct the AAC block & panel plant at Kota Tinggi, Johor. The AAC plant is targeted to commence its operations in the mid of second quarter of 2018;

- During the year 2016, the Company has ordered a new machine line for AAC block and wall panel product from Wehrhahn GmbH, a German-based counterpart. This new machine which is valued at EUR 4.98 million (approximately RM24.32 million) with an installed production capacity of 600,000 meter cube were delivered and installed at the AAC second factory in Kota Tinggi, Johor in 2017, will enable Chin Hin to expand into the overseas markets, especially in the Asia Pacific region. The Group has progressively booked in RM15.87 million for Wehrhahn GmbH machine in FY2017. Besides, the Company has incurred an additional RM21.14 million for other plant and machineries & factory equipment under construction to be installed at this factory;

- RM8.69 million was spent for the acquisition of the world's latest wide body, fast speed CTS welder, MG800 from Schlatter Industries AG of Switzerland, Koch-2 drawing machine and Koch-3 mesh wire rolling line for the Nilai mesh factory;

- Setting up of dry mortar mixing plant for Starken Drymix at RM0.94 million, a new start-up company;

- Acquisition of concrete batching plant, wire cage machine, spun pipe machine with shaft, gantry crane, round railway structure, concrete travelling hopper, butt ended pipe mould, loader, girder cranes, grinder electric crane, pipe demoulding steel structure, slewing jib cranes, storage railway and forklift amounting to RM7.85 million for G-Cast's new concrete plants located at Kulai, Rawang, Bidor and Kota Tinggi as well as for its existing plant at Serendah;

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

- Acquisition of 1 unit of Rotoconix 1500 mixer, 1 unit of concrete batching wet plant, 1 unit of 60 tonnes cement silo, 1 unit of Skako concrete mixer control panel, 4 units of 10T electric overhead travelling cranes, 1 unit of 6.3T electric overhead travelling crane at the total cost of RM2.70 million for the setting up of high and ultra-high performance concrete manufacturing plant in Subang Jaya.

- 1MW of solar power panel installed at the Serendah AAC factory worth RM5.27 million.

- Acquisition of 1 unit of casting machine and 1 unit of forklift at a total cost of RM0.84 million for the new MI Polymer concrete plant in Kulai.

- Acquisition of new moulds of RM6.69 million for G-Cast's concrete plants located at Kulai, Rawang, Bidor and Kota Tinggi and Serendah; and

- The Company had spent RM0.89 million on 1 unit of wheel loader, forklift, single girder overhead crane and air cooled for chiller for AAC block and panel plant at Serendah.

Statements of Cash Flows

	2017 RM'000	2016 RM'000	Variance
Net Cash Inflows from Operating activities	38,937	6,018	>100%
Net Cash Outflows for Investing activities	(134,932)	(51,788)	<100%
Net Cash Inflows/(Outflows) for Financing activities	73,938	(50,959)	>100%
Net decrease in cash balance	(22,057)	(96,728)	77%
Cash balance at beginning of the year	69,353	165,883	-58%
Cash balance at end of year	47,073	69,353	-32%

The Group's net cash inflows from operating activities for the FY2017 increase by RM32.92 million, largely due to the repayment of hire purchase loans totalling RM5.29 million by the borrowers of the money lending business carry out by a subsidiary of the Company and better management of the Group's cash flow.

Cash outflows from investing activities recorded a net outflow of RM134.93 million mainly due to :

- Acquisition of the entire issued and paid up share capital in Midah Industries and Epic Diversity for an adjusted consideration of RM17.08 million pursuant to the terms of the Shares Sale Agreement ("SSA");

- Acquisition of the entire issued and paid up share capital in MIPCP for an adjusted consideration of RM29.64 million pursuant to the terms of the SSA;

- Acquisition of 45% stake in Atlantic Blue for a total consideration of RM24.75 million;

- The capital expenditures spent on property, plant and machineries, factory building & plant and machineries under construction, moulds, tools & equipment and motor vehicles of RM102.05 million especially for Starken AAC Sdn Bhd ("Starken AAC") second plant in Kota Tinggi, G-Cast Concrete Sdn Bhd's new plants in Bidor, Rawang, Kulai and Kota Tinggi, MIPCP's second plant, Metex Steel Sdn Bhd's MG 800 machine, G-Cast UHPC and Starken Drymix.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Statements of Cash Flows (cont'd)

The net cash inflows for financing activities of RM73.94 million, mainly stemmed from the Private Placement which has managed to raise RM65.65 million and drawdown of additional RM41.86 million term loan, majority used to finance the Capital Expenditures for the second AAC plant in Kota Tinggi, Johor. In addition, the Group has also drawn down a new revolving credit of RM50.30 million as the working capital for AAC business which was reflected in the net changes in bankers acceptance, trust receipt and revolving credits. However, the net cash inflows were offset by the payment of RM21.25 million dividend paid to our shareholders during the year and the pared down of existing term loan of RM26.04 million coupled with the reduction of hire purchase liabilities of RM3.79 million.

Statements of Financial Position

	2017 RM'000	2016 RM'000
ASSETS		
Non current assets	510,572	365,065
Current assets	457,304	455,376
TOTAL ASSETS	967,876	820,441
EQUITY AND LIABILITIES		
EQUITY		
Share capital	325,796	252,944
Share premium	-	7,656
Merger reserve	(153,192)	(153,192)
Foreign currency translation reserve	313	545
Revaluation reserve	8,768	8,769
Retained earnings	217,866	207,592
Equity attributable to owners of the Company	399,551	324,314
Non-controlling interests	764	-
TOTAL EQUITY	400,315	324,314
LIABILITIES		
Non current liabilities	73,629	43,084
Current liabilities	493,932	453,043
Total liabilities	567,561	496,127
TOTAL EQUITY AND LIABILITIES	967,876	820,441
Net assets per share attributable to ordinary owner of the company	RM0.72	RM0.64

In FY2017, total assets of the Group increase by RM147.44 million to close the year at RM967.88 million. The increase was mainly due to the goodwill arising from the acquisition of MIPCP (RM19.07 million) and Midah Industries & Epic Diversity (RM11.88 million). Besides, the increase also contributed by the new investment in an associate company, Atlantic Blue with its share of profit earned during the year totalling RM26.95 million and the acquisition of property, plant and equipment, net of depreciation of RM87.50 million for capacity expansion especially in the manufacturing segment.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Statements of Financial Position (cont'd)

Total equity has increased by RM76.00 million, mainly due to enhancement of share capital via the Private Placement. As at 31 December 2017, the proceeds of RM65.65 million raised from the Private Placement were utilised by the Group as follows :

	Details	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Available for Utilisation RM'000
(a)	Construction of new manufacturing and operation facility in Kota Tinggi, Johor	12,000	1,591	10,409
(b)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries for plant Rawang, Selangor	6,200	4,225	1,975
(c)	Expansion of existing manufacturing facilities, purchase of new equipment and machineries for the plant at Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products	2,693	1,143	1,550
(d)	Repayment of bank borrowings	23,600	23,600	-
(e)	Future expansion plans	10,000	10,000	-
(f)	Working capital purposes	9,757	4,746	5,011
(g)	Estimated expenses for the private placement exercise	1,400	535	865
	Total	**65,650**	**45,840**	**19,810**

Retained earnings has increased by RM10.27 million as a result of current year net profit attributable to owners of the parent company of RM29.75 million after net of the total dividend declared and paid during the year of RM19.47 million.

On the liabilities side, total liabilities increased by RM71.43 million, mainly due to drawdown of additional RM41.86 million Term Loan, of which RM40.60 million was used to finance the capital expenditures for the second AAC block plant in Kota Tinggi, Johor and the balance was channelled to fund the acquisition of a piece of one acre leasehold industrial land held under title Lot PT47840 located at Mukim Simpang Kanan, Batu Pahat, Johor adjacent to the existing MIPCP plant for the construction of another new plant. There was a drawdown of RM50.30 million revolving credit as working capital for AAC block business. During the year the Company has pared down the term loan of RM26.04 million.

The net assets per share has improved by RM0.08 or 12.02% due to the increase in net operating profit of RM10.27 million after netting off the first single tier interim dividend of RM11.13 million paid on 13 October 2017, second single tier interim dividend of RM8.35 million paid on 16 April 2018 and the enlarged issued paid up share capital of RM65.65 million via Private Placement.

Internal Business Strategy

We continued to pursue internal improvements across the Group through revamping processes and systems via the introduction of automation to increase efficiency, reduce manual operations, cost reduction and enhanced quality. The Group aim to achieve manufacturing excellence i.e. maximum production capacity with minimum downtime. The implementation of Customer Relationship Management (CRM) solutions in all the business unit are on track.

With regard to quality initiatives, Chin Hin has put in place as a requirement to acquire its quality accreditations, namely the ISO 9001 (Quality Management Systems) and ISO 14001 (Environmental Management Systems) standards for all the manufacturing plants. Chin Hin always committed to conduct all its business activities as a reliable and safe organisation that take care and control the impact of the environment. The Group has also set a clear Key Performance Indicator to establish an optimum target cycle time in order to ensure consistent delivery time to customers.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Internal Business Strategy (cont'd)

At Chin Hin, we cognisant our employees drive our success. For the year under review, high-calibre talents whom have proven themselves for excellence performance, which were mentored by the present senior leader were being promoted to the position of director (2 staffs), senior general manager (1 staff), assistant general manager (2 staffs) and senior manager (4 staffs). As Chin Hin is aggressively expanding its business locally and internationally, the Company is persistently hunting for talent to fill the gap. The Company has also identified twenty potential candidates in the group to undergo the Business Leaders Development Programme (BLDP) training to nurture them to be the future leaders. The Company aims to develop a bottom-up leadership culture, transforming from boss into leadership culture by engagement through Townhall Meetings so that we get full engagement commitment. This in return will provide an inspiring & a stimulating working environment for health, well-being for a balanced lifestyle. Our new work environments cater for an inspiring and stimulating work environment for a "happy" workplace culture. The Group also is very committed to fostering loyalty and efficient workforce by providing an effective & fair appraisal and reward system. This also will give birth to a learning & knowledge based culture and provide clear career paths for development & advancement including Succession Planning.

Chin Hin has launched its "Brand Transformation" during its annual dinner held in January 2018 with a clear roadmap set for the next five years to align all the members of Chin Hin to achieve the organisation goal established. Chin Hin aim to be the "Most preferred, trusted and admired total solutions provider and partner to the building materials and construction industry in ASEAN".

The Company value its customers experience with them and regularly hold active customer dialogue and engagement sessions to better add value to their customers' transactions. Chin Hin's sales personnel are well trained so that they hold a firm grasp on product knowledge, understanding customer needs, level of service and providing solutions.

"Brand Transformation" Launching during Chin Hin 2018 Annual Dinner

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 RM625.07 million in FY2017, a decline of 11.77% as compared to RM708.45 million recorded in the previous year and contributed 61.56% of the Group's consolidated revenue. The decline in revenue was due to the decrease in sales volume of cement by approximately 21.12% as a result of further slowdown in housing construction activities in 2017 and the impact of cement manufacturers selling direct-to-customer (DTC). Majority of the large cement producers in Malaysia have posted four consecutive quarterly losses due to the impact of over supply of cement as a result of extra production capacity coupled with the effect of slowdown in the property market. As a result, the cement market contracted by 6% in 2016 and is forecast to contract by a further 8% to 9% in 2017, according to the Cement and Concrete Association of Malaysia. To ensure survival as a result of further price pressure and intensifying competition faced by the large cement producers, they have began to sell direct-to-customer.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

SEGMENTAL OVERVIEW (cont'd)

Distribution of Building Material and Provision of Logistics Services (cont'd)

The considerable decrease in revenue was also attributed to the decline in sales volume of other building materials by approximately 3.60%. However, these negative impacts were offset by the increase in steel bar sales of 23.88%, taking advantage of the massive steel price fluctuation during the year. Besides the decrease in revenue from distribution of building materials, gross profit margin has also marginally decreased from 7.23% in FY2016 to 7.13% in FY2017.

There was a considerable decrease in profit before tax of RM16.91 million in FY2017 as compared to FY2016 was in line with the decrease in revenue during the current financial under review. Further, the decrease was also due to the one-off fair value adjustment of RM10.57 million from its investment properties and the gain on disposal of investment properties and motor vehicles of RM2.01 million recorded in FY2016. It also due to the loss of rental income in 2017 as a result of disposal of eleven (11) units of tankers in year 2016.

Ready-Mixed Concrete

The total revenue for the ready-mixed concrete segment decrease by approximately RM37.00 million or 26.76% from RM138.25 million in FY2016 to RM101.25 million in FY2017 and contributed 9.97% of the Group's consolidated revenue. The ready-mixed concrete segment recorded a profit before tax of RM3.13 million, a massive decline of approximately 56.83% from RM7.25 million in FY2016. The considerable decrease in revenue and margin from the ready-mixed concrete segment was mainly due to the stiff competition encountered from cement-based-operators using their own batching plant to penetrate the market by offering lower selling prices to undercut as a result of the glut supply of cement in the local cement industry. The drastic plunged in profit before tax also due to the drop in volume of approximately 66,070 m^3 or 61.58% of the southern region as a result of our decision to move out entirely from that region. The "move-out" decision was made as there has been a visible slowdown in the southern region's property market.

Manufacturing Sector

Manufacturing of fire-rated door

The manufacturing of fire-rated door segment recorded a revenue of RM28.72 million with profit before tax of RM3.73 million. Based on the unaudited results of Midah Industries and Epic Diversity for the financial period ended 31 October 2017, the total profit guarantee of RM3.00 million profit before tax has been fulfilled by the previous owners of Midah Indutries and the Epic Diversity, respectively.

Further to the above, PP Chin Hin Sdn Bhd, a wholly own subsidiary of Chin Hin Group has via its letter dated 30 November 2017 agreed to waive the requirement for the previous owners of Midah Industries and Epic Diversity to fulfil the total profit guarantee of RM3.00 million for the financial year ending 31 December 2018 ("FY2018"), as the Group are confident that both Midah Industries and Epic Diversity will be able to achieve its profit guarantee for FY 2018 with the fire door order books on hand of RM16.38 million as at 31 December 2017.

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

The manufacturing of AAC and precast concrete segment recorded a total revenue of RM183.56 million in FY2017, representing a growth of 47.27% as compared to RM124.64 million recorded in FY2016 and contributed 18.08% of the Group's consolidated revenue. This sector recorded a profit before tax of RM22.14 million, representing an increase of 55.04% as compared to RM14.28 million in FY 2016.

The increase in revenue and profit before tax for AAC block was mainly due to the rising number of projects specified by local consultants as the usage is gaining traction ahead of the mandatory adoption of Industralised Building Material (IBS) system in Malaysia by 2020. The increase in the Group's gross profit margin was mainly contributed by the benefit derived from economies of scale enjoyed by the AAC block plant located in Serendah as evidently presented in the gross profit margin hike i.e. 21.03% in FY2017 from 10.67% in FY2016.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

SEGMENTAL OVERVIEW (cont'd)

Manufacturing of Autoclaved Aerated Concrete ("AAC") and Precast Concrete (cont'd)

The increase in both revenue and earnings for precast concrete were due to increase in production capacity from Kulai, Bidor and Rawang plants to fulfil the delivery of jacking pipes and manholes for Langat Sewerage Project, Centralised Sewage Treatment Plant and the Sewerage Project at Daerah Kinta, Perak. The gross profit margin for precast concrete has declined by 3.63% due to the substantial increase in steel price during the year versus the locked in project selling price for jacking pipes.

Based on the latest audited financial statement of MIPCP for the FY2017, MIPCP have recorded a revenue of RM10.07 million with the adjusted consolidated profit after tax of RM0.57 million, represented a profit shortfall of RM5.43 million. However the profit shortfall has been further adjusted downwards by RM0.07 million to RM5.36 million due to the reversal of bonus over-accrued for staffs employed effective FY2018. Pursuant to the Conditional Shares Sale Agreement dated 3 April 2017 entered into between the MIPCP Vendors and Starken AAC, the MIPCP Vendors have agreed to provide a profit guaranteed of RM6.00 million profit after tax to Starken AAC for the FY2017. The profit shortfall was mainly due to the deferred in the delivery of sewerage polymer pipes as a result of the delay of the multiple projects in Singapore. Besides, there was a change in European standard for Singapore's polymer concrete pipe from DIN standard to BS EN 14636-1:2009 standard effective from June 2017 which has resulted in a hefty sum of RM0.58 million being spent for the new standard testing to comply with the durability requirement of 100 years. Pursuant to the Shares Sale Agreement, the Shortfall will be offset against the Retention Sum of RM6.00 million to be paid by the Company to the previous shareholders of MIPCP.

During the financial year, the Starken Group has charged out pre-operating expenses of totalling RM1.62 million for the newly set-up companies i.e. Green Cement, Starken Drymix, G-Cast UHPC and Sage Evergreen.

Manufacturing of Steel Mesh and Metal Roofing Systems

The segment for the manufacturing of steel mesh and metal roofing systems recorded a total revenue of RM174.18 million in FY 2017, representing an increase of 15.35% as compared to RM151.00 million recorded in FY2016, and contributed 17.15% of the Group's consolidated revenue. This sector recorded a loss before tax of RM5.91 million after the adjustment of RM2.30 million on the fair value adjustment on investment properties located at Nilai, representing a decrease of RM11.07 or 214.95% as compared to RM5.15 million profit before tax in FY2016. The considerable losses suffered by our steel mesh products in FY2017 was mainly due to the imposition of definitive safeguard duties and steel tariff totalling 18.9% by the Ministry of International Trade and Industry (MITI) on imported steel wire rods which has caused the local wire rod price to increase significantly and situation worsen where the competitors offer lower selling prices to undercut especially for standard mesh products.

Prospects

Manufacturing and Trading Sector

The Group has actively expanded the production capacity of its AAC block, precast concrete and steel mesh in 2017 by setting up more plants and additional production line locally to strengthen its product presence and customer portfolios.

Precast concrete production capacity has bumped up by 50% to 300,000 metric tonnes in 2017 after the rolled out of three new plants at Kulai (10 acres of a leased industrial land), Bidor (18.55 acres of leasehold industrial land) and Rawang (18 acres of a leased industrial land) to accommodate the surging demand from the sewerage and infrastructure sectors. The Group production capacity will be further enhanced with the setup of a 45,000 tonne precast plant in Kota Tinggi next to the existing AAC block plant. The enlarged capacity enables Chin Hin to make further inroads into large-scale infrastructure projects, particularly within the railway sub-sector. The Group are optimistic on precast concrete sewage order replenishment going forward in the state of Kedah, Pahang, Terengganu and Kelantan which have yet to migrate to the new licensing regime in line with the Water Services Industry Act (WSIA) under the 11th Malaysia Plan.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Prospects (cont'd)

Manufacturing and Trading Sector (cont'd)

The acquisition of MIPCP with the main objective to fill the gap in Chin Hin's sewage product range, which is smaller sewage pipes with diameters of less than 450mm. It completes the missing link for Chin Hin to become the first integrated sewerage producer in ASEAN, providing a whole range of sewerage solutions. However, the performance of MIPCP was significantly below expectation after the acquisition, mainly due to the delays in kicking off of the project secured earlier of the year from Singapore which might possibly cause by the change in European standard from DIN standard to BS EN 14636-1:2009 standard effective from June 2017. Chin Hin foresee MIPCP's performance to be improved in 2018 in view of those delayed projects has started to kick off in the second quarter of 2018. The second plant costing RM2.00 million, which is adjacent to the current facility will double its production capacity to 40,000 tonnes and is expected to commence its operation in the second quarter of 2018. The extra capacities are predominantly for the Singapore's market. After Singapore, the Group is eyeing frontier markets such as Indonesia, Philippines and Myanmar. MIPCP has applied for its products to be certified by IKRAM and once approved, will put Chin Hin in an appropriate position to break into Malaysia's market, which is currently dominated by clay pipes. Chin Hin is confident to break the clay pipes market since polymer concrete pipes are designed to withstand the required loading using pipe strength at the end of 100 years.

The Group project 1.26 times jump in total capacity for Starken AAC from 475,000 m^3 to 1,075,000 m^3 once Kota Tinggi, Johor plant kicks off by the middle of the second quarter of 2018. This new plant will address the bottleneck for AAC blocks (high adoption rate in the market) since the existing Serendah plant is running at its full capacity. The capacity enhancement is timely, as the AAC blocks and panel are gaining footing ahead of the mandatory adoption of IBS in Malaysia by 2020. Approximately half of the 600,000 m^3 Kota Tinggi plant (installed capacity) will be used to meet the growing demand for higher margin wall panels which is approximately 1.5 times better margin than its AAC blocks. AAC panel has gained popularity in Singapore especially by the Housing and Development Board (HDB) for its unique features such as light weight, no skim coating needed, excellent thermal insulation, user-friendly and more importantly the labour cost saving of at least 30% as compared to other type of panel in the market.

AAC Block Second Plant at Kota Tinggi

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Prospects (cont'd)

AAC Block Second Plant at Kota Tinggi (cont'd)

The world's latest wide body, fast-speed CTS welder, MG 800 from Schlatter Industries AG of Switzerland, which was installed at our Nilai's steel mesh plant has commenced the production in the second quarter of 2017. However, the performance of mesh business was far beyond expectation after the imposition of definitive safeguard duties and steel tariff totalling 18.9% by the Ministry of International Trade and Industry (MITI) on imported steel wire rods which has caused the local wire rod price to increase significantly. To stay away from direct competition with those steel producers on standard mesh products, we have strategised to emphasise on the niche market for provision of special mesh and cut-to-size (CTS) which require more technical skill. Moreover, Chin Hin has also strengthened its purchasing function to hedge the wire rod price to eliminate the risk of steel price fluctuation in order to turn around the Company.

Fast-speed CTS Welder, MG 800 Machine at Nilai Mesh Plant

On September 2016, Chin Hin had entered into two separate conditional shares sale agreements ("SSA")for the acquisition of the entire issued and paid up share capital in Midah Industries and Epic Diversity for a total consideration of RM17.08 million. The said acquisitions were completed on 31 March 2017 and both Midah Industries and Epic Diversity is now an indirect wholly-owned subsidiaries of Chin Hin. From the earnings standpoint, both companies are immediately income generating, and fit in nicely with Chin Hin's vertical integration strategies. Midah Industries is considered one of the top five players in the fire door business. Chin Hin intends to expand its fire door manufacturing business to accommodate its geographical expansion into the northern and southern regions of Peninsular Malaysia as well as East Malaysia.

Epic Diversity is a trading company which supplies various types of high-quality door locks and specialises in the planning and implementation of ironmongery packages for commercial, industrial as well as residential properties. At this juncture, Epic Diversity sells 90% of its products to Midah Industries to complement the fire door business. Chin Hin has plans to broaden its products and services by extending the ironmongery business into an independent brand which can sell directly to contractors and retailers.

G-Cast UHPC, an indirect subsidiary of the Company had on 12 October 2017 entered into an Assets Purchase Agreement ("Agreement") with FRUHPC Concept Sdn. Bhd. ("FRUHPC") for the acquisition of assets relating to the manufacturing of the high and ultra-high performance concrete for a total cash consideration of RM2.92 million. The rented UHPC manufacturing plant located in Subang Jaya has commenced its production in November 2017. G-Cast UHPC will concentrate widely on the provision of architectural solutions using ultra-high performance concrete's (UHPC) with compressive strength, flexural strength and durability exceed all other high performance concretes and it is a long-lasting concrete since no carbonation process will take place in it. Sales are expected to grow progressively in the second quarter of 2018 when more UHPC architectural solution projects are kicking off.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Prospects (cont'd)

UHPC Bangsar Project - Curvy UHPC Façade to Replace Aluminium Composite Panels (ACP)

Chin Hin has over the years cut back its dependence on the cement sector. It has broadened its product base to include the trading of other building materials e.g. plywood, timber, shera roofing, shera plank wood, Beger paint, Roxsil silicone paint and steel reinforcement bars. Chin Hin has also fine-tuned its distribution business model, targeting products with a low volume but fetching at higher margins.

Chin Hin will still be actively widened its product portfolio and diversify its income stream through organic growth synergistic with its existing businesses. An example of organic growth companies during the year include Starken Drymix, G-Cast UHPC and Green Cement.

Solar Power Generation Income

The Group continues to record the Green Technology Solar Panel (Feed in Tariff) gross income of RM2.91 million in the FY2017 from its electricity production capacity of 2,425 kilowatts per hour ("kWh").

Chin Hin had in August 2017 completed the acquisition of 45% stake in Atlantic Blue for a total consideration of RM24.75 million. Atlantic Blue is one of the leading turnkey Engineering, Procurement and Construction (EPC) solution providers that specialises in large-scale solar (LSS) farming and the provision of solar photovoltaic (PV) solutions. In 2017, Atlantic Blue managed to secure a project to provide full EPC services for the construction of a solar farm in Bukit Kayu Hitam in Kedah. The 12MWp Direct Current (DC) capacity solar plant is one of the first large-scale solar projects under the Large-Scale Solar Photovoltaic ("LSSPV") programme initiated by the Energy Commission of Malaysia to encourage the construction of large-scale grid-connected solar PV plants with capacities of 1MW to 50MW. The scope of work for the project involves providing full fledge engineering services from design to engineering to procurement and construction. Atlantic Blue was also responsible for operating and maintaining the solar PV plant for a period of two (2) years. In addition, Atlantic Blue also secured two (2) large projects to provide sub-contracting work worth a total value of RM34.00 million to be completed in 2019; namely:

- 65MWp solar farm in Gurun, Kedah for Quantum Solar Sdn Bhd; and
- 61MWp solar farm in Gambang, Pahang for UiTM Holdings Berhad.

Renewable energy (RE) is considered to be an important driver for low carbon growth and sustainable solution to issues related to electrification in remote locations. Due to carbon emissions and fuel related concerns in conventional sector, Government has shifted focus towards development of renewable energy sources. Increasing renewable resources will help economy in achieving energy security, reducing adverse environmental impact, lowering the carbon intensity and realizing its aspirations for leadership in high-technology industries by contributing to a more balanced regional and global development.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Prospects (cont'd)

Solar Power Generation Income (cont'd)

Malaysia has targeted to connect 1250 MW or 11% of RE in 2020, there are 550 MW or equivalent to RM2,000 million worth of solar projects to be issued every year until 2020. Atlantic Blue being one of the top solution providers (18 active domestic solar project operators) is gaining about 15% market share which is around 130MW- 150MW a year. Atlantic Blue is expected to ride on this 20.18% industry Compounded Annual Growth Rate (CAGR) and continue to win projects in Malaysia for Independent Power Producer (IPP) solar farm projects and Commercial & Industrial solar projects.

Global solar manufacturing and installed projects are the fastest growing RE. It continues to grow at 5% CAGR, and will continue to reduce solar energy price, it makes solar energy the cheapest energy than coal energy for IPP model or industrial self-consumption. Atlantic Blue is expecting the Malaysia industrial market to take advantage of the Green Investment Tax Allowance (ITA) and Income Tax Exemption (ITE) tax incentives offered by Malaysia government until 2020, to install solar energy into their manufacturing plant. The tax incentives are open to local companies and Foreign Direct Investment (FDI) company.

The solar photovoltaic (PV) industry, which registered a revenue of RM20.81 billion and created 17,861 jobs last year, is a new source of growth for Malaysia. Atlantic Blue has grown from 4 staffs to around 100 staffs now, from own installation team to sub-contracting to 15 subcontractors as of to date. Total solar energy plant built by Atlantic Blue is 45MW which equivalent to planting of 33,500 trees in Malaysia, powered up 7,500 houses with solar energy, or taken off 81,600 cars off the road every year. This greatly offsets 45,000 tonnes of carbon footprint annually.

Over the years, Atlantic Blue has received a number of awards from various organisations recognising of their efforts in the industry. Previous awards won by them include the ASEAN's Most Recognised Brand for Solar Photovoltaic Service Provider during the ASEAN Outstanding Business Awards in 2015, Golden Eagle Award in 2015, SME100 Annual Recognition Award in 2015, Sin Chew Business Excellence Award 2016 as well as the Star Outstanding Business Award in 2016.

12MWp DC Capacity Solar Plant in Bukit Kayu Hitam in Kedah

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Prospects (cont'd)

65MWp Solar Farm in Gurun, Kedah

Prefabricated Modular Building System ("PMBS")

To move ahead of our competitors, Chin Hin had on November 2017 ventured into the business of modular units. Chin Hin Group via its subsidiary, Metex Modular Sdn Bhd ("Metex Modular"), has successfully secured a fast-track project worth RM238.3 million in December 2017 to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor. This project incorporates Pre-fabricated Modular Building System ("PMBS"), the highest level of Industrialised Building System ("IBS"). Chin Hin Group has teamed up with a technology partner to implement this IBS in Malaysia over a contract period of 12 months.

The PMBS involves the Design for Manufacturing and Assembly (DfMA) concept to significantly improve construction productivity whereby pre-fabricated units are built at the factory and ready to be installed on site. As a result, this IBS model speeds up construction processes and reduces construction time and labour. PMBS creates synergies with our Group as 70-80% of building components and materials used are supplied-in house, such as ready-mixed concrete, cladding systems, AAC wall panels, pre-cast concrete products, wire mesh products, fire doors, lock sets and paint. The investment in PMBS is part of Chin Hin's move to transform its business from the provision of building materials towards being involved with Civil & Structural product technology innovation, and we believe that this challenging project will be completed on time and contribute positively to the Group's earnings in 2018.

Metex Modular's Factory at Kulai Jaya, Johor

Construction Site at Mukim Pengerang, Daerah Kota Tinggi, Johor

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Future Outlook

2018 is expected to be a promising year for the Malaysian economy. Last year, the Malaysian economy grew vibrantly at an average real growth rate of 5.9% in the first three quarters led by strong domestic demand and rising strength in global trade. The momentum is expected to continue this year. Several international organisations, including the World Bank and the International Monetary Fund, have projected Malaysia's economic growth to sustain within the range of 5.5% and 5.8% this year. The growth is expected to be largely driven by domestic demand, particularly in the private sector, supported by stable labour market conditions and continued income growth. Investments with sustained flows of infrastructure projects and capacity expansion in major sectors of the economy such as mining and construction, services, and manufacturing are also expected to induce economic expansion on the production side.

Malaysia holds the strong Foreign Direct Investment and trade prospects owing to its mega infrastructure plans such as the high-speed rail, East Coast Rail Link (ECRL), and China's One Belt One Road Initiative, as well as its strong bilateral ties with major economies such as China, the United States, Saudi Arabia, India, and Japan. Multi-regional economic links such as the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership are further expected to boost foreign investments in the country.

According to the Malaysian prime minister's 2018 budget speech, the 14 business memoranda of understanding (MoU) signed between Malaysia and China, and 31 MoUs between Malaysia and India in 2017, for instance, are expected to bring about a total of RM302.4 billion (US$75.8 billion) worth of investments into Malaysia.

The continued drive of the government's mega infrastructure and affordable housing projects such as *Perumahan Rakyat 1Malaysia* (PR1MA), People's Housing Programme (PPR), People's Friendly Homes (PMR), My Beautiful New Home (MyBNHomes) etc. are set to spur the Malaysia's construction industry in the immediate term. The deployment of these projects will strengthen the growth in the demand for building materials. Chin Hin is looking to re-position itself ahead of a new wave of infrastructure spending, in which some RM200 billion worth of big-ticket projects are scheduled to take-off within the next few years such as Light Rail Transit Line 3 "LRT3" connecting Bandar Utama to Johan Setia, Klang, East Coast Rail Link (ECRL) connecting Port Klang to Pengkalan Kubur, Mass Rail Transit Second Line "MRT 2" connecting Sungai Buloh, Klang and Putrajaya, Pan Borneo Highway, Central Spine Road and 350km high speed rail connecting KL-Singapore under the Budget 2018. These projects will drive the activities within the Group as Chin Hin is in a better fortuitous than others in securing those projects due to the Group specialises in the Industrialised Building System (IBS).

With regard to industry challenges, we foresee intense market competition with the emergence of new players in the market. In mitigating this direct competition, Chin Hin will re-position itself to be a solution provider or a value-added partner that comprehensively handles the project needs of their client from concept to installation through support. The Company will continue to improve on its product quality and services in order to stay competitive in the market.

Moving forward, the Group will focus on consolidating its business and start production on the capacity it has built. The Company continues to adopt the policy of widening its product portfolio and diversify its income stream through organic growth and/or mergers and acquisitions. Barring any unforeseen circumstances, Chin Hin envisages a brighter outlook for FY2018 and look to the future with cautious optimism.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SUSTAINABILITY STATEMENT

Chin Hin Group Berhad ("Chin Hin" or "the Company" or "the Group") is cognisant of their responsibility to embrace the core values of social responsibility by serving the community. This core value of Corporate Social Responsibility ("CSR") was embedded across the organisation's policy and procedures, cultures and framework. A willing heart to serve back the community is the main driven factor to carry out the corporate social activities besides the business activities as the Group believes in its importance of this core value to hold them move forward.

Our CSR activities can provide equal opportunities, a platform for community growth and research as well as to align with the stakeholders and communities' needs. The Group will ensure in formulating the principles of CSR activities which will take into consideration the environmental factors, social well-being and community development.

In years to come, there will be more CSR programme and structured activities to cater the needs of the community to bring more values for the betterment of the Company, Society and Community.

WORKFORCE

Chin Hin views human capital to be the key to develop a sustainable future for the business. Our professional talent is one of our distinctive business advantages and thus, the Group continues to strengthen its effort in areas relating to human capital management, occupational safety and health, as well as social performance. Besides, the Group also facilitates the recruitment, retention, development and rewarding of our workforce through various initiatives and activities. This talent development effort will help create a high-performance organisational culture that enables staff to function at desired levels of work excellence.

One of the key initiative that the Group has undertaken is our collaboration with a few prestigious universities such as Heriot-Watt University Malaysia, UCSI University and University Tunku Abdul Rahman for recruitment drive and providing internship opportunities to students.

Besides, the Group also launched Chin Hin Academy ("CHA") in August 2016 to champion all training initiatives. The purpose of this CHA is to initiate all in-house training to develop internal trainers to meet Group's specific training and development requirement. The Group's vision is to develop a team of internal 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.

During the year, CHA has successfully trained 24 Trainers through the "Train the Trainers Programme" which was conducted by the Malaysian Institute of Human Resources Management (MIHRM). The Management has also embarked on the "C-1 (CEO minus 1 level) Business Leader Development Programme (BLDP)" conducted by Leaderonomics for 2 years period. This programme has started since November 2017 and will continues for another year. All these programmes are aimed to accentuate the potential successors for the company in response to the business needs as well as in line with the business expansion plan.

Moving forward, the Group will carry out another "C-2 (CEO minus 2 levels) Business Leader Development Programme" starting in 2018 to train future leaders in fulfilling the Group's requirements and needs, especially with present and rapid expansion of the Group's subsidiary companies.

Besides, the Group continued to hold various internal and external training programme for staff to upgrade their ISO 9001 quality standard. Hence, all manufacturing companies are upgrading and implementing their ISO quality standards from version 2008 to 2015. A series of internal and external practical training courses have been carried out to enhance the workforce capability and to deliver work with high quality standards.

Chin Hin also sponsored the Global Leadership Summit Malaysia event which was held on 8 March 2017 with an attendance of 1,800 people who committed to becoming better leaders. The Group has sent its staff to the event as part of its overall talent development strategy. The event has successfully driven the needs of the crowd through using various corporate discussions and application.

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

SUSTAINABILITY STATEMENT (cont'd)

The Group also held social activities for staff such as the Chin Hin's Family Day. These events are aimed to foster our staff relationship as one family members amidst a fun environment to help forge closer bonds and a closer sense of community.

LEADERSHIP BENCH

The Group continues to enhance on its leadership programme and strategy to instil new leaders and successor to meet the Company's objectives. The Group believes that investing in our own future leadership is vital to ensure a strong leadership bench for succession planning purposes.

Chin Hin has come out with a comprehensive management trainee development programme over the years. This includes enhancing our internship programme for the university students. High-calibre talented individual has been identified to join this programme through mentoring by their present senior leaders in their workplace. This programme at present is still in its planning stage and look forward to providing more details in the future.

The Company has also implemented the "Business Leader Development Programme" started in September 2017 to stimulate more new leaders for the Company's future expansion plan. This programme includes a fusion of theoretical and practical approach to equip leaders with all essential skills to achieve a sustainable growth by focussing on customer needs and innovating products to address the right segments. Thus far, the programme had delivered a resounding result. The milestone which the Company had achieved this year is Mr Chiau Haw Choon, the Group Managing Director of the Company, who was crowned as the EY Entrepreneur for year 2017 and also the winner of the EY Emerging Entrepreneur of the Year 2017 in Malaysia. He will be representing Malaysia in June 2018 to compete with over 60 other country winners for the coveted EY World Entrepreneur of The Year Award 2018. He is the role model for modern entrepreneurship who has transformed the Group into a highly innovated business.

Moving forward, the Group will continue to formulate its strategy to invest in human capital and to grow more talented leaders.

Thus, Chin Hin Group has set a 5 year vision for their workforce via a clear roadmap. This roadmap was presented during the Company launched its "Brand Transformation" at the annual dinner held in January 2018. The aim of this roadmap is to prepare Chin Hin Group to achieve their motto "Preferred, trusted and admired total construction materials solution partners in ASEAN." The main key drivers for this roadmap include, "Customer Strategy, Talent & Work Environment Strategy, Manufacturing Strategy, Growth Strategy, Innovation Strategy and Branding Strategy".

These strategies will enable employees of Chin Hin to provide a better customer service as well as enlightening the employees with a clearer career path for development and advancement in a balanced lifestyle of work environment. Besides, the Company can also achieve its manufacturing excellence via its automation, total quality system, efficient cycle time and product optimisation plan. A company with a clear strategy will provide a better direction for its workforce to drive the Company into expansion, growth and transformation.

COMMUNITY

The Group 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 such as Chin Hin's Lion King Project ("LKP").

SUSTAINABILITY STATEMENT (cont'd)

COMMUNITY (cont'd)

One of the key activities that LKP has undertaken is the Lion King Carnival, which held on 8 October 2017 at Town Park, My Town Shopping Mall, Kuala Lumpur. The aimed of this Carnival is to raise funds for four different orphanages in Kuala Lumpur as Chin Hin believes that giving back to the society is an essential move.

The organising committee of Lion King Carnival was formed by a group of Chin Hin's employees who are compassionate and passionate toward social responsibilities. It was an overwhelming event organised with a total of 50 booths of food, beverages and merchandise stalls filled with lots of fun activities like Family Friendly Games, Zumba by Fitness Celebrity, Eco Fashion Contest, Art and Craft Contest and Blood Donation Campaign prepared by the Lion King Carnival Committees. This Carnival has successfully raised funds amounting to RM26,578 of which this fund was donated to eight youths from Yayasan Sunbeams Home, one youth from Joy to the World Community Services, and a child of the employee of Chin Hin Group Berhad.

Apart from that, under the LKP, the Group were proud to witness the graduation of the first batch of 10 Lion King Youths in December 2017. The first batch has started the programme since 2016 and has been mentored and coached to develop their true potential as future leaders. They will have experience in applying their knowledge and skills in a wide variety of situations when they step into the working world. Seeing this success, the Group will commence the second batch of Lion King Youth in June 2018. Lion King will continuously improve by having new speakers and trainers and incorporate more practical training and experiences for the youths.

Besides, the Group also proud to collaborate with Heriot-Watt University Malaysia, one of the World Top 500 Universities, by providing learning resources and a platform for Professor, Master and Undergraduate students to carry out their research project at their plant. This collaboration with the university will create a win-win partnership to foster good teamwork, collaborative spirit among the employees to nurture a better talent ecosystem for the industry, community as well as the country.

Furthermore, during the year, one of the Group subsidiary company, G-Cast Concrete Sdn Bhd, had successfully sponsored one event, namely Malaysian Concrete Canoe Competition 2017 which was organised by American Concrete Institute Malaysia Chapter. This event received a very good response and participation from eight Malaysian universities. During the competition, students not only presented their ideas of the canoe on papers, but also prototype it and further bring it to test on the water. Through this event, students have learned and demonstrated a good leadership, commitment and teamwork spirit, in which these core values are important for them to apply in today's workplace. The Group is proud to have these students who had successfully participated this event. We are looking forward to hosting them to come to our plant for visiting and further collaboration with them.

SUSTAINABILITY STATEMENT (cont'd)

ENVIRONMENT

In line with our vision towards a more environmental friendly company, the Group has endless efforts to act as a corporate leader in the industry to improve the business structure for the betterment of its environment in reducing carbon footprint.

The Sustainable Energy Development Authority of Malaysia has granted Chin Hin a total certification of 2.425 MW for the solar feed-in tariff. The Group has placed more emphasis in its solar power production business toward the benefits of alternative energy source. Thus, during the year, the Group further expanded the solar business via acquisition of 45% equity stake in Atlantic Blue Sdn Bhd ("Atlantic Blue"), one of the leading turnkey Engineering, Procurement and Construction (EPC) solution provider that specialises in large-scale solar farming and provision of solar photovoltaic solutions.

The recent impact of global warming and climate change has imposed pressure on the globe. In view of that, we are urged to come out with better solutions to prevent further damaging to the environment. Thus, the Group through its associate company has successfully delivered a total of 45MW solar plant to-date which is equivalent to planting 33,500 trees in Malaysia or taken off 81,600 cars from the road every year. By doing this, this has tremendously offset 45,000 tonnes of carbon footprint annually.

The Company had recently moved to venture into the business of modular units whereby pre-fabricated units are built at the factory, ready to be installed at the site. The modular construction is proven to be energy efficient and sustainable construction as compared to traditional construction methods which required extra materials that would eventually lead to increase waste. Modular itself has many inherent 'green' advantages over the site-built construction, such as reduced emissions from job site travel, less raw material waste during construction, and less harmful environmental impact on the site. On the other hand, Eco-Friendly construction eliminating wood reduces further deforestation, and it prevents construction waste from future repair work required from damaged wood floors. By doing this, this can help to significantly lower the global warming emissions and to save our earth.

Besides, we also continue to sustain the environment through manufacturing diverse products, namely Starken's autoclaved aerated concrete ("AAC") blocks which are eco-friendly product. This product can reduce at least 30% of environmental waste, 50% of greenhouse radiation and over 60% integrated energy on the surface of the block. It is certified as a green and environmentally friendly product.

The historical records showed that the Group has complied with local and international environmental standards and has been accredited with the globally recognised ISO 14001 and 9001 standards. The Company has achieved its milestone through SGS (Malaysia) Sdn Bhd and SGS United Kingdom Ltd for its Environmental Management System Certification and Metex Steel Sdn Bhd for its Quality Management System Certification.

The Group's sustainability and CSR initiatives have shown their commitment to give assurance and confidence to the Company's management, employees and external stakeholders that the environmental problems are being mitigated with action taken to improve the issues.

2017 CORPORATE EVENTS

CNY Celebration 2017

The Company celebrated Chinese New Year festival with employees at Chin Hin Culture Centre on 23 January 2017. All the attendees wore a red coloured outfit to attend the function. The Management led all HQ employees for "Toss Yee Sang" ceremony. Chinese Calligraphy & Lantern Making competition were part of the CNY celebration. The God of Prosperity made a special appearance at the event and the employees took the opportunity to pose for photographs with him.

Annual Dinner 2017

Chin Hin Group Berhad and its subsidiaries organised the Staff Appreciation Night 2017 at IDCC Convention Centre Shah Alam on 17 February 2017. A total of 420 employees attended the event with their colourful attire by matching the theme of Annual Dinner – Colourful Night. The occasion was eventful and full of laughter whereby the employees were fully entertained by a series of engaging activities and lucky draws.

The Global Leadership Summit

Chin Hin Group Berhad was one of the organisers of the Global Leadership Summit (GLS) on 8 March 2017. 1,800 pax. Attendees were present on that day event. The purpose of GLS is to inspire Malaysians to be a better leader. The event was held at the Ideal Convention Centre (IDCC). The GLS provides a platform for leader to develop their "self-knowledge" and "self-awareness" as well as to build the skills and gain the best practice to expand someone leadership capability.

Health Awareness Day

In collaboration with Beacon Hospital, the Health Awareness Day was held at Chin Hin Culture Centre on 21 April 2017 to raise awareness of the importance of health and wellbeing. The event also teaches us how to improve personal physical and mental health. The professional health experts from the Beacon Hospital were there to provide various types of free health screenings, advisory and health talk. They also offered a free health drink & various juice samples to the attendees.

Town Hall Meeting

The first Townhall Meeting was organised on 25 May 2017 at Chin Hin Culture Centre. 200 HQ staffs were present at that event. All employees were updated with the latest Chin Hin development, directions, milestones, initiatives and stay connected with the senior management by having Q&A session with Group Managing Director.

Raya Celebration 2017

The Company held the annual Raya Celebration on 6 July 2017 to celebrate Hari Raya Aidilfitri and rejoice the completion of fasting month. All staffs were served with delicious Malay traditional dishes and entertained with Baju Raya Group Competition and Anyam Ketupat Competition. Nevertheless, the employees were given a chance to explore the Malay tradition, such as colouring the Batik, drawing Henna on hand and playing Congkak with lovely colleagues.

2017 CORPORATE EVENTS (cont'd)

It's Solar Time!

On 25 August 2017, Chin Hin Group Berhad and Atlantic Blue Sdn Bhd have jointly hosted an evening networking session in Bangsar, KL namely "It's Solar Time!", where a group of solar experts, government authority, Malaysian Investment Development Authority (MIDA) and banker gathered and shared their insights on the contribution of solar energy to Malaysian businesses. More than 100 key market players and business owners were present at the event to learn about the benefits of using Solar Net Energy Metering (NEM), which includes a double tax deduction, fast return on investment (ROI) within an average of 6 years and savings in electricity bills.

Finance 101

The Learning Day – Finance 101 was organised on 22 September 2017 to educate the employees to "Plan their wealth for tomorrow". Three different sessions were conducted at the Culture Centre which are "Understand your Group Medical Insurance", "Leave A Legacy for Your Loved Ones" and "Top Up Your Life - Private Retirement Schemes (PRS)".

Lion King Carnival

Lion King Carnival is one of the Corporate Social Responsibility (CSR) events of Chin Hin Group Berhad. It was held on 8 October 2017, 9AM to 6PM at Town Park, My Town Shopping Mall, Kuala Lumpur. The objective of Lion King Carnival was fund raising for four (4) different orphanages in Kuala Lumpur to support our Lion King Youths i.e. future leaders and help give back to the society with generosity.

The organising committee of Lion King Carnival was formed by a group of Chin Hin's employees who are compassionate and passionate toward social responsibilities. An array of Family Friendly Games, merchandise, food and beverages stall and various exciting activities such as Zumba by Fitness Celebrity, Eco Fashion Contest, Art and Craft Contest and Blood Donation Campaign were prepared by the Lion King Carnival Committees. A total of 50 booths were available at Lion King Carnival.

The Lion King event had successful raised RM26,578.00 for eight youths from Yayasan Sunbeams Home, one youth from Joy to the World Community Services, and a child of the employee of Chin Hin Group Berhad, each child received RM2,657.80.

Diwali Celebration 2017

The Company celebrated the "Festive of Lights" with all colleagues at Chin Hin Culture Centre on 13 October 2017. The celebration enables employees to learn more about Indian Traditions through wearing Indian Costume to the event, writing Diwali wishes to Indian Colleagues, testing Indian Traditional Delights and Cuisine, DIY various designs of Rangoli.

2017 CORPORATE EVENTS (cont'd)

EY Entrepreneur of The Year 2017 Malaysia Awards Gala Dinner

On 7 December 2017, Mr Chiau Haw Choon, the Group Managing Director of Chin Hin Group Berhad was crowned the winner of EY Entrepreneur of The Year 2017 Malaysia. He was recognised as an exemplary role model for modern entrepreneurship, one who has successfully transformed a traditional, small, family-run cement trading company into the country's only public-listed integrated building materials solution provider. He also announced the winner of the EY Emerging Entrepreneur of the Year 2017 Malaysia. Mr Chiau attributed this achievement to Chin Hin's management team and his family members. He will be representing Malaysia in June 2018 to compete with over 60 other country winners for the coveted EY World Entrepreneur of The Year Award 2018.

Christmas Celebration 2017

The Company celebrated Christmas with all colleagues at Chin Hin Culture Centre on 20 December 2017. The employees wrote their Christmas & New Year wishes, made their own pancake, enjoyed Christmas Lunch Buffet and Christmas Song Performance presented by Lion King Youths. The event was ended with Santa Claus came to the Culture Centre to distribute Christmas present to every employee.

Mini GLS

A total of 7 Mini GLS (Global Leadership Summit) was conducted in Chin Hin Culture Centre. The Mini GLS was conducted by the Senior Management. The programmes include watching GLS video, share and discuss on "How the leadership theories can be cultivated in the current workplace".

100 Days Journey

The 100 Days Journey is a program which was designed to integrate and assimilate all new employees into Chin Hin working environment. It is a three month orientation program to assist employees to familiarise with the Company's background, policies, directories, services and core values.

Factory Tour

Factory Tours were organised for our employees to visit Starken AAC factory at Bukit Beruntung and Metex Steel factory at Nilai on quarterly intervals. The employees are able to learn about the manufacturing processes and aware of the company's product. The employees can even experience the working environment themselves at the factory.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Chin Hin Group Berhad ("Chin Hin", "CHGB", "the Company" or "the Group") recognise the importance of maintaining corporate governance best practices and continues to be committed to ensuring that a high standard of corporate governance is practiced throughout the Group and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance long-term shareholder value while safeguarding the interests of all stakeholders.

Set out below in this Annual Report is an overview 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 2017 ("MCCG 2017") for the financial year ended 31 December 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1.0 The Company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

1.1 The Group is headed by a Board who is collectively responsible for meeting the Group's long-term goals and objectives. To ensure these are achieved, the Board establishes the strategic directions and targets for Senior Management and monitors the achievement of those goals and targets.

A five years Business Roadmap had been established for the Group and its respective Business Units and the Board is responsible for the oversight and monitoring for the achievement of the Roadmap. The Roadmap of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

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.

A total of five (5) Board meetings were held during the financial year ended 31 December 2017. 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	5/5	100
Datuk Seri Chiau Beng Teik	4/5	80
Datuk Cheng Lai Hock	5/5	100
Mr Chiau Haw Choon	5/5	100
Mr Lee Hai Peng	5/5	100
Mr Yeoh Chin Hoe	5/5	100

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2017 as stipulated under Paragraph 15.05 of the MMLR of Bursa Securities.

1.2 The present Chairman of the Board is Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

1.3 In the Board, the positions of Chairman and the Group Managing Director are held by different individuals. The Group has a clear distinction and separation of roles between the Chairman and the Group Managing Director, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the Group Managing Director.

Other members of the Board include a Deputy Chairman, an executive Director cum Chief Financial Officer ("CFO") and two independent Directors. The Chairman and two independent Directors are also the members of the Audit Committee whom are tasked to review the internal controls and risk management frameworks of the Group and reports to the Board and issues in relation to internal controls and risk management.

1.4 The Board is supported by a suitably qualified and competent Company Secretary who satisfies the qualification as prescribed under Section 235 (2) of the Companies Act 2016. The Company Secretary provides corporate governance advice and ensures adherence to the rules and procedures of corporate governance best practices.

1.5 The Directors receives complete Board papers with reports of the quarterly financial results prior to the Board meetings for their review and analysis and minutes of meeting are taken and circulated by the Company secretary after the conclusion of the meetings.

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.

2.0 There is demarcation of responsibilities between the Board, Board Committees and management. There is clarity in the authority of the Board, its committees and individual directors.

2.1 The Board has adopted a Board Charter which serves as a source of reference for the Directors. The Board Charter establishes the respective roles and responsibilities of the Board, Board Committees and individual directors providing among others, guidance and clarity on the Board's roles and responsibilities as well outlining the issues and decisions which are reserved to be made solely by the authority of the Board.

The Chairman is primarily responsible for the governance and management of the Board, and also serves as the communication point between the Board and the senior management.

The Group Managing Director and his management team are responsible for implementing the strategic objectives and achieving the targets set by the Group, with clear authority delegated by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing independence of judgment and provides their views, advice and contributing their knowledge and experience toward the decision-making process.

The Board structure ensures a balance and that no individual or group of individuals dominates the Board's decision-making process. The role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and that an objective view is established to protect the interests of all stakeholders.

The Board has delegated specific tasks to four (4) committees which have their own respective terms of reference and has the authority to act on behalf of the Board as follows:

(i) Audit Committee;
(ii) Nomination Committee;
(iii) Remuneration Committee; and
(iv) Risk Management Committee.

The Board Charter and the Terms of Reference of the respective committees is available on the Group's website at www.chinhingroup.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, management, employees and other stakeholders are clear on what is considered acceptable behavior and practice in the Company.

3.1 The Group has an established 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 as follows:

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

The Group's Employee Engagement Team conducts regular engagement, dialogue and training programs in order to inculcate the core values as the Corporate Culture of the Group.

All employees are required to read, understand and abide by the Code and the Code will be reviewed from time to time by the Board. The Code describes measures put in place to handle issues relating to:

- Conflicts of interest;
- Corrupt practices which include the offering and acceptance of gifts and/or other forms of benefits;
- Unlawful and unethical behavior;
- Protection and proper use of company assets; and
- Compliance with laws, rules and regulations.

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

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

The Board encourages employees to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace to be reported by filling up a Whistle Blowing Report Form and email to:

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

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

II. BOARD COMPOSITION

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

4.1 The Group believes that a strong composition of the members of the Board would be able to strengthen the decision making process and influence the ability of the Board to fulfil oversight responsibilities. The Board members consists of mixtures of skills, knowledge and experience and would be able to contribute significantly to the Group by value adding and to equip the Board to respond to challenges that may arise.

4.2 Currently, half of the Board composition consists independent directors and none of the independent directors had exceeded the cumulative term of nine years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

4.3 The Board Charter has set the policy which limits the tenure of its independent directors to nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person 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 years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth years, the Board will seek annual shareholders' approval through a two-tier voting process.

4.4 A Nomination Committee has been established to review the appointments to the Board which are based on objective criteria, merit and with due regard to skill, experience, cultural background and gender.

4.5 The composition and experience of the members of the Board has been disclosed in this report and the Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation.

4.6 During the year, there have not been any new appointments to the Board, however, the Group would not hesitate to utilise independent sources to identify suitable candidates as and when the need arises.

4.7 The Nomination Committee is chaired by Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani who is an independent Director.

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors.

The Nomination Committee conducts an annual evaluation process in order to ensure the effectiveness of the Board, which is led by the chair of the nominating committee. The members of the Nomination Committee are as follows:

Chairman
Datuk Seri Dr Nik Nozrul Thani Bin Nik Hassan Thani

Members
Datuk Cheng Lai Hock
Yeoh Chin Hoe

The annual review is based on a Board evaluation process that had been established with the assistance of the Company Secretary in order to determine the effectiveness of the Board as a whole, its committees and the contributing performance of each individual director.

The results of the evaluation were summarised by the Company Secretary and discussed by the Nomination Committee which were then reported to the Board. The Board reviewed the results of the evaluation and is satisfied with the current composition of Board members and believes that it is well balanced with the right mix of high-calibre individuals with the necessary skills and qualifications, credibility and independence to discharge its duties and responsibilities effectively.

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

(i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and
(ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

III. REMUNERATION

6.0 The level of composition of remuneration of Directors and senior management take into account the Group's desire to attract and retain the right talent in the Board and senior management to drive the Company's long term objectives. Remuneration policies and decisions are made through a transparent and independent process.

6.1 The Group has a Remuneration Committee which comprises the following members:

Chairman
Chiau Haw Choon

Members
Datuk Cheng Lai Hock
Yeoh Chin Hoe

6.2 The Board has in place policies and procedures to determine the remuneration of directors taking into account the need for the Group to attract and retain the right talent with the necessary skills and experience required by the Board to function effectively.

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

(i) To review and adopt the Terms of Reference of the Remuneration Committee;
(ii) To evaluate, deliberate and recommend to the Board a remuneration policy for the Directors that is fairly guided by market norms and industry practice; and
(iii) To review and recommended the payment of Directors' fees and other benefits payable to the Directors for the financial year ended 31 December 2017.

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

7.0 Stakeholders are able to access whether the remuneration of the Directors and Senior Management is commensurate with their individual performance, taking into consideration the Company's performance.

7.1 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 2017 were as follows:

Director	Company		Group	
	Fees (RM'000)	Salaries and * other emoluments (RM'000)	Fees (RM'000)	Salaries and * other emoluments (RM'000)
Datuk Seri Dr Nik Nozrul Thani Bin Nik Hassan Thani	120	8	120	8
Datuk Cheng Lai Hock	60	7	60	7
Mr Yeoh Chin Hoe	60	8	60	8
Datuk Seri Chiau Beng Teik	-	202	-	202
Mr Chiau Haw Choon	-	1,329	-	1,329
Mr Lee Hai Peng	-	420	-	502
Total	240	1,974	240	2,056

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	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
RM200,001 to RM250,000	1	-	1	-
RM400,001 to RM450,000	1	-	-	-
RM450,001 to RM500,000	-	-	1	-
RM950,000 and above	1	-	1	-

7.2 The top five Senior Management of the Company (including its direct held subsidiary) are Mr. Chiau Haw Choon, Mr. Lee Hai Peng, Mr. Tan Cheak Joo, Mr. Ng Wai Luen and Mr. Lok Boon Cheng, their designations as disclosed in this Annual Report. The aggregate remuneration of these top five Senior Management received in 2017 was RM3.8 million representing 0.76% of the total employees' remuneration of the Group.

The remuneration of the aforesaid top five senior management is a combination of annual salary, benefits-in-kind and other emoluments which are determined in a similar manner as other management employee of the Company. This is based on their individual performance and the overall performance of the Company. The basis of determination has been applied consistently from previous year.

The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and bands and the top five Senior Management's total combined remuneration package should meet the intended objectives of the MCCG 2017.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

8.0 There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

8.1 The Chairman of the Audit Committee Mr Yeoh Chin Hoe. He is an Independent Director and is not the Chairman of the Board.

8.2 The Audit Committee recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

8.3 At quarterly Board meetings, the Board objectively reviews the Audit Committee's findings and recommendations and to ensure that the Company's financial statements is a reliable source of information.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

The Audit Committee has established policies to assess and determine the suitability, objectivity and independence of the external auditors on an annual basis and shall take into consideration the following:

(a) the adequacy of the competency, experience and quality of the external auditors;

(b) the external auditor's resource capacity and 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.

8.4 The Audit Committee consists of three members from the Board and all who are independent directors.

The members of the Audit Committee are as follows:

Chairman
Yeoh Chin Hoe

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

8.5 The 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.

As such the members of the Audit Committee of the Group possesses a wide range of necessary skills that would enable them to continuously apply a critical and probing view on the Group's financial processes, transactions and information.

All the member continues to undertake continuous professional development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules in order to discharge their duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

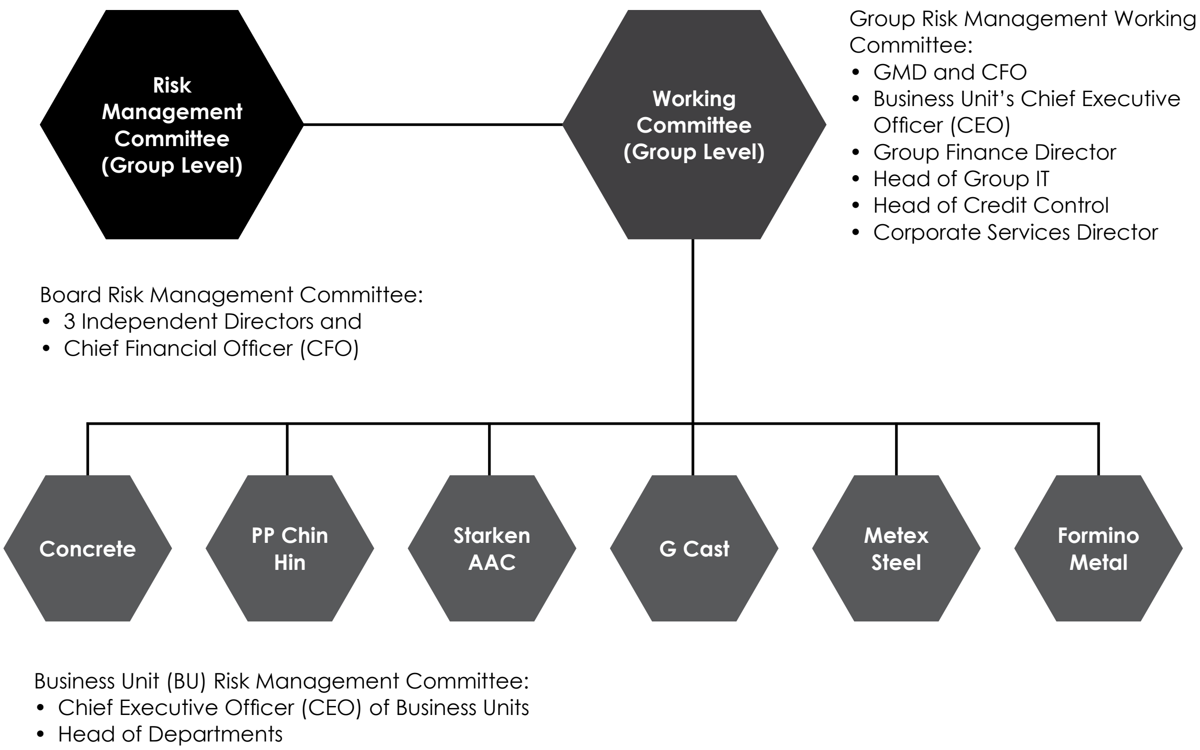
9.0 Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

9.1 The Group is fully aware of its overall responsibility to continuously maintain a sound system for risk management and internal controls which covers financial, operational and compliance. With this in mind, the Group has established an internal control system and risk management framework which is adopted by Group and all its business units to ensure the effectiveness of identification, analysis, assessment, monitoring and communication of risks and internal control issues that will allow the Group to safeguard shareholders investments and assets by mitigating losses and maximising opportunities.

9.2 The Group's Risk Management framework consists of a formal Risk Management Structure that includes the following:

(i) Board Risk Management Committee;
(ii) Group Risk Management Working Committee; and
(iii) Business Unit Risk Management Committee.

Risk Management structure:



**** Oversight and Reassurance provided by Internal Auditor***

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

9.3 The framework further establishes the internal control and risk management processes which encourages a disciplined environment for proactive decision making as follows:

A. The Internal Control Framework establishes a platform for the Board to:

(i) Continuously review the adequacy and integrity of the systems of internal controls (Articulating);
(ii) Review and approve the Internal Audit Plan (Implementing); and
(iii) Continuously review the effectiveness of the internal controls put in place to mitigate fraud through the Internal Audit Reports (Reviewing).

B. The Risk Management Framework establishes a platform for the Board to:

(i) Continuously identify risks (Identification);
(ii) Continuously review the status of the risks (Assessment);
(iii) Continuously discuss and implement strategies to deal with those risks (Mitigation); and
(iv) Continuously follow-up on the actions to be taken (Monitoring).

Whilst acknowledging their responsibility, the Board is aware that such systems and frameworks as designed to manage rather than to eliminate risks and therefore may not be able to provide an absolute assurance against material misstatement or loss.

The Statement on Risk Management and Internal Control which provides an overview of the Group's state of internal control and risk management is set out in pages 73 to 75 in this report.

10.0 Companies have an effective governance, risk management and internal control framework and stakeholders are able to access the effectiveness of such a framework.

10.1 The Group has established an in-house internal audit team as well as appointed an Outsourced Professional Internal Audit firm. Both in-house and outsourced Audit team functions independently and reports directly to the Audit Committee.

The Internal audit functions conducts regular reviews on the Business Unit operations based on an annually approved Internal Audit Plan. Ad-hoc audits are also commissioned by the Audit Committee as and when necessary.

The objective of the Internal Audit function is to provide a disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes and serves as source of independent advice to the Audit Committee on the state of the internal controls and the results of the risk mitigating strategies and to recommend appropriate improvements.

The Audit Committee is mandated by the Board to ensure that the following as tasks are approved and implemented accordingly as follows:

(i) Approve the appointment and removal of auditors;
(ii) Review the competency, experience and independence of the auditors
(iii) Ensure sufficient resources and access of information for the auditors
(iv) Plan and confirm the scope of work of the auditors
(v) Performance evaluation of the auditors
(vi) Approved the budget for the internal audit function

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

10.2 To the knowledge of the Audit Committee, the internal auditors of the Group are free from any relationships and conflicts of interest which could impair their objectivity and independence and they hold professional qualifications which commensurate with their job scope and the requirements expected of an Internal Auditor.

The Internal Audit function adopts an Internal Audit framework with processes based on the standards recommended by the International Professional Practices Framework of the Institute of Internal Auditors.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

11.0 There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

11.1 The Board acknowledges the importance of on-going engagement and communication with stakeholders and to ensure that communication is timely, regular, transparent and effective.

The Group has established a dedicated section for Investor Information on the Group's website at www.chinhingroup.com where shareholders as well as members of the public may access the latest information on the Group. Information is also communicated through the following channels:

(i) Various disclosures and announcements to Bursa Securities including quarterly results;
(ii) Press releases and announcements to Bursa Securities and to the Media;
(iii) Publication of the Group's Annual Report;
(iv) Dialogues with shareholders, potentials investors and analysts and fund managers;
(v) Conduct Annual General Meetings; and
(vi) Social media and other electronic channels.

While the Group endeavors to provide as much information as possible to its shareholders, the Group is mindful of the legal and regulatory frameworks governing the release of material and price sensitive information.

11.2 The Group's annual report for the financial year ended 31 December 2017 adopts partly the Integrated Reporting approach which covers how the Group's strategy, performance, governance and future business prospects are connected towards achieving value creation for its shareholders.

II. CONDUCT OF GENERAL MEETINGS

12.0 Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at General Meetings.

12.1 The Annual General Meeting ("AGM") and general meetings serve as principal forums for our shareholders to engage directly with the Board and senior Management. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least 28 days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements.

12.2 At the AGM, shareholders are given the opportunity to raise questions pertaining to the Annual report, financial statements, corporate developments, resolutions and businesses of the Group. All Directors of the Board and Senior Management are present to attend the AGM in order to provide meaningful responses if necessary.

12.3 If necessary, the Group would embark on electronic voting and remote shareholder participation if our shareholders requests for such services.

OTHER DISCLOSURE REQUIREMENTS

Directors' Training

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

During the financial year ended 31 December 2017, the Directors attended the following 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: International Investment Fund Forum 2017 Conference Organiser: Securities Commission Date & Venue: 12 January 2017 at Conference Hall, Securities Commission Malaysia Name of Conference/Training: PNB IMD Seminar: Value creation & business partnering Conference Organiser: PNB Date & Venue: 1 March 2017 at Sime Darby Convention Centre Kuala Lumpur Name of Conference/Training: Capital Market Director Program Conference Organiser: PNB/SIDC Date & Venue: 7-8 June 2017 at Sime Darby Convention Centre Kuala Lumpur Name of Conference/Training: Director's Continuing Education Programme 2017 Conference Organiser: Fraser & Neave Holdings and Cocoaland Holdings Berhad Date & Venue: 21 August 2017 at The Westin Kuala Lumpur Name of Conference/Training: 14th Kuala Lumpur Islamic Finance Forum 2017 (KLIFF 2017) Conference Organiser: Centre for Research and Training (CERT) in collaboration with AIBIM, Amanie and HSK Date & Venue: 3rd October 2017 at Hotel Istana Kuala Lumpur Name of Conference/Training: 9th International Conference on Financial Crime and Terrorism Financing Conference Organiser: Asian Institute of Finance (AIF) and Compliance Officers' Networking Group (CONG) Date & Venue: 4th – 5th October 2017 at The Majestic Hotel, Kuala Lumpur Name of Conference/Training: Sukuk Model Law Project, Regional Consultations in South East Asia Topic: Panel 1 - The Road to Issuance (Sovereign Sukuk) Conference Organiser: Islamic Development Bank Group Date & Venue: 25- 26 March 2017, Bandar Seri Begawan, Brunei Darussalam

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Directors' Training (cont'd)

NAME OF DIRECTORS	COURSE TITLE / ORGANISER
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani (cont'd)	Name of Conference/Training: Asia-Pacific Financial Forum (APFF) Conference on Developing a Work Program for the Islamic Infrastructure Investment Platform (I3P) Topic: Session 3 - Addressing Tax Policy Issues Conference Organiser: APEC Business Advisory Council (ABAC) Date & Venue: 10 October 2017 at the Sheraton Imperial Hotel in Kuala Lumpur. Name of Conference/Training: The IFSB Summit 2017 - "Reinvigorating the Momentum of Islamic Finance: Solidifying Resilience and Sustaining Growth" Topic: Panel Discussion 1 entitled "Build to Last: Roles of Professional Ancillary Services" Conference Organiser: Islamic Financial Services Board (IFSB) Date & Venue: 22 – 24 October at St. Regis Abu Dhabi
Chiau Haw Choon	Name of Conference/Training: Business Leader Development Program Organiser: Leaderonomics Date & Venue: June to December 2017 at Chin Hin Culture Centre Name of Conference & Training: Brand Transformation Workshop Organiser: Global Brand Advisory & Joescher Adhaus Date & Venue: October to December 2017 at Chin Hin Culture Centre Name of Conference & Training: Strength Based Leadership – Coaching Program Organiser: Gallup Philippines Date & Venue: May 2017 in Manila
Lee Hai Peng	Name of Conference/Training: Business Leader Development Program Organiser: Leaderonomics Date & Venue: June to December 2017 at Chin Hin Culture Centre Name of Conference & Training: Brand Transformation Workshop Organiser: Global Brand Advisory & Joescher Adhaus Date & Venue: October to December 2017 at Chin Hin Culture Centre
Datuk Cheng Lai Hock	Name of Conference & Training: LHDNM-MEF Seminar "Sharing the Nation's Prosperity" Organiser: LHDNM & MEF Date & Venue: 20th March 2017 @ Holiday Villa, Alor Setar Name of Conference & Training: Malaysian Company Secretaries Conference 2017 Organiser: Malaysian Association of Company Secretaries Date & Venue: 19th & 20th September 2017 at Berjaya Times Square. Name of Conference & Training: Seminar Percukaian Kebangsaan 2017 Organiser: LHDNM Date & Venue: 13th November 2017 at TH Hotel & Convention, Alor Setar.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Directors' Training (cont'd)

NAME OF DIRECTORS	COURSE TITLE / ORGANISER
Datuk Cheng Lai Hock (cont'd)	Name of Conference & Training: The Companies Act and Company Secretarial Practice Organiser: Malaysian Association of Company Secretaries Date & Venue: 13th December 2017 at Jen Hotel Penang.
Yeoh Chin Hoe	Name of Conference/ Training: Pay Struture Development Organiser: Pusat Sumber Manusia Berhad Date & Venue: 2nd March 2017 at Kuala Lumpur. Name of Conference/ Training: Malaysian Code on Corporate Governance Organiser: KPMG Date & Venue: 24th May 2017 at KPMG Tower Name of Conference/ Training: Companies Act 2016 Organiser: Yes Academy Date & Venue: 14th July 2017 at Kuala Lumpur Name of Conference/ Training: Effective Internal Audit Function Organiser: IIA Malaysia Date & Venue: 25th September 2017 Name of Conference/ Training: Related Party Transactions & Conflicts of Interest Organiser: Lee Min On Date & Venue: 5th December 2017 at Hotel Empire Kuala Lumpur

Saved as disclosed above, Datuk Seri Chiau Beng Teik was not able to select any suitable training programmes to attend during the financial year due to overseas travelling and his busy work schedule. However, he has constantly been updated with relevant reading materials and technical updates, which will enhance his knowledge and equip him with the necessary skills to effectively discharge his duties as Director of the Company.

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.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

i) As at 31 December 2017, 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:

	Details of the utilisation of proceeds	Utilisation				Esimated timeframe for utilisation from the listing date
		Proposed RM'000	Actual RM'000	Reallocation RM'000	Balance RM'000	
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	9,224	-	5,776	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
		41,079	35,303	-	5,776	

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

ii) As at 31 December 2017, the status of utilisation of the proceeds of approximately RM65.650 million from the private placement are as follow:

	Details of the utilisation of proceeds	Utilisation				Esimated timeframe for utilisation from the listing date
		Proposed RM'000	Actual RM'000	Reallocation RM'000	Balance RM'000	
i)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	1,591	-	10,409	Within eighteen (18) months
ii)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	4,225	-	1,975	Within twelve (12) months
iii)	Expansion of existing manufacturing facilities, purchase of new equipment and machineries of MI Polymer Concrete Pipes Sdn Bhd ("MIPCP") in Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products	2,693	1,143	-	1,550	Within twelve (12) months
iv)	Repayment of bank borrowings	23,600	23,600	-	-	Within six (6) months
v)	Future expansion plans #	10,000	10,000	-	-	Within twenty four (24) months

OTHER DISCLOSURE REQUIREMENTS (cont'd)

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS (cont'd)

ii) As at 31 December 2017, the status of utilisation of the proceeds of approximately RM65.650 million from the private placement are as follow (cont'd):

	Details of the utilisation of proceeds	Utilisation				Esimated timeframe for utilisation from the listing date
		Proposed RM'000	Actual RM'000	Reallocation RM'000	Balance RM'000	
vi)	Working capital purposes	9,757	4,746	-	5,011	Within six (6) months
vii)	Estimated expenses for the Proposed Private Placement	1,400	535	-	865	Within one (1) month
		65,650	45,840	-	19,810	

Note:
To reimburse partially the internal generated fund used for the acquisition of Atlantic Blue of RM24.75 million.

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 2017 where as follows:

	Company	Group
Audit services rendered	40,000	355,513
Non- Audit services Rendered		
(a) Verification for the application of Pioneer Status Certificate	-	40,000
(b) Review of statement of risk management and inernal control	-	6,000
(c) Professional fees for Reporting Accountant for listing exercise	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' interest.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related 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 31 May 2018.

The details of RRPTs of a revenue or trading nature of the Group for the financial year ended 31 December 2017 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.	3,097	• 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/of receipt of transportation services based on prevailing market price.	21.8	
		• Provision of insurance and other administrative services by CHGB Group 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.	172	• 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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	0.3	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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.	5,181	• 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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	
		• Supply and/or purchase of building materials based on prevailing market price.	3	
Pintar Muda Development Sdn Bhd	• CHGB Group	• 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 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.
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	4.5	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	
		• Provision of hotel accommodations by GA Hotel Management Sdn Bhd based on prevailing market price	1	
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.
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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	• CHGB Group	• Provision and/or receipt of transportation services based on prevailing market price.	5,367	• 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 Chiau Haw Choon, is the director and substantial shareholder of CHL Logistic Sdn Bhd.
		• Sales and/or purchase of building materials based on prevailing market price.	6,673	
		• Sale of vehicle insurance premium and road tax to CHL Logistic Sdn Bhd (as agent of the insurance company).	84	
		• Rental income received by Chin Hin Concrete (KL) Sdn Bhd for office space rented to CHL Logistic Sdn Bhd [i].	21.6	
		• Rental income received for motor vehicles rented out to CHL Logistic Sdn Bhd.	-	
Chin Hin Gypsum Sdn Bhd	• Starken AAC Sdn Bhd	• Purchase of raw materials based on prevailing market price.	1,349	• 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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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
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.	162	• 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.	12	
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	
		• Provision of hotel accommodations by Sens Hotel Sdn Bhd based on prevailing market price.	12	
Teras Maju Sdn Bhd	• PP Chin Hin 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. • Yeoh Hock Seng, the brother-in-law of Datuk Seri Chiau Beng Teik is the director and substantial shareholder of Teras Maju Sdn Bhd.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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
Laksana Saujana Sdn Bhd	• PP Chin Hin Sdn Bhd	• Rental expenses paid to Laksana Saujana Sdn Bhd for renting of warehouse-cum office.	120	• 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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	
Chin Hin Hotel Sdn Bhd	• PP Chin Hin Sdn Bhd	• Rental income received from Chin Hin Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin Sdn Bhd.	659	• 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 is turn is substantially owned by PP Chin Hin Realty Sdn Bhd, a Major Shareholder of CHGB.
		• Sale of building materials based on prevailing market price.	3.2	
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	0.8	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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.	9.6	• 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. • Rental income received from Murni Jaya Enterprise Sdn Bhd for the renting of motor vehicles from C&H Transport Sdn Bhd.	3,215	• 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.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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
PP Chin Hin Realty Sdn Bhd	• CHGB Group	• 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. • 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.
		• Rental income received from PP Chin Hin Realty Sdn Bhd for renting of office space belonging to PP Chin Hin Sdn Bhd.	189	
		• Rental income received from PP Chin Hin Realty Sdn Bhd for renting parking lot belonging to PP Chin Hin Sdn Bhd.	-	
		• Rental paid to PP Chin Hin Realty Sdn Bhd for rental of office space by Chin Hin Concrete (KL) Sdn Bhd.	19.2	
		• Rental paid to PP Chin Hin Realty Sdn Bhd for rental of office space by CHGB.	24	
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	78	
Chiau Beng Sun	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	4.5	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Chiau Beng Sun is the brother of Datuk Seri Chiau Beng Teik.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

Recurrent Related Transactions of a Revenue and Trading Nature ("RRPT") (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
Primore Sdn Bhd	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group 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 Primore Sdn Bhd, which in turn is a wholly-owned subsidiary of PP Chin Hin Realty Sdn Bhd, a Major Shareholder of CHGB.
Asthetik Property Group Sdn Bhd	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	-	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. • Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors and substantial shareholders of Asthetik Property Group Sdn Bhd.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Chin Hin Group Berhad recognises the importance of having a systematic approach of reviewing the Group's risk management and internal control processes and is committed to the continuous improvements of our existing systems in practice. The Board 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 (2017).

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's internal control and risk management systems which has been embedded in the Group's Business Units.

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 Board ensures the effectiveness of such systems through reviews of the risk management and internal control activities by the Risk Management Committee established by the Board which consists of the Executive Director cum Chief Financial Officer and three independent Non-Executive Directors of the Company.

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, they can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

As part of the Board's commitment to protect shareholders interests, the Board has appointed the Risk Management Committee to ensure that enterprise risk management practices are practiced throughout the Group.

The Risk Management Committee continues to perform the following functions:

1. To review and provide oversight on the Groups existing risk management framework;
2. To ensure that the process of identifying, evaluating, monitoring and managing significant risks faced by the Group is continuous;
3. To review the Risk management report and the risk register;
4. To review the management action plans to mitigate the identified risks;
5. To report back to the Board on the status of risk management practices; and
6. To highlight potential high-risk areas to the attention of the Board and to advise the Board accordingly.

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

RISK MANAGEMENT (cont'd)

Respective Committees has also been established at the Group Senior Management level and at the Operational management level at the Business units. This is to ensure that all levels of management are committed to safeguard shareholders' investments and the Group's assets by reviewing the adequacy and integrity of such systems. The Committees established are as follows:

(i) Board Risk Management Committee
(ii) Group Risk Management Working Committee
(iii) Business Unit Risk Management Committee

INTERNAL CONTROL

The features of the Group's system of internal control systems enable the Audit Committee to perform the following functions of articulating, implementing and reviewing the integrity of the Group's system of internal controls by:

(i) Continuously review the adequacy and integrity of the systems of internal controls (Articulating);
(ii) Review and approve the Internal Audit Plan (Implementing); and
(iii) Continuously review the effectiveness of the internal controls put in place to mitigate fraud through the Internal Audit Reports (Reviewing).

Other key features include the following:

1. Clearly defined lines of responsibility and limits of authority to facilitate the operations of the individual Business Units and Group Support Divisions.

2. Group centralised control over key functions such as finance, human resource, credit control, information technology, business processes and internal audit.

3. Roadmap workshops and business plan development and setting of key performance indicators established for each Business Unit's Departments.

4. Detailed Budgeting processes which include the review of actual performance compared with budget, with detailed explanations provided for major variances at Monthly Management meetings.

5. Performance monitoring via Monthly KPI check in and execution map system in our On-line Portal of all employees ranked Executive and above.

6. Twice yearly performance appraisal review for all employees of the Group which includes the review of the competencies and results of key performance indicators.

7. Monthly Management meetings (MOM) and Executive Committee (EXCO) meetings to discuss the Group's financial performance, business development, operational and corporate issues.

INTERNAL AUDIT FUNCTION

The Group has established an in-house internal audit team as well as appointed an Outsourced Professional Internal Audit firm. The outsourced Audit team function independently and reports directly to the Audit Committee while the in-house audit team reports to the Group Managing Director.

During the financial year, the Internal audit functions conducted regular reviews on the Business Unit operations based on an annually approved Internal Audit Plan. Ad-hoc audits were also commissioned by the Senior Management when necessary.

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

INTERNAL AUDIT FUNCTION (cont'd)

During the financial year under review, the following tasks were performed by the Audit Committee:

(i) Approved the appointment outsourced internal auditors;
(ii) Reviewed the competency, experience and independence of the auditors;
(iii) Ensured sufficient resources and access of information for the auditors;
(iv) Planned and confirmed the scope of work of the auditors;
(v) Evaluated the performance of the auditors; and
(vi) Approved the budget for the internal audit function.

A total cost of RM254,527 was incurred on internal audit activities for the financial year ended 31 December 2017.

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 2017. 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 recognises 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 is committed to continuously strengthen the Group's system of internal control and risk management framework.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

Mr. Yeoh Chin Hoe
Chairman
Senior Independent Non-Executive Director

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

Datuk Cheng Lai Hock
Member
Independent Non-Executive Director

COMPOSITION

The Audit Committee was established by the Board since 2016 and comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Audit Committee assists the Board in fulfilling its responsibilities in respect to its oversight responsibilities on the integrity of the Group's financial reporting process, internal control systems and risk management practices.

The Audit Committee members have a working familiarity with basic finance and accounting practices, and are able to provide critical analysis and have the ability to interpret the financial statements in order to effectively discharge their duties and responsibilities as members of the Audit Committee. The Audit Committee chairman is a member of Malaysian Institute of Accountants (MIA) and as such the Group has complied with the requirements of Paragraph 15.09 of the MMLR of Bursa Securities.

TERMS OF REFERENCE

The terms of reference of the Audit Committee is available for reference at the Group's Website at www.chinhingroup.com

The term of office and performance of the Audit Committee and each of its members are 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.

MEETINGS

The attendance of each Audit Committee members for Financial Year ended 2017 was as follows:

	Attendance
Mr. Yeoh Chin Hoe (Chairman)	5/5
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	5/5
Datuk Cheng Lai Hock	5/5

The Group Managing Director, the Chief Financial Officer, the Group Finance Director, the Group Corporate Services Director and the Internal Auditors normally attend the meetings to address any questions which may be highlighted by the Audit Committee members. Where necessary, the Audit Committee also meets with the External and Internal Auditors without the executive board members and management's presence during the year.

AUDIT COMMITTEE REPORT (cont'd)

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Audit Committee and records the minutes of the matters discussed at the Audit Committee meetings.

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 records, 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.

KEYS ACTIVITIES

Keys activities of the Audit Committee during the financial year ended 31 December 2017 were as follows:

(1) Financial Reporting

Reviewed the quarterly and annual financial statements of the Group prepared by the management 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 were addressed;

iii) Significant adjustments arising from the audit;

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

(2) Risk Management and Internal Control

i) Reviewed 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 maximise opportunities;

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

iii) Reviewed the system of internal control to ensure that they are in place, effectively administered and regularly monitored;

iv) Recommended 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

v) Reviewed the updates on the risk profile and summary of risk presented by the Risk Management Committee.

vi) Highlighted to the Board of Directors any significant new risks which had come to its attention from the Internal Audit or Risk Management reports which are of sufficient importance to warrant the attention of the Board.

AUDIT COMMITTEE REPORT (cont'd)

(3) Internal Audit Function

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

iii) Reviewed and approved the internal audit plan and ensured that appropriate actions were taken to carry out the audits based on the approved plan;

iv) Received and reviewed on a regular basis the Internal audit reports, findings and recommendations of the internal audit team and outsourced internal auditors and to ensure that appropriate actions had been taken to implement the audit recommendations;

v) Assisted and ensured that the internal audit team and outsourced internal auditors had full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;

vi) Reviewed 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

(4) External Audit

i) Reviewed 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) Reviewed 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) Assessed 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) Reviewed the external auditor's audit report, and significant matters and/or management letter highlighted by the external auditors and management's response to the management letter;

v) Reviewed 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

vi) Reviewed the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

AUDIT COMMITTEE REPORT (cont'd)

(5) Related Party Transactions / Conflict of Interest Situations

Reviewed 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.

Reviewed the related party transactions in relation to the mandate approved by the shareholders.

(6) Audit Reports

Prepared 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 2017 for inclusion in the Annual Report.

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 73 to 75 in this 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 2017.

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 7 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	29,611,617	22,285,607
Attributable to:		
Owners of the Parent	29,747,397	22,285,607
Non-controlling interests	(135,780)	-
	29,611,617	22,285,607

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:

	RM
A second interim single tier dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2016 on 5 April 2017	10,117,760
A first interim single tier dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2017 on 13 October 2017	11,127,760
A second interim single tier dividend of RM0.015 per ordinary share in respect of the financial year ended 31 December 2017 on 16 April 2018	8,345,820
	29,591,340

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 issued and paid-up ordinary shares from 505,888,000 to 556,388,000 by way of issuance of 50,500,000 ordinary shares through Private Placement at an issue price of RM1.30 per ordinary shares for a total cash consideration of RM65,650,000 for working capital purposes;

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 during the financial year until the date of this report are:

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

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year until the date of this report are:

Benedict Lee Yee Kuan
Datin Seri Wong Mee Leng
Lok Boon Cheng
Ng Wai Luen
Tan Cheak Joo
Woo Jin Kun, Freeman
Yeow Meng Hooi
Wong Keng Yeak^
Cheah Chee Wei#
Gan Seng Kuan#
Lee Kean Eng#
Lee Kee Cheong#
Lim Eng Hong#
Lim Kian Hin#
Peter James Francis Boatman#
Se Kok Weng#
Tan Ming Hong #
Tan Peng Cheong#
Tan Wee Leong#
Tay Heng San#

* Director of the Company and its subsidiary companies
^ Appointed during the financial year
# Resigned during the financial year

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' REPORT (cont'd)

Directors' Interests in Shares

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			
	At 01.01.2017	**Bought**	**Sold**	**At 31.12.2017**
Interests in the Company				
Direct Interests				
Chiau Haw Choon	-	8,800,000	-	8,800,000
Datuk Cheng Lai Hock	100,000	-	-	100,000
Datuk Seri Chiau Beng Teik	49,157,200	21,500,000	3,000,000	67,657,200
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	100,000	-	-	100,000
Lee Hai Peng	2,324,000	50,000	-	2,374,000
Yeoh Chin Hoe	100,000	-	-	100,000
Indirect Interests				
Chiau Haw Choon *	303,532,800	-	38,000,000	265,532,800
Datuk Seri Chiau Beng Teik *	303,532,800	-	38,000,000	265,532,800

* *Deemed interest pursuant to Section 6 of the Companies Act 2016 ("the Act") by virtue of his substantial shareholdings in Divine Inventions Sdn Bhd.*

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 remuneration received or due and receivable by Directors and shown in Note 34(c) to 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 34(b) 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.

Indemnity and Insurance Costs

During the financial year, certain Directors and officers of the Group are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, certain Directors and officers of the Group subject to the terms of the policy. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group was RM32,863.

There was no indemnity given to or insurance effected for auditors of the Group in accordance with Section 289 of the Companies Act, 2016.

DIRECTORS' REPORT (cont'd)

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, 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 be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets 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 and 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.

DIRECTORS' REPORT (cont'd)

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 40 to the financial statements.

Auditors' Remuneration

The details of the auditors' remuneration are set out in Note 28 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 16 April 2018.

DATUK SERI CHIAU BENG TEIK

CHIAU HAW CHOON

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

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 92 to 178 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 April 2018.

DATUK SERI CHIAU BENG TEIK

CHIAU HAW CHOON

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, LEE HAI PENG (MIA Membership No: CA 8876), 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 92 to 178 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 16 April 2018)

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 2017 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 92 to 178.

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 2017, 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, 2016 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
Acquisition of Midah Industries Sdn. Bhd., Epic Diversity Sdn. Bhd. and MI Polymer Concrete Pipes Sdn. Bhd. – Purchase price allocation	
During the financial year, the Group completed the acquisition of 100% equity interest in Midah Industries Sdn. Bhd., Epic Diversity Sdn. Bhd. and MI Polymer Concrete Pipes Sdn. Bhd. for a total consideration of RM46,720,604. Accounting for business combinations is complex and requires the recognition of both consideration paid and acquired assets and liabilities at the acquisition date at fair values, which can involve significant judgement and estimates. In addition, accounting policies of the acquired entities must be aligned to the group's accounting policies, which may involve significant judgement and estimates.	We have discussed with management and their external specialists to assess the appropriateness and reasonableness of the purchase price allocation. Our procedures included the followings: • reviewed the appropriateness of the acquisition accounting applied, including the timing at which control was deemed to have passes;

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (cont'd)

Key Audit Matters	How we addressed the key audit matters
Acquisition of Midah Industries Sdn. Bhd., Epic Diversity Sdn. Bhd. and MI Polymer Concrete Pipes Sdn. Bhd. – Purchase price allocation (cont'd) MFRS 3 *Business Combinations* requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. This requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible asset and assignment of their useful lives.	• reviewed and considered the appropriateness of the fair values ascribed to assets and liabilities of the acquired business; • challenged the assumptions in the specialist valuation report supporting goodwill; • assessed the key assumptions applied in the purchase price allocation in arriving the fair value of the assets acquired and liabilities assumed, including the fair valuation of identified intangible assets, to be within a reasonable range of our audit expectations; and • assessed the adequacy of the disclosure in the financial statements.
Valuation of Investment Properties The Group's investment properties comprises of both commercial and residential properties amounting to RM71.43 million, representing approximately 7% of the Group's total assets as at 31 December 2017. 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*.

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

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 RM310.39 million, representing approximately 68% of the Group's total current asset as at 31 December 2017. 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 112 days as at 31 December 2017 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 2017. 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 information included in 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.

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of 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, 2016 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.

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 have 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 or 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.

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)

- 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.

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, 2016 in Malaysia, we also report the subsidiary companies of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 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

NG LEONG TECK
Approved Number: 03168/12/2019 J
Chartered Accountant

KUALA LUMPUR

16 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	381,198,177	293,702,712	1,579,543	1,359,681
Investment properties	5	71,430,000	71,280,000	-	-
Goodwill on consolidation	6	30,958,067	-	-	-
Investment in subsidiary companies	7	-	-	271,739,897	251,739,895
Investment in associates	8	26,947,465	-	24,750,000	-
Other investments	9	38,730	-	-	-
Hire purchase receivables	10	-	82,153	-	-
		510,572,439	365,064,865	298,069,440	253,099,576
Current Assets					
Inventories	11	71,560,732	52,795,593	-	-
Trade receivables	12	310,387,779	295,479,338	-	-
Other receivables	13	22,027,809	24,344,276	174,331	198,244
Hire purchase receivables	10	197,357	5,401,756	-	-
Amount due from subsidiary companies	14	-	-	166,340,315	96,015,825
Tax recoverable		3,119,313	2,255,893	23,899	-
Fixed deposits with licensed banks	15	19,094	1,596,838	-	-
Cash and bank balances		49,991,808	73,502,108	6,601,259	14,715,097
		457,303,892	455,375,802	173,139,804	110,929,166
Assets held for sale	16	-	-	-	-
		457,303,892	455,375,802	173,139,804	110,929,166
Total Assets		967,876,331	820,440,667	471,209,244	364,028,742

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
EQUITY					
Share capital	17	325,795,595	252,944,000	325,795,595	252,944,000
Reserves	18	73,755,701	71,369,496	6,299,713	11,143,218
Equity attributable to owners of the parent		399,551,296	324,313,496	332,095,308	264,087,218
Non-controlling interests		764,250	-	-	-
Total equity		400,315,546	324,313,496	332,095,308	264,087,218
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	19	606,632	1,670,137	-	-
Bank borrowings	20	66,875,757	36,250,433	-	-
Deferred tax liabilities	21	6,146,571	5,163,600	57,098	49,500
		73,628,960	43,084,170	57,098	49,500
Current Liabilities					
Trade payables	22	130,180,866	126,820,722	-	-
Other payables	23	45,367,880	35,666,242	8,556,816	10,833,094
Derivative financial liabilities	24	33,767	-	-	-
Amount due to Directors	25	56,648	2,000	-	-
Amount due to subsidiary companies	14	-	-	130,500,022	89,041,900
Finance lease liabilities	19	1,923,013	3,617,466	-	-
Bank borrowings	20	315,600,977	284,065,932	-	-
Tax payables		768,674	2,870,639	-	17,030
		493,931,825	453,043,001	139,056,838	99,892,024
Total Liabilities		567,560,785	496,127,171	139,113,936	99,941,524
Total Equity and Liabilities		967,876,331	820,440,667	471,209,244	364,028,742

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 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	26	1,015,409,794	1,058,833,845	29,921,000	30,540,000
Cost of sales		(913,917,587)	(960,011,774)	-	-
Gross profit		101,492,207	98,822,071	29,921,000	30,540,000
Other income		9,861,739	12,030,293	5,307	7,215
Fair value adjustment on investment properties		150,000	10,570,958	-	-
Distribution expenses		(10,096,591)	(11,443,891)	-	-
Administrative expenses		(41,538,612)	(32,552,224)	(7,520,941)	(6,391,713)
Other expenses		(6,820,334)	(7,060,619)	-	-
Listing expenses		-	(2,920,412)	-	(2,920,412)
Finance costs	27	(16,206,888)	(16,275,882)	-	-
Share of results of associates		2,616,528	-	-	-
Profit before taxation	28	39,458,049	51,170,294	22,405,366	21,235,090
Taxation	29	(9,846,432)	(9,744,642)	(119,759)	(227,477)
Net profit for the financial year		29,611,617	41,425,652	22,285,607	21,007,613
Other comprehensive income					
Item that is or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		(232,080)	92,169	-	-
Total comprehensive income for the financial year		29,379,537	41,517,821	22,285,607	21,007,613

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 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Profit for the financial year attributable to:					
Owners of the parent		29,747,397	41,425,652	22,285,607	21,007,613
Non-controlling interests		(135,780)	-	-	-
		29,611,617	41,425,652	22,285,607	21,007,613
Total comprehensive income attributable to:					
Owners of the parent		29,515,317	41,517,821	22,285,607	21,007,613
Non-controlling interests		(135,780)	-	-	-
		29,379,537	41,517,821	22,285,607	21,007,613
Earnings per share					
Basic earnings per share (sen)	30	6	8		
Diluted earnings per share (sen)	30	N/A	N/A		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		[---Attributable to owners of the parent---						]		
		[---Non-distributable---				]	Distributable			
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Foreign Currency Translation Reserve RM**	**Merger Reserve RM**	**Revaluation Reserve RM**	**Retained Earnings RM**	**Total Equity RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 January 2016		221,345,050	-	452,598	(153,191,580)	8,768,544	183,872,661	261,247,273	-	261,247,273
Net profit for the financial year		-	-	-	-	-	41,425,652	41,425,652	-	41,425,652
Foreign exchange translation		-	-	92,169	-	-	-	92,169	-	92,169
Total comprehensive income		-	-	92,169	-	-	41,425,652	41,517,821	-	41,517,821
Transaction with owners:										
Issue of ordinary shares	17, 18(a)	31,598,950	9,479,685	-	-	-	-	41,078,635	-	41,078,635
Shares issuance expenses	18(a)	-	(1,824,153)	-	-	-	-	(1,824,153)	-	(1,824,153)
Dividends to owners of the Company	31	-	-	-	-	-	(17,706,080)	(17,706,080)	-	(17,706,080)
Total transactions with owners		31,598,950	7,655,532	-	-	-	(17,706,080)	21,548,402	-	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	-	324,313,496

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

		[------Attributable to owners of the parent------]								
		[------Non-distributable------]					Distributable			
Group	Note	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Merger Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total Equity RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2017		252,944,000	7,655,532	544,767	(153,191,580)	8,768,544	207,592,233	324,313,496	-	324,313,496
Net profit for the financial year		-	-	-	-	-	29,747,397	29,747,397	(135,780)	29,611,617
Foreign exchange translation		-	-	(232,080)	-	-	-	(232,080)	-	(232,080)
Total comprehensive income		-	-	(232,080)	-	-	29,747,397	29,515,317	(135,780)	29,379,537
Transaction with owners:										
Issue of ordinary shares	17	65,650,000	-	-	-	-	-	65,650,000	-	65,650,000
Shares issuance expenses	17	(453,937)	-	-	-	-	-	(453,937)	-	(453,937)
Dividends to owners of the Company	31	-	-	-	-	-	(19,473,580)	(19,473,580)	-	(19,473,580)
Acquisition of subsidiary companies		-	-	-	-	-	-	-	30	30
Non-controlling interests arising from additional subscription of shares in subsidiary companies		-	-	-	-	-	-	-	900,000	900,000
Total transactions with owners		65,196,063	-	-	-	-	(19,473,580)	45,722,483	900,030	46,622,513
Transfer in accordance with Section 618(2) of the Companies Act, 2016	18(a)	7,655,532	(7,655,532)	-	-	-	-	-	-	-
At 31 December 2017		325,795,595	-	312,687	(153,191,580)	8,768,544	217,866,050	399,551,296	764,250	400,315,546

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	Non-distributable Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Company					
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	17, 18(a)	31,598,950	9,479,685	-	41,078,635
Share issuance expenses	18(a)	-	(1,824,153)	-	(1,824,153)
Dividends to owners of the Company	31	-	-	(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
At 1 January 2017		252,944,000	7,655,532	3,487,686	264,087,218
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	22,285,607	22,285,607
Transactions with owners:					
Issue of ordinary shares	17	65,650,000	-	-	65,650,000
Share issuance expenses	17	(453,937)		-	(453,937)
Dividends to owners of the Company	31	-	-	(19,473,580)	(19,473,580)
Total transactions with owners		65,196,063	-	(19,473,580)	45,722,483
Transfer in accordance with Section 618(2) of the Companies Act, 2016	18(a)	7,655,532	(7,655,532)	-	-
At 31 December 2017		325,795,595	-	6,299,713	332,095,308

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows From Operating Activities				
Profit before taxation	39,458,049	51,170,294	22,405,366	21,235,090
Adjustments for:				
Amortisation of other investments	1,090	-	-	-
Bad debts written off - Trade	2,443,850	491,477	-	-
Bad debts written off - Non-trade	25,000	-	-	-
Deposit written off	-	15,274	-	-
Depreciation of property, plant and equipment	18,360,475	16,257,866	314,244	139,083
Dividend income	-	-	(22,500,000)	(23,700,000)
Fair value adjustment on investment properties	(150,000)	(10,570,958)	-	-
Gain on disposal of property, plant and equipment	(512,917)	(2,338,825)	-	-
Gain on disposal of investment property	-	(891,853)	-	-
Impairment on inventories	63,196	-	-	-
Impairment on trade receivables	685,897	1,144,123	-	-
Impairment on other receivables	-	15,200	-	-
Interest expenses	16,206,888	16,336,467	-	-
Interest income	(514,280)	(700,628)	(5,307)	(7,215)
Inventories written off	33,812	47,096	-	-
Loss on derivative financial liabilities	33,767	38,498	-	-
Gain on disposal of assets held for sale	(1,638)	-	-	-
Property, plant and equipment written off	36,616	13,231	-	-
Reversal of impairment on trade receivables	(2,686,626)	(1,382,581)	-	-
Share of results of associates	(2,616,528)	-	-	-
Unrealised loss/(gain) on foreign exchange	356,877	(197,596)	-	-
Operating profit/(loss) before working capital changes	71,223,528	69,447,085	214,303	(2,333,042)
Changes in working capital:				
Inventories	(16,185,619)	(8,023,603)	-	-
Trade receivables	65,281	6,835,255	-	-
Other receivables	2,896,948	(7,797,122)	23,913	1,842,267
Hire purchase receivables	5,286,552	(4,774,308)	-	-
Trade payables	(6,285,058)	(19,676,134)	-	-
Other payables	10,191,194	7,461,410	(504,338)	(240,623)
Amounts due from/to subsidiary companies	-	-	(28,866,368)	(38,631,255)
Amount due to Directors	54,648	(10,906,802)	-	-
	(3,976,054)	(36,881,304)	(29,346,793)	(37,029,611)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash generated from/(used in) operations		67,247,474	32,565,781	(29,132,490)	(39,362,653)
Interest paid		(16,206,888)	(16,336,467)	-	-
Interest received		510,186	700,628	5,307	7,215
Tax paid		(13,276,714)	(11,011,291)	(153,090)	(160,947)
Tax refund		663,244	7,470	-	-
Dividend received		-	-	22,500,000	23,700,000
Exchange differences		-	92,033	-	-
		(28,310,172)	(26,547,627)	22,352,217	23,546,268
Net cash from/(used in) operating activities		38,937,302	6,018,154	(6,780,273)	(15,816,385)
Cash Flows From Investing Activities					
Acquisition of subsidiary companies		-	-	(20,000,002)	-
Acquisition of associates		(24,750,000)	-	(24,750,000)	-
Capital contribution by non-controlling interests		900,030	-	-	-
Net cash outflow from acquisition of subsidiary companies	7	(40,067,835)	-	-	-
Purchase of property, plant and equipment	4(v)	(73,331,550)	(63,769,270)	(541,884)	(1,357,997)
Proceeds from disposal of investment properties		-	1,575,000	-	-
Proceeds from disposal of assets held for sales		1,235,000	-	-	-
Proceeds from disposal of property, plant and equipment		1,082,168	10,406,661	7,778	-
Net cash used in investing activities		(134,932,187)	(51,787,609)	(45,284,108)	(1,357,997)
Cash Flows From Financing Activities					
Dividend paid		(21,245,520)	(7,588,320)	(21,245,520)	(7,588,320)
Drawdown of term loans		13,782,683	748,369	-	-
Net changes on banker acceptance, trust receipt and revolving credits		44,458,185	(32,821,000)	-	-
Decrease in fixed deposits pledged		1,577,744	9,718,645	-	-
Proceeds from issue of ordinary shares	17	65,650,000	41,078,635	65,650,000	41,078,635
Payment of share issue expenses		(453,937)	(1,824,153)	(453,937)	(1,824,153)
Repayment of finance lease liabilities		(3,787,390)	(14,828,583)	-	-
Repayment of term loans		(26,043,496)	(45,442,441)	-	-
Net cash from/(used in) financing activities		73,938,269	(50,958,848)	43,950,543	31,666,162

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Net (decrease)/increase in cash and cash equivalents		(22,056,616)	(96,728,303)	(8,113,838)	14,491,780
Cash and cash equivalents at the beginning of the financial year		69,352,566	165,883,273	14,715,097	223,317
Effect of exchange translation differences on cash and cash equivalents		(223,165)	197,596	-	-
Cash and cash equivalents at the end of the financial year		47,072,785	69,352,566	6,601,259	14,715,097
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		49,991,808	73,502,108	6,601,259	14,715,097
Bank overdraft		(2,919,023)	(4,149,542)	-	-
Fixed deposits with licensed banks		19,094	1,596,838	-	-
		47,091,879	70,949,404	6,601,259	14,715,097
Less: Pledged Fixed deposits with licensed banks		(19,094)	(1,596,838)	-	-
		47,072,785	69,352,566	6,601,259	14,715,097

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.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of 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, 2016 in Malaysia.

Adoption of new and amended standards

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 33 to the financial statements. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	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
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
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.

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

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

MFRS 9, *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 Financial Instruments: Recognition and Measurement.

(a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:
- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

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

(a) Classification of financial assets (cont'd)

Based on its assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

Group	**2017 RM**	**Existing classification under MFRS 139**	**New classification under MFRS 9**
Financial assets			
Trade receivables	310,387,779	L&R	AC
Other receivables	7,585,858	L&R	AC
Hire purchase receivables	197,357	L&R	AC
Fixed deposits with licensed banks	19,094	L&R	AC
Cash and bank balances	49,991,808	L&R	AC

Company	**2017 RM**	**Existing classification under MFRS 139**	**New classification under MFRS 9**
Financial assets			
Other receivables	72,740	L&R	AC
Amounts due from subsidiary companies	166,340,315	L&R	AC
Cash and bank balances	6,601,259	L&R	AC

(b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability- weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

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

(b) Impairment of financial assets

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

(c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recoded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

(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 good or service and thus has the ability to direct the use and obtain the benefits from the good 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.

Based on the preliminary initial assessment, the Group does not expect the application of MFRS 15 to have a significant impact on financial statements except for extensive new disclosure in financial statements, in particular information about the Group's remaining performance obligations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers (cont'd)*

Revenue from sale of goods will be recognised when control of the products has transferred, being the point when products are delivered to customers. As the transfer of risk and rewards generally coincides with the transfer of control at point in time, the timing and amount of revenue recognised under MFRS 15 is unlikely to be materially different from its current practice.

(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 non-cancellable 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.

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 Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

(c) 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.

(d) Significant accounting judgements, estimates and assumption

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumption (cont'd)

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.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The Group regularly reviews 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. The carrying amount at the reporting date for property, plant and equipment and disclosed in Note 4 to the financial statements.

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 2017 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 Note 4 and 5 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumption (cont'd)

Key sources of estimation uncertainty (cont'd)

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash- generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 6 to the financial statements.

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's and the Company's might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 11 to the financial statements.

Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables 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 of the Group's and the Company's loan and receivables are disclosed in Note 12, 13 and 14 respectively to the financial statements.

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. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 21 to the financial statements.

Income taxes

Judgement 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 and the Company recognise liabilities for expected tax issues 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 2017, the Group and the Company have tax recoverable of RM3,119,313 and RM23,899 (2016: RM2,255,893 and Nil) respectively and tax payable of RM768,674 and Nil (2016: RM2,870,639 and RM17,030) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumption (cont'd)

Key sources of estimation uncertainty (cont'd)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 36(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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

(i) 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.

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Sage Evergreen Sdn. Bhd., which was accounted for under the merger method of accounting as the business combination of this subsidiary company involved an entity under common control.

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 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-byacquisition basis, either at fair value or at the non- controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of 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 remeasured, 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(l)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of either cost or equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are either stated at cost less accumulated impairment losses or equity method. 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(l)(i) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(c) 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.

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(d) 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(l)(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.

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 buildings and 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

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

(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% - 34%
Cabin	10%
Crane	10%
Electrical installation	10%
Fire protection and security system	10%
Furniture and fittings	6.7% - 25%
Motor vehicles	10% - 34%
Mould	10%
Office equipment	10% - 40%
Plant and machinery	4.79% - 20%
Signboard	6.7% - 10%
Skid tank	10%
Tools and equipment	4.76% - 34%

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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

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 in 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.

(f) 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, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(f) 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.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(g) Financial assets (cont'd)

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

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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

After initial recognition, financial assets categorised as held-to- maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available- forsale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(g) 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.

(h) 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) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(h) Financial liabilities (cont'd)

(iii) 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.

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(l) 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.

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 and associates 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

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.

Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Share capital

(i) Ordinary shares

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 proceeds received, net of directly attributable incremental transaction costs. 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.

(ii) Distribution of non-cash assets to owners of the Company

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the reporting period and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

(n) 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 expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(o) 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.

(p) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(q) 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 theirs 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.

(r) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Significant Accounting Policies (cont'd)

(r) Income taxes (cont'd)

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.

(s) 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.

(t) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(u) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. Property, Plant and Equipment

	1 January 2017 RM	Reclassification RM	Additions RM	Disposals RM	Written off RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December 2017 RM
Group								
2017								
At Valuation								
Freehold building	35,070,000	-	-	-	-	-	-	35,070,000
Leasehold building	3,400,000	-	-	-	-	-	-	3,400,000
At Cost								
Freehold land and building	85,758,841	-	1,245,475	-	-	245,501	-	87,249,817
Leasehold building	24,779,576	2,215,237	4,014,784	-	-	2,008,628	-	33,018,225
Computer equipment and software	2,196,830	95,095	196,403	(13,782)	-	92,198	-	2,566,744
Cabin	54,790	-	75,550	-	-	-	-	130,340
Crane	460,000	-	-	-	-	-	-	460,000
Electrical installation	3,880,504	-	-	-	-	25,823	-	3,906,327
Fire protection and security system	161,928	-	-	-	-	-	-	161,928
Furniture and fittings	7,841,594	(5,780,444)	216,495	-	-	44,454	-	2,322,099
Motor vehicles	36,653,834	-	5,131,883	(2,494,855)	-	702,214	-	39,993,076
Mould	7,417,661	-	6,685,862	-	-	353,111	-	14,456,634
Office equipment	4,639,650	-	553,693	(8,640)	-	106,172	(462)	5,290,413
Plant and machinery	112,504,287	14,949,198	16,676,682	-	(37,080)	1,613,641	-	145,706,728
Signboard	139,820	-	10,470	-	-	-	-	150,290
Skid tank	9,600	-	-	-	-	-	-	9,600
Tool and equipment	2,961,490	-	21,555	-	-	34,816	-	3,017,861
Renovation	-	5,780,444	496,893	-	-	186,516	-	6,463,853
Capital in progress	24,888,801	(17,259,530)	66,721,622	-	-	782,909	-	75,133,802
	352,819,206	-	102,047,367	(2,517,277)	(37,080)	6,195,983	(462)	458,507,737

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	[----- Accumulated depreciation							-----]	Carrying Amount
	At 1 January 2017 RM	Reclassification RM	Charge for the financial year RM	Disposals RM	Written off RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December 2017 RM	At 31 December 2017 RM
Group									
2017									
At Valuation									
Freehold building	3,156,635	-	350,647	-	-	-	-	3,507,282	31,562,718
Leasehold building	435,337	(12,000)	33,988	-	-	-	-	457,325	2,942,675
At Cost									
Freehold land and building	1,881,096	-	691,437	-	-	11,974	-	2,584,507	84,665,310
Leasehold building	544,201	12,000	433,956	-	-	6,564	-	996,721	32,021,504
Computer equipment and software	955,448	-	419,553	(4,996)	-	80,100	-	1,450,105	1,116,639
Cabin	42,566	-	4,943	-	-	-	-	47,509	82,831
Crane	243,300	-	46,000	-	-	-	-	289,300	170,700
Electrical installation	1,130,764	-	395,379	-	-	10,696	-	1,536,839	2,369,488
Fire protection and security system	83,908	-	16,192	-	-	-	-	100,100	61,828
Furniture and fittings	4,439,231	(3,374,506)	212,786	-	-	46,722	-	1,324,233	997,866
Motor vehicles	20,145,438	-	4,003,645	(1,942,473)	-	346,235	-	22,552,845	17,440,231
Mould	1,254,450		996,825	-	-	191,091	-	2,442,366	12,014,268
Office equipment	3,228,358	-	465,644	(557)	-	54,067	(378)	3,747,134	1,543,279
Plant and machinery	20,817,763	-	9,570,875		(464)	916,916	-	31,305,090	114,401,638
Signboard	43,787	-	12,884	-	-	-	-	56,671	93,619
Skid tank	9,599	-	-	-	-	-	-	9,599	1
Tool and equipment	704,613	-	304,733	-	-	19,592	-	1,028,938	1,988,923
Renovations	-	3,374,506	400,988	-	-	97,502	-	3,872,996	2,590,857
Capital in progress	-	-	-	-	-	-	-	-	75,133,802
	59,116,494	-	18,360,475	(1,948,026)	(464)	1,781,459	(378)	77,309,560	381,198,177

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	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								
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
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
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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									
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
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
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	Office equipment	Computer software RM	Furniture and fittings RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
Company							
2017							
Cost							
At 1 January	251,403	96,755	200,203	-	20,000	946,000	1,514,361
Additions	79,784	35,328	-	240,706	6,900	179,166	541,884
Disposal	(8,335)	-	-	-	-	-	(8,335)
Reclassification	-	-	(200,203)	200,203	-	-	-
At 31 December	322,852	132,083	-	440,909	26,900	1,125,166	2,047,910
Accumulated depreciation							
At 1 January	26,103	18,174	12,869	-	3,334	94,200	154,680
Charge for the financial year	29,710	24,369	-	41,630	2,460	216,075	314,244
Disposal	(557)	-	-	-	-	-	(557)
Reclassification	-	-	(12,869)	12,869	-	-	-
At 31 December	55,256	42,543	-	54,495	5,794	310,275	468,367
Carrying amount							
At 31 December	267,596	89,540	-	386,410	21,106	814,891	1,579,543
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(i) 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 20 to the financial statements are:

	Group	
	2017 **RM**	**2016** **RM**
Freehold building	31,562,718	31,913,365
Leasehold building	6,602,208	7,415,092
Freehold land and building	55,940,084	29,880,293
	94,105,010	69,208,750

(ii) 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	
	2017 **RM**	**2016** **RM**
Freehold land	8,920,822	5,258,185
Plant and machinery	39,083,065	55,038,381
Motor vehicles	2,116,569	4,323,843
	50,120,456	64,620,409

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

(iii) The remaining leasehold period of the buildings ranged from 82 to 92 years (2016: 83 to 93 years).

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

	Group	
	2017 **RM**	**2016** **RM**
Motor vehicles	82,505	261,374

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Aggregate costs	102,047,367	71,521,270	541,884	1,357,997
Less: Finance lease financing	(638,500)	-	-	-
Less: Term loans financing	(28,077,317)	(7,752,000)	-	-
Cash payments	73,331,550	63,769,270	541,884	1,357,997

(vi) 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 RM26,335,571 (2016: RM28,013,571).

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.

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

	Group	
	2017 RM	2016 RM
Freehold building	31,035,409	61,673,713

(viii) In the previous financial year, certain investment properties and assets held for sale have been transferred to property, plant and equipment as disclosed in Note 5 and 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investment Properties

	Group 2017 RM	Group 2016 RM
At 1 January	71,280,000	103,491,050
Disposals	-	(683,147)
Transfer to property, plant and equipment (Note 4)	-	(42,098,861)
Changes in fair value recognised in profit or loss	150,000	10,570,958
At 31 December	71,430,000	71,280,000
Included in the above are:		
At fair value		
Freehold land and building	71,430,000	71,280,000

(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.

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

(b) Disposal of investment properties

In previous financial year, the subsidiary company, PP Chin Hin Sdn. Bhd., had 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 had 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 RM71,430,000 (2016: RM71,280,000). 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 RM150,000 (2016: RM10,570,958) has been recognised in the profit or loss during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investment Properties (cont'd)

(d) Income and expenses recognised in profit or loss

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

	Group 2017 RM	Group 2016 RM
Rental income	4,294,674	4,530,988
Direct operating expenses:		
- Income generating investment properties	600	1,828
- Non-income generating investment properties	(254,821)	(257,750)

(e) Investment properties pledged as securities to licensed banks.

Investment properties of the Group amounting to RM71,430,000 (2016: RM71,280,000) have been pledged to secure banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

6. Goodwill on consolidation

	Group 2017 RM	Group 2016 RM
At cost		
At 1 January	-	-
Acquisition of subsidiary companies	30,958,067	-
At 31 December	30,958,067	-

The aggregate carrying amounts of goodwill allocated to each cash-generating unit ("CGU") are as follows:

	Group 2017 RM	Group 2016 RM
Midah Industries Sdn. Bhd.	10,601,257	-
Epic Diversity Sdn. Bhd.	1,282,179	-
MI Polymer Concrete Pipes Sdn. Bhd.	19,074,631	-
	30,958,067	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. Goodwill on consolidation (cont'd)

The recoverable amounts of CGUs in respect of the goodwill were determined based on value-in-use ("VIU") calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three to five-year period.

Key assumptions used in the VIU calculations for the goodwill impairment assessment is gross profit margin. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

A pre-tax discount rates of 8.5% (2016: Nil) were applied in determining the recoverable amounts of the CGUs. The discount rate used is pre-tax and reflect the specific risks relating to the respective CGU.

Based on the impairment test, no impairment is required for the goodwill.

A reasonable possible change in the key assumptions would not result in any impairment.

7. Investment in Subsidiary Companies

	Company	
	2017 RM	2016 RM
At cost		
Unquoted share in Malaysia	271,739,897	251,739,895

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Interest 2017 %	Effective Interest 2016 %	Principal Activities
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
Starken AAC Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of AAC products
Chin Hin Academy Sdn. Bhd.	Malaysia	100	-	Provide human resource training services

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Investment in Subsidiary Companies (cont'd)

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

Name of Company	Country of Incorporation	Effective Interest 2017 %	Effective Interest 2016 %	Principal Activities
Held through PP Chin Hin Sdn. Bhd.				
- PP Chin Hin Pte. Ltd.*	Singapore	100	100	Wholesale of construction material, hardware, plumbing, heating equipment and supplies of NEC products
- C&H Transport Sdn. Bhd.	Malaysia	100	100	Transportation
- Midah Industries Sdn. Bhd.	Malaysia	100	-	Manufacturing and trading in wood products
- Epic Diversity Sdn. Bhd.	Malaysia	100	-	Dealing in consumer products including lock set, alarm system and other related business
Held through Starken AAC Sdn. Bhd.				
- Starken Drymix Solutions Sdn. Bhd. (Formerly known as G-Cast Polymer Concrete 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	100	Dormant
- MI Polymer Concrete Pipes Sdn. Bhd.	Malaysia	100	-	Manufacturing and supply of pipes
- MI Polymer Concrete Pipes (S) Pte. Ltd. *	Singapore	100	-	Trading, import and export of polymer concrete products
- G-Cast UHPC Sdn. Bhd. (Formerly known as Diva Victory Sdn. Bhd.)	Malaysia	70	-	Manufacturing and sales of ultra- high performance concrete product

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Investment in Subsidiary Companies (cont'd)

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

Name of Company	Country of Incorporation	Effective Interest 2017 %	Effective Interest 2016 %	Principal Activities
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
- Metex Modular Sdn. Bhd.	Malaysia	70	-	Manufacture of prefabricated buildings mainly of metal
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, distribution and transporting of ready-mixed concrete

* *Subsidiary company not audited by UHY*

The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

<u>Acquisition of subsidiary companies</u>

(a) On 22 September 2016, PP Chin Hin Sdn. Bhd. ("PPCH"), a wholly-owned subsidiary company of the Company, had entered into a Share Sale Agreement ("SSA") with:

(i) Tan Peng Cheong, Lim Eng Hong, Cheah Chee Wei, Se Kok Weng and Tan Wee Leong for an acquisition of 300,000 ordinary shares in Epic Diversity Sdn. Bhd. ("EPIC") for a total cash consideration of RM3,800,000; and

(ii) Tan Peng Cheong, Lim Eng Hong, Cheah Chee Wei and Se Kok Weng for an acquisition of 500,000 ordinary shares in Midah Industries Sdn. Bhd. ("Midah") for a total cash consideration of RM14,500,000.

The aggregate purchase consideration is subject for adjustment in case that aggregate profit guarantee of not less than RM6,000,000 for the financial year ended 31 December 2017 and aggregate net tangible asset of not less than RM6,600,000 as at 31 December 2016 could not met. The total purchase consideration had been adjusted from RM18,300,000 to RM17,079,000 pursuant to EPIC's and Midah's terms of SSA.

Upon completion of the acquisition, EPIC and Midah became wholly-owned subsidiary companies of PPCH. The acquisition is completed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Investment in Subsidiary Companies (cont'd)

Acquisition of subsidiary companies (cont'd)

(b) On 3 April 2017, Starken AAC Sdn. Bhd. ("Starken"), a wholly-owned subsidiary company of the Company had entered into a SSA with Peter James Francis Boatman, Janet Anne Boatman, Tay Heng San and Tay Fen Nie for an acquisition of 1,000,000 ordinary shares in MI Polymer Concrete Pipes Sdn. Bhd. ("MIPCP") for a cash considerations of RM35,000,000, subject for an adjustment in case that the profit guarantee of MIPCP and its subsidiary company of not less than RM6,000,000 for the financial year ended 31 December 2017 and their net tangible asset of not less than RM11,000,000 as at 31 December 2016 could not met.

The purchase consideration had been adjusted from RM35,000,000 to RM29,641,604 pursuant to MIPCP's terms of SSA. Upon completion of the acquisition, MIPCP became wholly-owned subsidiary company of Starken. The acquisition is completed during the financial year.

(c) On 31 May 2017, the Company acquired 2 ordinary shares in Chin Hin Academy Sdn. Bhd. ("CHASB") which represents 100% equity shares in CHASB for a total cash consideration of RM2. Upon completion of the acquisition, CHASB became wholly-owned subsidiary company of the Company.

(d) On 14 September 2017, Starken had acquired 2 ordinary shares in G-Cast UHPC Sdn. Bhd. (formally known as Diva Victory Sdn. Bhd.)("G-Cast UHPC") which represents 100% equity shares of G-Cast UHPC for a cash consideration of RM2. Upon completion of the acquisition, G-Cast UHPC became wholly-owned subsidiary company of Starken.

On 25 September 2017, Starken had entered into a Shareholders Agreement ("SA") with Chan Wai Heng have respectively subscribed for additional 2,100,000 and 900,000 ordinary shares in G-Cast UHPC. As such, the equity interest of the Group in G-Cast UHPC has been diluted from 100% to 70%.

(f) On 16 October 2017, the Company subscribed for additional 20,000,000 ordinary shares in Starken for a total cash consideration of RM20,000,000. Subsequent to the subscription, Starken remained as wholly-owned subsidiary company of the Company.

(g) On 2 November 2017, Metex Steel Sdn. Bhd. ("Metex"), a wholly-owned subsidiary company of the Company, subscribed 70 ordinary shares in Metex Modular Sdn. Bhd. ("MMSB") for a total cash consideration of RM70. Upon completion of the acquisition, MMSB became 70% owned subsidiary company of Metex.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Investment in Subsidiary Companies (cont'd)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date for the acquisition of Midah, Epic and MIPCP:

Fair value of identifiable assets acquired and liabilities assumed

	2017 RM
Property, plant and equipment	4,414,524
Other investment	39,820
Inventories	2,676,528
Trade receivables	15,568,625
Other receivables	606,193
Amount due from Directors	19,146
Cash and bank balances	6,652,769
Assets held for sale	1,233,362
Trade payables	(9,668,937)
Other payables	(1,056,584)
Tax payable	(1,091,855)
Bank borrowings	(3,116,199)
Deferred tax liabilities	(123,923)
Finance lease liabilities	(390,932)
Total identifiable assets and liabilities	15,762,537

Net cash outflow arising from acquisition of subsidiary companies

	2017 RM
Purchase consideration settled in cash	(46,720,604)
Cash and bank balances	6,652,769
	(40,067,835)

Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:

	2017 RM
Fair value of consideration transferred	46,720,604
Fair value of identifiable assets acquired and liabilities assumed	(15,762,537)
Goodwill	30,958,067

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Investment in Subsidiary Companies (cont'd)

Acquisition-related costs

The Group incurred acquisition-related costs of RM40,000 related to external legal fees and due diligence costs. The expenses have been included in other expenses in the profit or loss.

Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiary companies has contributed RM35,480,739 and RM4,042,189 to the Group's revenue and loss for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss for the financial year from its continuing operations would have been RM35,480,739 and RM4,042,189 respectively.

There was no acquisition on previous financial year.

The effect of acquisition of G-Cast and MMSB did not have any material effect on the financial result and position of the Group.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

8. Investment in Associates

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost in Malaysia	24,750,000	-	24,750,000	-
Share of post-acquisition reserves	2,197,465	-	-	-
	26,947,465	-	24,750,000	-

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Interest 2017 %	Effective Interest 2016 %	Principal Activities
Atlantic Blue Sdn. Bhd.*	Malaysia	45	-	The installation of equipment for generation of electricity by way of solar power energy and the sale of electricity through solar generation and property investment holdings

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. Investment in Associates (cont'd)

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

Name of Company	Country of Incorporation	Effective Interest 2017 %	2016 %	Principal Activities
Held through Atlantic Blue Sdn. Bhd.				
- Powertrack Sdn. Bhd.*	Malaysia	45	-	Engineering, procurement and construction of solar energy
- Solarvest Energy Sdn. Bhd.*	Malaysia	45	-	Engineering, procurement and construction of solar energy

* *Associate not audited by UHY*

On 18 July 2017, the Company had entered into a Share Sale Agreement ("SSA") with Tan Chyi Boon, Lim Chin Siu, Tan Paw Boon and Chong Chun Shiong for an acquisition of RM450,000 ordinary shares in Atlantic Blue Sdn. Bhd. ("Atlantic Blue") for a total cash consideration of RM24,750,000. Upon completion of the acquisition, Atlantic Blue became 45% owned associate of the Company. The acquisition is completed during the financial year.

9. Other Investments

	Group 2017 RM	2016 RM
Club memberships		
At cost		
At 1 January	-	-
Acquisition of subsidiary company	46,028	-
At 31 December	46,028	-
Accumulated amortisation		
At 1 January	-	-
Acquisition of subsidiary company	6,208	-
Amortisation for the financial year	1,090	-
At 31 December	7,298	-
Carrying amount		
At 31 December	38,730	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. Hire Purchase Receivables

	Group 2017 RM	Group 2016 RM
Minimum lease received		
Within one year	283,265	6,273,061
Later than one year and not later than two years	-	97,086
Later than two years and not later than five years	-	12,849
	283,265	6,382,996
Less: Future finance receive	(85,908)	(899,087)
Present value of minimum lease received	197,357	5,483,909
Present value of minimum lease received		
Within one year	197,357	5,401,756
Later than one year and not later than two years	-	73,986
Later than two years and not later than five years	-	8,167
	197,357	5,483,909

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% (2016: 5% to 18%) per annum.

11. Inventories

	Group 2017 RM	Group 2016 RM
Raw materials	31,679,999	31,168,355
Work-in-progress	1,240,888	-
Finished goods	37,175,074	20,817,189
Consumables	1,378,353	756,979
Scrap	170,295	53,070
	71,644,609	52,795,593
Less : Accumulated impairment loss	(83,877)	-
	71,560,732	52,795,593
Recognised in profit or loss:		
Inventories recognised as cost of sales	908,747,713	932,458,168
Impairment on inventories	63,196	-
Inventories written off	33,812	47,096

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. Inventories (cont'd)

Movements in the amount of impairment losses on inventories are as follows:

	Group	
	2017 RM	2016 RM
At 1 January	-	-
Acquisition of subsidiary companies	20,681	-
Impairment losses recognised	63,196	-
At 31 December	83,877	-

12. Trade Receivables

	Group	
	2017 RM	2016 RM
Trade receivables		
- Third parties	316,737,858	303,702,927
- Related parties	389,880	457,437
	317,127,738	304,160,364
Less: Accumulated impairment losses	(6,739,959)	(8,681,026)
	310,387,779	295,479,338

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2016: 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 due from 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	
	2017 RM	2016 RM
At 1 January	8,681,026	8,919,484
Acquisition of subsidiary companies	68,641	-
Impairment losses recognised	685,897	1,144,123
Reversal	(2,686,626)	(1,382,581)
Written off	(6,876)	-
Exchange difference	(2,103)	-
At 31 December	6,739,959	8,681,026

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Trade Receivables (cont'd)

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

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	235,198,814	239,788,602
Past due not impaired:		
Less than 30 days	30,505,689	25,609,984
31 to 60 days	16,319,368	12,056,065
More than 60 days	28,363,908	18,024,687
	75,188,965	55,690,736
	310,387,779	295,479,338
Impaired	6,739,959	8,681,026
	317,127,738	304,160,364

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

As at 31 December 2017, trade receivables of RM75,188,965 (2016: RM55,690,736) 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 RM6,739,959 (2016: RM8,681,026), 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.

13. Other Receivables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other receivables				
- Third parties	5,713,886	15,668,054	58,240	89,127
- Related parties	12,926	3,104	-	-
	5,726,812	15,671,158	58,240	89,127
Less: Accumulated impairment losses	(20,514)	(15,200)	-	-
	5,706,298	15,655,958	58,240	89,127
Deposits	1,879,560	1,233,921	14,500	14,500
Prepayments	8,044,047	6,109,777	101,591	94,617
GST recoverable	6,397,904	1,344,620	-	-
	22,027,809	24,344,276	174,331	198,244

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. Other Receivables (cont'd)

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	15,200	-	-	-
Acquisition of subsidiary companies	5,314	-	-	-
Impairment losses recognised	-	15,200	-	-
At 31 December	20,514	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.

14. Amount Due from/(to) Subsidiary Companies

These represent unsecured, non-interest bearing and are repayable on demand.

15. 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 20.

The interest rates and maturities of deposits are 3.10% (2016: 3.10% to 3.15%) per annum and 365 days (2016: 30 to 365 days).

Included in fixed deposits amounting to RM19,094 (2016: RM15,000) are held in trust by certain Directors of the subsidiary company.

16. Assets Held for Sale

	Group	
	2017 RM	2016 RM
At 1 January	-	3,662,637
Transfer to property, plant and equipment (Note 4)	-	(3,662,637)
Acquisition of subsidiary companies	1,233,362	-
Disposals	(1,233,362)	-
At 31 December	-	-

During the previous 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. Share Capital

	Group/Company			
	Number of Shares		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Ordinary shares with no par value (2016: par value of RM0.50 each)				
At 1 January /31 December	*	1,000,000,000	*	500,000,000
Issued and fully paid shares				
At 1 January	505,888,000	442,690,100	252,944,000	221,345,050
Shares issued during the financial year	50,500,000	63,197,900	65,650,000	31,598,950
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016*	-	-	7,655,532	-
Share issuance expenses	-	-	(453,937)	-
At 31 December	556,388,000	505,888,000	325,795,595	252,944,000

* The new Companies Act, 2016 (the "Act"), which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM7,655,532 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,655,532 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. As of 31 December 2017, the Company has utilised RM453,937 as share issuance expenses.

During the financial year, the Company increased its issued and paid-up ordinary shares from 505,888,000 to 556,388,000 by way of issuance of 50,500,000 ordinary shares through Private Placement at an issue price of RM1.30 per ordinary shares for a total cash consideration of RM65,650,000 for working capital purposes;

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Reserves

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 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)	312,687	544,767	-	-
Retained earnings		217,866,050	207,592,233	6,299,713	3,487,686
		73,755,701	71,369,496	6,299,713	11,143,218

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

(a) Share premium

	Group/Company	
	2017 RM	2016 RM
Non-distributable		
At 1 January	7,655,532	-
Premium from public issue	-	9,479,685
Share issuance expenses	-	(1,824,153)
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	(7,655,532)	-
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. As disclosed in Note 17 to the financial statements, share premium has become part of the Company's share capital.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. Finance Lease Liabilities

	Group 2017 RM	Group 2016 RM
Minimum lease payments:		
Within one year	1,995,472	3,792,940
Later than one year and not later than two years	420,001	1,590,023
Later than two years and not later than five years	208,666	120,584
	2,624,139	5,503,547
Less: Future finance charges	(94,494)	(215,944)
Present value of minimum lease payments	2,529,645	5,287,603
Present value of minimum lease payments		
Within one year	1,923,013	3,617,466
Later than one year and not later than two years	402,370	1,551,909
Later than two years and not later than five years	204,262	118,228
	2,529,645	5,287,603
Analysed as:		
Repayable within twelve months	1,923,013	3,617,466
Repayables after twelve months	606,632	1,670,137
	2,529,645	5,287,603

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 liabilities of the Group is bearing interest ranged from 2.32% to 3.52% (2016: 2.65% to 3.82%) per annum.

20. Bank Borrowings

	Group 2017 RM	Group 2016 RM
Current		
Secured		
Bank overdraft	2,919,023	4,149,542
Revolving credits	61,300,000	11,000,000
Bankers' acceptance	234,936,997	239,263,000
Trust receipts	485,912	-
Term loans	15,959,045	29,653,390
	315,600,977	284,065,932
Non-Current		
Secured		
Term loans	66,875,757	36,250,433
	382,476,734	320,316,365

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. 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) Pledge of fixed deposits of the Group as disclosed in Note 15

(c) Corporate guarantee by the Company;

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

(e) Corporate guarantee by certain subsidiary companies;

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

(g) 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	
	2017 RM	**2016 RM**
Within one year	315,600,977	284,065,932
Later than one year and not later than two years	8,396,581	10,691,797
Later than two years and not later than five years	31,732,385	16,757,211
Later than five years	26,746,791	8,801,425
	382,476,734	320,316,365

The range of interest rates per annum is as follows:

	Group	
	2017 %	**2016 %**
Bank overdraft	6.80 - 7.85	6.80 - 8.10
Bankers' acceptance	3.63 - 4.60	3.39 - 4.40
Revolving credits	4.54 - 4.95	4.24 - 4.80
Term loans	4.71 - 6.85	5.05 - 6.85
Trust receipts	8.50 - 8.59	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. Deferred Tax Liabilities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	5,163,600	4,257,221	49,500	-
Acquisition of subsidiaries	123,923	-		
Recognised in profit or loss	(212,532)	107,367	5,260	27,900
Under provision in prior years	1,071,580	799,012	2,338	21,600
At 31 December	6,146,571	5,163,600	57,098	49,500

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liabilities	18,242,697	14,729,867	57,098	49,500
Deferred tax assets	(12,096,126)	(9,566,267)	-	-
	6,146,571	5,163,600	57,098	49,500

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

Deferred tax liabilities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Difference between carrying amount of property, plant and equipment and its tax base	18,242,697	14,729,867	57,098	49,500

Deferred tax assets

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unabsorbed tax lossess	3,643,371	1,295,790	-	-
Unutilised capital allowances	3,484,167	7,670,177	-	-
Unutilised reinvestment allowances	4,968,588	600,300	-	-
	12,096,126	9,566,267	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. Deferred Tax Liabilities (cont'd)

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Unabsorbed tax losses	2,367,274	5,512,242	-	-
Unutilised capital allowances	55,253	-	-	-
Other temporary differences	143,174	216,582	-	-
	2,565,701	5,728,824	-	-

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.

22. Trade Payables

	Group 2017 RM	Group 2016 RM
Trade payables		
- Third parties	127,270,987	124,215,180
- Related parties	2,909,879	2,605,542
	130,180,866	126,820,722

Credit terms of trade payables of the Group ranged from 14 to 120 days (2016: 14 to 120 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 due to related parties represents unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. Other Payables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other payables				
- Third parties	14,677,036	9,462,887	25,456	60,027
- Related parties	8,891,834	1,053,037	-	392,520
	23,568,870	10,515,924	25,456	452,547
Dividend payable	8,345,820	10,117,760	8,345,820	10,117,760
Deposit received	1,420,357	1,191,225	-	-
Accruals	11,698,770	6,227,442	52,250	179,572
GST payable	334,063	7,613,891	133,290	83,215
	45,367,880	35,666,242	8,556,816	10,833,094

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

24. Derivative Financial Liabilities

	Group 2017 Contract/ Notional amount USD	Group 2017 Financial Liabilities RM	Group 2016 Contract/ Notional amount USD	Group 2016 Financial Liabilities RM
Derivative held for trading at fair value through profit or loss				
Current				
Foreign currency contracts	738,600	33,767	-	-

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 RM33,767 (2016: loss of RM38,498) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

25. Amount Due to Directors

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. Revenue

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sales of goods	989,197,089	1,022,791,354	-	-
Services rendered	21,695,344	31,538,658	-	-
Hire purchase interest received	316,908	228,767	-	-
Dividend income	-	-	22,500,000	23,700,000
Management fees received	-	-	7,421,000	6,840,000
Rental income from investment properties	4,200,453	4,275,066	-	-
	1,015,409,794	1,058,833,845	29,921,000	30,540,000

27. Finance Costs

	Group 2017 RM	Group 2016 RM
Bank overdraft	300,211	316,038
Bankers acceptance	10,094,038	10,224,976
Banker guarantee	-	86,899
Letter of credit	-	68,870
Other interests	328,438	-
Revolving credit	2,222,755	206,984
Term loans	2,996,048	4,610,305
Trust receipt	57,907	-
Finance lease	207,491	822,395
	16,206,888	16,336,467
Less: Finance lease interest recognised under cost of sales	-	(60,585)
	16,206,888	16,275,882

28. Profit before Taxation

Profit before taxation is determined after charging/(crediting):

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Auditors' remuneration				
- Statutory				
- Current year	355,513	306,969	40,000	35,000
- (Over) provision in prior years	(17,100)	(1,800)	-	-
- Non-statutory				
- Current year	5,000	206,000	5,000	-
- Under provision in prior years	-	5,000	-	5,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Profit before Taxation (cont'd)

Profit before taxation is determined after charging/(crediting) (cont'd):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amortisation of other investments	1,090	-	-	-
Bad debts written off				
- Trade	2,443,850	491,477	-	-
- Non-trade	25,000	-	-	-
Deposit written off	-	15,274	-	-
Depreciation of property, plant and equipment	18,360,475	16,257,866	314,244	139,083
Non-executive Directors' remunerations				
- Fee	240,000	200,000	240,000	200,000
- Other emoluments	22,250	15,500	22,250	15,500
Impairment on trade receivables	685,897	1,144,123	-	-
Impairment on other receivables	-	15,200	-	-
Impairment on inventories	63,196	-	-	-
Incorporation fees	9,426	-	-	-
Inventories written off	33,812	47,096	-	-
Property, plant and equipment written off	36,616	13,231	-	-
Rental expenses on:				
- Car park	32,400	-	7,200	7,200
- Land	896,000	300,000	-	-
- Loader	1,300	-	-	-
- Office equipments	66,988	17,385	3,170	1,337
- Premises	1,561,011	838,680	101,350	51,300
- Plant	520,356	211,632	-	-
- Hostel	142,161	120,010	-	-
- Factory equipment	443,941	184,455	-	-
Bad debts recovered	(29,500)	(113,803)	-	-
Fair value adjustment on investment properties	(150,000)	(10,570,958)	-	-
Gain on disposal of investment properties	-	(891,853)	-	-
Gain on disposal of assets held for sale	(1,638)	-	-	-
Gain on disposal of property, plant and equipment	(512,917)	(2,388,825)	-	-
Loss on derivative financial liabilities	33,767	38,498	-	-
Loss/(Gain) on foreign exchange				
- Realised	50,652	300,082	-	-
- Unrealised	356,877	(197,596)	-	-
Interest income from bank	(45,784)	(236,606)	(5,307)	(7,215)
Interest income from fixed deposits	(4,702)	(104,563)	-	-
Interest from overdue account	(463,794)	(359,459)	-	-
Rental income	(189,390)	(473,620)	-	-
Rental of motor vehicles income	(222,070)	(1,989,170)	-	-
Reversal of impairment on trade receivables	(2,686,626)	(1,382,581)	-	-
Other income from solar power panels	(2,911,532)	(2,135,034)	-	-
Solar operator fees	(357,240)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. Taxation

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Tax expenses recognised in profit or loss:				
Current year taxation	8,690,517	9,662,708	113,801	179,030
Real property gain tax	70,510	-	-	-
Under/(Over) provision in prior years	226,357	(824,445)	(1,640)	(1,053)
	8,987,384	8,838,263	112,161	177,977
Deferred tax:				
Origination and reversal of temporary differences	(212,532)	107,367	5,260	27,900
Under provision in prior years	1,071,580	799,012	2,338	21,600
	859,048	906,379	7,598	49,500
	9,846,432	9,744,642	119,759	227,477

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year.

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 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit before taxation	39,458,049	51,170,294	22,405,366	21,235,090
At Malaysian statutory tax rate of 24% (2016: 24%)	9,469,932	12,280,871	5,377,288	5,096,422
Non taxable income	(1,042,283)	(4,277,274)	(5,400,000)	(5,688,000)
Expenses not deductible for tax purposes	2,668,362	2,919,623	141,773	798,508
Utilisation of current year capital allowances	(1,813,002)	(854,156)	-	-
Utilisation of previously unrecognised deferred tax asset	(1,325,007)	-	-	-
Deferred tax assets not recognised	565,857	(287,413)	-	-
Income under partial tax exemption scheme	(72,724)	(10,165)	-	-
Differentiate of tax rate	236,591	(1,411)	-	-
Tax effect of partial tax exemption	(139,231)	-	-	-
Under/(Over) provision of taxation in prior years	226,357	(824,445)	(1,640)	(1,053)
Under provision of deferred tax in prior years	1,071,580	799,012	2,338	21,600
Tax expenses for the financial year	9,846,432	9,744,642	119,759	227,477

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. 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 2017 RM	Group 2016 RM
Profit attributable to owners of the parent for basic earnings	29,747,397	41,425,652
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	505,888,000	442,690,100
Effect of ordinary shares issued during the financial year	17,945,205	52,319,573
Weighted average number of ordinary shares at 31 December	523,833,205	495,009,673
Basic earnings per ordinary share (sen)	6	8

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.

31. Dividends

	Group/Company 2017 RM	Group/Company 2016 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 2017 (single tier dividend of RM0.02 per ordinary share)	11,127,760	-
- 31 December 2016 (single tier dividend of RM0.015 per ordinary share)	-	7,588,320
Second interim single tier dividend paid in respect of the financial year ended		
- 31 December 2017 (single tier dividend of RM0.015 per ordinary share)	8,345,820	-
- 31 December 2016 (single tier dividend of RM0.02 per ordinary share)	-	10,117,760
	19,473,580	17,706,080

The Directors do not recommend the payment of a final dividend for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. Staff Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and other emoluments	40,006,942	34,522,735	3,339,634	2,849,873
Defined contribution plans	5,008,566	4,146,360	612,732	351,306
Other benefits	4,482,422	1,720,982	2,076,583	141,363
	49,497,930	40,390,077	6,028,949	3,342,542

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors				
Salaries and other emoluments	1,812,034	1,743,025	1,740,034	1,671,025
Defined contribution plans	221,311	210,846	210,722	200,256
	2,033,345	1,953,871	1,950,756	1,871,281

33. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	At 1.1.2017 RM	Drawdown/ Addition RM	New finance leases/ Term loans (Note 4 (v)) RM	Acquisition of subsidiary companies RM	(Repayment)/ Proceed RM	At 31.12.2017 RM
Group						
Finance lease liabilities (Note 19)	5,287,603	-	638,500	390,932	(3,787,390)	2,529,645
Term loans (Note 20)	65,903,823	13,782,683	28,077,317	1,114,475	(26,043,496)	82,834,802
Other borrowings (Note 20)	250,263,000	-	-	2,001,724	44,458,185	296,722,909
Fixed deposits with licensed banks	1,596,838				(1,577,744)	19,094
Dividend payable	10,117,760	19,473,580	-	-	(21,245,520)	8,345,820
	327,881,421	33,256,263	28,077,317	3,116,199	(4,408,575)	387,922,625
Company						
Dividend payable	10,117,760	19,473,580	-	-	(21,245,520)	8,345,820

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. 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 normal trade terms. In addition to the related party balances as disclosed elsewhere in the financial statements, the significant related party transactions of the Group during the reporting periods are as follows:

	Group	
	2017 RM	**2016 RM**
Transactions with companies in which Directors of the Company has substantial financial interests		
- Transportation services rendered	13,784,610	18,490,044
- Sales of goods	1,877,077	2,352,084
- Purchase of goods	9,419,054	13,586,552
- Rental received/receivables	1,044,000	3,073,331
- Rental paid/payables	274,450	154,450
- Hotel accommodation paid	13,243	-
- Other income	179,730	869,141
	26,592,164	38,525,602

	Company	
	2017 RM	**2016 RM**
Transactions with subsidiary companies		
- Dividend income	22,500,000	23,700,000
- Management fee income	7,421,000	6,840,000
	29,921,000	30,540,000
Transactions with companies in which Directors of the Company has substantial financial interests		
- Rental paid/payables	24,000	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, fees and other emoluments	5,368,005	5,190,153	1,933,275	1,886,525
Defined contribution plans	609,007	570,199	200,256	200,256
	5,977,012	5,760,352	2,133,531	2,086,781

35. 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
Manufacturing of fire rated door	Manufacturing and sales of fire rated door
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 system

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 three different companies 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. Segment Information (cont'd)

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 2017 and 31 December 2016.

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)

35. Segment Information (cont'd)

	Investment holding and management services RM	Manufacturing of fire rated door 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	As per consolidated financial statements RM
Group								
2017								
Revenue								
External customers	6,000	21,421,514	623,073,913	101,087,403	151,967,472	121,159,515	(3,306,023)	1,015,409,794
Inter-segment	31,579,000	7,296,744	1,992,108	159,402	31,589,077	53,023,876	(125,640,207)	-
Total revenue	31,585,000	28,718,258	625,066,021	101,246,805	183,556,549	174,183,391	(128,946,230)	1,015,409,794
Results								
Segment results	22,716,291	3,838,052	26,082,905	3,724,415	25,434,410	(1,450,410)	(24,166,446)	56,179,217
Interest income	(5,307)	(967)	(374,086)	(75,408)	(39,946)	(18,566)	-	(514,280)
Finance costs	-	(103,018)	(10,188,274)	(519,746)	(3,256,908)	(2,138,942)	-	(16,206,888)
Share of results of associates	-	-	-	-	-	-	2,616,528	2,616,528
Profit/(Loss) before taxation	22,710,984	3,734,067	15,520,545	3,129,261	22,137,556	(3,607,918)	(24,166,446)	39,458,049
Taxation	(188,044)	(1,073,181)	(4,046,454)	(515,749)	(3,308,299)	(295,642)	(419,063)	(9,846,432)
Net profit/(loss) for the financial year	22,522,940	2,660,886	11,474,091	2,613,512	18,829,257	(3,903,560)	(24,585,509)	29,611,617
Assets								
Segment assets	484,320,534	16,378,557	492,359,316	82,949,904	366,823,765	181,077,151	(758,080,263)	865,828,964
Capital expenditure	541,884	265,116	464,707	2,508,280	89,424,849	8,842,531	-	102,047,367
Total assets	484,862,418	16,643,673	492,824,023	85,458,184	456,248,614	189,919,682	(758,080,263)	967,876,331

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. Segment Information (cont'd)

	Investment holding and management services RM	Manufacturing of fire rated door 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	As per consolidated financial statements RM
Group								
2017								
Other non-cash items								
Amortisation of other investments	-	1,090	-	-	-	-	-	1,090
Depreciation of property, plant and equipment	422,087	270,880	1,474,401	2,550,276	8,728,307	4,482,325	432,199	18,360,475
Impairment on trade receivables	-	123,499	-	295,451	187,520	79,427	-	685,897
Impairment on inventories	-	63,196	-	-	-	-	-	63,196
Bad debts written off								
- Trade	-	-	1,645,533	640,804	157,513	-	-	2,443,850
- Non-trade	-	-	-	25,000	-	-	-	25,000
Fair value adjustment on investment properties	-	-	(150,000)	-	(980,000)	(2,300,000)	3,280,000	(150,000)
Gain on disposal of assets held for sales	-	(1,638)	-	-	-	-	-	(1,638)
Gain on disposal of property, plant and equipment	-	-	(7,258)	(467,379)	-	(38,280)	-	(512,917)
Loss on unrealised foreign exchange	-	-	44,561	-	240,249	72,067	-	356,877
Inventories written off	-	-	33,812	-	-	-	-	33,812
Loss on derivative financial liabilities	-	-	-	-	-	33,767	-	33,767
Property, plant and equipment written off	-	-	-	-	36,616	-	-	36,616
Reversal of impairment on trade receivables	-	(17,173)	(1,748,685)	(887,914)	(25,134)	(7,720)	-	(2,686,626)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. 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	As 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 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 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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. 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	As 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	-	(10,570,958)	-	-	-	-	(10,570,958)
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)	-	-	-	-	(891,853)
Gain on unrealised foreign exchange	-	-	-	(59,325)	(138,271)	-	(197,596)
Inventories written off	-	47,096	-	-	-	-	47,096
Loss on derivative financial asset	-	-	-	-	38,498	-	38,498
Property, plant and equipment written off	-	-	12,019	442	770	-	13,231
Reversal of impairment on trade receivables	-	(570,872)	(418,411)	(13,140)	(380,158)	-	(1,382,581)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Group				
Malaysia	1,001,021,490	1,055,177,956	510,569,834	365,060,199
Singapore	14,388,304	3,655,889	2,605	4,666
	1,015,409,794	1,058,833,845	510,572,439	365,064,865

Non-current assets for this purpose consist of property, plant and equipment and investment properties.

36. 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. Financial Instruments (cont'd)

(a) Classification of financial instruments (cont'd)

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	Fair value through profit or loss RM	Total RM
Group				
2017				
Financial Assets				
Trade receivables	310,387,779	-	-	310,387,779
Other receivables	7,585,858	-	-	7,585,858
Hire purchase receivables	197,357	-	-	197,357
Fixed deposits with licensed banks	19,094	-	-	19,094
Cash and bank balances	49,991,808	-	-	49,991,808
	368,181,896	-	-	368,181,896
Financial Liabilities				
Trade payables	-	130,180,866	-	130,180,866
Other payables	-	45,033,817	-	45,033,817
Amount due to Directors	-	56,648	-	56,648
Derivative financial liabilities	-	-	33,767	33,767
Finance lease liabilities	-	2,529,645	-	2,529,645
Bank borrowings	-	382,476,734	-	382,476,734
	-	560,277,710	33,767	560,311,477
Group				
2016				
Financial Assets				
Trade receivables	295,479,338	-	-	295,479,338
Other receivables	16,889,879	-	-	16,889,879
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
	392,952,072	-	-	392,952,072
Financial Liabilities				
Trade payables	-	126,820,722	-	126,820,722
Other payables	-	28,052,351	-	28,052,351
Amount due to Directors	-	2,000	-	2,000
Finance lease liabilities	-	5,287,603	-	5,287,603
Bank borrowings	-	320,316,365	-	320,316,365
	-	480,479,041	-	480,479,041

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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			
2017			
Financial Assets			
Other receivables	72,740	-	72,740
Amounts due from subsidiary companies	166,340,315	-	166,340,315
Cash and bank balances	6,601,259	-	6,601,259
	173,014,314	-	173,014,314
Financial Liabilities			
Other payables	-	8,423,526	8,423,526
Amounts due to subsidiary companies	-	130,500,022	130,500,022
	-	138,923,548	138,923,548
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	-	10,749,879	10,749,879
Amounts due to subsidiary companies	-	89,041,900	89,041,900
	-	99,791,779	99,791,779

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. Financial Instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(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.

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 RM427,824,048 (2016: RM356,129,317), 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. Financial Instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

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.

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	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2017						
Financial liabilities						
Trade payables	130,180,866	-	-	-	130,180,866	130,180,866
Other payables	45,033,817	-	-	-	45,033,817	45,033,817
Amount due to Directors	56,648	-	-	-	56,648	56,648
Derivative financial liabilities	33,767	-	-	-	33,767	33,767
Finance lease liabilities	1,995,472	420,001	208,666	-	2,624,139	2,529,645
Bank borrowings	319,691,051	9,017,660	33,231,267	28,462,054	390,402,032	382,476,734
	496,991,621	9,437,661	33,439,933	28,462,054	568,331,269	560,311,477

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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. (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2016						
Financial liabilities						
Trade payables	126,820,722	-	-	-	126,820,722	126,820,722
Other payables	28,052,351	-	-	-	28,052,351	28,052,351
Amount due to Directors	2,000	-	-	-	2,000	2,000
Finance lease liabilities	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
	450,104,285	38,170,218	28,715,914	6,969,314	523,959,731	480,479,041

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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			
2017			
Financial liabilities			
Other payables	8,423,526	8,423,526	8,556,816
Amount due to subsidiary companies	130,500,022	130,500,022	130,500,022
	138,923,548	138,923,548	139,056,838
2016			
Financial liabilities			
Other payables	10,749,879	10,749,879	10,833,094
Amount due to subsidiary companies	89,041,900	89,041,900	89,041,900
	99,791,779	99,791,779	99,874,994

(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 (SGD), Euro (EUR), Chinese Renminbi (RMB) and Thai Baht (THB).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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
2017						
Cash and bank balances	573,940	148,479	-	-	-	722,419
Trade receivables	-	203,658	-	-	-	203,658
Trade payables	(2,250)	(4,072)	(487)	(57,051)	(191,865)	(255,725)
	571,690	348,065	(487)	(57,051)	(191,865)	670,352
2016						
Cash and bank balances	58,516	551,483	-	-	-	609,999
Trade receivables	-	57,769	-	-	-	57,769
Other receivables	43,708	-	33,243	-	-	76,951
Trade payables	(706)	(6,272)	(45,424)	(430,681)	(13,453)	(496,536)
Other payables	-	-	-	(106,235)	-	(106,235)
	101,518	602,980	(12,181)	(536,916)	(13,453)	141,948

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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 an RM functional currency. The exposure to currency risk of Group entities which do not have an 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	2017 Change in currency rate RM	Effect on profit before tax RM	2016 Change in currency rate RM	Effect on profit before tax RM
USD	Strengthened 10%	57,169	Strengthened 10%	10,152
	Weakened 10%	(57,169)	Weakened 10%	(10,152)
SGD	Strengthened 10%	34,807	Strengthened 10%	60,298
	Weakened 10%	(34,807)	Weakened 10%	(60,298)
EUR	Strengthened 10%	(49)	Strengthened 10%	(1,218)
	Weakened 10%	49	Weakened 10%	1,218
RMB	Strengthened 10%	(5,705)	Strengthened 10%	(53,692)
	Weakened 10%	5,705	Weakened 10%	53,692
THB	Strengthened 10%	(19,187)	Strengthened 10%	(1,345)
	Weakened 10%	19,187	Weakened 10%	1,345

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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	
	2017 RM	**2016 RM**
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	19,094	1,596,838
Financial liability		
Finance lease liabilities	2,529,645	5,287,603
Floating rate instruments		
Financial liability		
Bank borrowings	382,476,734	320,316,365

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 RM3,824,767 (2016: RM3,203,164), 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. 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			Carrying amount
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**RM**
Group				
2017				
Finance lease liabilities	-	588,747	-	606,632
2016				
Finance lease liabilities	-	1,640,806	-	1,670,137

(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 and previous financial years.

(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).

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. 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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total loan and borrowings	385,006,379	325,603,968	-	-
Less: Fixed deposits with licensed banks	(19,094)	(1,596,838)	-	-
Less: Cash and bank balances	(49,991,808)	(73,502,108)	(6,601,259)	(14,715,097)
Net debts/(cash)	334,995,477	250,505,022	(6,601,259)	(14,715,097)
Total equity	399,551,296	324,313,496	332,095,308	264,087,218
Gearing ratio (times)	0.84	0.77	#	#

The gearing ratio is not applicable as the Company does not has any loan and borrowings as at 31 December 2017 and 31 December 2016.

There were no changes in the Group's approach to capital management during the financial year.

38. Capital Commitments

Capital expenditure

As at the reporting date, the Group has the following commitments for the acquisition of the property, plant and equipment.

	Group	
	2017 RM	**2016 RM**
Authorised and contracted for:		
Property, plant and equipment	30,690,992	33,393,744

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. Capital Commitments (cont'd)

Operating lease commitments – as lessee

At the end of the reporting period, the future minimum lease payments under non- cancellable operating leases are:

	Group	
	2017 RM	**2016 RM**
Within one year	42,000	154,800
Later than one year but not later than five years	23,000	71,300
	65,000	226,100

Operating lease payments represent mainly rentals payable by the Group for their office equipment. Leases are negotiated for an average tenure of between 1 to 2 years (2016: 1 to 2 years).

39. Contingent Liabilities

	Group	
	2017 RM	**2016 RM**
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	830,005,700	560,305,700

40. Subsequent Events

On 30 March 2018, Metex Steel Sdn. Bhd. ("MSSB"), a wholly-owned subsidiary company of the Company had entered into a Share Sale Agreement ("SSA") with Frontscape Sdn. Bhd. for the disposal of the entire equity interest in Formino Metal Sdn. Bhd. ("FMSB") comprising 15,000,002 ordinary shares for a total cash consideration of RM10,971,550. Upon the completion of the SSA, FMSB will cease to be the subsidiary company of MSSB.

41. 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 16 April 2018.

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)	Audited Net Book Value as at 31 December 2017
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 & factory building Existing use: Factory	Category of land use: N/A Land area: 204,745m^2 Built-up area: 26,709m^2	15/9/16	1	42,097,983.81
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 Jalan Bunga Azalea, 48200 Serendah, Selangor	Leasehold 99 years expiring 7 July 2109	Description of property: Land & Factory Building Existing use: Factory	Category of land use: Industrial Land area: 83,190.5m^2 Built-up area: 17,554m^2	31/12/17	N/A	19,569,892.00
3	Individual title held under GM 4075, Lot No 15311, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang	No 2271, MK 14, Jalan IKS Bukit Minyak, Kawasan Perindustian	Freehold	Description of property: Single storey factory with office unit Existing use: Factory	Category of land use: Industrial Land area: 1,980.8m^2 Built-up area: 14,476.6m^2	23/6/16	5	12,179,172.95

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)	Audited Net Book Value as at 31 December 2017
4	Geran No. 164790, Lot 19035, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 2A, 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: Industry Land area: 10,595m² Built-up area: #	31/12/17	4	6,965,750.86
5	Geran No. 164789, Lot 19034, Mukim Setul, Daerah Seremban, Negeri Sembilan Darul Khusus.	No. 2, Jalan Intan, Phase Nu 3A1, Nilai Utama Enterprise Park, Nilai, 71800 Seremban, Negeri Sembilan.	Freehold		Category of land use: Industry Land area: 9,291m² Built-up area: #	31/12/17	4	6,114,198.51
6	Geran No. 164808, Lot 19055, 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		Category of land use: Industry Land area: 8,150m² Built-up area: #	31/12/17	4	5,363,332.03

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)	Audited Net Book Value as at 31 December 2017
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 industrial factory unit Existing use: Tenanted	Category of land use: Industrial Land area: 848.0m^2 Built-up area: 663.3m^2	31/12/17	2	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: Industry Land area: 4,895m^2 Built-up area: #	31/12/17	4	3,221,289.60

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)	Audited Net Book Value
9	PN 46794, Lot 30118, No. Bangunan M1-B, No. Tingkat 1, No. Petak 47, Mukim Setapak, Negeri Wilayah Persekutuan Kuala Lumpur.	No. 15-0, No. 15-1, No. 15-2; and No. 15-3, Blok B, Platinum Walk, No. 2, Jalan Langkawi, Danau Kota 53300 Setapak, Kuala Lumpur	Leasehold 99 years expiring 20 November 2016	Description of property: Four Storey Shophouse unit Existing use: Partly Tenanted By Third Parties and partly vacant	Category of land use: Building Land area: 112.5m^2 Built-up area: 450m^2	31/12/17	11	3,020,000.00
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 Existing use: Partly occupied by our Group as office premises, partly tenanted by our related party, and party tenanted by third party	Category of land use:Building Land area: 196.3m^2 Built-up area: 572.9m^2	31/12/17	8	3,015,906.12

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 land.

STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL

Total Number of Issued Shares	:	556,388,000
Issued Share Capital	:	RM318,594,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

	No. of holders	% of shareholders	No. of holdings	% of shares
1 – 99	9	0.43	197	0.00
100 - 1,000	288	13.69	212,700	0.04
1,001 - 10,000	1,162	55.23	6,128,900	1.10
10,001 - 100,000	456	21.67	15,416,550	2.77
100,001 to less than 5% of issued shares	188	8.93	295,696,853	53.15
5% and above of issued shares	1	0.05	238,932,800	42.94
	2,104	100.00	556,388,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2018

		Direct	%	Indirect	%
1	Divine Inventions Sdn. Bhd.	238,932,800	42.94	-	-
2	PP Chin Hin Realty Sdn. Bhd.	-	-	238,932,800[(a)]	42.94
3	Datuk Seri Chiau Beng Teik	94,257,200	16.94	238,932,800 [(a)]	42.94
4	Datin Seri Wong Mee Leng	-	-	238,932,800 [(a)]	42.94
5	Chiau Haw Choon	8,800,000	1.58	238,932,800 [(a)]	42.94

(a) Deemed interested interest in the shares held by Divine Inventions Sdn. Bhd. pursuant to Section 8 of the Companies Act.

DIRECTORS' INTERESTS IN SHARES AS AT 30 MARCH 2018

		Direct	%	Indirect	%
1	Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	100,000	0.02	-	-
2	Datuk Seri Chiau Beng Teik	94,257,200	16.94	238,932,800[(a)]	42.94
3	Chiau Haw Choon	8,800,000	1.58	238,932,800[(a)]	42.94
4	Lee Hai Peng	2,374,000	0.43	-	-
5	Yeoh Chin Hoe	100,000	0.02	-	-
6	Datuk Cheng Lai Hock	100,000	0.02	-	-

(a) Deemed interested interest in the shares held by Divine Inventions Sdn. Bhd. pursuant to Section 8 of the Companies Act.

STATISTICS OF SHAREHOLDINGS (cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018)

		No. of shares	% of shares
1.	DIVINE INVENTIONS SDN BHD	238,932,800	42.94
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	25,000,000	4.49
3.	AMSEC NOMINEES (TEMPATAN) SDN BHD SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATUK SERI CHIAU BENG TEIK (SMART)	19,800,000	3.56
4.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENGTEIK (MGN-CBT0006M)	17,000,000	3.06
5.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTHFUND	12,596,000	2.26
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK (514440532080)	10,000,000	1.80
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD	9,698,000	1.74
8.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	9,157,200	1.65
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	8,849,200	1.59
10.	KHL REALTY SDN BHD	8,800,000	1.58
11.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	7,300,000	1.31
12.	CHEONG KAI MENG	6,039,100	1.09
13.	YAYASAN GURU TUN HUSSEIN ONN	5,966,000	1.07
14.	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	5,025,000	0.90
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DATUK SERI CHIAU BENG TEIK (MY2975)	5,000,000	0.90
16.	MOHD SALLEH BIN HASHIM	5,000,000	0.90
17.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIAU HAW CHOON	4,600,000	0.83
18.	KEH CHUAN SENG	4,514,300	0.81
19.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	4,414,700	0.79
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	4,271,900	0.77
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHIAU HAW CHOON (SMART)	4,200,000	0.75
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR OOI CHEN SENG (SMART)	4,132,300	0.74

STATISTICS OF SHAREHOLDINGS (cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018) (cont'd)

		No. of shares	% of shares
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUM ANG KIA	3,900,000	0.70
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (GROWTH)	3,412,000	0.61
25.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	3,262,100	0.59
26.	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	2,947,600	0.53
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)	2,900,000	0.52
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEH LIAN HWA (7001214)	2,800,000	0.50
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHEN SENG	2,679,000	0.48
30.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	2,519,500	0.45
	TOTAL	**444,716,700**	**79.91**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth (4th) 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, 31 May 2018 at 9.30 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 2017 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of up to RM300,000 for the financial year ending 31 December 2018 to be divided amongst the Directors in such manner as the Directors may determine and other benefits payable of up to RM100,000 for the period commencing from 31 May 2018 up to the next Annual General Meeting of the Company. (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 Lee Hai Peng (Ordinary Resolution 2)

   (b) Mr Yeoh Chin Hoe (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 Sections 75 and 76 of the Companies Act, 2016** (Ordinary Resolution 5)

   THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 30 April 2018 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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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") (cont'd)**

    (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. (Ordinary Resolution 7)

7. **Proposed Share Buy-Back Authority for the Purchase of its Own Ordinary Shares ("Proposed Share Buy-Back Authority")**

    THAT subject to the compliance with Section 127 of the Companies Act, 2016 ("the Act") and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing issued share capital of the Company including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Circular to Shareholders dated 30 April 2018.

    AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and any other relevant authorities.

    AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.

    AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. **Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company ("Proposed Alteration")** (Special Resolution 1)

   THAT approval be and is hereby given for the Company to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix II of the Circular to Shareholders dated 30 April 2018 with immediate effect.

   AND THAT the Board be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary, expedient or relevant to give effect to and complete the Proposed Alteration with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Alteration.

9. To transact any other ordinary business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

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

Kuala Lumpur
Date: 30 April 2018

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 24 May 2018 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES:

1. **Audited Financial Statements for the Financial Year Ended 31 December 2017**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2017 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 1: To Approve the Payment of Directors' Fees and Other Benefits Payable**

   The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

   In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and its Committees held for the period commencing from 31 May 2018 until the next Annual General Meeting for the Company.

3. **Ordinary Resolution 5: Authority to Allot Shares Pursuant to Sections 75 and 76 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, 50,500,000 new ordinary shares in the Company were issued by way of private placement pursuant to the General Mandate granted to the Directors at the Annual General Meeting held on 25 May 2017 and which will lapse at the conclusion of the Fourth (4th) Annual General Meeting. The total proceeds raised from the said private placement exercise was around RM65.65 million. The details and status of the utilisation of proceeds raised from the said private placement exercise are as follows:

	Details	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Available for Utilisation RM'000
(a)	Construction of new manufacturing and operation facility in Kota Tinggi, Johor	12,000	1,591	10,409
(b)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries for plant Rawang, Selangor	6,200	4,225	1,975
(c)	Expansion of existing manufacturing facilities, purchase of new equipment and machineries for the plant at Batu Pahat, Johor as well as undertaking related product testing, certification and related works for its products	2,693	1,143	1,550
(d)	Repayment of bank borrowings	23,600	23,600	-
(e)	Future expansion plan	10,000	10,000	-
(f)	Working capital purposes	9,757	4,746	5,011
(g)	Estimated expenses for the private placement exercise	1,400	535	865
	Total	**65,650**	**45,840**	**19,810**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

4. **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.

5. **Ordinary Resolution 7: Proposed Share Buy-Back Authority for the Purchase of its Own Ordinary Shares**

   The Proposed Ordinary Resolution 7, if passed, will empowers the Company to purchase its own ordinary shares of up to 10% of the total issued share capital of the Company for the time being by utilising the funds allocated out of the retained profits of the Company. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

6. **Special Resolution 1: Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company**

   The proposed alteration of the existing Memorandum and Articles of Association of the Company in its entirety and to substitute the same with a new Constitution of the Company are made mainly for the purpose to streamline and be aligned with the Companies Act, 2016 which came into force on 31 January 2017. It is also to provide clarity to certain provisions of the new Constitution, ensure consistency in cross references as well as use of defined terms and correct typographical error.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fourth (4th) Annual General Meeting of the Company are:

i)	Mr Lee Hai Peng	Article 95	(Ordinary Resolution 2)
ii)	Mr Yeoh Chin Hoe	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 13 and 15 of the Annual Report 2017. The shareholdings of the abovenamed Directors in the Company are disclosed on page 183 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 49 of the Annual Report 2017.

The Fourth (4th) 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, 31 May 2018 at 9.30 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 Fourth (4th) 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, 31 May 2018 at 9.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable.	**Ordinary Resolution 1**		
2.	To re-elect Mr Lee Hai Peng as Director.	**Ordinary Resolution 2**		
3.	To re-elect Mr Yeoh Chin Hoe as Director.	**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**		
5.	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	**Ordinary Resolution 5**		
6.	To approve the Proposed Shareholders' Mandate.	**Ordinary Resolution 6**		
7.	To approve the Proposed Share Buy-Back Authority.	**Ordinary Resolution 7**		
8.	To approve the Proposed Alteration.	**Special Resolution 1**		

(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 ____________________, 2018.

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 24 May 2018 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