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CHIN HIN GROUP BERHAD ANNUAL REPORT 2018

CHIN HIN™

CHIN HIN GROUP BERHAD

(1097507-W)

OPTIMISING VALUE

ANNUAL REPORT 2018

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 and Wooden Door
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistics
- Modular Building Solutions
- Pre-Cast Concrete Products
- Autoclaved Aerated Concrete (“AAC”)
- Ultra-High Performance Concrete (“UHPC’)

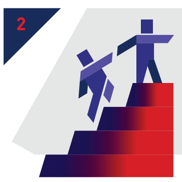
- Our Tagline -

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

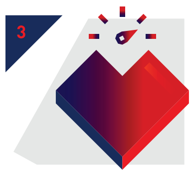
WE ARE DIFFERENT

- 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.

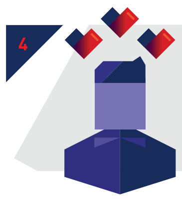
We are building materials experts



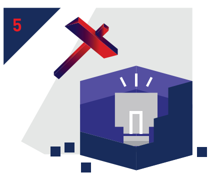
We are a high performance team culture



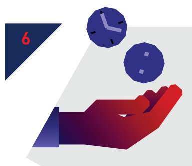
We are passionate about what we do



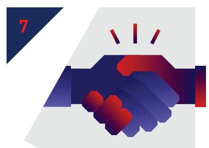
We are committed to the health, well being and growth of our people



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

CORPORATE MILESTONES

ACCELERATION

2018

Organic Growth
- Metex Modular Sdn Bhd (70%)
- Midah Industries (North) Sdn Bhd (51%)

Mergers and Acquisitions
- Saujana Vision Sdn Bhd (70%)
- Kempurna Sdn Bhd

2017

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

Organic Growth
- Sage Evergreen Sdn Bhd
- Starken Drymix Solutions Sdn Bhd
- G-Cast UHPC Sdn Bhd

2016

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

2015

Obtained SC approval for IPO

EXPANSION

2014

- Commenced operations of Starken AAC factory at Serendah, Selangor
- The largest AAC producer in Malaysia

2011

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

2008

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

FOUNDATION

1995

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

1974

Started as a hardware shop Chop Chin Hin

BUSINESS OVERVIEW

MANUFACTURING

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

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

Fire-rated & Wooden Door Solutions
Fire-rated and Wooden Door, Ironmongery accessories and Door Frames

DISTRIBUTION

Building Materials Trading & Logistic Solutions

RENEWABLE ENERGY

Solarvest Renewable Energy Investment Solutions

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Datuk Seri Chiau Beng Teik
Deputy Group Executive Chairman

Chiau Haw Choon
Group Managing Director

Lee Hai Peng
Executive Director cum Chief Financial Officer

Datuk Cheng Lai Hock
Independent Non-Executive Director

Yeoh Chin Hoe
Senior Independent Non-Executive Director

Shelly Chiau Yee Wern
Alternate Director to Datuk Seri Chiau Beng Teik

AUDIT COMMITTEE

Chairman
Yeoh Chin Hoe

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

REMUNERATION COMMITTEE

Chairman
Chiau Haw Choon

Members
Datuk Cheng Lai Hock
Yeoh Chin Hoe

NOMINATION COMMITTEE

Chairman
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani

Members
Datuk Cheng Lai Hock
Yeoh Chin Hoe

RISK MANAGEMENT COMMITTEE

Chairman
Datuk Cheng Lai Hock

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

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482)
Thien Lee Mee
(LS 0009760)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2298 0263
Fax : (603) 2298 0268

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 Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6,
Symphony House Pusat Dagangan
Dana 1Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : (603) 7841 8088
Fax : (603) 7841 8100

STOCK EXCHANGE LISTING

Bursa Securities Malaysia Sdn Bhd
Main Market - Industrial Products & Trading
(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
- 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
  - 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**
- 100% **Metex Steel Sdn Bhd**
  - Comet Steel Sdn Bhd
  - Ace Logistic Sdn Bhd
  - 70% **Metex Modular Sdn Bhd**
    - 70% **Saujana Vision Sdn Bhd**
- 100% **Chin Hin BIM Sdn Bhd**
  (F.K.A.: Chin Hin Academy Sdn Bhd)
- 100% **Midah Industries Sdn Bhd**
  - Epic Diversity Sdn Bhd
  - Kempurna Sdn Bhd
  - 51% **Midah Industries (North) Sdn Bhd**
- 45% **Atlantic Blue Sdn Bhd**
  - Solarvest Energy Sdn Bhd
  - Powertrack Sdn Bhd

Notes:

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

DIRECTORS' PROFILE

Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani

Malaysian | Aged 59 | Male
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.

Datuk Seri Dr Nik is the Chairman of T7 Global Berhad (formerly known as Tanjung Offshore Berhad) and Pengurusan Aset Air Berhad (PAAB) (a wholly owned company under the Minister of Finance Inc.). He also sits on the Board of Directors of Amanah Saham Nasional Berhad (ASNB) and Cagamas 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.

Directors' Profile
(cont'd)

Datuk Seri Chiau Beng Teik

Malaysian | Aged 58 | Male
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 also sits on the Board of Directors of Chin Hin Group Property Berhad (F.K.A: Boon Koon Goup 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 2019 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 | Aged 35 | Male
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 also sits on the Board of Directors of Chin Hin Group Property Berhad (F.K.A: 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 2019 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 | Aged 53 | Male
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 | Aged 60 | Male
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 34 years of experience as company secretary and more than 18 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 | Aged 68 | Male
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 also sits on the Board of Directors of 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.

Directors' Profile
(cont'd)

Shelly Chiau Yee Wern

Malaysian | Aged 29 | Female
Alternate Director to Datuk Seri Chiau Beng Teik

Ms Shelly Chiau was appointed to the Board on 2 July 2018. She graduated with a Bachelor's Degree, Business Administration in Entrepreneurship from Les Roches International School of Hotel Management Bluche, Switzerland in December 2013.

Ms Shelly began her career with Alora Hotel in Penang and Grand Alora Hotel in Alor Setar, Kedah as Hotel General Manager in January 2014. In January 2016, she joined Aera Property Group Sdn Bhd as Sales & Marketing Manager. She is responsible for strategy planning in marketing and sales for a development project name Aera Residence in Petaling Jaya. She resigned from Aera Property Group Sdn Bhd in May 2018. In June 2018, she was appointed as the Chief Officer of BKG Development Sdn Bhd, a wholly owned subsidiary of Chin Hin Group Property Berhad (F.K.A: Boon Koon Group Berhad).

She is the daughter of Datuk Seri Chiau Beng Teik, the Deputy Group Executive Chairman and a major shareholder of the Chin Hin Group Berhad, and Datin Seri Wong Mee Ling, a major shareholder of the Company. She is also the sister of Chiau Haw Choon, the Group Managing Director and major shareholder of the Company. She has no conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 30 April 2019 and has not committed any offences within the past fiver (5) years other than traffic offences, if any.

KEY SENIOR MANAGEMENT PROFILE

Standing, left to right:

Lee Hai Peng

Executive Director cum Chief Financial Officer
- Chin Hin Group Berhad

Ng Wai Luen

Chief Executive Officer & Director
- Starken AAC Sdn Bhd
- G-Cast Concrete Sdn Bhd
- MI Polymer Concrete Pipes Sdn Bhd
- MI Polymer Concrete Pipes (S) Pte Ltd
- Starken Drymix Solutions Sdn Bhd
- G-Cast UHPC Sdn Bhd
- Green Cement Sdn Bhd
- Sage Evergreen Sdn Bhd

Lok Boon Cheng

Chief Executive Officer
- Metex Steel Group of Companies

Director
- Metex Modular Sdn Bhd
- Metex Steel Sdn Bhd
- Saujana Vision Sdn Bhd

Chiau Haw Choon

Group Managing Director
- Chin Hin Group Berhad

Tan Cheak Joo

Chief Executive Officer & Director
- PP Chin Hin Sdn Bhd

Director
- Midah Industries Sdn Bhd
- Midah Industries (North) Sdn Bhd
- Epic Diversity Sdn Bhd
- Kempurna Sdn Bhd

Colin Pang Toh Chin

Chief Executive Officer
- Chin Hin Concrete Holdings Sdn Bhd
- Chin Hin Concrete (KL) Sdn Bhd
- Chin Hin Concrete (North) Sdn Bhd

Key Senior Management Profile
(cont'd)

Tan Cheak Joo

- ***Chief Executive Officer & Director***
  - PP Chin Hin Sdn Bhd
- ***Director***
  - Midah Industries Sdn Bhd
  - Midah Industries (North) Sdn Bhd
  - Epic Diversity Sdn Bhd
  - Kempurna Sdn Bhd
- Malaysian, Aged 48, 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. Then, he was appointed as a Director of Midah Industries (North) Sdn Bhd in 2018 and Kempurna Sdn Bhd in 2019. 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 Group of Companies
- ***Director***
  - Metex Modular Sdn Bhd
  - Metex Steel Sdn Bhd
  - Saujana Vision Sdn Bhd
- Malaysian, Aged 55, Male

Lok Boon Cheng is the Chief Executive Officer of Metex Steel Group of Companies and the Director of Metex Modular Sdn Bhd, Metex Steel Sdn Bhd and Saujana Vision Sdn Bhd.

He manages the manufacturing & sales of the wire mesh and modular operations 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, 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 & Director***
  - Starken AAC Sdn Bhd
  - G-Cast Concrete Sdn Bhd
  - MI Polymer Concrete Pipes Sdn Bhd
  - MI Polymer Concrete Pipes (S) Pte Ltd
  - Starken Drymix Solutions Sdn Bhd
  - G-Cast UHPC Sdn Bhd
  - Green Cement Sdn Bhd
  - Sage Evergreen Sdn Bhd
- Malaysian, Aged 50, Male

Ng Wai Luen is the Chief Executive Officer and Director of Starken Group of Companies.

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 and Audit Committee Chairman of Perak Transit Berhad, a company listed on the Main Board of Bursa Malaysia. 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)

Colin Pang Toh Chin

- ***Chief Executive Officer***
  - Chin Hin Concrete Holdings Sdn Bhd
  - Chin Hin Concrete (KL) Sdn Bhd
  - Chin Hin Concrete (North) Sdn Bhd
- Malaysian, Aged 45, Male

Colin Pang is the Chief Executive Officer of Chin Hin Concrete Group of Companies.

He has his earlier education at High School Muar Johor and later pursued Accounting line by taking up ACCA in Systematic College Kuala Lumpur and subsequently completed up till Level II.

He started his career as an Audit Assistant in Yeo, Lim & Co Accounting firm in 1995. He then join construction firm Ekovest Berhad in September 1996 as Accounts Executive. Among the Projects which he has involved includes Shapadu Expressway, Kajang Perdana, Danga Bay, Muar Sultanah Fatimah Hospital and Jasin Technical School.

In December 2002 he left Ekovest Group of Companies and join Kenneison Brothers Construction Sdn Bhd as Project Accounts Executive for Double Track Project in Sungkai and left Kenneison one year later to join Fragrant Garden Landscaping Sdn Bhd in March 2003 as a Project Manager overseeing the Companies Operation for Putrajaya's Landscaping works such as Alamanda ,Taman Pancarona and Palace of Justice.

He decided to pursue his career overseas in November 2006 as Finance Manager in IJM Concrete Pakistan Pvt Limited which is under IJM Corporation Berhad due to slowdown of Construction activities in Malaysia. Later he was promoted to Country Manager in early 2008 to oversee the whole business and management as well as expansion plan in the region.

In January 2012 as the Construction Industry is heading for a boom back in Malaysia with MRT Line 1 kicking off he was assigned to head Strong Mixed Concrete Sdn Bhd. He has carried a dual role in managing and overseeing the Concrete unit of IJM Corporation locally and Pakistan. Among the Project under his care includes KVMRT Line 1- V1,V3 and V5 Package, Penang Lights Collection Development and Kuantan Port.

In September 2016 he decided to leave IJM Group of Companies and join CIMA Ready mixed unit (Unipati Concrete Sdn Bhd) as General Manager. Project supplied during Unipati tenure includes KL118, Sapura Lot 91 Tower, SUKE package CA3, MRT Line 2 Package V203 and Gombak Integrated Transport Terminal. CIMA is a member of UEM which is a Government Link Company. His stint lasted till April 2018 and subsequently join our Group to take up the role of Chief Executive Officer of Concrete business unit.

He has been a Council Member of National Ready Mixed Concrete Association of Malaysia since 2017. Mr Colin Pang does not hold directorships in any public listed companies, he has no relationship 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.


schlatter

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 2018 ("FY2018").

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

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

- Fire-Rated and Wooden Door
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistics
- Modular Building Solutions
- Pre-Cast Concrete Products
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete ("UHPC")

For the financial year ended 31 December 2018 ("FY2018"), the Group continued to focus on its core businesses to consolidate its presence as a preferred and trusted market leader in the building material industry. In 2018, the Group has venturing into its upstream and downstream industries via the acquisition of 100% equity stake in Kempurna Sdn Bhd ("Kempurna"), a company which specialises in the manufacturing of steel door frame and the acquisition of 70% equity stake in Saujana Vision Sdn Bhd ("Saujana Vision"), that specialises in Industrialised Building System ("IBS"), which is a growing trend in the construction industry. Both of the acquisitions have been completed on December 2018.

The acquisition of Saujana Vision is especially apposite to Chin Hin Group whereby we will be able to attain a higher level of economies of scale in view that Chin Hin Group is an integrated builders' conglomerate that provides building material distributions and services to the construction and building industries, and its subsidiary is also involved in the manufacture and assembly of pre-fabricated modular building system ("PMBS"). As such, it complements and diversifies the products or services offering of Chin Hin Group, thereby mitigating our risk of over dependence on the distribution of building materials sector.

Our Group has been growing from strength to strength, embracing new challenges as we expand our expertise. Being a community-focused, growth and value-oriented building materials manufacturer, we place reliability at the core of our operations and will continue to ensure better value creation for our stakeholders, focusing especially on our customers.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

STATEMENTS OF COMPREHENSIVE INCOME

	FY2018 RM'000	FY2017 RM'000	Variance	
			RM'000	%
Revenue	1,105,417	1,015,410	90,007	8.86
Gross profit	101,508	101,492	16	0.02
Gross profit margin (%)	9.2%	10.0%	(0.8%)	(8.00)
Profit before tax ("PBT")	33,749	39,458	(5,709)	(14.47)
Profit after tax ("PAT")	24,099	29,612	(5,513)	(18.62)
PAT margin (%)	2.2%	2.9%	(0.7%)	(24.14)

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Revenue

	FY2018 RM'000	FY2017 RM'000	Variance	
			RM'000	%
Investment holding and management services	16,206	31,585	(15,379)	(48.69)
Distribution of building materials and provision of logistics	633,467	625,066	8,401	1.34
Ready-mixed concrete	96,939	101,247	(4,308)	(4.25)
Manufacturing of fire-rated door	24,532	28,718	(4,186)	(14.58)
Manufacturing of AAC and precast concrete products	221,020	183,557	37,463	20.41
Manufacturing of wire mesh and metal roofing systems	167,478	174,183	(6,705)	(3.85)
Modular building solutions	52,892	–	52,892	–
Sub-total	**1,212,534**	**1,144,356**	**68,178**	**5.96**
Adjustment and eliminations	(107,117)	(128,946)	21,829	(16.93)
Total	**1,105,417**	**1,015,410**	**90,007**	**8.86**

The Group reported a revenue of RM1,105.42 million in FY2018, an increase of RM90.00 million or 8.86% as compared to RM1,015.41 million in the preceding year. The increase in revenue for the current financial year were mainly derived from the higher revenue from the segment of modular building solutions, manufacturing of AAC and precast concrete products and distribution of building materials. The said increase was partially mitigated by the decreased revenue from our ready-mixed concrete sector, manufacturing of wire mesh and metal roofing systems and the manufacturing of fire-rated door divisions.

In this respect, the modular building solutions revenue was derived from the recognition of revenue from the project to build an integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor. Please refer to "Review of Operating Activities" below for further analysis.

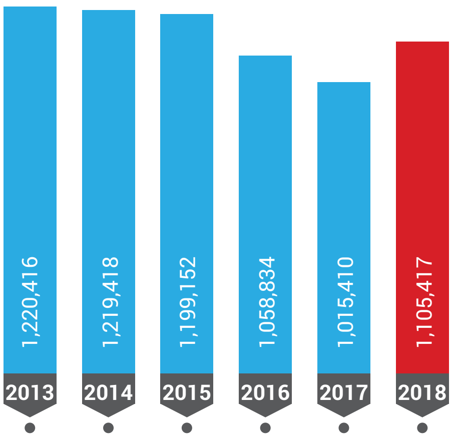
The higher revenue from the manufacturing of AAC block was driven by the growth in market demand for panel in the local and Singapore's markets, while the increase in revenue from the precast concrete products was mainly due to the followings:

- surge in sales volume for box culvert, U-shape drain pipe, beam and chamber ring from Rawang plant;
- ogee pipe, spun spigot, socket joint pipe and jacking pipe from Bidor plant; and
- increase in export of polymer pipes to Singapore market.

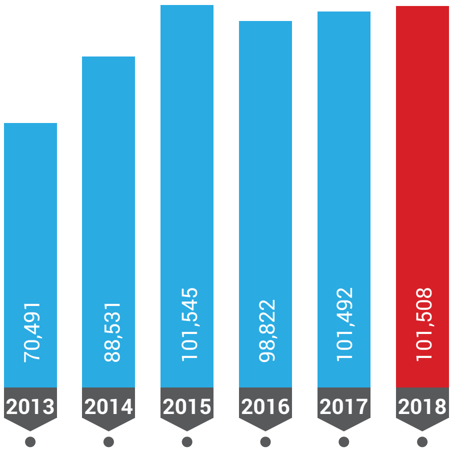
Growth in the revenue for the distribution of building materials segment was mainly due to the expansion of imported plywood sales to the local market, increase in the trading of sherra plank wood, paint and fibre cement products despite the drop in the cement sales.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

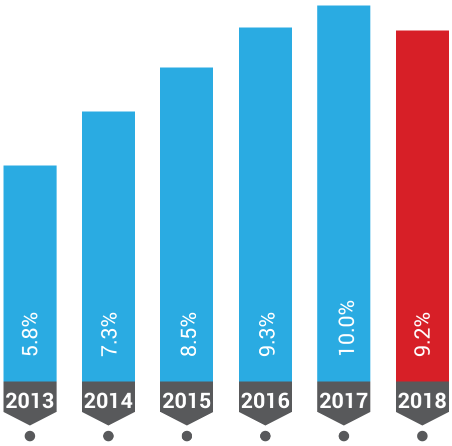
REVENUE (RM'000)



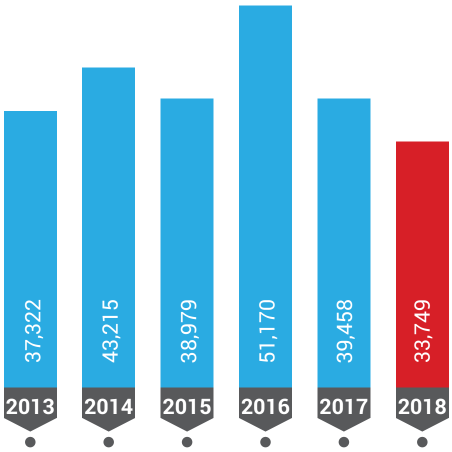
GROSS PROFIT (RM'000)



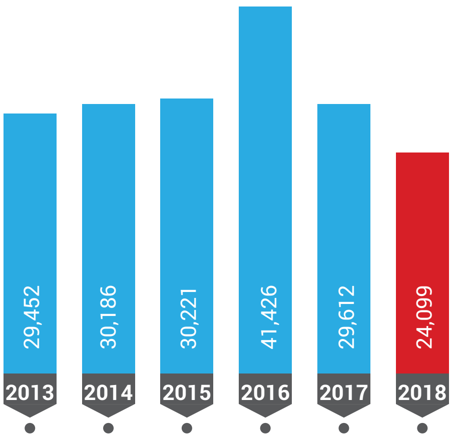
GROSS PROFIT MARGIN (RM'000)



PROFIT BEFORE TAXATION (PBT) (RM'000)



PROFIT AFTER TAXATION (PAT) (RM'000)



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Gross profit and gross margin

The Group's gross profit was increased marginally by RM0.02 million or 0.02% from RM101.49 million in the preceding year to RM101.51 million in the current year. The higher gross profit was mainly due to:

- the profit recognised of RM9.69 million from the modular project which kicked start in early 2018;
- the higher sales from the precast concrete and polymer pipes sector; and
- the improved profit margin from the manufacturing of wire mesh as a result of changing our business strategy to focus on manufacturing of special mesh which can fetch higher return.

Nevertheless, the positive impacts were substantially impacted by the gross loss suffered by the two newly start-up companies i.e. Sage Evergreen Sdn Bhd ("Sage Evergreen") and G-Cast UHPC Sdn Bhd ("G-Cast UHPC") of RM6.61 million. As such, our gross profit margin for the current year recorded a decrease of 0.80% as compared to the preceding year of 10.00%. However, should the gross losses of RM6.61 million from the two newly start-up companies were excluded from the current year gross profit, our Group's gross profit margin would be recorded at 9.78%.

Other income

Other income has decreased by RM1.30 million or 13.18% from RM9.86 million in the preceding year to RM8.56 million in the current year primarily due to the reversal of doubtful debts arising from the distribution of building materials sector in the last quarter of financial year ended 31 December 2017 ("FY2017") of RM1.75 million.

Fair value adjustment on investment properties

The fair value adjustment on investment properties for the financial year under review has increased by RM5.24 million primarily resultant from the valuation gain on a piece of land and industrial factory belongs to the mesh business which is located at Daerah Seberang Prai Tengah, Pulau Pinang.

Expenses

The Company's administration expenses have increased by RM7.89 million or 19.00% year-on-year ("YoY"). The increase was mainly due to the higher provision for impairment of trade receivables amounted RM3.60 million. Whilst, the impairment loss of RM1.15 million has been recognised in FY2018 on various precast concrete factory buildings. The balance of the increase was contributed by the abovementioned newly start-up companies.

The Group's finance cost for the current year has increased by RM6.12 million YoY principally due to the drawdown of additional RM93.56 million bankers' acceptance coupled with revolving credits, RM42.13 million term loans, RM12.33 million overdrafts against progressive claim ("ODPC") and RM7.69 million bank overdrafts. During the year, the Company also has pared down its term loan by RM16.88 million.

Share of results of associates

Share of profit of associate companies has doubled up as compared to the preceding year mainly contributed by the speeding up of the two major projects on hand i.e. 62MWp large scale solar photovoltaic ("LSSPV") project in Gambang, Pahang and the 58.5MWp LSSPV project in Kuala Kertih, Kedah which has reached the final stage of completion. Besides, the higher profits were contributed from the profit recognised on the Net Energy Metering ("NEM") roof-top projects and the service income derived from the operations and maintenance contracts.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Profit

Given the abovementioned increased in admintrative expenses and finance costs, the Group reported a lower profit before tax ("PBT") of RM33.75 million as compared to RM39.46 million reported for the preceding year. Excluding the new start-up companies' pre-tax losses of RM14.70 million, impairment loss of RM1.15 million and the fair value gain on investment properties of RM5.39 million, the underlying PBT for financial year 2018 shall recorded at RM44.21 million which is much higher than the underlying PBT of RM39.46 million for FY2017.

The current financial year's effective tax rate of 28.59% was higher than the preceding year's rate of 24.95% mainly due to the current year and prior year under provision in deferred tax liabilities of RM2.07 million and RM0.84 million respectively arising from the temporary timing differences between accounting income and taxable income, fair value gain on investment properties, impairment loss on property, plant and equipment and the losses incurred by the three newly start-up companies.

Order book

The Group's order book presently stands at RM328.11 million, which will keep the Group busy for the next 12 to 18 months. In view of the above initiatives, the Group expects the level of sales and profitability in 2019 will be optimistic.

STATEMENTS OF FINANCIAL POSITION

	FY2018 RM'000	FY2017 RM'000	Variance	
			RM'000	%
Non-current assets	608,885	510,572	98,313	19.26
Current assets	548,505	457,304	91,201	19.94
Total assets	**1,157,390**	**967,876**	**189,514**	**19.58**
Total equity	**417,718**	**400,315**	**17,403**	**4.35**
Non-current liabilities	106,914	73,629	33,285	45.21
Current liabilities	632,758	493,932	138,826	28.11
Total liabilities	**739,672**	**567,561**	**172,111**	**30.32**
Net assets per shares attributable to ordinary owner of the company	RM0.75	RM0.72	RM0.03	4.17

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Total assets

In FY2018, total assets of the Group increased by RM189.52 million to close the financial year at RM1,157.39 million, with the analysis belows:

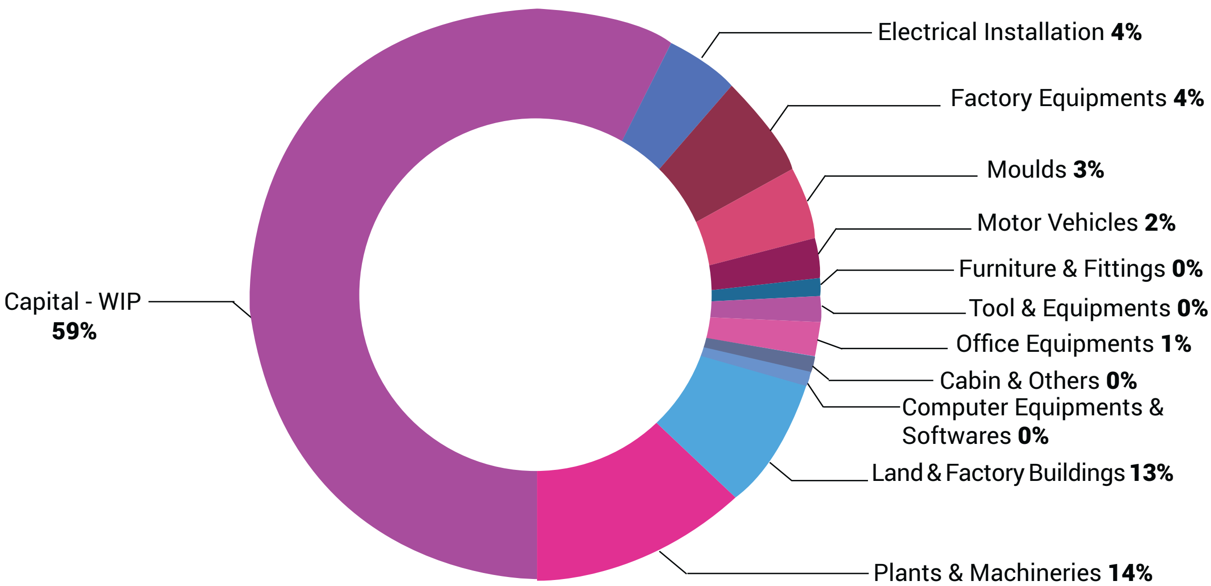
- the biggest chunk of increase originated from the acquisition of property, plant and equipment, net of depreciation and disposal of RM88.46 million arising from acquisition of subsidiary companies of RM64.50 million and for capacity expansion of RM56.10 million (exclude finance lease financing of RM0.09 million), please refer capital expenditure detailed below;
- the increase in goodwill of RM8.09 million arising from the acquisition of 100% issued share capital of Kempurna for RM4.14 million and 70% issued share capital of Saujana Vision for RM5.0 million;
- investment in an associate company of RM4.75 million, arising from our share of net profit after tax in FY2018;
- the increase of trade receivables and inventories totalling RM44.44 million after the expansion of its manufacturing sector's sales and product portfolio; and
- the increase in other receivables of RM20.12 million resultant from the disposal of Formino Metal Sdn Bhd ("Formino") and the GST input tax claimable from the Royal Customs of Malaysia (please refer to explanation below).

Robust Capital Expenditure ("Capex")	Breakdown of Capex (Additions exclude finance lease financing) (RM)	Breakdown of Capex (Arising from acquisition of subsidiary companies) (RM)	Breakdown of Capex (Total) (RM)
Land & Factory Buildings	15,917,517	-	15,917,517
Plant & Machineries	15,481,894	1,795,931	17,277,825
Capital - Work in Progress (WIP)	8,777,313	61,706,887	70,484,200
Electrical installation	4,746,649	-	4,746,649
Factory Equipments	4,394,888	-	4,394,888
Moulds	3,600,310	-	3,600,310
Motor Vehicles	1,326,708	893,720	2,220,428
Furniture & Fittings	491,215	11,107	502,322
Office Equipments	711,125	75,251	786,376
Computer Equipments and softwares	459,060	6,944	466,004
Cabins & Others	90,608	8,418	99,026
Tool & Equipments	103,399	-	103,399
Total	**56,100,686**	**64,498,258**	**120,598,944**

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)



Breakdown of Capex (Total)

In FY2018, 98.38% of total capital expenditures incurred was due to outlay on land & factory buildings, plant & machineries, capital work in progress, electrical installation, factory equipments, moulds and motor vehicles, mainly arising from acquisition of subsidiaries and due to extension of the production capacity of the manufacturing plants, with the material information as belows:

1. Capital Expenditures for Extension of Production Capacity

(a) Land and factory buildings

- Additional RM7.97 million for the construction of Sage Evergreen's factory building with two storey office on the 50.6 acres of freehold land located at Mukim of Kota Tinggi, Daerah Kota Tinggi and another RM1.66 million for land title conversion premium to convert the said land title from agriculture to industrial status;
- RM4.32 million to construct Starken Drymix Solution Sdn Bhd's ("Starken Drymix") new plant at Bidor; and
- Additional RM1.33 million was spent on the extension, improvement and foundation on G-Cast Concrete Sdn Bhd's ("G-Cast Concrete") several plants located at Serendah, Rawang, Bidor and Kulai.

(b) Others

- RM19.00 million was spent on the plant and machineries, capital WIP and factory equipments for the AAC block & panel plant at Kota Tinggi, Johor with RM4.11 million spent on its electrical and installation works;
- RM4.46 million was spent for the purchase of plant and machineries for Starken Drymix with RM0.47 million spent on its electrical and installation works; and
- RM3.60 million was spent for the purchased of moulds for various precast concrete plant located at Serendah, Rawang, Bidor and Kulai to gear up for the new product expansion, with another RM3.27 million spent on the plant and machineries, capital WIP and motor vehicles.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

2. Capital Expenditures arising from acquisition of subsidiary companies

(a) Saujana Vision

RM61.71 million was spent on the six (6) blocks of integrated workers complex in progress located in Mukim Pengerang, Daerah Kota Tinggi, Johor and another RM0.56 million on saloon cars.

(b) Kempurna

RM1.80 milion was spent on the steel door frame plant and machineries i.e. press brake machines, turret punch machines, swing beam shear machine, power press machines, leveller feeder coupled with complete set of full auto metal sheet and automatic door frame cold roll forming machine. Another RM0.33 million was spent on lorry and saloon cars.

Current assets increased from RM457.30 million as at 31 December 2017 to RM548.51 million as at 31 December 2018, mainly contributed by higher trade receivables which is in line with the increase in revenue in FY2018 coupled with higher trade receivables turnover period of 112 days due to the challenging operating environment. The inventories increased by 23.63% or RM16.91 million YoY as we consciously increase our inventory level at the newly start-up companies i.e. Starken Drymix, Sage Evergreen and the various G-Cast Concrete's factory at Serendah, Kulai, Bidor and Rawang after the expansion of its product portfolio.

Whereas the increase in other receivables of RM20.12 million are resultant from the balance due by Frontscape Sdn Bhd ("Frontscape") to Metex Steel Sdn Bhd of RM9.00 million and amount due by Formino to Chin Hin Group of RM4.37 million respectively, as a result of management buyout of Formino. The settlement term agreed upon for the management buyout was staggered structured payment. The disposal was undertaken for the purpose of reducing the cost associated in maintaining the loss-making subsidiary and thereby improving the balance sheet of Chin Hin Group. The said disposal will enable Chin Hin Group to relocate the Group's resources into other business activities that are anticipated to be more promising. Besides, the increase was also contributed by the additional GST input tax claimable from the Royal Customs of Malaysia totalling RM3.52 million, accrued discount/rebate from materials supplier of approximately RM2.00 million and RM1.74 million deposit paid to TNB for Bidor concrete plant.

Total equity

Total equity has increased by RM17.40 million YoY, mainly due to enhancement of retained earnings of RM13.69 million (after netting off the dividend declared during the year of RM8.34 million and Expected Credit Loss of RM0.92 million due to the first time adoption of MFRS 9 *Financial Instruments*) and revaluation reserves of RM7.60 million which partially set-off by the increase in treasury shares of RM4.99 million during FY2018.

Total liabilities

Total liabilities increased by RM172.11 million YoY, mainly due to drawdown of additional banking facilities during FY2018, of which RM42.13 million term loan was solely used to partly finance the construction costs and machineries and equipment of the second AAC manufacturing plant in Kota Tinggi, Johor. In addition, the increase was also due to the drawdown of bankers' acceptance coupled with revolving credits totalling RM93.56 as well as RM7.69 million bank overdraft for working capital purposes.

Besides, there was a drawdown of RM12.33 million ODPC to fund the modular project. The increased in banking facilities were being partially reduced by the repayment of term loans totalling RM16.88 million and the settlement of hire purchase facilities of RM1.95 million.

Asides from this, the increase in liabilities were also contributed by the increase in trade payables by 4.48% as compared to FY2017, mainly due to the increase in purchases during FY2018, which is in line with the increase in inventories, as abovementioned.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Net assets per share

The net assets per share has decreased by RM0.03 or 4.17% due to the increased in the enlarged issued shares of the Company during the third quarter of FY2017 via the issuance of 50.50 million units of shares for total proceeds of RM65.65 million through private placement exercise.

STATEMENTS OF CASH FLOWS

	FY2018 RM'000	FY2017 RM'000	Variance	
			RM'000	%
Net Cash flows (used in)/from operating activities	(68,833)	38,937	(107,770)	>100.00
Net Cash flows (used in) investing activities	(51,912)	(134,932)	83,020	61.53
Net Cash flows from financing activities	103,523	73,938	29,585	40.01
Net decrease in cash and cash equivalents	(17,222)	(22,057)	4,835	21.92

The Group's net cash inflows from operating activities for the FY2018 decreased by RM107.77 million, largely due to the increase in inventories, trade and other receivables as mentioned above. The decrease was also contributed by the reduction in trade payables of RM49.73 million as a results of acquisition of Kempurna and Saujana Vision during the year.

Cash outflows from investing activities recorded a net outflow of RM51.91 million mainly due to the activities below:

- The capital expenditures of RM56.10 million as detailed above;
- Acquisition of the 70% issued share capital in Saujana Vision for a consideration of RM5.00 million; and
- Acquisition of the entire issued share capital in Kempurna for a consideration of RM4.79 million.

The above cash outflows from investing activities were partially mitigated by the proceeds received from disposal of Formino of RM10.22 million.

The net cash inflows for financing activities of RM103.52 million, mainly stemmed from the drawdown of banking facilities totalling RM135.70 million as detailed above, and offset partially by the repayment of term loans coupled with finance lease liabilities totalling RM16.88 million and RM1.95 million respectively and repurchase of Chin Hin Group's share of RM4.99 million.

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

The management believes that after taking into account our cash and bank balances as well as the funds envisaged to be generated from our business operations, we will have adequate working capital to meet our present and foreseeable day-to-day business operation requirements.

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

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES

GENERAL OVERVIEW

Throughout the fiscal year we continued to pursue our internal enhancements across the Group through revamping processes and structures via the introduction of more automation for example robotic arm to reduce production time, eliminate of human error, improve product quality and reliability, cost reduction, reduce over dependence on foreign labour in line with the government's commitments and efforts to achieve the target of limiting the employment of foreign workers at fifteen percent (15%) for the country's total employment rate by 2020 as outlined in the 11th Malaysia Plan. Besides, the Group has also introduced more cranes for easier and faster handling to significantly reduce handling time and hence further reduce manpower in the manufacturing plant in order to make our products more competitive in the market.

Picture:
Robotic Arm installed at Starken Drymix's manufacturing plant

In terms of products, Chin Hin Group has made it a compulsory requirement to enforce all its new manufacturing plants to acquire quality accreditations, BS EN 14636-1:2009 – Polymer Piping Systems, ISO 9001:2015 - Quality Management System and ISO 14001:2015 - Environmental Management System standards once the production process is established and stabilised in line with our five (5) years defined roadmap as envisaged in our "Brand Transformation", to be the **"MOST PREFERRED, TRUSTED AND ADMIRED TOTAL SOLUTIONS PROVIDER AND PARTNER TO THE BUILDING MATERIALS AND CONSTRUCTION INDUSTRY IN ASEAN"**.

Picture:
Continued product improvements – Polymer Pipes

The clear direction has directed us to re-look into all the product costing by analysing in detail the possibilities of wastages and inefficiency and re-design our processes using business metrics to eliminate all the inefficiencies. Moreover, additional test has been carried out like "Abrasion Resistance Test" on its polymer pipes to further proof that the GRP liner can resist abrasion and prove the smooth surface claims. This move will surely increase the marketability and acceptance of our product as compared to other brand in the market.

In terms of customers' satisfaction, Chin Hin Group has initiated a programme called "Joint Practises Session" during mid of 2018 to promote collaboration across business units to leverage on the sales and marketing personnel strength with the ultimate aim to boost up sales through "Cross Selling". Weekly meetings are held to discuss on the challenges faced in the market, new projects and products available in the market and identify new customers and ways to increase sales. This move has greatly improved the relationship and cooperation among the sales personnel within the Group and hence the financial performance.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES

SEGMENTAL OVERVIEW

Distribution of building materials and logistics

The building materials distribution landscape has changed tremendously off late. Amid such uncertainties clouding the construction sector with mega projects being revised or deferred and slow properties take-up rate, the distribution of building materials division's earnings or margins are affected.

Notwithstanding the above, the distribution of building materials and provision of logistics sector recorded a total revenue of RM633.47 million in FY2018, a marginal increase of 1.34% as compared to RM625.07 million recorded in the previous year, which contributed 57.31% (FY2017: 61.56%) of the Group's consolidated revenue. Growth in the revenue for the distribution of building materials segment was mainly due to the expansion of imported plywood sales to the local market, increase in the trading of sherra plank wood, paint and fibre cement products.

Despite the marginal increase in revenue, the gross profit margin has declined by 0.89% from 7.13% in FY2017 to 6.24% in FY2018. The decline in margin was primarily due to the challenging business environment, where competitors were adopted price-war strategy to secure order in order to ensure survival. As such, PBT has droped by RM9.37 million, from RM15.52 million in FY2017 to RM6.15 million in FY2018. Moreover, the drop in profit also contributed by the lower other income recorded primarily due to the reversal of doubtful debts arising from the old debtors' collection in the last quarter of FY2017 of RM1.75 million, the reversal of construction costs over-accrued for the three storey shop lot in Kota Bharu, Kelantan of RM0.84 million after the twenty four months defect liability period lapsed in FY2017, dividend income received by PP Chin Hin Sdn Bhd from its subsidiary company of RM1.00 million in FY2017 and interest expense on inter-company financial asset at amortised cost of RM1.63 million in FY2018 (resultant after the adoption of MFRS 9 *Financial Instruments*).

The distribution of building material division has on 6 June 2018 entered into the Sale and Purchase Agreements ("SPAs") for the sale of Rawang Units, Gunung Indah Units and Mergong Units to Chin Hin Building Materials Supply (JB) Sdn Bhd ("Proposed Disposal") for a total cash consideration of RM21.15 million as per the tabulation below. The Proposed Disposal is deemed to be a related party transaction and shareholders' approval has been obtained at the Extraordinary General Meeting held on 26 November 2018:

Said Properties	Consideration (RM)
Rawang Units	7,100,000
Gunung Indah Units	3,600,000
Mergong Units	10,450,000
Total	**21,150,000**

The rationale of the Proposed Disposal were due to the said properties comprised of shop offices which are not used for any of our business operations and were the non-core assets of the Chin Hin Group. The Proposed Disposal provides an avenue for the building materials sector to realise its investment in these non-core assets at their market values, and raise cash proceeds for our business operations' working capital to fund the inventories purchase in order to remain competitive, relevant and protect their margins as well as market shares.

Moreover, the Proposed Disposal will also reduce the administrative time and effort required on maintenance and enable the Group to focus its resources on its core businesses. Separately, the Proposed Disposal will enable the distribution of building materials segment to repay its bank borrowings partially, which will reduce the Group's gearing level and improve the Group's cash flow position due to the lower interest expense.

On 13 March 2019, the Company has announced that the parties have mutually agreed to :

i) extend the conditional period of the Rawang Units up to 5 June 2019; and
ii) extend the completion period for the Mergong Units and Gunung Indah Units up to 5 September 2019 or 3 months from the unconditional date of the SPAs for the Rawang Units, whichever is earlier.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Ready-Mixed Concrete

The revenue for the ready-mixed concrete segment decrease by approximately RM4.31 million or 4.26% from RM101.25 million in FY2017 to RM96.94 million in FY2018, which contributed 8.77% (FY2017: 9.97%) of the Group's consolidated revenue. As such, PBT of the said segment recorded at RM2.88 million, a decline of approximately 7.99% from RM3.13 million in FY2017. The decrease in revenue and PBT from the ready-mixed concrete segment was mainly due to the stiff competition encountered from cement-based-operators whereby they using their own batching plant to penetrate the market by offering lower selling prices.

Manufacturing of fire-rated door

The manufacturing of fire-rated door segment recorded a revenue of RM24.53 million, a decline of RM4.19 million or 14.59% as compared to the preceding year's results of RM28.72 million, which contributed 2.22% (FY2017: 2.83%) of the Group's consolidated revenue.

The profit before tax has declined by RM1.35 million, from RM3.73 million in FY2017 to RM2.38 million in FY2018. The decline in profit before tax for the manufacturing of fire-rated door division was contributed by the drop in gross profit margin from 26.02% to 20.73%. The fact is substantiated by the raw materials pricing have increased throughout the financial year yet the cost hike cannot be passed on to the client due to market competitiveness. Moreover, many projects secured were delayed due to uncertainties clouding for the construction sector after the change of Government.

With reference to the Share Sale Agreement for the acquisition of Midah Industries Sdn Bhd ("Midah Industries") and Epic Diversity Sdn Bhd ("Epic Diversity"), a total profit guarantee of RM6.00 million is to be fulfilled by the previous owners of Midah Industries and Epic Diversity for both the FY2017 and FY2018. Chin Hin Group, via its subsidiary company, PP Chin Hin Sdn Bhd had via a letter dated 30 November 2017 agreed to waive the requirement for the previous owners of Midah Industries and Epic Diversity to fulfil the profit guarantee of RM3.00 million for FY2018, as the Group are confident that both Midah Industries and Epic Diversity will be able to achieve the profit guarantee for FY2018 after they have met the profit of RM3.73 million in FY2017 and with the fire door order books on hand of RM14.80 million as at 30 November 2017. However, as at end of December 2018 both companies merely achieved RM5.76 million PBT out of the RM6.00 million profit guaranteed for both financial years. The profit shortfall of RM0.24 million was merely due to the uncertainties of construction sector, as mentioned above.

Manufacturing of AAC and Precast Concrete Products

The manufacturing of AAC and precast concrete products segment recorded a total revenue of RM221.02 million in FY2018, representing a growth of 20.41% as compared to RM183.56 million recorded in FY2017 and contributed 19.99% (FY2017: 18.08%) of the Group's consolidated revenue. This sector recorded a PBT of RM11.48 million, representing a decline of 48.15% as compared to RM22.14 million in FY2017.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

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

Manufacturing of AAC and Precast Concrete Products Sector	2018	2018	2017	2017	Remarks
	RM'000 Revenue	RM'000 PBT	RM'000 Revenue	RM'000 PBT	
Starken AAC Sdn Bhd	102,753	7,358	94,102	10,648	
G-Cast Concrete Sdn Bhd	82,326	9,586	68,341	12,780	
Starken Drymix Sdn Bhd	5,731	171	3,349	655	2018 – There was a fair value gain on investment property of RM1.72 million which subsequently reclassified as property, plant and equipment at the Group consolidation level.
MI Polymer Concrete Pipes Sdn Bhd	10,305	6,843	7,459	(1,950)	2018 – Inter-company sales of RM10.195 million & inter-company dividend received by MI Polymer Concrete Pipes Sdn Bhd of RM5.357 million from MI Polymer Concrete Pipes Pte Ltd.
MI Polymer Concrete Pipes Pte Ltd	10,851	276	10,010	1,567	2017 – inter-company sales of RM7.40 million
G-Cast UHPC Sdn Bhd	650	(2,921)	296	(442)	
Sage Evergreen Sdn Bhd	6,594	(10,228)	-	(972)	
Green Cement Sdn Bhd	1,810	395	-	(149)	
	221,020	11,480	183,557	22,137	

The increase in revenue for the manufacturing of AAC was driven by the growth in market demand for panel in the local and Singapore's market. The hike in the usage for AAC block and wall panel in the local market undoubtedly proven that the products have gained traction ahead of the mandatory adoption of IBS system in Malaysia by 2020. Nevertheless, the drop in PBT YoY for the manufacturing of AAC division was primarily due to the increase in raw materials and finance cost. The surge in finance cost of RM1.61 million principally attributable to the interest incurred on the drawdown of RM30.00 million revolving credit facility.

The increase in the revenue for precast concrete products to RM82.33 million from RM68.34 million, an increase of RM13.99 or 20.47% were due to the surge in sales volume for box culvert, U-shape drain pipe, beam and chamber ring from Rawang plant; ogee pipe, spun spigot, socket joint pipe and jacking pipe from Bidor plant. PBT has declined by RM3.19 million largely due to the provision for doubtful debts of RM1.17 million and impairment loss of RM1.15 million on various precast concrete factory buildings.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

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

MI Polymer Concrete Pipes Group of companies' ("MIPCP") revenue has increased by RM0.89 million or 8.87% from RM10.07 million in the preceding year to RM10.96 million in the current financial year. Nonetheless, MIPCP's PBT has increased by RM2.15 million due to the loss of RM1.19 million sustained on the disposal of a unit of double storey bungalow to the previous owner in FY2017 and a hefty sum of approximately RM0.58 million being spent on the pipes testing in compliant with the 100 years durability requirement as specified in the new standard, BS EN 14636-1:2009 which came into effect from June 2017. Pursuant to the Conditional Share Sale Agreement dated 3 April 2017 entered into between MIPCP's Vendors and Starken AAC, whereby MIPCP sale shares are sold excluding a piece of land with a double storey bungalow house located at Batu Pahat, Johor.

Green Cement Sdn Bhd's revenue of RM1.81 million and PBT of RM0.39 million derived solely from the selling of pulverised fuel ash ("PFA") to Chin Hin's related company within the Group. The PFA sold came from the Jimah East Power Plant located in Port Dickson, pursuant to the Letter of Agreement signed with Jimah Energy Ventures Sdn Bhd ("Owner") on 19 April 2018 for the temporary collection of fly ash (also known as PFA) which expired on 18 July 2018. However, the term of the agreement has been extended on a month-to-month basis, to be renewed automatically every month unless terminated by the Owner with not less than seven (7) days' notice in writing.

Our organic growth company, Starken Drymix, whom specialise in the production of thin adhesive base, render, skim coat, tile adhesive, panel plaster and basic skim has started its testing and commissioning on its new plant located at Bidor in the mid of May 2018. Starken Drymix managed to turnaround as at end of December 2018. Nevertheless, Starken Drymix has sustained a total loss before tax of RM1.55 million in FY2018 after eliminating the gain on investment property of RM1.72 million (land located at Serendah) which was subsequently reclassed as property, plant and equipment at the Group's consolidation level.

Sage Evergreen and G-Cast UHPC has sustained a loss before tax of RM10.23 million and RM2.92 million respectively due to the initial production cost, administration expenses and finance cost.

Excluding those said losses of RM14.70 million, impairment losses of RM1.15 million on various precast concrete factory buildings and the fair value adjustments on investment properties of RM1.72 million which was eliminated later at the consolidated accounts level, the underlying profit before tax for the manufacturing of AAC and precast concrete products in FY2018 shall recorded at RM25.61 million which is much higher than the underlying profit before tax of RM22.14 million for FY2017.

Segmental Detail	2018 RM'000
Manufacturing of AAC and Precast Concrete Products - PBT	11,480
Adjustments:	
Sage Evergreen Sdn Bhd - losses before tax	10,228
Starken Drymix Solutions Sdn Bhd – losses before tax (exclude investment properties gain)	1,549
G-Cast UHPC Sdn Bhd – losses before tax	2,921
G-Cast Sdn Bhd - Impairment losses on various precast concrete factory buildings	1,148
Starken Drymix Soluations Sdn Bhd - fair value gain on investment properties	(1,720)
Adjusted profit before tax	25,606

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of Wire Mesh and Metal Roofing Systems

Segmental Detail	2018 (RM'000)	2017 (RM'000)	Variance (RM'000)	%
Manufacturing of Wire Mesh and Metal Roofing Systems - loss before tax	(1,770)	(3,608)	1,838	50.94
Adjustments:				
Investment Properties Gain	(5,093)	(2,300)	(2,793)	>100
Loss on disposal of subsidiary company - Formino	4,028	-	4,028	-
Actual Results of Wire Mesh & Metal Roofing System	(2,835)	(5,908)	3,073	52.01

The manufacturing of steel mesh and metal roofing systems segment recorded a total revenue of RM167.48 million in FY2018, representing a decrease of 3.85% as compared to RM174.18 million recorded in FY2017, and contributed 15.15% (FY2017: 17.15%) of the Group's consolidated revenue. The decrease was resultant from the divestment of Formino, a company specialising in the roofing system. The divestment was completed in mid of April 2018. This sector recorded a loss before tax of RM2.84 million after the adjustment of RM5.09 million on the fair value gain on investment properties of a piece of land and industrial factory located at Daerah Seberang Prai Tengah, Pulau Pinang and the loss sustained on the disposal of its subsidiary company, Formino of RM4.03 million.

The decline in losses suffered by our wire mesh products in FY2018 was mainly due to the drop in wire rod price against the locked-in selling price for project secured and also caused by the impact of changing our business strategy to focus on manufacturing of special mesh which can fetch higher return.

Modular Building Solutions

Metex Modular Sdn Bhd ("Metex Modular ") has recognised RM52.89 million revenues or 22.19% out of the total project sum of RM238.30 million, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor. This project incorporates PMBS, the highest level of IBS. The modular building solutions segment recorded a total revenue of RM52.89 million in FY2018, and contributed 4.78% (FY2017: Nil) of the Group's consolidated revenue. The modular business recorded a RM9.17 million PBT for FY2018 versus a loss of RM0.01 million sustained in FY2017.

According to the original plan, the fast-track project should be completed within a period of 12 months i.e. by end December 2018. The delay of project is basically due to potential demographic change of Pengerang workforce vis a vis the mixture of building type of the project, namely the ratio among accommodation unit for workers, supervisor and manager. In order to optimise its occupancy rate, the project plan is being reviewed to increase accommodation unit for worker and revise the sport and recreation facilities. The new plan will be submitted for approval in due course. Eventually, the Group has decided to defer the balance of project work until the six completed blocks, which can accommodate 2,496 pax of worker are rented out right after the acquisition of 70% equity stake in Saujana Vision, the project owner for this development in the mid of December 2019.

As mentioned above, Metex Modular has on 12 December 2018 entered into a Share Sale Agreement with the vendors of Saujana Vision, to acquire 70% of the equity interest in Saujana Vision for a total cash consideration of RM5.0 million ("Proposed Acquisition"). Saujana Vision is the project owner for the RM238.30 million integrated workers complex. The Proposed Acquisition of Saujana Vision has been completed on 31 December 2018.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Modular Building Solutions (Cont'd)

The rationale of the Proposed Acquisition includes, it provides a platform for Chin Hin Group to showcase its capabilities in constructing and maintaining PMSB, an advanced form of IBS, for the integrated workers complex. This is in line with the government's initiative to promote IBS, reduce reliance on foreign workers in the construction sector. In addition, the Proposed Acquisition opens the way for Chin Hin Group to venture downstream into the business as a builder and contractor that specialises in IBS, which is a growing trend in the construction industry. The Construction Industry Development Board and Public Works Department planned to adopt IBS in the construction sector in stages and make it mandatory in projects by 2020. Currently, it is already compulsory for all Government projects to adopt IBS. This is especially apposite to Chin Hin Group who will be able to attain a higher level of economies of scale in view that Chin Hin Group is an integrated builders' conglomerate that provides building material and services to the construction and building industries, and its subsidiary is also involved in the manufacture and assembly of PMSB.

THE GROUP'S PROSPECTS

The operating environment is envisaged to remain challenging in 2019. Chin Hin Group has adopted a cautious strategy to focus on consolidating our existing business and to turnaround the loss-making investment. Besides, Chin Hin Group will still be pursuing the strategy of continue widening its product portfolio and diversify its income stream in order to achieve synergistic with its existing and the new businesses.

TRADING SECTOR

Chin Hin Group has focused on other building materials instead of the bread and butter commodity products with diminishing margins as increasingly more manufacturers dealt with Business to Customers approach. The trading division has moved to a more stable and consistent revenue stream sector i.e. the hardware dealers' market. The Company is actively expanding its customers mix from project-based contractor to hardware dealer and retailer.

Chin Hin Group has also expanded the dealer group from traditional timber and metal dealers to specialty dealers such as tiles retail or dealers, paint shops, water proofing applicators. Besides, the trading division has added two new warehouses in 2018 located in Butterworth and Perak. As of to date, there are nine warehouses in total in the Peninsular Malaysia. The rationale of setting up more warehouses is to provide more efficient in delivery lead time and distribution to these hardware dealers and retail outlets. The trading division has also upgraded themselves to be the importer and stockist for plywood and fiber cement products i.e. Shera, Kalsi in addition to local Hume Cemboard.

MANUFACTURING OF FIRE-RATED DOOR SECTOR

The Company via its wholly-owned subsidiary, Midah Industries, had on 14 December 2018 completed the acquisition of the entire equity interest in Kempurna, a company specialises in the manufacturing of metal doors and window frames. The acquisition of Kempurna would be able to complement the Group's fire-rated door business besides enabling Chin Hin Group to enhance its involvement and market share in the door manufacturing business.

In early February 2019, Midah Industries has acquired additional plant and machineries to further expand its product range to include the manufacturing of wooden door, high density fiberboard (HDF) door, louvers, timber frame, handrail, architrave and skirting. It enables Chin Hin Group to become a "Total Door Solutions Provider" in the door market and it fits in nicely with the Group's business strategies on vertical integration.

Besides, Chin Hin Group has set up a new company in Alor Setar during the last quarter of FY2018 to expand its fire door manufacturing business into the northern region. The new set up is expected to commence operation by mid 2019.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

THE GROUP'S PROSPECTS (Cont'd)

MANUFACTURING OF AAC AND PRECAST CONCRETE PRODUCTS SECTOR

The Group has actively expanded the production capacity of its AAC block, precast concrete, drymix products, and precast UHPC business in the recent years by either setting up more plants and additional production line or via acquisition of potential companies to strengthen its product presence and customer portfolios. Notwithstanding the subdued property market, Chin Hin Group continues to see steady order flows for its AAC products, which are fast gaining in popularity as the building blocks for affordable housing in Malaysia.

Chin Hin Group will continue to export its AAC block and wall panel to the neighbouring countries particularly to Singapore, Philippines, and Australia. Our new AAC production line with 600,000m3 installed capacity located at Kota Tinggi, Johor which has started its testing and commissioning in early June 2018 has managed to ramp up to thirty percent (30%) capacity as of end of March 2019. Part of its additional capacity will be channelled towards manufacturing wall panels, which are fast gaining ground as an IBS component. Chin Hin Group is angling for a higher share in the well-developed Singaporean market, as Kota Tinggi plant is only located some 50km away (31 miles). Against this positive backdrop, Chin Hin Group believes its latest plant can reach a utilization rate of 45% by end of December 2019.

Asides, fifty percent (50%) extra capacity to 300,000 metric tonnes in the Precast Concrete division has been achieved after the rolled out of three new plants at Kulai, Bidor and Rawang. 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 after its completion expectedly by mid 2019. The enlarged capacity enables Chin Hin Group to make further inroads into even larger-scale infrastructure projects particularly within the railway sub-sector which they are pursuing now. The Group foresee a strong growth in the infrastructure precast concrete business especially after the recent expansion of its product portfolio i.e. prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe, eco-module and emergency walkway which they are producing now that require added technical expertise.

Picture: Crosshead 1

Picture: Crosshead 2

Picture: MRT 2 - Cable Troughs

Picture: MRT2 - Emergency Walkway

Picture: RC Tee Beam

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

THE GROUP'S PROSPECTS (Cont'd)

MANUFACTURING OF AAC AND PRECAST CONCRETE PRODUCTS SECTOR

The Company via its indirect wholly-owned subsidiary, G-Cast Concrete Sdn Bhd has entered into a 10-year Coal Ash Offtake agreement with Tanjung Bin Power Sdn Bhd ("TBP"), a subsidiary of Malakoff Corporation Berhad to collect bottom ash and fly ash (collectively hereinafter refer to as the "Coal Ash") on a non-exclusive basis (the "Agreement"). Coal Ash is the by-product from the combustion of 3 x 700 MW coal fired power station plant located at Tanjung Bin, Johor Darul Takzim which is owned by TBP ("Plant"). The said Agreement will benefit the Company in terms of lower raw material cost and it is part of Chin Hin's sustainability initiatives to consume the recycle ash as construction material as practiced in Europe and Japan. The use of fly ash ("PFA") in the concrete will also improve the compressive strength and durability in term of increasing its resistance toward chemical attacks namely sulphate and acid. On 12 February 2019, TBP has granted G-Cast the extension of condition precedent period of six (6) months commencing on 14 February 2019 for the fulfilment of procuring clearances, authorisations, approvals and permissions from Department of Environment.

MIPCP had on 19 July 2018 obtained SPAN approval for its products certified by IKRAM. This will enable MIPCP to gradually supply its products in Malaysia to break the clay pipes dominant market. In addition to its continued domination of the Singapore market for its Jacking Pipes of diameters 800mm, MIPCP is establishing its presence in regional markets such as India, the Philippines and Australia instead of over dependence on its only market, Singapore. The long-term test on polymer concrete pipes to withstand the required loading using pipe strength at the end of 100 years to comply with BS EN 14636-1:2009 is progressing well and the test report is expected to be released in the middle of 2019. With the said accreditation, it will enhance our presense locally and regionally.

Picture: Polymer Concrete Pipes

Starken Drymix which is located at Bidor, has reached its production utilisation rate at 40% level as at the end of March 2019. The machine reliability has enhanced and the absolute production volumes have improved greatly lately after the installation of new robotic arms.

Picture: Rainbow Bridge at Elmina, Denai Alam, Shah Alam completed by G-Cast UHPC

G-Cast UHPC has managed to secure RM17.29 million worth of projects as at the end of December 2018. These projects are expected to kick start and contribute positively to the bottom line of the Group in 2019.

MANUFACTURING OF WIRE MESH SECTOR

The slowdown in the local construction industries resulting steel demand remains a challenge. Margins have been compressed by a slowdown in state-led investment since a change of Government in May 2018, and rampant sub-standard mesh products supplied by some unscrupulous competitors into the market.

Nonetheless, the effort of working with affordable housing sector remains optimistic. Together with the initiative of Authority for efficient enforcement to curb sub-standard mesh products in the market place, the Company expect a positive prospect for year 2019.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

THE GROUP'S PROSPECTS (Cont'd)

MODULAR BUILDING SOLUTIONS SECTOR

The balance of the contract work, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor of approximately RM185.00 million will be resumed once the completed six (6) blocks are rented out. The Company is applying for Certification of Fitness (CF) at this juncture and targeting to lease out the said completed six (6) blocks which can accommodate 2,496 pax by mid 2019. Metex Modular is busy building mock-ups modular unit for overseas projects e.g. in Arab Saudi and New Zealand besides lobbying for local projects.

SOLAR POWER GENERATION INCOME - OTHER INCOME AND ASSOCIATES COMPANY

The Group continues to record the Green Technology Solar Panel (Feed in Tariff) gross income of RM2.87 million in FY2018 from its electricity production capacity of 2,425 kilowatt per hour ("kWh"). Pursuant to the Share Sale Agreement signed between Chin Hin and the vendors of Atlantic Blue Sdn Bhd ("ABSB") for the acquisition of 45% equity interest in ABSB on 18 July 2017, the vendors vide the Promoter's Company guarantees that ABSB shall attain the profit after tax of RM20,000,000.00 in aggregate within twenty four (24) months from the Completion Date i.e. 24 August 2017. As at 31 December 2018, ABSB has realised RM15.10 million profit after tax within the sixteen months period after the completion date as per the tabulation below. Chin Hin is confident that the vendors of ABSB is able to meet the profit guarantee by August 2019 in view of the projects secured as mentioned below.

PROFIT GUARANTEE TRACKING

	RM	RM
Profit Guaranteed by the vendors of ABSB		20,000,000
Minus:		
PAT from September'17 to December'17 (4 months period)	4,883,255	
PAT for FY2018 (12 months period)	10,215,302	15,098,557
Balance of PAT to be attained from January'19 to August'19		4,901,443

The Malaysian Government had recently called for 500MW Request for Proposals ("RFP") bids with an estimated RM2 billion worth of projects under the third round of the grid-connected Large-Scale Solar ("LSS3") scheme to increase electricity generation from renewable energy. This bid is for 2021/2022 installation. The bidding requirement emphasised that the contractor for engineering, construction and commissioning must be 100% local as there are enough local industry players in Malaysia.

Picture: 58.8MWp DC capacity solar plant in Kuala Kertih, Terengganu

Our associate company, Atlantic Blue Sdn Bhd, an established turnkey engineering, procurement, construction and commissioning (EPCC) contractor whom has installed a total capacity of 104.37MWp across the residential, commercial and industrial segment and as an experienced subcontractor for LSSPV is confident to secure subcontract projects from the said LSS3 scheme. Under the scheme, the Government has urged household owner with a monthly electricity bill of at least RM300.00 and SMEs to install solar panels to reduce electricity costs. Energy, Technology, Science, Climate Change and Environment Ministry's recent efforts in discussing with banks on how to provide SMEs with more favourable lending packages will greatly enhance the prospect of our associate company in its project replenishment efforts.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

THE GROUP'S PROSPECTS (Cont'd)

PROFIT GUARANTEE TRACKING (CONT'D)

The Government intends to provide sustainable, reliable and affordable solar energy for Malaysians through new policies beginning Jan 1, 2019, such as the new NEM Scheme and Supply Agreement for Renewable Energy ("SARE").

- The NEM scheme will upgrade from the net billing concept to the pure net energy metering scheme that will be applicable only to Peninsular Malaysia for registered TNB customers. Under the existing net billing (scheme), excess electricity is sold to TNB at displaced cost of 31 sen per kWh, but under the new scheme, monthly electricity bill will be the consumption (from TNB) minus generation (from solar) multiply with the retail electricity tariff. This will result in additional electricity savings per month and will help the return of investment in PV systems. The new NEM scheme is suitable for rooftop and car park solar PV installation. For ground-mounted system, it may be allowed on case-by-case basis and the installation shall be within the compound of the applicant's premises and approved by the Energy Commission. Atlantic Blue, being one of the registered solar PV service providers under the NEM scheme by SEDA Malaysia will greatly boost up its projects secure rate.

- Under the SARE scheme, there will be a tripartite agreement entered between the three parties (Customers, Solar Investor/Lessor and TNB). TNB will provide the service of billing, collection and remittance of the payment by customer to solar investor/lessor and in return, TNB imposes a small service charge. SARE scheme will enable any private local or foreign company to invest in solar energy NEM program. It is expected to grow solar leasing and private Power Purchase Agreement ("PPA"). Global solar leasing investor are increasing to have interest in Malaysia market to develop more leasing or private PPA. Under solar leasing, there will be zero upfront cost where individuals need not come out with any initial cost for installing solar panels.

TNB, through its unit, will be offering financing self-generation packages for solar PV panels for residential customers as the demand for green energy climbs. These packages will be offered by TNB Renewables Sdn Bhd's unit - GSPARX Sdn Bhd ("GSPARX") and other players such as Nefinco and Cleantech Solar which has started offering packages to commercial and industrials customers. Customers do not have to make any upfront payment but pay a lease as GSPARX will bear the cost for purchasing and installing solar PVs. Customers will benefit from saving and hedging opportunities. GSPARX has targeted to offer 1,500MW of self-generation for solar photovoltaic ("PV") investment by 2025. Atlantic Blue will benefit from the unlocking of business potentials of solar PV installation.

The above new policies were introduced to create a fertile ground to grow the solar industry by opening the market and subsequently push the local players to become regional solutions providers.

As of the date of this Annual Report, Atlantic Blue has secured three (3) large scale solar ("LSS2) projects to provide subcontracting work worth a total value of RM158.07 million to be completed by the last quarter of 2019; namely:

- 12.8 MWp DC solar farm in Mukim Asam Kumbang, Kamunting, Daerah Larut dan Matang, Perak for Asia Meranti Solar (Kamunting) Sdn Bhd;
- 13.0 MWp DC solar farm in Mukim Teja, Daerah Kampar, Perak for Asia Meranti Solar (Kampar) Sdn Bhd; and
- 12.9 MWp DC solar farm in Mukim Sungai Raya, Daerah Kinta, Perak for Asia Meranti Solar (Kinta) Sdn Bhd

ANTICIPATED OR KNOWN RISKS

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

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

ANTICIPATED OR KNOWN RISKS (Cont'd)

(i) Business risks

Our Group is principally involved in the manufacturing of building materials. Hence, we are subject to the risks inherent to the manufacturing and construction industries. These include, amongst others, rising costs of labour and raw materials, availability of skilled personnel, changes in laws and regulations applicable to our business, business and credit conditions as well as fluctuations in foreign exchange rates. There can be no assurance that any material changes to these factors will not have a material adverse effect on the business operations of our Group.

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

(ii) Operational risks

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

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

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

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

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

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

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

Our financial performance and position are dependent, to a certain extent on the creditworthiness of our customers. If our customers are unable to pay us on time or have difficulty in making payments to us, our cash flow will be affected. We generally grant our customer credit terms within the range of sixty (60) to ninety (90) days. We are exposed to credit risks arising from trade receivable which risks may increase during periods of economic uncertainty or market downturn, and which are beyond our control.

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

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

ANTICIPATED OR KNOWN RISKS (Cont'd)

(v) Competition risks

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

On the other hand, the Malaysian building materials distribution industry is very fragmented, characterised by a host of small, medium and large players, which resulted in a very competitive market, Players survive and grow by adopting strategies that allow them to maintain their competitiveness. For larger players like us, strategy is to continually leverage on our economies of scale, negotiating power, strong financial resouces and wide distribution network which smaller market players do not have.

FORWARD-LOOKING STATEMENT

The Malaysian economy is expected to face another tumultuous year in 2019 as it is being challenged by on-going domestic adjustments and rising external headwinds, particularly lingering uncertainties about the state of the US-China trade disputes and further tightening of the US interest rates. Other global pressure points developing are the UK's Brexit deal; the erratic movements of global oil prices, geopolitical and political risks. The Malaysian economy growth slows to 4.7% in 2018 as compared to 5.9% in 2017 amid the mentioned challenging external environment and fiscal consolidation initiatives by the new Government.

The drag on growth came from multi-faceted factors i.e. weakening exports, declines in mining and agriculture output, a sharp contraction in public investment and moderate private investment growth. The key driver of 2019's economic growth, which we estimate to grow by 4.5%-4.7% would be domestic demand-driven, largely underpinned by private sector spending. Public sector expenditure will continue to consolidate and rationalise, focusing on essential sectors such as socio-economic projects, education and the on-going public infrastructure projects, particularly LRT, MRT and highways.

The new Government is targeting to build 100,000 affordable homes by the end of 2019, in line with its manifesto to build one million budget houses in ten (10) years. The new Government had allocated RM1.50 billion to build and complete affordable homes under the People's Housing Programme, Civil Servants Housing Project, PR1MA, and Syarikat Perumahan Nasional Berhad. The deployment of these projects will strengthen the growth in the demand for building materials. These projects will drive the activities within the Group as Chin Hin Group is in a better fortuitous than others in securing those projects due to the Group's expertise in the IBS.

With regard to industry challenges, we foresee intense market competition with the emergence of new players in the market. As part of the risk mitigating measures, Chin Hin Group will continue to re-position itself to be a "Total Solution Provider" or a value-added partner that comprehensively handles the project needs of their client from concept to installation through customer-support. The Group 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 turnaround the loss-making investment. The Group 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 Group envisage a brighter outlook for the financial year ending 31 December 2019 and look to the future with cautious optimism.

SUSTAINABILITY STATEMENT 2018

At Chin Hin, we strongly believe that introducing Economic, Environmental and Social considerations in our business decisions is an essential foundation to achieve long term business success. Besides creating value for all its stakeholders, it is equally important to support and empower communities, encourage social inclusivity and improve the environment.

Introduction

We recognise the growing significance of sustainability in our business value. Our statement on sustainability aims to demonstrate our strategic approach to address sustainability challenges and opportunities, particularly on our material matters, in contributing towards the betterment of the business, environment and society.

Scope of this Statement

This statement covers the activities of Chin Hin and all its subsidiary companies as included in the Group's financial statements for the period from 1 January to 31 December 2018, unless otherwise stated. Subsidiaries refer to all companies in which Chin Hin holds a majority stake or has direct management control.

Basis of this Statement

This Statement was prepared in a manner prescribe by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), in accordance with the Main Market Listing Requirements and Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia.

Assessment of Material Matters

We have conducted an assessment to identify a list of Material Matters. Please refer to our Material Matters Matrix.

Assurance

This statement has been prepared based on available internal information.

Feedback

In our continuous efforts to raise our standards in reporting, we welcome stakeholder feedback on this statement and any of the issues covered. Comments and queries related to this Statement can be directed to **info@chinhingroup.com**

SUSTAINABILITY STATEMENT 2018
(cont'd)

ABOUT CHIN HIN GROUP BERHAD

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.

The Group today has expanded its business to cover not only trading but also manufacturing and services across:

- Fire-Rated and Wooden Door
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistic
- Modular Building Solutions
- Pre-Cast Concrete Products
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete ("UHPC")

VISION:

To be the most preferred, trusted and admired total solutions provider & partner to the building materials and constructions 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

Our Core Values

SUSTAINABILITY STATEMENT 2018
(cont'd)

MANAGING SUSTAINABILITY

We recognise the growing significance of sustainability in our business value. As we continuously build on this foundation to further strengthen our business for the long-term, we are continuously enhancing our transparency on disclosure of material matters relating to Economic, Environment and Social aspects. We are also actively taking steps to improve our internal capabilities to manage, communicate and report on the progress of our sustainability related activities to all our stakeholders.

Our Priority

Key sustainability aspects at Chin Hin are managed across the various business units and overseen by different Business Unit Chief Executive Officer and Head of Department. Underlying all efforts is an overriding commitment towards good governance. Good governance lies in sound business ethics, viable policies and procedures across all areas of the Group. Our Group are guided by the following governance and business ethics:

Code of Conduct and Ethics

Chin Hin's code of conduct and ethics are based on principals in relation to integrity, responsibility and corporate social responsibility. This code of conduct and ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:

- To establish a standard of ethical behaviour for directors, both executives and non-executives as well as executive and non-executive chairperson based on trustworthiness and values that can be accepted, are held or upheld by any one person.

- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.

Whistle Blowing Policy

The Board is committed to achieve and maintain the highest standard of work ethics in the conduct of business in line with the code of conduct & ethics and good corporate governance practices. All employees and members of the public are encouraged to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.

This policy is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.

Commitment to Material Matters

ECONOMIC

- Products and Technological Innovation
- Business Performance

ENVIRONMENT

- Sustainable Green Building Materials
- Wastage Management
- Energy Management

SOCIAL

- Health and Safety
- Succession Planning
- Employee Welfare
- Training and Development
- Local Communities

SUSTAINABILITY STATEMENT 2018
(cont'd)

SUSTAINABILITY GOVERNANCE

Our Board of Directors ("Board") shoulders the responsibility of ensuring sustainability is integrated into the process of strategic planning and the daily operations of the Group.

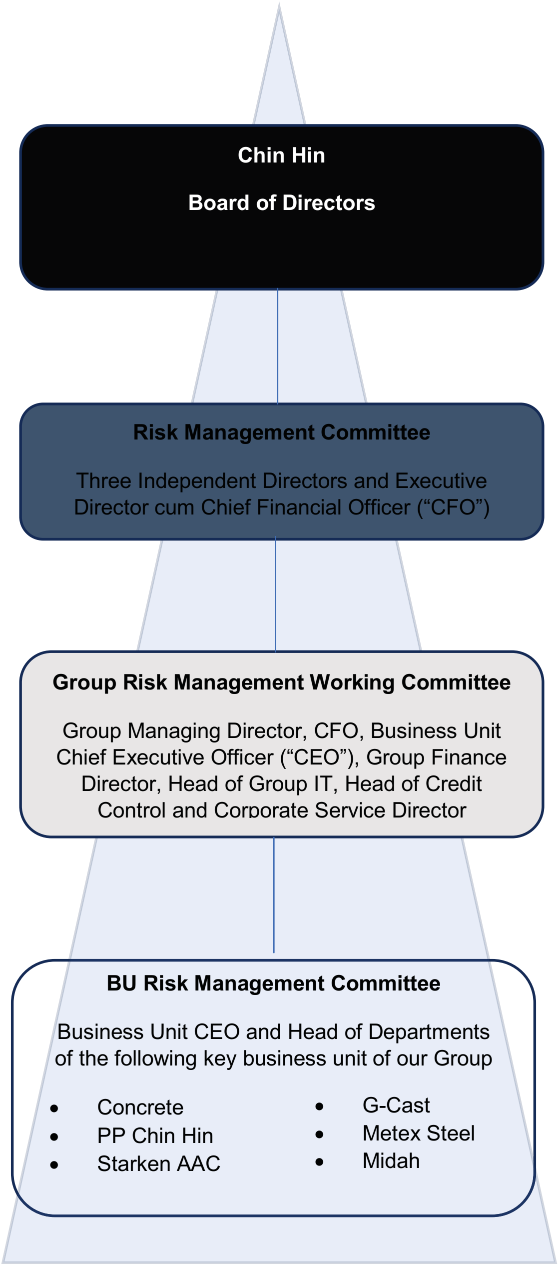
The Board is supported by our Risk Management Committee ("RMC") which oversees the formulation, implementation and effective management of the Group's risk management strategies.

The main roles of our RMC in relation to the Group's risk management strategies include:

- Reviewing and provide oversight on the Group's risk management strategies
- Aligning sustainability initiative with our business strategies on a best effort basis
- Review and approve management action plans to mitigate identified risks
- Ensure proper monitoring and management of identified risks
- Report to the Board on the status of risk management practices
- Highlight potential high-risk areas to the attention of the Board and to advise the Board accordingly
- Deliberating of any other risk related matters as may be brought to its attention

Our Group Risk Management Working Committee are responsible for the development and compliance of risk management strategies as well as to provide support to the Business Units ("BU") Risk Management Committee.

BU Risk Management Committee is responsible for the day-to-day operations of the Group, implementation of the risk management policies adopted as well as to update any new material issues to the Group Risk Management Working Committee.



SUSTAINABILITY STATEMENT 2018 (cont'd)

STAKEHOLDER ENGAGEMENT

We believe that our business and operational success is cultivated from the strong and long-term working relationship with our key stakeholders. Engaging with our key stakeholders regularly enable us to understand their needs and expectations. By identifying these gaps, we are able to make informed decisions to bridge such gaps. Our engagement platforms with key stakeholders are summarised as follows:

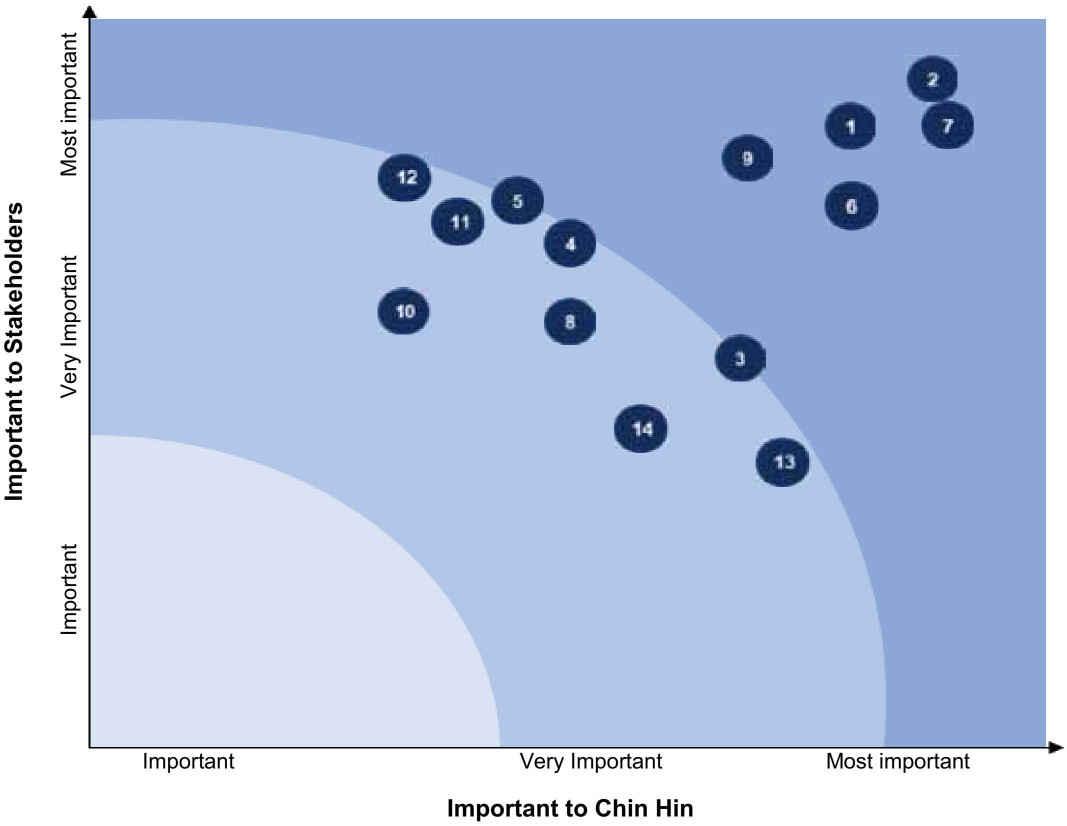
Stakeholders	Engagement Platform	Area of interest/ Material matters
Board of Directors	• Quarterly and ad-hoc Board meetings • Annual general meeting • Company events	• Continuous business and operational improvements • Financial results of the Group • Monitoring and identification of business risks • Interest of stakeholders and shareholders
Shareholders and Investors	• Annual general meeting • Quarterly financial results • Press releases and interviews • Corporate website	• Financial reporting & updates • Business management & corporate governance • Risk and opportunities
Employees	• Induction training • Learning and development programmes • Regular engagement with senior management • Performance appraisals • Townhall meetings • Company social events	• Career development opportunities • Training and development • Talent and performance management • Succession planning • Work place health and safety
Customers	• Face-to-face interaction • Feedback survey • Social media and corporate website • Company events	• Customers satisfaction • Technological and operational innovation • New products development • Competitive pricing and on-time delivery
Suppliers	• Face-to-face interaction • Evaluations/Re-evaluations	• Business relationships • Development opportunities • Sourcing of materials • Selection of suppliers and credit terms
Government	• Meetings • Visits • Verification/ compliance audit	• Compliance to law and regulation • Health and safety • Permits and licenses
Community	• Community outreach programmes • Corporate volunteering programmes	• Job creation for local communities • Community investment initiatives • Undertaking business in a responsible manner • Talent attraction and retention
Analyst/ Media	• Press conference and media interviews • Media release	• Economic and company performance • Business strategies and plans • Corporate governance

SUSTAINABILITY STATEMENT 2018
(cont'd)

ASSESSMENT OF MATERIAL MATTERS

The material matter matrix has been developed based on our engagement with various internal and external stakeholders of the Group. This assessment allows us to identify and to map the priorities of the Group against the priorities of our stakeholders in order to better align the expectation of all our stakeholders to our business strategies as well as to identify any areas for potential optimisations.

Based on our assessment, we have identified and ranked 14 key areas which matter the most to our Group as well as our stakeholders. The outcome of our **Material Matters Matrix** is illustrated below:



1 Market Competitiveness

2 Economic and Business Performance

3 Succession Planning of Experienced Management and Key Personnel

4 Sustainable Supply Chain Management

5 Occupational Health and Safety

6 Customer Satisfaction

7 Products and Technological Innovation

8 Waste Management

9 Quality Products

10 Workforce Learning and Development

11 Risk Management and Corporate Governance

12 Local Communities

13 Energy Management

14 Employee Welfare

SUSTAINABILITY STATEMENT 2018
(cont'd)

ECONOMICS

MANAGING OUR BUSINESS

At Chin Hin, we strived to create long-term value for our stakeholders by delivering quality building material products, outstanding customer experience and offering innovative, fast and cost-effective solutions to our customers. We are consistently improving our internal capabilities, expanding our products as well as investing in latest technologies in order to meet the needs within the construction and building materials industry.

Growing the Business

Revenue	- 11.70% In FYE 2016	- 4.10% In FYE 2017	+ 8.86% In FYE 2018
Gross Profit	- 2.68% In FYE 2016	+ 2.70% In FYE 2017	+ 0.02% In FYE 2018

Chin Hin currently has five major operating segments which supplies a vast arrays of quality building materials products to customers across Malaysia. Our major business segments include distribution of building materials and provision of logistic, ready mixed concrete, manufacturing of AAC and precast concrete products, manufacturing of wire mesh and metal roofing systems as well as our new business segment to provide modular building solutions which provides design, engineering, manufacturing and construction of modular unit and prefabricated, prefinished volumetric construction solutions.

The nature of our operating environment is subjected to various risks and opportunities which will affect the ability to grow our business positively year on year. We achieved higher revenue in FYE 2018 mainly due to higher revenue from the segment of modular building solutions, manufacturing of AAC block precast concrete products and distribution of building materials. Our financial performance is discussed in detail in the Management Discussion and Analysis ("MD&A") section of our Annual Report.

A balance of economic, environment and social risks and opportunities is essential to achieve a sustainable long-term business growth. Therefore, we will continue to focus on manufacturing and supplying quality building materials, growing our sales, increasing our range of products and improving operational efficiencies while investing in relevant technologic advancement, development of our people, health and safety measure and giving back to the local community.

SUSTAINABILITY STATEMENT 2018
(cont'd)

Expanding our Expertise

Expanding our Expertise

Continuous growth in technological and product innovation is one of the core material matters in Chin Hin's long term business strategy plan. Since the Listing of Chin Hin on the Main Market of Bursa Malaysia in year 2016 as an integrated building material specialist, we have continued to grow our business by expanding our products and services offered in order to fulfil all the needs within the construction and building materials industry.

In FYE 2018, we have ventured into the manufacturing of steel door frames and industrialised building systems through the acquisition of two specialised companies in these fields. We believe that the addition of both these products are complementary to our core business and will enable Chin Hin to attain a higher level of economies of scale as well as to mitigate our risk of over-dependence on the distribution of building materials sector.

Industrialised Building Systems

Steel Door Frames

SUSTAINABILITY STATEMENT 2018
(cont'd)

ENVIRONMENTAL CONSIDERATIONS

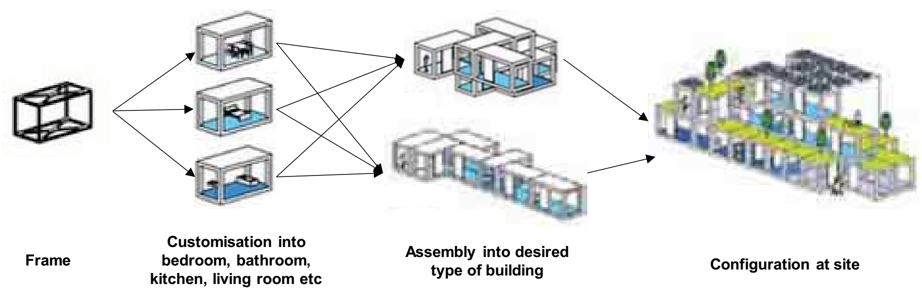
WE CARE ABOUT OUR ENVIRONMENT

We understand that as an organisation, we have a clear responsibility to care for the environment. Preserving the environment and natural resources are pivotal to ensure that our operations are able to create value sustainably without affecting the quality of life of our stakeholders.

OUR ENVIRONMENTALLY FRIENDLY PRODUCTS

"We put utmost emphasis on environmental sustainability in our products development"

Modular Units



Modular units are pre-fabricated units that are built at the factory and ready to be installed at the site. Modular construction has proven to be energy efficient and sustainable construction method as compared to the traditional construction works which required excessive materials that would eventually lead to increase waste.

Modular itself has many inherent environmental friendly 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.

In addition, this eco-friendly construction model eliminates the usage of woods which can reduce further deforestation which helps to lower down global warming issues.

Within year 2018, we have produced 408 modular units for our integrated workers complex project located in Pengerang, Johor. In view of the "green" features of our modular units, we are looking forward to managing greater number of projects in the future which will cultivate a win-win situation for our business as well as the environment.

SUSTAINABILITY STATEMENT 2018
(cont'd)

ENVIRONMENTAL CONSIDERATIONS (CONT'D)

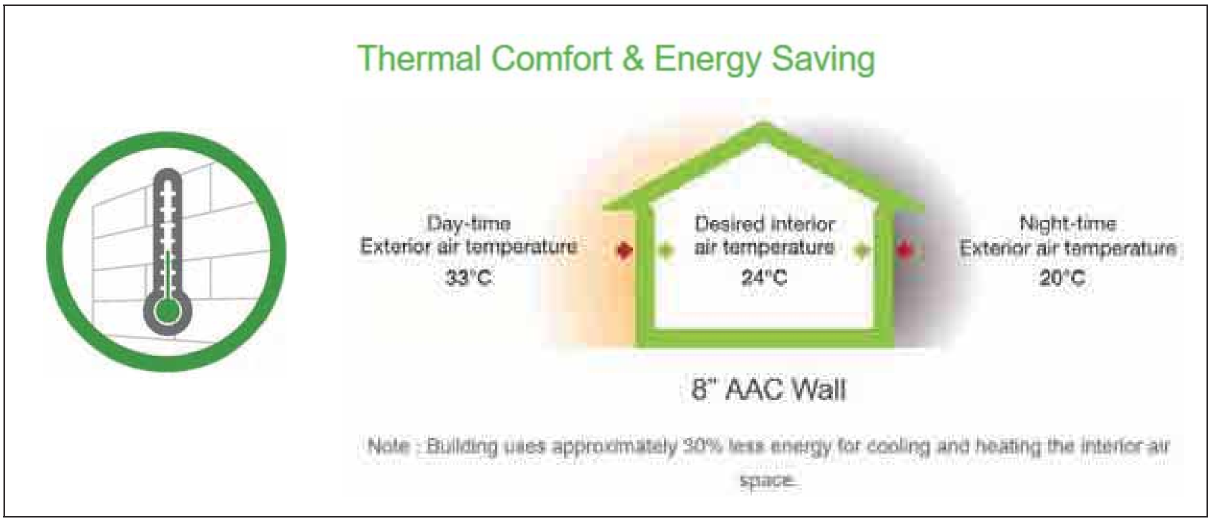
Starken Autoclave Aerated Concrete ("AAC")

Our Starken AAC is a sustainable eco-friendly building material which contains up to **20%** of recycled materials.

Starken AAC products are manufactured in standard sizes for ease of installation and compliance to Industrial Building System ("IBS") requirement. It has better dimensional tolerances and can be cut easily and accurately. It provides long life span and more importantly, it is recyclable at the end of its product life, making it an exceptionally green building material. In addition, our AAC production employs strict waste minimisation scheme while the transport fleets use less fuel (energy) due to its lightweight nature to deliver products to job sites.

Within year 2018, we have produced 381,056 m^3 of AAC Blocks to our customers. With the increasing adoption of AAC Blocks in construction industry, we are proud to state that Chin Hin is playing its role in contributing to a better environment.

The two (2) prominent environmental friendly features of our Starken AAC products are as follows:



SUSTAINABILITY STATEMENT 2018
(cont'd)

ENVIRONMENTAL CONSIDERATIONS (CONT'D)

Engineering, Procurement and Construction ("EPC") Solution

We have further strengthened our footprint on environmentally friendly products and solutions by venturing into solar power industry via an acquisition of 45% equity stake in Atlantic Blue Sdn Bhd ("Atlantic Blue"), one of the leading turnkey EPC Solution Provider that specialises in large-scale solar farming and provision of solar photovoltaic solutions.

As at year 2018, Atlantic Blue has successfully installed numerous solar panel systems across Malaysia with a total combined capacity of approximately 75MW. Based on our internal assessment, this is equivalent to planting an estimate of 55,875 trees in Malaysia or taken off an estimate of 135,975 cars from the road per year. With this in place, it can actually offset an estimate of 75,000 tonnes carbon footprint annually.

Polymer Concrete Pipe

We manufacture and supply composite polymer concrete pipe that is stronger, non-corrosive and easier to install as compared to the existing conventional reinforced concrete pipes or vitrified clay pipes. More importantly, our polymer concrete pipe is ideal for adopting the trenchless technology installation method.

Trenchless technology can minimise the requirements for surface excavation which caused disruption and traffic congestion and hence, can significantly reduce the environmental impact of underground pipeline installation.

Over the years, we manufactured 88km of polymer concrete pipes. Within year 2018, we have supplied 15km of polymer concrete pipe to our customers. We are putting efforts to introduce these products to customers so that environmental impact as a result of replacement of existing sewerage or water piping can be minimised moving forward.

SUSTAINABILITY STATEMENT 2018
(cont'd)

ENVIRONMENTAL CONSIDERATIONS (CONT'D)

OUR INTERNAL SUSTAINABILITY INITIATIVES

"We believe sustainability initiatives should begin within the organisation and we aim to engage employees in sustainable practices through the course of daily work."

Solar Panel Installation on Our Factories

Solar energy is quickly becoming the prefered method to generate sustainable renewable energy ("green energy"). The solar panel systems installed on our Metex Steel and Starken AAC factories have the capacity to generate 1MW and 1.425MW of green electricity respectively.

Green energy generated from our solar panel systems are supplied to distribution licensees under the Fit-in Tarrif ("FiT") mechanism and hence, reducing the need to generate energy which are less environmental friendly.

Metex Steel Factory (1MW)

Starken AAC Factory (1.425MW)

Our Office Sustainability Practices

Green Initiatives Within Office

- Go digital for meeting to reduce usage of transportation
- Increasing use of electronic softcopies to reduce paper consumption
- Practising double-sided printing to reduce paper consumption
- Conserving water consumption
- Switching off lights while not in use

SUSTAINABILITY STATEMENT 2018
(cont'd)

ENVIRONMENTAL CONSIDERATIONS (CONT'D)

WASTE MANAGEMENT EFFORTS

"Our sustainability efforts go beyond the internal organisation"

Collection of Coal Ash

Our subsidiary, G-Cast has entered into an agreement with Tanjung Bin Power Sdn Bhd to collect coal ash, a harmful by-product of coal fired in Power Station.

Properly recycled coal ash can be used as an alternative material to produce higher grade cements which are stronger and more durable.

Using recycled coal ash as a substitute product will reduce the environmental pollution problems created by excessive production of cement, as well as reduce the chances of environmental pollution which can come from improper disposal of the coal ash.

In doing so, we are able to capitalise on a win-win situation which benefits both our business as well as the environment.

SUSTAINABILITY STATEMENT 2018
(cont'd)

SOCIAL CONSIDERATIONS

OUR PEOPLE, CULTURE AND WORKPLACE

Chin Hin Group's sustainable growth is dependent on the diversified skills and experiences of our people. Employees are our pride and their achievements lead us to business growth and sustainability accomplishments.

Fair Recruitment

Chin Hin is committed to fair hiring. Recruitment and selection of employees are conducted in a manner that is objective, fair, equitable, consistent and non-discriminatory. Decisions are made based on the merit and guided by respect, diversity, integrity and accountability. All employees involved in recruitment process should possess necessary knowledge and skills to conduct recruitment and selection effectively.

Ensuring Employee's Basic Right

Humane Treatment & Non-Discrimination

- Employee must be treated humanely at all times. Sexual harassment, slavery, punishment, mental or physical coercion, verbal or physical abuse and any forms of intimidation are strictly prohibited
- Unlawful discrimination irrespective of race, religion, gender, position, status or union membership are also strictly prohibited

Working Hours, Wages and Benefits

- Compensations paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits, and shall pay in timely manner

Rights to Freely Choose Employment

- Work is performed voluntarily. Forced, bonded or involuntary prison labour is prohibited
- Unlawful employment is neither engaged in nor condoned
- Employee may freely leave employment once a reasonable notice period has been served

Freedom of Association

- Chin Hin respects the rights of employees to associate freely, to decide whether they wish to join labour unions and to seek representation in accordance with relevant laws and regulations

SUSTAINABILITY STATEMENT 2018 (cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

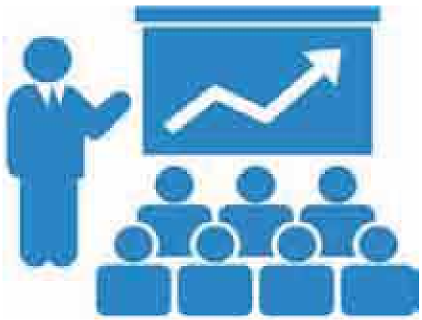
Employee Learning and Development

The wellbeing and development of our people are key to the growth and success of Chin Hin Group. We prioritise development of leadership capabilities and foster a results-centric work environment that promotes operational excellent and efficiency.

Within year 2018, the Group has spent approximately RM315,000 for employee development and training initiatives. A summary of our training and development initiatives are as follows:

Business Leader Development Programme

Chin Hin Academy launched in 2016 for the purpose of championing all internal training initiatives has continued to provide comprehensive internal leadership training program to our people, i.e. "Business Leader Development Programme" in year 2018. This programme includes a fusion of theoretical and practical approach to equip leaders with all essential skills and knowledge to achieve a sustainable growth by focusing on customer needs and innovating products to address the right segments.



Global Leadership Summit Malaysia 2018

THE GLOBAL LEADERSHIP SUMMIT

Chin Hin has continued to sponsor the annual Global Leadership Summit Malaysia in year 2018. Our Group has sent a total of one hundred and forty-five (145) employees to attend the event as part of our overall talent development strategy. The event embraced activities such as leadership videos, corporate discussion and application of leadership theories into workplace.

Factory Visits

All employees from different divisions are given opportunities to visit Starken AAC and Metex Steel factories on half-yearly basis so as to explore and understand the products, production flows and factory working environment.

Various ISO Trainings

The Group continued to hold various internal and external training programme for employee to upgrade their ISO 9001 and ISO 14001 quality standard so as to enhance their workforce capability and to deliver work with high quality standard.

SUSTAINABILITY STATEMENT 2018
(cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

Occupational Health and Safety

Ensuring workplace environment that prioritises the safety and health of our employees and site visitors is of utmost importance to our Group. Safety culture is incorporated seamlessly into our daily operations, supporting employees' confidence and morale when working at Chin Hin Group.

Our Group's Safety and Health Goals

- ✓ Always in compliance to legislative requirements as stipulated under Malaysian Occupational Safety and Health Act 1994
- ✓ Reduce occupational injury rate to achieve zero harm
- ✓ Promote a culture of individual ownership and responsibility for Occupational Safety and Health management
- ✓ Continual improvement for a safer working environment

Our Health and Safety Program/ Training in 2018

- Inspection by Department of Occupational Safety and Health
- Safety committee meetings
- Factory audit (internal)
- HIRADC & EAI register review
- Emergency Response Team monthly program
- Chemical & scheduled waste management
- Chemical exposure monitoring
- Ergonomic & manual handling
- Personal protective equipment
- Machinery operating training
- Audiometric/ noise monitoring training
- Dark smoke & stack monitoring
- Fire drill training

Our Safety Practices

- Every employee is responsible to report any potential hazard, injury or accident immediately to their immediate superior or department head for necessary remedy actions to be carried out.

- All basic safety and health features such as fire extinguishers and medical boxes must not be expired, all emergency exit or walkway must be clear for evacuation.

- Employees at sites or factory areas must be careful and wear proper protective equipment to safeguard personal safety.

SUSTAINABILITY STATEMENT 2018 (cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

Employee Engagement

Chin Hin Group actively engages with employees through various events. These events are aimed to foster our employee relationship as one family members amidst a fun environment to help forge closer bonds and sense of belonging.

Town Hall Meetings

Town hall meetings were conducted on half-yearly basis. This allows the Group Managing Director and Chief Executive Officer to share their thoughts on the overall directions of the Group, latest news and information relevant to the Group and to invite employees to ask questions and communicate their views about the future of the Group. Due to the spread of the Group's business operations amongst different states of Malaysia, various strategic business units' town hall meetings were conducted at the respective regional office or factory.

Annual Dinner & Internal Brand Transformation Event

In conjunction with our annual dinner held on 30 January 2018, we have launched an "Internal Brand Transformation" event at Westin Hotel. The purpose of the event was to introduce Chin Hin manifesto and brand personality to the employees. All employees were involved actively by contributing their idea on "best-way" to live the Chin Hin brand personality. A total of 420 employees had attended the annual dinner and event with smiling faces as various fun activities and plenty of generous door gift and lucky draws were given during the night.

Festive Seasons Celebrations

We strive to inculcate a feeling of belonging within Chin Hin Group and encourage employee unity and a sense of working together to achieve our shared goals. Throughout the year, we hosted numerous events to recognise festive seasons and to bring our people together.

On 8 February 2018, all our multi-races employees were invited to celebrate Chinese New Year at our very own Chin Hin Cultural Centre. Event began with joyful Chinese "Yee Sang" tossing and continued with Chinese calligraphy competition and lantern group competition to embrace Chinese tradition amongst the multi-races' employees. Group lantern making competition required at least two (2) races in a group in order to enhance the Chinese tradition experience to non-Chinese employees.

SUSTAINABILITY STATEMENT 2018
(cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

Festive Seasons Celebrations (Cont'd)

Apart from the Chinese New Year celebration, we have also organised two (2) internal Hari Raya competitions, i.e. "Deco Your Raya Office" and "Love Ramadan & Raya" in which employees were encouraged to decorate their office and join Malay colleagues' celebration activities outside office and take pictures for prize winning.

Employee Induction – 100 Days Journey

In year 2018, we continued to organise our "100 Days Journey" programme regionally. The programme was designed to integrate and assimilate all new employees into Chin Hin working environment and culture. It is a three (3) months orientation program to assist employees to familiarise with the Group's background, policies, directories, products and services and the core values.

Loacker Day

On 30 July 2018, we have organised a "Loacker Day" at our Chin Hin Culture Centre in which Loacker brand snacks were given for free to all the employees while other snacks brands such as Pocky, Pretz, Pejoy and Haagen Dazs ice cream were selling at promotional price.

Work-Life Balances - Marathon

We always encourage our employees to take part in various sport activities so as to maintain good health and promote work-life balance. On 8 April 2018, a total of fifty-eight (58) Chin Hin employees participated in "Standard Chartered Kuala Lumpur Marathon".

SUSTAINABILITY STATEMENT 2018
(cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

COMMUNITY SERVICES

"Chin Hin Group believes that contribution to community development is essential as part of the social responsibilities in building up and maintaining a sustainable business."

Contributing to Community Wellbeing

We believe in improving the lives of local communities by offering opportunities for jobs, education, health and overall wellbeing. During 2018, we have participated in various collaborations and events to enrich the local community.

Collaboration with Heriot-Watt University Malaysia

Our Group is proud to collaborate with Heriot-Watt University Malaysia, one of the World Top 500 Universities, by providing learning resources and a platform for their Professor, Master and Undergraduate students to carry out their research project at our plant. This collaboration creates a win-win partnership to foster good teamwork, collaborative spirit amongst our employees to nurture a better talent ecosystem for our industry and community.

Factory Visit by Students from Universiti Tunku Abdul Rahman

On 11 July 2018, a batch of students from Universiti Tunku Abdul Rahman have visited our Metex Steel factory and Solarvest Solar Gallery to gain some practical experiences and explore to factory working environment.

SUSTAINABILITY STATEMENT 2018
(cont'd)

SOCIAL CONSIDERATIONS (CONT'D)

Peer Learning Session with Felda Global Ventures Holdings Berhad ("FGV") Academy

We are glad to host a peer learning session with FGV Academy at our Metex Steel factory to share what we do as an Academy in building material industry.

Guest Speakers at Universiti Tunku Abdul Rahman

We have been invited as guest speakers on the topic of "Concrete Technology Talk" to provide relevant concrete technology insights to the Civil Engineering students at Universiti Tunku Abdul Rahman.

Blood Donation Campaign

In collaboration with Pusat Darah Negara, we had on 13 July 2018 organised a blood donation campaign at our Chin Hin Culture Centre. A total of 100 blood assessments were performed to evaluate the suitability of the donor. The campaign collected 58 bags of blood. With a permitted accessibility, Chin Hin hopes to regularly participate in such social activities.

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 practices in accordance with the principles and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG") for the financial year ended 31 December 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

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.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management is aware and are responsible for meeting.

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

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

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

i) <u>Review and Adopt Strategic Plan of the Group</u>

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board will be briefed by the Executive Directors with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which to support the Group's business plan and budget plan.

ii) <u>Implementation of Internal Compliance Controls and Justifies Measures to Address Principal Risks</u>

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

Corporate Governance Overview Statement
(cont'd)

The principal roles and responsibility assumed by the Board are as follows: (Cont'd)

iii) To formulate and Have in Place an Appropriate Succession Plan

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

iv) Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

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

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and adequately segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Executive Directors holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Executive Directors, assisted by the senior management, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

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

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) committees as stated below :

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

All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in terms of reference and report to the Board with the necessary recommendation.

Corporate Governance Overview Statement (cont'd)

Independent Chairman

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the chairman of the Board is not an independent director.

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and more than one third (1/3) of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Board therefore is of the view that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

Separation of Positions of the Chairman and Group Managing Director

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

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.

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.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Constitution, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

Information and Support for Directors

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

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

Corporate Governance Overview Statement
(cont'd)

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

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Board Charter

As part of the governance process, 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 Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available on the Company's website at www.chinhingroup.com.

Code of Conduct and Ethics

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.

Corporate Governance Overview Statement (cont'd)

Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of the business which underpins sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

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.

Whistle-Blowing Policy

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company's policies and regulatory requirements responsibly and sensibly.

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.

Board Composition

The current Board of Directors consists of six (6) principal members, comprising an Independent Non-Executive Chairman, three (3) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Alternate Director. The Company thus complies with Paragraph 15.02 of the MMLR whereby at least two (2) or one-third (1/3) of the Board of Directors, whichever is higher, are Independent Directors. In the event of any vacancy in the Board of Directors resulting in non-compliance with the MMLR, the Board shall fill the vacancy within three (3) months from the date of that event. The profile of each Director is presented separately on pages 8 to 14 of this Annual Report.

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 current 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.

Tenure of Independent Directors

The Board Charter has set the policy which limits the tenure of its Independent Directors to nine (9) years. Upon completion of the nine (9) 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 (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

Corporate Governance Overview Statement
(cont'd)

As at 31 December 2018, the tenure of the Independent Non-Executive Directors of the Company are as follows:

	< 1 Year	1-3 Years	4-6 Years	7-9 Years
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani		√		
Datuk Cheng Lai Hock		√		
Yeoh Chin Hoe		√		

Currently, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

New Candidates for Board Appointment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee of the Company. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

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

Currently, the sources to identify suitably qualified candidates for appointment of directors are on recommendations from existing Board members, senior management or major shareholders. However, the Board and the Nomination Committee would not hesitate to utilise independent sources to identify suitably qualified candidates, where necessary.

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of a director to the Board is as follows:

i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
ii) The Nomination Committee determines the skills matrix;
iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
iv) The Nomination Committee recommends to the Board for appointment; and
v) The Board approves the appointment of the candidates.

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

i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;

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

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

Corporate Governance Overview Statement (cont'd)

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting the target for female candidates in the Group. The Group basically evaluate the suitability of candidates as a new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

Currently, save and except for Ms Shelly Chiau Yee Wern, the alternate director to Datuk Seri Chiau Beng Teik, our Board does not comprise of any female director. In line with the country's aspirational target of 30% representation of women on Boards, the Board will evaluate and match the criteria of the potential candidate as well as considering the appointment of female director onto the Board in future to bring about a more diverse perspective.

Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the maximum number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his/her responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company.

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

During the financial year ended 31 December 2018, the Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meetings

There were five (5) Board of Directors' meetings held during the financial year ended 31 December 2018. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

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	5/5	100
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
Ms Shelly Chiau Yee Wern * *(Alternate Director to Datuk Seri Chiau Beng Teik)*	N/A	N/A

Note:
** Ms Shelly Chiau Yee Wern has appointed as alternate director to Datuk Seri Chiau Beng Teik on 2 July 2018.*

Corporate Governance Overview Statement
(cont'd)

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2018.

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 will be 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.

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

Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes / seminars / conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani	Name of Conference/Training: Asian Financial Law and Regulation Conference Topic: Development of Islamic Finance - The Malaysian Experience Conference Organiser: Singapore Management University, Melbourne Law School, University of Hong Kong and Shandong University Date & Venue: 23 January 2018, SMU School of Law Singapore Name of Conference/Training: Public Lecture Topic: Regulatory framework of Islamic finance: current trends and issues Conference Organiser: Henley Business School Malaysia, University of Reading Malaysia Date & Venue: 31 October 2018, University of Reading Malaysia JB Name of Conference/Training: Panel Discussion at the International Compliance Association (ICA) Topic: How Will BNM's Responsibility Mapping project affect you and your firm? Conference Organiser: International Compliance Association (ICA) Date & Venue: 30 November 2018, Hotel Majestic KL Name of Conference/Training: MSBC Seminar: Jumping Onto the Digital Free Trade Zone Bandwagon Conference Organiser: Malaysia-Singapore Business Council (MSBC) and Singapore Business Federation (SBF) Date & Venue: May 14, 2018 (Monday) from 9am – 2.30pm in CIMB Learning Academy Auditorium, Afiniti Medini, Johor

Corporate Governance Overview Statement (cont'd)

Name of Director	Seminars/Conferences/Training Programmes Attended
Datuk Seri Dr Nik Norzrul Thani bin Nik Hassan Thani (cont'd)	Name of Conference/Training: JEMPUTAN KE BENGKEL MAJLIS PENASIHAT FAKULTI UNDANG-UNDANG, UNIVERSITI KEBANGSAAN MALAYSIA Conference Organiser: UNIVERSITI KEBANGSAAN MALAYSIA Date & Venue: 13 September 2018 at Hotel Bangi-Putrajaya Name of Conference/Training: Power Talk & Directors Dialogue Conference Organiser: Permodalan Nasional Berhad Date & Venue: 31 October 2018 at The Majestic Hotel Name of Conference/Training: YTI MEMORIAL LECTURE "REDEFINING FINANCIAL INTEGRITY" Conference Organiser: Permodalan Nasional Berhad Date & Venue: 26 November 2018 at Mandarin Oriental Kuala Lumpur
Datuk Seri Chiau Beng Teik	Name of Conference/Training: Global Leadership Summit – Special Edition Marketplace Conference Organiser: GLS Conference Services Date & Venue : 28 March 2018 @ Putrajaya
Datuk Cheng Lai Hock	Name of Conference/Training: Seminar Percukaian Kebangsaan 2018 Conference Organiser: LHDN Malaysia Date & Venue : 19 November 2018 @ Sungai Petani Name of Conference/Training: Sharing the Nation's Prosperity Conference Organiser: LHDN & MEF Date & Venue : 20 March 2018 @ Alor Setar
Mr Chiau Haw Choon	Name of Conference/Training: Maximising Leadership Impact to Influence People and Drive Results (With Silega Commander Simulation) Conference Organiser: Chin Hin Academy Date & Venue : 16 & 17 January 2018 @ Kuala Lumpur Name of Conference/Training: Global Leadership Summit – Special Edition Marketplace Conference Organiser: GLS Conference Services Date & Venue : 28 March 2018 @ Putrajaya Name of Conference/Training: YPO Regional Forum Conference Organiser: YPO Malaysia Date & Venue : 19-21 January @ Hanoi, 23-25 March @ Kuala Lumpur, 5-7 October 2018 @ Hong Kong. Name of Conference/Training: YPO Russia Presidents' University Program Conference Organiser: YPO Russia Date & Venue : 5-12 May 2018 @ Russia. Name of Conference/Training: EY Entreprenuer of the Year World Conference Conference Organiser: Ernst & Young Date & Venue : 13-17 June 2018 @ Monte Carlo

Corporate Governance Overview Statement
(cont'd)

Name of Director	Seminars/Conferences/Training Programmes Attended
Mr Chiau Haw Choon (cont'd)	Name of Conference/Training: YPO Russia Presidents' University Program Conference Organiser. YPO Russia Date & Venue : 5-12 May 2018 @ Russia. Name of Conference/Training: Neuro Linguistic Programming Practitioner Certification Course Conference Organiser. YPO SEA Region Date & Venue : 17-23 November 2018
Mr Lee Hai Peng	Name of Conference/Training: Maximising Leadership Impact to Influence People and Drive Results (With Silega Commander Simulation) Conference Organiser. Chin Hin Academy Date & Venue : 16 & 17 January 2018 Name of Conference/Training: Global Leadership Summit – Special Edition Marketplace Conference Organiser. GLS Conference Services Date & Venue : 28 March 2018 @Putrajaya
Mr Yeoh Chin Hoe	Name of Conference/Training: Policing to Consulting Workshop for Chief Internal Auditor Conference Organiser. Bursa Malaysia & IIAM Date & Venue: 16 October 2018 at IIAM Malaysia. Name of Conference/Training: AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading Conference Organiser. CHK Concultancy Sdn Bhd Date & Venue: 11 October 2018 at Kuala Lumpur.
Ms Shelly Chiau Yee Wern * *(Alternate Director to Datuk Seri Chiau Beng Teik)*	Name of Conference/Training: Global Leadership Summit – Special Edition Marketplace Conference Organiser. GLS Conference Services Date & Venue : 28 March 2018 @ Putrajaya Name of Conference/Training: Niro Ceramic Group Study Tour Conference Organiser. REHDA Date & Venue: 2 July 2018 @ Shah Alam Name of Conference/Training: 10th International Conference on World Class Sustianable Cities 2018 Conference Organiser. Rehda Youth Secretariat Date & Venue: 27 September 2018 @ Intercontinental Kuala Lumpur Name of Conference/Training: Digital Townships & Smart Cities Conference Organiser. REHDA Date & Venue: 24 October 2018 @ Wisma REHDA

Note:
* *Ms Shelly Chiau Yee Wern has appointed as alternate director to Datuk Seri Chiau Beng Teik on 2 July 2018.*

Corporate Governance Overview Statement (cont'd)

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 discharge their duties effectively.

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 Board Meetings.

Nomination Committee

In line with the Best Practices of MCCG, the Board has established the Nomination Committee which comprise exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

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

The present members of the Nomination Committee of the Company are:

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

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;

ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution; and

iii) Reviewed and recommended for the appointment of Ms Shelly Chiau Yee Wern as the alternate director to Datuk Seri Chiau Beng Teik.

Evaluation for Board, Board Committees and Individual Directors

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

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

Based on the assessment conducted for the financial year ended 31 December 2018, the Board and the Nomination Committee 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.

Corporate Governance Overview Statement
(cont'd)

Re-Election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. Pursuant to the Company's Constitution, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Company's Constitution also provide at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election at the forthcoming Annual General Meeting of the Company are as stated in the Notice of Annual General Meeting.

Annual Assessment of Independence

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

Based on the assessment carried out for the financial year ended 31 December 2018, the Board and the Nomination Committee is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfil the definition of independence as set out in the MMLR of Bursa Securities.

Remuneration Committee

In line with the Best Practices of MCCG, the Board has established the Remuneration Committee which comprise majority of Independent Non-Executive Directors, with the responsibilities to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

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

The present members of the Remuneration Committee of the Company are:

Designation	Name	Directorship
Chairman	Chiau Haw Choon	Group Managing Director
Member	Yeoh Chin Hoe	Senior Independent Non-Executive Director
Member	Datuk Cheng Lai Hock	Independent Non-Executive Director

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

i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

Remuneration Policy

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

Corporate Governance Overview Statement (cont'd)

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

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

Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2018 are as follows:

	Company		Group	
Director	**Fees (RM)**	**Salaries and other emoluments (RM)**	**Fees (RM)**	**Salaries and other emoluments (RM)**
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	120,000	1,500	120,000	1,500
Datuk Seri Chiau Beng Teik	–	180,000	–	180,000
Chiau Haw Choon	–	1,188,363	–	1,188,363
Lee Hai Peng	–	398,000	–	470,000
Datuk Cheng Lai Hock	60,000	1,250	60,000	1,250
Yeoh Chin Hoe	60,000	1,500	60,000	1,500
Total	**240,000**	**1,770,613**	**240,000**	**1,842,613**

Remuneration of Top Six (6) Senior Management

The top six (6) 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, Mr Lok Boon Cheng and Mr Colin Pang Toh Chin, their designations as disclosed in this Annual Report. The aggregate remuneration of these top six Senior Management received for the financial year ended 31 December 2018 was RM4,655,578 representing 11% of the total employees' remuneration of the Group.

The remuneration of the aforesaid top six (6) 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 the top six (6) Senior Management's total combined remuneration package should meet the intended objectives of the MCCG.

Corporate Governance Overview Statement
(cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Independence of the Audit Committee

Chin Hin recognised the need to uphold the 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.

Financial Literacy of the Audit Committee Members

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profile on pages 8 to 14 of this Annual Report. During the financial year ended 31 December 2018, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to discharge their duties effectively.

Compliance with Applicable Financial Reporting Standards

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

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2018 are prepared in accordance with the Malaysian Financial Reporting Standards, MMLR and the Companies Act 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Paragraph 15.26(a) of the MMLR on its responsibilities in preparing the financial statements is set out on page 95 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Audit Committee and the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of, among others, the following:

i) the adequacy of the competency, experience and quality of the External Auditors;

ii) 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;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

Corporate Governance Overview Statement (cont'd)

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of, among others, the following: (Cont'd)

iv) 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 Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Audit Committee and the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2018.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2019.

Risk Management and Internal Control

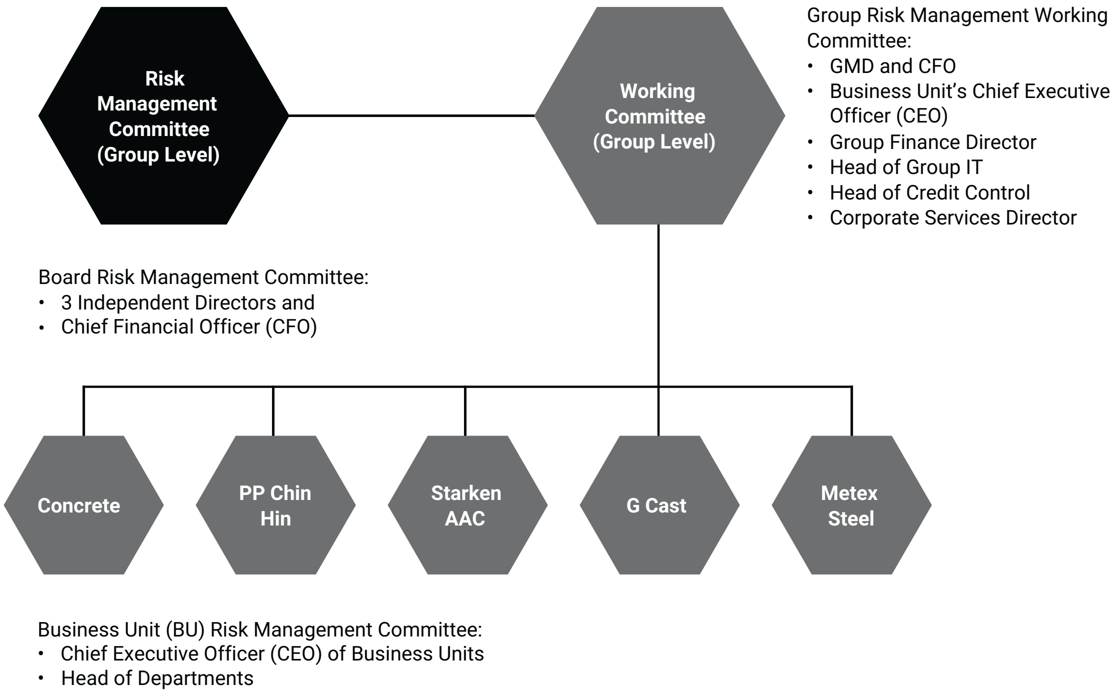
The Group is fully aware of its overall responsibility to continuously maintain a sound system for risk management and internal controls which covers financial, operational and compliance. With this in mind, the Group has established an internal control system and risk management framework which is adopted 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.

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.

Corporate Governance Overview Statement
(cont'd)

Risk Management structure:



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

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 96 to 98 in this report.

Corporate Governance Overview Statement (cont'd)

Internal Audit Activities

The Group has appointed an established external professional Internal Audit firm, who reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

The Internal Audit firm appointed by the Company is an independent professional internal audit service provider is manned by professionally qualification and experienced staff. The Internal Audit firm appointed by the Company is independent from the activities related to Group's business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors.

Internal audit provides an independent assessment on the effectiveness and efficiency of internal controls utilising an acceptable audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approved the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan shall be reviewed and approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred by the Group for the internal audit function during the financial year ended 31 December 2018 amounted to RM113,568.00.

The functions of the internal auditors are including but not limited to the following :

i) perform internal audit work in accordance with the pre-approved internal audit plan, that covers reviews of the internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;

ii) carry out reviews on the systems of internal control of the Group;

iii) review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and

iv) provide recommendations, if any, for the improvement of the internal control policies and procedures.

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

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 internal audit scope, functions competency and resources, and that it has the necessary authority to carry out its work;

iii) Planned 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 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;

Corporate Governance Overview Statement (cont'd)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities: (Cont'd)

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

vii) Reported to the Board the results of the internal audit reports and its findings and the implementation of the management responses to the findings.

The Audit Committee and the Board agreed that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

The Audit Committee and Board are satisfied with the performance of the internal auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

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

Communication with Stakeholders

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.

The Group's annual report for the financial year ended 31 December 2018 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.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Corporate Governance Overview Statement (cont'd)

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty eight (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. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make the necessary arrangement to attend the planned AGM.

At the Fourth (4th) AGM of the Company held on 31 May 2018, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

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

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

Effective Communication and Proactive Engagement

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

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests. As recommended by the MCCG, the Company has appointed a Senior Independent Non-Executive Director to whom queries and concerns regarding the Group may be conveyed.

Compliance Statement

Other than as disclosed and/or explained in this Annual Report, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

OTHER DISCLOSURE REQUIREMENTS

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

i) As at 31 December 2018, the gross proceeds from the public issue amounting to approximately RM41.079 million was fully utilised from the date of listing in the following manner:

		Details of the Utilisation of Proceeds Utilisation [1]							
	Details of the Utilisation of Proceeds	Proposed RM'000	Actual RM'000	Balance RM'000	Variations of IPO Proceeds RM'000	After Variations of IPO Proceeds RM'000	Balance of IPO Proceeds RM'000	Estimated Timeframe for Utilisation from the Listing Date	Revised Expected Timeframe for Utilisation of Proceeds (from the Listing Date) [3]
i)	Expansion of existing manufacturing facility and purchase of new equipment and machinery	15,000	9,310	5,690	[2] 5,690	5,690	–	Within 24 months	Within 36 months
ii)	Repayment of bank borrowings	15,000	15,000	–	–	–	–	Within 6 months	No change
iii)	Working capital requirements	7,079	7,079	–	–	–	–	Within 24 months	No change
iv)	Listing expenses	4,000	4,000	–	–	–	–	Immediately	No change
		41,079	**35,389**	**5,690**	**5,690**	**5,690**	**–**		

Notes:

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

(2) The amount budgeted for expansion of existing manufacturing facility and purchase of new equipment and machineries has been re-allocated for the purchase of the following machineries:

No.	Machineries	No.of units	Total (RM'000)
(a)	Autoclave	4	4,482
(b)	Spinning moulds	30	345
(c)	Reinforced concrete moulds	10	863
	Total	**44**	**5,690**

(3) The proposed variation of the utilisation of proceeds is on revised expected timeframe for utilisation of proceeds from listing date only.

Other Disclosure Requirements
(cont'd)

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS (CONT'D)

ii) As at 31 December 2018, 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 Proposed RM'000	Actual RM'000	Balance RM'000	Variations of Private Placement Proceeds RM'000	After Variations of Private Placement Proceeds RM'000	Balance of Private Placement Proceeds RM'000	Estimated Timeframe for Utilisation from the Listing Date
i)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	1,606	10,394	–	–	10,394	Within 18 months
ii)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	6,200	–	–	–	–	Within 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	2,316	377	–	–	377	Within 12 months
iv)	Repayment of bank borrowings	23,600	23,600	–	–	–	–	Within 6 months
v)	Future expansion plans #	10,000	10,000	–	–	–	–	Within 24 months
vi)	Working capital purposes	9,757	9,757	–	* 865	865	–	Within 6 months
vii)	Expenses for the Private Placement	1,400	535	865	* (865)	–	–	Within 1 month
		65,650	**54,014**	**11,636**	**-**	**865**	**10,771**	

Notes:

\# *To reimburse partially the internal generated fund used for the acquisition of Atlantic Blue of RM24.75 million.*

* *As provided in the Company's announcement made on 6 June 2017, the Company had transferred RM865,000 of balance unutilised from the estimated expenses incurred for the Private Placement exercise to the working capital purposes.*

Other Disclosure Requirements
(cont'd)

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 2018 where as follows:

	Company Level RM	Group Level RM
Audit services rendered	48,000	425,604
Non- Audit services rendered		
(a) Review of statement of risk management and internal control	5,000	5,000

MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

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

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The Company is seeking approval from shareholders for the proposed new shareholders' mandate and renewal of the existing shareholders' mandate for the Group to enter into RRPT(s) of a revenue or trading nature pursuant at the forthcoming Annual General meeting to be held on 17 June 2019.

The details of RRPTs of a revenue or trading nature of the Group for the financial year ended 31 December 2018 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.	4,523	• 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.	1	
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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
Italia Ceramics Sdn Bhd	• PP Chin Hin	• Supply and/or purchase of building materials based on prevailing market price.	12	• 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.	Nil	
CH Hardware & Transport Sdn Bhd	• C&H Transport	• Provision of transportation services based on prevailing market price.	Nil	• 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.	Nil	
		• Supply and/or purchase of building materials based on prevailing market price.	Nil	
Pintar Muda Development Sdn Bhd	• CHGB Group	• Sale of building materials based on prevailing market price.	Nil	• 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, a Major Shareholder of CHGB.
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	4	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT") (CONT'D)

<table>
<tr><th>Related Party</th><th>CHGB Group - Transacting Party</th><th>Nature of Transaction with CHGB Group</th><th>Value of Transaction (RM'000)</th><th>Nature of relationship between CHGB Group and the Related Party</th></tr>
<tr><td rowspan="3">GA Hotel Management Sdn Bhd</td><td>• PP Chin Hin
• Chin Hin Concrete (North)</td><td>• Sale of building materials based on prevailing market price.</td><td>Nil</td><td rowspan="3">• 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, a Major Shareholder of CHGB.</td></tr>
<tr><td rowspan="2">• CHGB Group</td><td>• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.</td><td>Nil</td></tr>
<tr><td>• Provision of hotel accommodations by GA Hotel Management Sdn Bhd based on prevailing market price</td><td>Nil</td></tr>
<tr><td rowspan="2">Chip Hin Trading Sdn Bhd</td><td rowspan="2">• CHGB Group</td><td>• Provision and/ or receipt of transportation services based on prevailing market price.</td><td>Nil</td><td rowspan="2">• 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.</td></tr>
<tr><td>• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.</td><td>Nil</td></tr>
</table>

Other Disclosure Requirements (cont'd)

RECURRENT RELATED PARTY 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.	1,126	• 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.	7,800	
		• Sale of vehicle insurance premium and road tax to CHL Logistic Sdn Bhd (as agent of the insurance company).	8	
		• Rental income received by Chin Hin Concrete (KL) for office space rented to CHL Logistic Sdn Bhd [(i)].	22	
		• Rental income received for motor vehicles rented out to CHL Logistic Sdn Bhd.	Nil	
Teras Maju Sdn Bhd	• PP Chin Hin	• Sale of building materials based on prevailing market price.	Nil	• 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.	Nil	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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 Gypsum Sdn Bhd	• Starken	• Purchase of raw materials based on prevailing market price.	1,515	• 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.	Nil	
		• Leasing / renting / letting of office premises to and/or from Chin Hin Group based on market value and is payable on an equal pro-rated monthly basis.	48	
Primore Sdn Bhd	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	• 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, a Major Shareholder of CHGB.

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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	• Rental income received from Sens Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin [ii].	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 Chiau 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 [iii].	12	
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	
		• Provision of hotel accomodations by Sens Hotel Sdn Bhd based on prevailing market price.	6	
Chiau Beng Sun	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	7	• 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 PARTY 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	• Rental expenses paid to Laksana Saujana Sdn Bhd for renting of warehouse-cum office (iv).	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.	Nil	
Chin Hin Hotel Sdn Bhd	• PP Chin Hin	• Rental income received from Chin Hin Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin (v).	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 in turn is substantially owned by PP Chin Hin Realty, a Major Shareholder of CHGB.
		• Sale of building materials based on prevailing market price.	1	
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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	• Rental paid for renting of office space by PP Chin Hin [vi].	10	• 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.
	• CHGB Group	• Leasing / renting / letting of office premises to and/or from Chin Hin Group based on market value and is payable on an equal pro-rated monthly basis.	Nil	
Murni Jaya Enterprise Sdn Bhd	• C&H Transport	• Provision of transportation services based on prevailing market price.	2,890	• 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.
		• Rental income received from Murni Jaya Enterprise Sdn Bhd for the renting of motor vehicles from C&H Transport.	102	
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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	• CHGB Group	• Sale of building materials based on prevailing market price.	Nil	• 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 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.
		• Rental income received from PP Chin Hin Realty for renting of office space belonging to PP Chin Hin (vii).	15	
		• Rental income received from PP Chin Hin Realty for renting parking lot belonging to PP Chin Hin (viii).	9	
		• Rental paid to PP Chin Hin Realty for rental of office space by Chin Hin Concrete (KL) (ix).	19	
		• Rental paid to PP Chin Hin Realty for rental of office space by CHGB (x).	24	
		• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	76	

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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 Group Property Berhad (F.K.A. Boon Koon Group Berhad)	• CHGB Group	• Rental paid for motor vehicles rented • Purchase of motor vehicles based on prevailing market price • Supply and/ or purchase of materials based on prevailing market price. • Provision of insurance and other administrative services by Chin Hin Group based on prevailing market price. • Provision of construction services based on prevailing market price • Leasing / renting / letting of office premises to and/or from Chin Hin Group based on market value and is payable on an equal pro-rated monthly basis.	400	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. He is also a Non-Executive Chairman and a Major Shareholder of Chin Hin Group Property Berhad (F.K.A. Boon Koon Group Berhad). • Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. He is also a Non-Independent Non Executive Director of Chin Hin Group Property Berhad (F.K.A. Boon Koon Group Berhad).

Other Disclosure Requirements
(cont'd)

RECURRENT RELATED PARTY 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 Plywood Co. Sdn Bhd	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	• 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. • Datuk Seri Chiau Beng Teik and Datin Seri Wong Mee Leng are the directors and substantial shareholders of Chin Hin Plywood Co. Sdn Bhd. • Chiau Haw Choon is a director of Chin Hin Plywood Co. Sdn Bhd.
Asthetik Property Group Sdn Bhd	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	• 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 OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and the MMLR of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2018, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

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 Malaysian Code of Corporate Governance.

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 three independent Non-Executive Director and Executive Director cum Chief Financial Officer 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:

i) To review and provide oversight on the Groups existing risk management framework;
ii) To ensure that the process of identifying, evaluating, monitoring and managing significant risks faced by the Group is continuous;
iii) To review the risk management report and the risk register;
iv) To review the management action plans to mitigate the identified risks;
v) To report back to the Board on the status of risk management practices; and
vi) To highlight potential high-risk areas to the attention of the Board and to advise the Board accordingly.

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; and
iii) Business Unit Risk Management Committee.

Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROL

The features of the Group's system of internal control systems enables 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:

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

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

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

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

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

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

vii) 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 outsources the internal audit function to an establish external professional internal audit firm. The firm is appointed by and reports directly to the Audit Committee. Its role is to provide the Audit Committee with regular assurance on the continuity, integrity and effectiveness of the internal control system through regular monitoring and review of the internal control framework and management processes.

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. The areas internal audit covered were Production, Credit Management and Inventory Management functions of Chin Hin Group.

Based on the internal audit review conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

Statement on Risk Management and Internal Control (cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2018. 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

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the Board.

The present members of the Audit Committee are as follows:

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

The primary objective of the Audit Committee is to establish a documented, formal and transparent procedure to assists the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

Terms of Reference

The terms of reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.chinhingroup.com.

Attendance of Meetings

During the financial year ended 31 December 2018, the Audit Committee held five (5) meetings and the details of the attendance are as follows:

Members	Meeting Attendance
Yeoh Chin Hoe	5/5
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	5/5
Datuk Cheng Lai Hock	5/5

Summary of Activities of the Audit Committee

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year in the discharge of its functions and duties, included the following :

(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; and

iv) Compliance with accounting standards and other legal requirements.

Audit Committee Report
(cont'd)

(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;

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

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.

(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; and

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.

(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.

Audit Committee Report (cont'd)

(4) External Audit (Cont'd)

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.

(5) Related Party Transactions / Conflict of Interest Situations

i) 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; and

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

(6) Audit Reports

i) Prepared the annual Audit Committee report to the Board for inclusion in the Annual Report; and

ii) Reviewed the Board's statements on compliance with the MCCG for inclusion in the Annual Report.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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	24,099,015	9,703,014
Attributable to:		
Owners of the Parent	22,946,249	9,703,014
Non-controlling interests	1,152,766	–
	24,099,015	9,703,014

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 RM0.015 per ordinary shares in respect of the financial year ended 31 December 2017 on 16 April 2018	8,345,820
A first interim single tier dividend of RM0.015 per ordinary share in respect of the financial year ended 31 December 2018 on 15 April 2019	8,345,820
	16,691,640

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

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Directors' Report
(cont'd)

Treasury Shares

During the financial year, the Company repurchased 6,320,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.79 per share. The total consideration paid for the repurchase, including transaction costs, was RM4,995,701. The repurchased transactions were financed by internal generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

As at 31 December 2018, the Company held 6,320,000 treasury shares out of the total 6,320,000 issued ordinary shares. Further relevant details are disclosed in Note 18(b) to the financial statements.

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
Shelly Chiau Yee Wern^, alternate director to Datuk Seri Chiau Beng Teik

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 Jing Kun, Freeman
Yeoh Meng Hooi
Wong Keng Yeak
Lau See Hua^
Poh Way Chard^
Se Kok Weng^

* Director of the Company and its subsidiary companies
^ Appointed 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 01.01.2018	Bought	Sold	At 31.12.2018
Interests in the Company				
Direct Interests				
Chiau Haw Choon	8,800,000	1,950,000	–	10,750,000
Datuk Cheng Lai Hock	100,000	–	–	100,000
Datuk Seri Chiau Beng Teik	67,657,200	90,623,900	(8,450,000)	149,831,100
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*	265,532,800	6,500,000	(86,600,000)	185,432,800
Datuk Seri Chiau Beng Teik*	265,532,800	6,500,000	(86,600,000)	185,432,800

* *Deemed interest pursuant to Section 6 of the Companies Act, 2016 ("the Act") by virtue of their 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 35(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 35(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 indemnity coverage and premium paid for the Directors' and Officers' Liability Insurance by the Group was RM10,000,000 and RM27,198 respectively.

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 Event

The subsequent event is disclosed in Note 41 to the financial statements.

Auditors' Remuneration

The details of the auditors' remuneration are set out in Note 29 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 18 April 2019.

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 114 to 215 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 2018 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 18 April 2019.

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 114 to 215 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 18 April 2019)

LEE HAI PENG

Before me,

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

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 2018 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 114 to 215.

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 2018, 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.

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 Kempurna Sdn. Bhd. and Saujana Vision Sdn. Bhd. – Purchase price allocation During the financial year, the Group completed the acquisition of 100% equity interest in Kempurna Sdn. Bhd. and 70% equity interest in Saujana Vision Sdn. Bhd. for a total consideration of RM9,144,669. 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. 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.	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; • 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 freehold and leasehold buildings under property, plant and equipment The Group's freehold and leasehold buildings amounting to RM125.43 million, representing approximately 11% of the Group's total assets as at 31 December 2018. The Group has appointed valuers to conduct the valuation of their freehold and leasehold buildings. In conducting their valuation, the valuers will generally adopt the sales comparison or costs replacement method in deriving the range of the valuation outcome. We identified the valuation of the Group's freehold and leasehold buildings as a key audit matter due to the significant judgement associated with the determination of fair value based on valuation carried out by independent qualified professional valuer ("the valuer").	We have reviewed the valuation reports prepared by the 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 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 evidence of management bias or influence noted on the valuation report. We reviewed the accounting treatment of the freehold and leasehold buildings and assessed the adequacy of the disclosure in the financial statements of the Group in accordance with MFRS 116 *Property, plant and equipment*.

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 RM337.92 million, representing approximately 29% of the Group's total current asset as at 31 December 2018. 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 2018 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 2018. 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 both specific and expected credit 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 9 *Financial Instruments.*

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.

- 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.

Independent Auditors' Report

To the Members of Chin Hin Group Berhad

(cont'd)

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

We 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
18 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	469,655,732	381,198,177	1,322,354	1,579,543
Investment properties	5	68,460,000	71,430,000	–	–
Goodwill on consolidation	6	39,048,311	30,958,067	–	–
Investment in subsidiary companies	7	–	–	285,388,162	271,739,897
Investment in associates	8	31,694,351	26,947,465	24,750,000	24,750,000
Other investments	9	26,256	38,730	–	–
		608,884,650	510,572,439	311,460,516	298,069,440
Current Assets					
Inventories	10	88,469,324	71,560,732	–	–
Trade receivables	11	337,919,656	310,387,779	–	–
Other receivables	12	42,146,636	22,027,809	5,928,456	174,331
Hire purchase receivables	13	326,483	197,357	–	–
Amount due from subsidiary companies	14	–	–	173,462,339	166,340,315
Tax recoverable		6,455,073	3,119,313	10,500	23,899
Fixed deposits with licensed banks	15	19,193	19,094	–	–
Cash and bank balances		52,728,662	49,991,808	8,482,177	6,601,259
		528,065,027	457,303,892	187,883,472	173,139,804
Assets held for sale	16	20,440,000	–	–	–
		548,505,027	457,303,892	187,883,472	173,139,804
Total Assets		1,157,389,677	967,876,331	499,343,988	471,209,244

Statements of Financial Position
As at 31 December 2018
(cont'd)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
EQUITY					
Share capital	17	325,795,595	325,795,595	325,795,595	325,795,595
Reserves	18	89,970,154	73,755,701	2,665,199	6,299,713
Equity attributable to owners of the parent		415,765,749	399,551,296	328,460,794	332,095,308
Non-controlling interests		1,952,000	764,250	–	–
Total equity		417,717,749	400,315,546	328,460,794	332,095,308
LIABILITIES					
Non-Current Liabilities					
Amount due to subsidiary a company	14	–	–	107,666,764	–
Finance lease liabilities	19	425,929	606,632	–	–
Bank borrowings	20	95,122,818	66,875,757	–	–
Deferred tax liabilities	21	11,364,977	6,146,571	60,092	57,098
		106,913,724	73,628,960	107,726,856	57,098
Current Liabilities					
Amount due to contract customers	22	6,522,027	–	–	–
Trade payables	23	136,016,810	130,180,866	–	–
Other payables	24	55,799,010	45,367,880	8,612,699	8,556,816
Derivative financial liabilities	25	–	33,767	–	–
Amount due to Directors	26	5,964,499	56,648	–	–
Amount due to subsidiary a company	14	–	–	54,543,639	130,500,022
Finance lease liabilities	19	550,611	1,923,013	–	–
Bank borrowings	20	425,306,701	315,600,977	–	–
Tax payables		2,598,546	768,674	–	–
		632,758,204	493,931,825	63,156,338	139,056,838
Total Liabilities		739,671,928	567,560,785	170,883,194	139,113,936
Total Equity and Liabilities		1,157,389,677	967,876,331	499,343,988	471,209,244

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 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	27	1,105,417,039	1,015,409,794	15,551,000	29,921,000
Cost of sales		(1,003,909,377)	(913,917,587)	–	–
Gross profit		101,507,662	101,492,207	15,551,000	29,921,000
Other income		8,557,037	9,861,739	1,632,921	5,307
Fair value adjustment on investment properties		5,392,871	150,000	–	–
Distribution expenses		(9,166,563)	(10,096,591)	–	–
Administrative expenses		(49,430,453)	(41,538,612)	(7,288,486)	(7,520,941)
Other expenses		(6,011,471)	(6,820,334)	–	–
Finance costs	28	(22,323,478)	(16,206,888)	–	–
Share of results of associates		5,223,084	2,616,528	–	–
Profit before taxation	29	33,748,689	39,458,049	9,895,435	22,405,366
Taxation	30	(9,649,674)	(9,846,432)	(192,421)	(119,759)
Net profit for the financial year		24,099,015	29,611,617	9,703,014	22,285,607
Other comprehensive income					
Item that is or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		(78,375)	(232,080)	–	–
Revaluation surplus		7,599,129	–	–	–
Total comprehensive income for the financial year		31,619,769	29,379,537	9,703,014	22,285,607

Statements of Profit or Loss and Other Comprehensive Income
For the Financial Year Ended 31 December 2018
(cont'd)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Profit for the financial year attributable to:					
Owners of the parent		22,946,249	29,747,397	9,703,014	22,285,607
Non-controlling interests		1,152,766	(135,780)	–	–
		24,099,015	29,611,617	9,703,014	22,285,607
Total comprehensive income attributable to:					
Owners of the parent		30,467,003	29,515,317	9,703,014	22,285,607
Non-controlling interests		1,152,766	(135,780)	–	–
		31,619,769	29,379,537	9,703,014	22,285,607
Earnings per share					
Basic earnings per share (sen)	31	4	6		
Diluted earnings per share (sen)	31	4	6		

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the parent								
		Non-distributable					Distributable			
Group	Note	Share Capital RM	Treasury Shares 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 2018		325,795,595	–	312,687	(153,191,580)	8,768,544	217,866,050	399,551,296	764,250	400,315,546
Effect of adopting MFRS 9		–	–	–	–	–	(915,022)	(915,022)	–	(915,022)
At 1 January 2018, restated		325,795,595	–	312,687	(153,191,580)	8,768,544	216,951,028	398,636,274	764,250	399,400,524
Net profit for the financial year		–	–	–	–	–	22,946,249	22,946,249	1,152,766	24,099,015
Foreign exchange translation		–	–	(78,375)	–	–	–	(78,375)	–	(78,375)
Revaluation of assets, net of tax		–	–	–	–	7,599,129	–	7,599,129	–	7,599,129
Total comprehensive income		–	–	(78,375)	–	7,599,129	22,946,249	30,467,003	1,152,766	31,619,769
Transaction with owners:										
Share repurchased	18(b)	–	(4,991,708)	–	–	–	–	(4,991,708)	–	(4,991,708)
Dividends to owners of the Company	32	–	–	–	–	–	(8,345,820)	(8,345,820)	–	(8,345,820)
Acquisition of subsidiary companies	7(b)	–	–	–	–	–	–	–	(1,165,035)	(1,165,035)
Non-controlling interests arising from additional subscription of shares in subsidiary companies		–	–	–	–	–	–	–	1,200,019	1,200,019
Total transactions with owners		–	(4,991,708)	–	–	–	(8,345,820)	(13,337,528)	34,984	(13,302,544)
At 31 December 2018		325,795,595	(4,991,708)	234,312	(153,191,580)	16,367,673	231,551,457	415,765,749	1,952,000	417,717,749

Statements of Changes in Equity

For the Financial Year Ended 31 December 2018
(cont'd)

		Attributable to owners of the parent								
		Non-distributable					Distributable			
Group	Note	Share Capital RM	Treasury Shares 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	32	–	–	–	–	–	(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 2018
(cont'd)

		Non-distributable			Distributable	
	Note	Share Capital RM	Treasury share RM	Share Premium RM	Retained Earnings RM	Total Equity RM
Company						
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	32	–	–	–	(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		7,655,532	–	(7,655,532)	–	–
At 31 December 2017		325,795,595	–	–	6,299,713	332,095,308
At 1 January 2018		325,795,595	–	–	6,299,713	332,095,308
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	–	9,703,014	9,703,014
Transactions with owners:						
Share repurchased	18(b)	–	(4,991,708)	–	–	(4,991,708)
Dividends to owners of the Company	32	–	–	–	(8,345,820)	(8,345,820)
Total transactions with owners		–	(4,991,708)	–	(8,345,820)	(13,337,528)
At 31 December 2018		325,795,595	(4,991,708)	–	7,656,907	328,460,794

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Operating Activities				
Profit before taxation	33,748,689	39,458,049	9,895,435	22,405,366
Adjustments for:				
Amortisation of other investments	987	1,090	–	–
Bad debts written off - Trade	901,457	2,443,850	–	–
Bad debts written off - Non-trade	–	25,000	–	–
Depreciation of property, plant and equipment	22,034,424	18,360,475	337,586	314,244
Dividend income	–	–	(8,450,000)	(22,500,000)
Fair value adjustment on investment properties	(5,392,871)	(150,000)	–	–
Gain on disposal of:				
- Investment in a subsidiary	(594,724)	–	–	–
- Property, plant and equipment	(18,354)	(512,917)	–	–
- Other investment	(2,513)	–	–	–
Impairment loss on:				
- Property, plant and equipment	1,148,488	–	–	–
- Trade receivables	3,600,957	685,897	–	–
- Assets held for sale	30,000	–	–	–
Interest expenses	22,323,478	16,206,888	–	–
Interest income	(2,086,960)	(514,280)	(1,632,921)	(5,307)
Inventories written down	–	63,196	–	–
Inventories written off	42,454	33,812	–	–
(Gain)/Loss on derivative financial liabilities	(33,767)	33,767	–	–
Gain on disposal of assets held for sale	–	(1,638)	–	–
Property, plant and equipment written off	4,355	36,616	–	–
Reversal of impairment on trade receivables	(805,011)	(2,686,626)	–	–
Share of results of associates	(5,223,084)	(2,616,528)	–	–
Unrealised (gain)/loss on foreign exchange	(21,239)	356,877	–	–
Operating profit before working capital changes	69,656,766	71,223,528	150,100	214,303

Statements of Cash Flows
For the Financial Year Ended 31 December 2018
(cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Changes in working capital:					
Inventories		(24,169,202)	(16,185,619)	–	–
Trade receivables		(33,306,722)	65,281	–	–
Other receivables		(18,600,984)	2,896,948	(5,754,125)	23,913
Hire purchase receivables		(129,126)	5,286,552	–	–
Trade payables		(49,734,128)	(6,285,058)	–	–
Other payables		9,165,372	10,191,194	55,884	(504,338)
Amount due to contract customers		6,522,027	–	–	–
Amounts due from/to subsidiary companies		–	–	26,221,278	(28,866,368)
Amount due to Directors		(51,998)	54,648	–	–
		(110,304,761)	(3,976,054)	20,523,037	(29,346,793)
Cash (used in)/ generated from operations		(40,647,995)	67,247,474	20,673,137	(29,132,490)
Interest paid		(22,323,478)	(16,206,888)	–	–
Interest received		2,086,960	510,186	–	5,307
Tax paid		(8,012,610)	(13,276,714)	(176,029)	(153,090)
Tax refund		64,620	663,244	–	–
Dividend received		–	–	8,450,000	22,500,000
		(28,184,508)	(28,310,172)	8,273,971	22,352,217
Net cash (used in)/from operating activities		(68,832,503)	38,937,302	28,947,108	(6,780,273)
Cash Flows From Investing Activities					
Acquisition of subsidiary companies		–	–	(13,648,265)	(20,000,002)
Acquisition of associates		–	(24,750,000)	–	(24,750,000)
Capital contribution by non-controlling interests		1,200,019	900,030	–	–
Net cash outflow from acquisition of subsidiary companies	7(b)	(8,133,567)	(40,067,835)	–	–
Purchase of property, plant and equipment	4(v)	(56,100,686)	(73,331,550)	(80,397)	(541,884)
Proceeds from disposal of a subsidiary, net of cash disposed	7(c)	10,220,887	–	–	–
Proceeds from disposal of other investments		14,000	–	–	–
Proceeds from disposal of assets held for sale		–	1,235,000	–	–
Proceeds from disposal of property, plant and equipment		887,279	1,082,168	–	7,778
Net cash used in investing activities		(51,912,068)	(134,932,187)	(13,728,662)	(45,284,108)

Statements of Cash Flows
For the Financial Year Ended 31 December 2018
(cont'd)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Financing Activities					
Dividend paid		(8,345,820)	(21,245,520)	(8,345,820)	(21,245,520)
Drawdown of term loans		42,134,589	13,782,683	–	–
Net changes on banker acceptance, trust receipt and revolving credits		93,560,505	44,458,185	–	–
(Increase)/Decrease in fixed deposits pledged		(99)	1,577,744	–	–
Proceeds from issue of ordinary shares	17	–	65,650,000	–	65,650,000
Payment of share issue expenses	17	–	(453,937)	–	(453,937)
Repayment of finance lease liabilities		(1,949,808)	(3,787,390)	–	–
Repayment of term loans		(16,884,696)	(26,043,496)	–	–
Repurchase of shares		(4,991,708)	–	(4,991,708)	–
Net cash from/(used in) financing activities		103,522,963	73,938,269	(13,337,528)	43,950,543
Net (decrease)/increase in cash and cash equivalents		(17,221,608)	(22,056,616)	1,880,918	(8,113,838)
Cash and cash equivalents at the beginning of the financial year		47,072,785	69,352,566	6,601,259	14,715,097
Effect of exchange translation differences on cash and cash equivalents		(63,925)	(223,165)	–	–
Cash and cash equivalents at the end of the financial year		29,787,252	47,072,785	8,482,177	6,601,259
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		52,728,662	49,991,808	8,482,177	6,601,259
Bank overdrafts	20	(22,941,410)	(2,919,023)	–	–
Fixed deposits with licensed banks		19,193	19,094	–	–
		29,806,445	47,091,879	8,482,177	6,601,259
Less: Pledged Fixed deposits with licensed banks	15	(19,193)	(19,094)	–	–
		29,787,252	47,072,785	8,482,177	6,601,259

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 10.02, 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 7 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:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4*	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2014 – 2016 Cycle	Amendments to MFRS 128

Notes to the Financial Statements (cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

(i) Classification of financial assets and liabilities

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 Financial Instruments: Recognition and Measurement categories of loans and receivables, held-to maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

(ii) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The new impairment model applies to financial assets measured at amortised cost, debt instruments at FVTOCI, contract assets and financial guarantee contracts. The Group has accounted for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

(iii) Effect of changes in classification and measurement of financial assets on 1 January 2018

Group	As at 2017 RM	Remeasurement RM	Reclassification to MFRS 9 AC RM
Financial assets			
Loans and receivables			
Trade receivables	310,387,779	(915,022)	309,472,757
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

Notes to the Financial Statements
(cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

(iii) Effect of changes in classification and measurement of financial assets on 1 January 2018 (Cont'd)

Company	As at 2017 RM	Reclassification to MFRS 9 AC RM
Financial assets		
Loans and receivables		
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

(iv) Effect on impairment allowances on 1 January 2018

	Group RM	Company RM
Balances under MFRS 139 as at 31 December 2017	6,739,959	–
Impairment loss on receivables	915,022	–
Balances under MFRS 9 as at 1 January 2018	7,654,981	–

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact.

Notes to the Financial Statements (cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

Impact arising from the adoption of MFRS 9 and MFRS 15 on the Group's financial statements:

Group	As at 31.12.2017 RM	MFRS 9 Adjustments RM	As at 1.1.2018 RM
Trade receivables	310,387,779	(915,022)	309,472,757
Retained earnings	217,866,050	(915,022)	216,951,028

Statement of Profit or Loss and Other Comprehensive Income

Group	As at 31.12.2017 RM	MFRS 9 Adjustments RM	As at 1.1.2018 RM
Administrative expense	41,538,612	915,022	42,453,634
Net profit for the financial year	29,611,617	(915,022)	28,696,595
Basic earnings per share (sen)	6	(1)	5
Diluted earnings per share (sen)	6	(1)	5

There is no financial impact on the Company's financial statements.

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 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
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101	Definition of Material	1 January 2020
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.

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)

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:

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

(b) **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.

Notes to the Financial Statements
(cont'd)

2. Basis of Preparation (Cont'd)

(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.

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:

<u>Classification between investment properties and property, plant and equipment</u>

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.

<u>Satisfaction of performance obligations in relation to contracts with customers</u>

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and

(iii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

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

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

Useful lives of property, plant and equipment

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 2018 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.

Impairment of property, plant and equipment

The Group assesses whether there is any indication that property, plant and equipment are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

The key assumptions used to determine the recoverable amounts are disclosed in Note 4.

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 might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10 to the financial statements.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods or services are based on invoiced values or retail price. Discounts are not considered as they are not only given in rare circumstances.

Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total construction costs. The total estimated construction costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, the Group evaluates based on past experience, the work of specialists and a continuous monitoring mechanism.

The details of construction contracts are disclosed in Note 22.

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 loans and receivables

The Group review the recoverability of its receivables, include trade and other receivables, amounts due from subsidiary companies and related companies at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates, at the end of each reporting period.

The carrying amounts of the Group's and the Company's loan and receivables are disclosed in Note 11, 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 2018, the Group and the Company have tax recoverable of RM6,445,073 and RM10,500 (2017: RM3,119,313 and RM23,899) respectively and tax payable of RM2,598,546 and Nil (2017: RM768,674 and Nil) respectively.

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 37(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.

Notes to the Financial Statements
(cont'd)

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

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 9 *Financial Instrument* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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. (Cont'd)

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(n)(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) Disposal of subsidiary company

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) 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 (i.e. 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(n)(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.

The requirements of MFRS 136 *Impairment of Assets* are applied 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 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(n)(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 off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

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(n)(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.

Freehold and leasehold 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 buildings	2%
Leasehold buildings	Over the remaining lease period
Leasehold land	Over the remaining lease period
Computer equipments and softwares	10% - 34%
Cabins	10%
Cranes	10%
Electrical installation	10%
Fire protection and security system	10%
Furniture and fittings	6.7% - 25%
Motor vehicles	10% - 34%
Moulds	10%
Office equipments	10% - 40%
Plant and machineries	4.79% - 20%
Signboards	6.7% - 10%
Skid tanks	10%
Tools and equipments	4.76% - 34%
Factory equipments	20%
Renovation	10% - 20%

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.

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.

Notes to the Financial Statements (cont'd)

3. Significant Accounting Policies (Cont'd)

(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.

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

<u>Policy applicable from 1 January 2018</u>

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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables and hire purchase receivables.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through other comprehensive income

Debt instruments

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value adjustment reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVOCI.

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

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Notes to the Financial Statements
(cont'd)

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial assets (Cont'd)**

Policy applicable from 1 January 2018 (Cont'd)

(iii) Financial assets at fair value through profit or loss (Cont'd)

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

The Group and the Company have not designated any financial assets at FVTPL.

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 and sales of financial assets are recognised or 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 where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

Policy applicable before 1 January 2018

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

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(g) Financial Assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

(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-for-sale 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.

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.

Notes to the Financial Statements (cont'd)

3. Significant Accounting Policies (Cont'd)

(g) Financial Assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

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

Policy applicable from 1 January 2018

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability 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.

Policy applicable before 1 January 2018

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.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

(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.

(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) Financial guarantee contracts

Policy applicable from 1 January 2018

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(i) Financial guarantee contracts (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

(j) 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.

(k) 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.

(l) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Cost incurred to fulfil the contracts, comprising cost of direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors are recognised as an asset and amortised over to profit or loss systematically to reflect the transfer of the contracted service to the customer.

The Group uses the efforts or inputs to the satisfaction of the performance obligations to determine the appropriate amount to recognise in a given period. This is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature. When the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive in exchange of the contracted asset, an impairment loss is recognised in profit or loss.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(l) Construction contracts (Cont'd)

The Group presents as an asset the gross amount due from customers for contract work in progress for which costs incurred plus recognised profits (less recognised losses) exceed contract liabilities. Contract liabilities not yet paid by customers and retention monies are included within receivables and contract assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which contract liabilities exceed costs exceed costs incurred plus recognised profits (less recognised losses).

(m) 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.

(n) 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.

Notes to the Financial Statements (cont'd)

3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

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

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

(ii) Financial assets

Policy applicable from 1 January 2018

For trade receivables, other receivables, contract assets and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Policy applicable before 1 January 2018

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.

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.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

Financial assets carried at amortised cost

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.

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.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(o) 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) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iii) 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.

(p) 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)

(q) 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.

(r) Revenue recognition

(i) Revenue from contract with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Revenue from construction contracts

The Group recognises revenue from construction contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from construction contracts is measured at the transaction price agreed under the construction contracts.

Revenue is recognised over the period of the contract using the output method to measure the progress towards complete satisfaction of the performance obligations under the construction contract, i.e. based on the level of completion of the physical proportion of contract work to date, certified by professional consultants.

The Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e. progress billing). The Group previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(r) Revenue recognition (Cont'd)

(i) Revenue from contract with customers (Cont'd)

(b) 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.

(c) Rendering of services

Revenue from services rendered is recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) 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.

(iii) Interest Income

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

(iv) Management fee

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

(v) Dividend income

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

(s) 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.

Notes to the Financial Statements
(cont'd)

3. Significant Accounting Policies (Cont'd)

(t) 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.

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.

Notes to the Financial Statements (cont'd)

3. Significant Accounting Policies (Cont'd)

(u) 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.

(v) 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.

(w) 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

	At 1 January RM	Transfer RM	Additions RM	Changes in fair value RM	Disposals RM	Disposal of a subsidiary company RM	Written off RM	Reclassi-fication RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December RM
Group											
2018											
At Valuation											
Freehold buildings	73,902,015	(12,526,789)	8,403,275	3,231,269	–	(13,770)	–	17,767,455	–	–	90,763,455
Leasehold buildings	29,790,234	–	5,854,774	(98,619)	–	–	–	1,826,080	–	–	37,372,469
At Cost											
Freehold and leasehold land	55,045,793	–	1,659,468	–	–	–	–	(817,957)	–	–	55,887,304
Computer equipments and softwares	2,566,744	–	459,060	–	(2,250)	(329,002)	–	–	6,944	–	2,701,496
Cabins	130,340	–	55,270	–	–	–	–	11,400	–	–	197,010
Cranes	460,000	–	–	–	–	–	–	–	–	–	460,000
Electrical installation	3,906,327	–	4,746,649	–	–	–	–	775,890	–	–	9,428,866
Fire protection and security system	161,928	–	–	–	–	–	–	–	–	–	161,928
Furniture and fittings	2,322,099	–	491,215	–	–	(169,366)	(1,939)	–	11,107	–	2,653,116
Motor vehicles	39,993,076	–	1,420,708	–	(553,113)	(1,032,384)	–	(2,405)	893,720	–	40,719,602
Moulds		14,456,634	–	3,600,310	–	–	–	–	–	–	–
Office equipments	5,290,413	–	711,125	–	–	(19,993)	(14,115)	23,185	75,251	42	6,065,908
Plant and machineries	145,706,728	–	15,481,894	–	(796,502)	(5,284,007)	–	(7,797,291)	1,795,931	–	149,106,753
Signboards	150,290	–	1,600	–	–	(13,750)	–	–	–	–	138,140
Skid tanks	9,600	–	–	–	–	–	–	–	–	–	9,600
Tool and equipments	3,017,861	–	103,399	–	(2,880)	(172,284)	–	(41,494)	–	–	2,904,602
Factory equipments	–	–	4,394,888	–	(165,000)	–	–	19,271,377	–	–	23,501,265
Renovation	6,463,853	–	33,738	–	–	(294,860)	–	–	8,418	–	6,211,149
Capital - work in progress (WIP)	75,133,802	–	8,777,313	–	–	–	–	(31,016,240)	61,706,887	–	114,601,762
	458,507,737	(12,526,789)	56,194,686	3,132,650	(1,519,745)	(7,329,416)	(16,054)	–	64,498,258	42	560,941,369

4. **Property, Plant and Equipment (Cont'd)**

	At 1 January RM	Transfer RM	Charge for the financial year RM	Changes in fair value RM	Disposals RM	Disposal of a subsidiary company RM	Written off RM	Reclassi-fication RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December RM
	Accumulated depreciation										
Group											
2018											
At Valuation											
Freehold buildings	4,868,943	(419,660)	892,061	(4,479,822)	–	(1,148)	–	–	–	–	860,374
Leasehold buildings	2,210,584	–	688,274	(2,198,727)	–	–	–	1,280		–	701,411
At Cost											
Freehold and leasehold land	466,308	–	215,054	–	–	–	–	(1,280)	–	–	680,082
Computer equipments and softwares	1,450,105	–	375,051	–	–	(201,183)	–	–	8	–	1,623,981
Cabins	47,509	–	13,069	–	–	–	–	11,399	–	–	71,977
Cranes	289,300	–	46,000	–	–	–	–	–	–	–	335,300
Electrical installation	1,536,839	–	604,206	–	–	–	–	–	–	–	2,141,045
Fire protection and security system	100,100	–	16,193	–	–	–	–	–	–	–	116,293
Furniture and fittings	1,324,233	–	209,076	–	–	(84,692)	(469)	–	3,069	–	1,451,217
Motor vehicles	22,552,845	–	4,106,390	–	(289,700)	(616,508)	–	–	655,461	–	26,408,488
Moulds		2,442,366	–	1,561,500	–	–	–	–	–	–	–
Office equipments	3,747,134	–	485,405	–	–	(11,593)	(11,230)	17,136	26,437	40	4,253,329
Plant and machineries	31,305,090	–	8,509,642	–	(194,369)	(1,634,058)	–	(5,628,815)	592,503	–	32,949,993
Signboards	56,671	–	12,276	–	–	(2,486)	–	833	–	–	67,294
Skid tanks	9,599	–	–	–	–	–	–	–	–	–	9,599
Tool and equipments	1,028,938	–	641,777	–	(1,752)	(77,985)	–	(25,036)	–	–	1,565,942
Factory equipments	–	–	3,274,877	–	(164,999)	–	–	5,627,247	–	–	8,737,125
Renovation	3,872,996	–	383,573	–	–	(96,498)	–	(2,764)	2,526	–	4,159,833
Capital - work in progress (WIP)	–	–	–	–	–	–	–	–	–	–	–
	77,309,560	(419,660)	22,034,424	(6,678,549)	(650,820)	(2,726,151)	(11,699)	–	1,280,004	40	90,137,149

Notes to the Financial Statements
(cont'd)

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

	Accumulated impairment loss			Carrying amount
	At 1 January RM	Impairment loss during the financial year RM	At 31 December RM	At 31 December RM
Group				
2018				
At Valuation				
Freehold buildings	–	–	–	89,903,081
Leasehold buildings	–	1,148,488	1,148,488	35,522,570
At Cost				
Freehold and leasehold land	–	–	–	55,207,222
Computer equipments and softwares	–	–	–	1,077,515
Cabins	–	–	–	125,033
Cranes	–	–	–	124,700
Electrical installation	–	–	–	7,287,821
Fire protection and security system	–	–	–	45,635
Furniture and fittings	–	–	–	1,201,899
Motor vehicles	–	–	–	14,311,114
Moulds	–	–	–	14,053,078
Office equipments	–	–	–	1,812,579
Plant and machineries	–	–	–	116,156,760
Signboards	–	–	–	70,846
Skid tanks	–	–	–	1
Tool and equipments	–	–	–	1,338,660
Factory equipments	–	–	–	14,764,140
Renovation	–	–	–	2,051,316
Capital - work in progress (WIP)	–	–	–	114,601,762
	–	1,148,488	1,148,488	469,655,732

Notes to the Financial Statements
(cont'd)

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

	At 1 January RM	Reclassi-fication RM	Additions RM	Disposals RM	Written off RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December RM
Group								
2017								
At Valuation								
Freehold buildings	73,898,175	–	3,840	–	–	–	–	73,902,015
Leasehold buildings	23,304,644	2,215,237	2,016,224	–	–	2,254,129	–	29,790,234
At Cost								
Freehold and leasehold land	51,805,598	–	3,240,195	–	–	–	–	55,045,793
Computer equipments and softwares	2,196,830	95,095	196,403	(13,782)	–	92,198	–	2,566,744
Cabins	54,790	–	75,550	–	–	–	–	130,340
Cranes	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
Moulds	7,417,661	–	6,685,862	–	–	353,111	–	14,456,634
Office equipments	4,639,650	–	553,693	(8,640)	–	106,172	(462)	5,290,413
Plant and machineries	112,504,287	14,949,198	16,676,682	–	(37,080)	1,613,641	–	145,706,728
Signboards	139,820	–	10,470	–	–	–	–	150,290
Skid tanks	9,600	–	–	–	–	–	–	9,600
Tool and equipments	2,961,490	–	21,555	–	–	34,816	–	3,017,861
Renovation	–	5,780,444	496,893	–	–	186,516	–	6,463,853
Capital - work in progress (WIP)	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 RM	Reclassi- fication 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 RM	At 31 December RM
Group									
2017									
At Valuation									
Freehold buildings	4,149,991	–	718,952	–	–	–	–	4,868,943	69,033,072
Leasehold buildings	1,652,224	–	539,822	–	–	18,538	–	2,210,584	27,579,650
At Cost									
Freehold and leasehold land	215,054	–	251,254	–	–	–	–	466,308	54,579,485
Computer equipments and softwares	955,448	–	419,553	(4,996)	–	80,100	–	1,450,105	1,116,639
Cabins	42,566	–	4,943	–	–	–	–	47,509	82,831
Cranes	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
Moulds	1,254,450	–	996,825	–	–	191,091	–	2,442,366	12,014,268
Office equipments	3,228,358	–	465,644	(557)	–	54,067	(378)	3,747,134	1,543,279
Plant and machineries	20,817,763	–	9,570,875	–	(464)	916,916	–	31,305,090	114,401,638
Signboards	43,787	–	12,884	–	–	–	–	56,671	93,619
Skid tanks	9,599	–	–	–	–	–	–	9,599	1
Tool and equipments	704,613	–	304,733	–	–	19,592	–	1,028,938	1,988,923
Renovation	–	3,374,506	400,988	–	–	97,502	–	3,872,996	2,590,857
Capital - work in progress (WIP)	–	–	–	–	–	–	–	–	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)

	Office equipments RM	Computer software RM	Furniture and fittings RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
Company							
2018							
Cost							
At 1 January	322,852	132,083	–	440,909	26,900	1,125,166	2,047,910
Additions	17,124	55,297	–	7,976	–	–	80,397
At 31 December	339,976	187,380	–	448,885	26,900	1,125,166	2,128,307
Accumulated depreciation							
At 1 January	55,256	42,543	–	54,499	5,794	310,275	468,367
Charge for the financial year	33,837	31,168	–	44,858	2,690	225,033	337,586
At 31 December	89,093	73,711	–	99,357	8,484	535,308	805,953
Carrying amount							
At 31 December	250,883	113,669	–	349,528	18,416	589,858	1,322,354
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	–	54,499	5,794	310,275	468,367
Carrying amount							
At 31 December	267,596	89,540	–	386,410	21,106	814,891	1,579,543

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	
	2018 RM	**2017 RM**
Freehold buildings	63,383,594	68,902,510
Leasehold buildings	21,964,333	20,555,313
Freehold and leasehold land	53,187,972	45,881,649
	138,535,899	135,339,472

(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	
	2018 RM	**2017 RM**
Freehold land	–	8,920,822
Plant and machineries	35,665,305	39,083,065
Motor vehicles	1,132,823	2,116,569
	36,798,128	50,120,456

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

(iii) The remaining leasehold period of the buildings ranged from 81 to 91 years (2017: 82 to 92 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	
	2018 RM	**2017 RM**
Motor vehicles	45,840	82,505

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Aggregate costs	56,194,686	102,047,367	80,397	541,884
Less: Finance lease financing	(94,000)	(638,500)	–	–
Less: Term loans financing	–	(28,077,317)	–	–
Cash payments	56,100,686	73,331,550	80,397	541,884

(vi) Revaluation of freehold and leasehold buildings

The Group's freehold and leasehold buildings had been revalued based on valuations performed by independent professional valuers. The valuation was determined by reference to recent market transaction on arm's length term.

Year of valuation/ Description of Properties	Valuation method	Fair value hierarchy	Valuation amount RM
2018			
Factory buildings	Replacement cost method	Level 3	26,825,000
Freehold buildings	Sales comparison method	Level 2	67,015,000
Leasehold buildings	Sales comparison method	Level 2	4,400,000
			98,240,000

There were no transfer between levels during the current and previous financial years.

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

	Group	
	2018 RM	2017 RM
Freehold buildings	32,104,408	31,035,409

(viii) In the current financial year, certain property, plant and equipment has been transferred to investment property as disclosed in Note 5 to the financial statements.

Notes to the Financial Statements
(cont'd)

5. Investment Properties

	Group	
	2018 RM	2017 RM
At 1 January	71,430,000	71,280,000
Transfer from property, plant and equipment (Note 4)	12,107,129	–
Transfer to assets held for sale (Note 16)	(20,470,000)	–
Changes in fair value recognised in profit or loss	5,392,871	150,000
At 31 December	68,460,000	71,430,000
Included in the above are:		
At fair value		
Freehold land and building	68,460,000	71,430,000

(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.

During the financial year, a property has been transferred from property, plant and equipment to investment properties, since the building was no longer used by the Group and would be leased to a third party.

(b) 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 RM68,460,000 (2017: RM71,430,000). 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 RM5,392,871 (2017: RM150,000) has been recognised in the profit or loss during the financial year.

(c) Income and expenses recognised in profit or loss

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

	Group	
	2018 RM	2017 RM
Rental income	4,491,812	4,294,674
Direct operating expenses:		
- Income generating investment properties	1,230	600
- Non-income generating investment properties	(204,450)	(254,821)

Notes to the Financial Statements
(cont'd)

5. Investment Properties (Cont'd)

(d) Investment properties pledged as securities to licensed banks

Investment properties of the Group amounting to RM68,460,000 (2017: RM71,430,000) 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	
	2018 RM	**2017 RM**
At cost		
At 1 January	30,958,067	–
Acquisition of subsidiary companies	8,090,244	30,958,067
At 31 December	39,048,311	30,958,067

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

	Group	
	2018 RM	**2017 RM**
Midah Industries Sdn. Bhd.	10,601,257	10,601,257
Epic Diversity Sdn. Bhd.	1,282,179	1,282,179
MI Polymer Concrete Pipes Sdn. Bhd.	19,074,631	19,074,631
Kempurna Sdn. Bhd.	371,829	–
Saujana Vision Sdn. Bhd.	7,718,415	–
	39,048,311	30,958,067

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 five to ten-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 6.4% (2017: 8.5%) 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.

Notes to the Financial Statements
(cont'd)

7. Investment in Subsidiary Companies

	Company 2018 RM	Company 2017 RM
At cost		
Unquoted share in Malaysia		
At 1 January	271,739,897	251,739,895
Acquisition during the year	13,648,265	20,000,002
At 31 December	285,388,162	271,739,897

Details of the subsidiary companies are as follows:

Name of Company	Principal place of business/ Country of Incorporation	Effective Interest 2018 %	Effective Interest 2017 %	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 BIM Sdn. Bhd. (Formerly known as Chin Hin Academy Sdn. Bhd.)	Malaysia	100	100	Provide human resource training services
Midah Industries Sdn. Bhd. #	Malaysia	100	100	Manufacturing and trading in wood products
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

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	Principal place of business/ Country of Incorporation	Effective Interest 2018 %	Effective Interest 2017 %	Principal Activities
Held through Starken AAC Sdn. Bhd.				
- Starken Drymix Solutions Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of plaster and mortar products
- G-Cast Concrete Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of precast concrete products
- Green Cement Sdn. Bhd.	Malaysia	100	100	Carrying general trading activities
- Sage Evergreen Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of IBS components
- MI Polymer Concrete Pipes Sdn. Bhd.	Malaysia	100	100	Manufacturing and supply of pipes
- G-Cast UHPC Sdn. Bhd.	Malaysia	70	70	Manufacture and sale of ultra-high performance concrete products
Held through MI Polymer Concrete Pipes Sdn. Bhd.				
- MI Polymer Concrete Pipes (S) Pte. Ltd.*	Singapore	100	100	Trading, import and export of polymer concrete products
Held through Metex Steel Sdn. Bhd.				
- Formino Metal Sdn. Bhd.	Malaysia	–	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	70	Manufacture of prefabricated buildings mainly of metal
Held through Metex Modular Sdn. Bhd.				
Saujana Vision Sdn. Bhd.	Malaysia	70	–	Building contractor

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	Principal place of business/ Country of Incorporation	Effective Interest 2018 %	2017 %	Principal Activities
Held through Chin Hin Concrete Holdings Sdn. Bhd.				
- Chin Hin Concrete (North) Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in mixed concrete and construction works related products
- Chin Hin Concrete (KL) Sdn. Bhd.	Malaysia	100	100	Selling, distribution and transporting of ready-mixed concrete
Held through Midah Industries Sdn. Bhd.				
- Epic Diversity Sdn. Bhd. #	Malaysia	100	100	Dealing in consumer products including lockset, alarm system and other related business
- Kempurna Sdn. Bhd.	Malaysia	100	–	Manufactures metal doors and window frames
- Midah Industries (North) Sdn. Bhd.	Malaysia	51	–	Dormant

* *Subsidiary company not audited by UHY*
\# *Previously held through PP Chin Hin Sdn. Bhd.*

(a) Material partly-owned subsidiaries

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.

(b) Acquisition of subsidiary companies

<u>During the financial year</u>

(i) On 18 August 2018, Midah Industries Sdn. Bhd. ("Midah") a wholly owned subsidiary of the Company incorporated a new subsidiary company with the name "Midah Industries (North) Sdn. Bhd." ("MINSB") with the registered share capital of RM100 only represented by 100 ordinary shares in MINSB.

(ii) On 23 October 2018, Midah a wholly owned subsidiary of the Company had entered into a share sale agreement ("SSA") with the vendors of Kempurna Sdn. Bhd. ("KSB"), namely Cheong Nam, Wong Tuck Fock and Ng Moy Ying to acquire entire equity interest in KSB for a total consideration of RM4,144,669. Upon completion of the acquisition, KSB became wholly owned subsidiary company of Midah. The acquisition is completed on 14 December 2018.

Notes to the Financial Statements (cont'd)

7. Investment in Subsidiary Companies (Cont'd)

(b) Acquisition of subsidiary companies (Cont'd)

During the financial year (Cont'd)

(iii) On 12 December 2018, Metex Modular Sdn. Bhd. ("MMSB") an indirect subsidiary of the Company had entered into a share sale agreement with the vendors of Saujana Vision Sdn. Bhd. ("SVSB"), namely Lau See Hua and Margaret Voon Lee Ching to acquire 100,000 ordinary shares in SVSB for a total consideration of RM5,000,000. Upon completion of the acquisition, SVSB became 70% owned subsidiary company of MMSB. The acquisition is completed on 31 December 2018.

In previous financial year

(i) 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:

(a) 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

(b) Tan Peng Cheong, Lim Eng Hong, Cheah Chee Wei and Se Kok Weng for an acquisition of 500,000 ordinary shares in 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 become wholly-owned subsidiary companies of PP Chin Hin Sdn. Bhd. ("PPCH"). The acquisition is completed during the financial year.

(ii) 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.

(iii) 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.

Notes to the Financial Statements
(cont'd)

7. Investment in Subsidiary Companies (Cont'd)

(b) Acquisition of subsidiary companies (Cont'd)

In previous financial year (Cont'd)

(iv) On 14 September 2017, Starken had acquired 2 ordinary shares in G-Cast UHPC 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%.

(v) 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.

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

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

Fair value of identifiable assets acquired and liabilities assumed

	2018 RM	2017 RM
Property, plant and equipment	63,218,254	4,414,524
Investment in associate	150,000	–
Other investment	–	39,820
Inventories	2,146,470	2,676,528
Trade receivables	3,949,746	15,568,625
Other receivables	1,571,308	606,193
Amount due from Directors	–	19,146
Cash and bank balances	1,011,102	6,652,769
Assets held for sale	–	1,233,362
Trade payables	(57,508,790)	(9,668,937)
Other payables	(7,961,185)	(1,056,584)
Amount due to Directors	(5,959,849)	–
Tax payable	(326,762)	(1,091,855)
Bank borrowings	–	(3,116,199)
Deferred tax liabilities	(98,201)	(123,923)
Finance lease liabilities	(302,703)	(390,932)
Total identifiable assets and liabilities	(110,610)	15,762,537

Notes to the Financial Statements (cont'd)

7. Investment in Subsidiary Companies (Cont'd)

(b) Acquisition of subsidiary companies (Cont'd)

Net cash outflow arising from acquisition of subsidiary companies

	2018 RM	2017 RM
Purchase consideration settled in cash	(9,144,669)	(46,720,604)
Cash and bank balances	1,011,102	6,652,769
	(8,133,567)	(40,067,835)

Goodwill arising from business combination

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

	2018 RM	2017 RM
Fair value of consideration transferred via cash	9,144,669	46,720,604
Non- controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree at the date of acquisition	(1,165,035)	–
Fair value of identifiable assets acquired and liabilities assumed	110,610	(15,762,537)
Goodwill	8,090,244	30,958,067

Acquisition-related costs

The Group incurred acquisition-related costs of RM64,238 (2017: 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 RM686,303 and RM363,533 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM6,431,550 and RM1,383,264 respectively.

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.

Notes to the Financial Statements
(cont'd)

7. Investment in Subsidiary Companies (Cont'd)

(c) Disposal of a subsidiary company

On 30 March 2018, Metex, a wholly-owned subsidiary company of the Company has entered into a 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 cash consideration of RM10,971,550.

The effect of the disposal of FMSB on the financial position of the Group as at the date of disposal was as follows:

	RM
Property, plant and equipment	4,603,265
Inventories	9,364,626
Trade and other receivables	5,183,110
Cash and bank balances	750,663
Trade and other payables	(8,644,838)
Bank borrowing	(880,000)
Net assets/total net assets disposed	10,376,826
Gain on disposal	594,724
Proceeds from disposal	10,971,550
Less: Cash and bank balances disposed	(750,663)
Net cash inflows from disposal	10,220,887

There was no disposal in the previous financial year.

8. Investment in Associates

Details of the associates are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost in Malaysia	26,947,465	24,750,000	24,750,000	24,750,000
Share of post-acquisition reserves	4,596,886	2,197,465	–	–
Arising from acquisition of subsidiary	150,000	–	–	–
	31,694,351	26,947,465	24,750,000	24,750,000

Notes to the Financial Statements
(cont'd)

8. Investment in Associates

Name of Company	Country of Incorporation	Effective Interest 2018 %	Effective Interest 2017 %	Principal Activities
Atlantic Blue Sdn. Bhd.*	Malaysia	45	45	Provision of EPCC services for solar PV systems and investment in solar PV plant
Indirect interest: Held through Atlantic Blue Sdn. Bhd.				
- Powertrack Sdn. Bhd.*	Malaysia	45	45	Provison of design, testing and commissioning and operations and maintenance of solar PV systems
- Solarvest Energy Sdn. Bhd.*	Malaysia	45	45	Provision of EPCC services for solar PV systems
Held through Saujana Vision Sdn. Bhd.				
- Coco Tech Sdn. Bhd.*	Malaysia	21	–	Plantation of coconut and trading by products of coconut oil

* *Associate not audited by UHY*

Summarised financial informations of the Group's associates, Atlantic Blue Sdn. Bhd. ("ABSB"), Powertrack Sdn. Bhd. ("PSB"), Solarvest Energy Sdn. Bhd. ("SESB") and Coco Tech Sdn. Bhd. ("CTSB") are set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

Notes to the Financial Statements
(cont'd)

8. Investment in Associates (Cont'd)

Aggregate information of associate that are individually immaterial:

	ABSB		PSB		SESB	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Summarised statements of financial position						
Non-current assets	18,319,318	13,573,975	37,456	42,289	9,764	–
Current assets	38,019,077	17,144,877	7,930,644	4,877,820	16,180,117	4,799,480
Non-current liabilities	(9,284,681)	–	–	–	(168,960)	–
Current liabilities	(30,308,907)	(18,643,190)	(1,998,348)	(1,023,950)	(9,943,008)	(2,017,142)
Net assets	16,744,807	12,075,662	5,969,752	3,896,159	6,077,913	2,782,338
Interest in associate	45%	45%	45%	45%	45%	45%
Group's share of net assets	7,535,163	5,434,048	2,686,388	1,753,272	2,735,061	1,252,052
Carrying value of the Group's interest in associate	31,544,351	26,947,465	–	–	–	–
Summarised statements of profit or loss and other comprehensive income						
Revenue	66,042,241	15,806,702	3,906,782	1,038,054	22,382,844	5,317,958
Net profit for the financial year	5,449,872	2,022,956	2,068,956	619,429	2,696,474	2,240,870
Total comprehensive income for the financial year	5,449,872	2,022,956	2,068,956	619,429	2,696,474	2,240,870

The Asscociate's shares of profit from continuing operations:

	2018 RM	2017 RM
The Group's share of profit for the financial year	66,403	–
The Group 's share of total comprehensive for the financial year	66,403	–
Carrying value of the Group's interest in associate	150,000	–

There are no commitment nor contingent liabilities relating to the Group's interest in the associates.

Notes to the Financial Statements (cont'd)

9. Other Investments

	Group 2018 RM	Group 2017 RM
Club memberships		
At cost		
At 1 January	46,028	–
Acquisition of subsidiary company	–	46,028
Disposal during the year	(14,000)	–
At 31 December	32,028	46,028
Accumulated amortisation		
At 1 January	7,298	–
Acquisition of subsidiary company	–	6,208
Amortisation for the financial year	987	1,090
Disposal during the year	(2,513)	–
At 31 December	5,772	7,298
Carrying amount		
At 31 December	26,256	38,730
Market value of quoted investments	26,256	38,730

10. Inventories

	Group 2018 RM	Group 2017 RM
At cost		
Raw materials	26,116,623	31,596,122
Work-in-progress	4,598,694	1,240,888
Finished goods	52,275,627	37,175,074
Consumables	5,208,076	1,378,353
Scrap	270,304	170,295
	88,469,324	71,560,732
Recognised in profit or loss:		
Inventories recognised as cost of sales	926,489,628	908,747,713
Inventories written down	–	63,196
Inventories written off	42,454	33,812

Notes to the Financial Statements
(cont'd)

11. Trade Receivables

	Group	
	2018 RM	2017 RM
Trade receivables		
- Third parties	337,645,379	316,737,858
- Related parties	10,611,794	389,880
	348,257,173	317,127,738
Less: Accumulated impairment losses	(10,337,517)	(6,739,959)
	337,919,656	310,387,779

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2017: 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	
	2018 RM	2017 RM
At 1 January	6,739,959	8,681,026
Effect of adopting MRFS 9	915,022	–
Acquisition of subsidiary companies	2	68,641
Impairment losses recognised	3,600,957	685,897
Reversal	(805,011)	(2,686,626)
Written off	(113,474)	(6,876)
Exchange difference	62	(2,103)
At 31 December	10,337,517	6,739,959

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Notes to the Financial Statements
(cont'd)

11. Trade Receivables (Cont'd)

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

	Gross amount RM	Loss allowance RM	Net Amount RM
2018			
Neither past due nor impaired		140,990,988	(197,337)
Past due not impaired:			
Less than 30 days	63,239,543	(189,615)	63,049,928
31 to 60 days	59,328,249	(264,165)	59,064,084
More than 60 days	75,623,221	(611,228)	75,011,993
	198,191,013	(1,065,008)	197,126,005
	339,182,001	(1,262,345)	337,919,656
Individual impaired	9,075,172	(9,075,172)	–
	348,257,173	(10,337,517)	337,919,656
2017			
Neither past due nor impaired	235,198,814	–	235,198,814
Past due not impaired:			
Less than 30 days	30,505,689	–	30,505,689
31 to 60 days	16,319,368	–	16,319,368
More than 60 days	28,363,908	–	28,363,908
	75,188,965	–	75,188,965
	310,387,779	–	310,387,779
Individual impaired	6,739,959	(6,739,959)	–
	317,127,738	(6,739,959)	310,387,779

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

As at 31 December 2018, trade receivables of RM197,126,005 (2017: RM75,188,965) 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 RM9,075,172 (2017: RM6,739,959), 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.

Notes to the Financial Statements
(cont'd)

12. Other Receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables				
- Third parties	21,926,460	5,713,886	5,795,284	58,240
- Related parties	211,957	12,926	–	–
	22,138,417	5,726,812	5,795,284	58,240
Less: Accumulated impairment losses	(20,514)	(20,514)	–	–
	22,117,903	5,706,298	5,795,284	58,240
Deposits	3,007,572	1,879,560	14,500	14,500
Prepayments	7,099,225	8,044,047	109,527	101,591
GST recoverable	9,921,936	6,397,904	9,145	–
	42,146,636	22,027,809	5,928,456	174,331

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 expected credit losses/impairment losses of other receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	20,514	15,200	–	–
Acquisition of subsidiary companies	–	5,314	–	–
At 31 December	20,514	20,514	–	–

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.

Notes to the Financial Statements
(cont'd)

13. Hire Purchase Receivables

	Group	
	2018 RM	2017 RM
Minimum lease received		
Within one year	366,851	283,265
Less: Future finance receive	(40,368)	(85,908)
Present value of minimum lease received	326,483	197,357
Present value of minimum lease received		
Within one year	326,483	197,357
Analysed as:		
Repayable within twelve months		326,483

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% (2017: 5% to 18%) per annum.

14. Amount Due from/(to) Subsidiary Companies

Current assets and current liabilities

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

Non-current liabilities

This represent unsecured, interest bearing at rate of 3.08% (2017: Nil) per annum and repayable on or before 31 December 2021.

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 3.35% (2017: 3.10%) per annum and 365 days (2017: 365 days).

The fixed deposits are held in trust by certain Directors of the subsidiary company.

Notes to the Financial Statements
(cont'd)

16. Assets Held for Sale

	Group	
	2018 RM	2017 RM
At 1 January	–	–
Transfer from investment property (Note 5)	20,470,000	–
Acquisition of subsidiary companies	–	1,233,362
Disposals	–	(1,233,362)
Less: impairment loss on remeasurement of fair value cost to sell	(30,000)	–
At 31 December	20,440,000	–

17. Share Capital

	Group/Company			
	Number of Shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Issued and fully paid shares				
At 1 January	556,388,000	505,888,000	325,795,595	252,944,000
Shares issued during the financial year	–	50,500,000	–	65,650,000
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	556,388,000	325,795,595	325,795,595

In accordance with the transitional provisions set out in Section 618(2) of Companies Act 2016 (the "Act"), 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 2018, the Company has utilised RM453,937 as share issuance expenses.

The new ordinary shares issued during the previous 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	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable					
Share premium	(a)	–	–	–	–
Treasury shares	(b)	(4,991,708)	–	(4,991,708)	–
Merger reserve	(c)	(153,191,580)	(153,191,580)	–	–
Revaluation reserve	(d)	16,367,673	8,768,544	–	–
Foreign currency translation reserve	(e)	234,312	312,687	–	–
Retained earnings		231,551,457	217,866,050	7,656,907	6,299,713
		89,970,154	73,755,701	2,665,199	6,299,713

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

(a) Share premium

	Group/Company	
	2018 RM	2017 RM
Non-distributable		
At 1 January	–	7,655,532
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	–	(7,655,532)
At 31 December	–	–

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.

Notes to the Financial Statements
(cont'd)

18. Reserves (Cont'd)

The nature of reserves of the Group and the Company is as follows: (Cont'd)

(b) Treasury shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 31 May 2018, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

	Group/Company			
	2018		2017	
	Number of shares	Amount RM	Number of shares	Amount RM
At 1 January	–	–	–	–
Purchase of own share	6,320,000	4,991,708	–	–
At 31 December	6,320,000	4,991,708	–	–

During the financial year, the Company repurchased 6,320,000 (2017: Nil) of its issued share capital from the open market at an average price of RM0.79 (2017: Nil) per share including transaction costs. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

(c) 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.

(d) Revaluation reserve

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

(e) 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 2018 RM	Group 2017 RM
Minimum lease payments:		
Within one year	584,713	1,995,472
Later than one year and not later than two years	428,515	420,001
Later than two years and not later than five years	17,545	208,666
	1,030,773	2,624,139
Less: Future finance charges	(54,233)	(94,494)
Present value of minimum lease payments	976,540	2,529,645
Present value of minimum lease payments		
Within one year	550,611	1,923,013
Later than one year and not later than two years	425,929	402,370
Later than two years and not later than five years	–	204,262
	976,540	2,529,645
Analysed as:		
Repayable within twelve months		550,611
Repayables after twelve months		425,929
	976,540	2,529,645

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 2.31% to 5.60% (2017: 2.32% to 3.52%) per annum.

Notes to the Financial Statements
(cont'd)

20. Bank Borrowings

	Group 2018 RM	Group 2017 RM
Current		
Secured		
Bank overdrafts	22,941,410	2,919,023
Revolving credits	59,500,000	61,300,000
Bankers' acceptance	329,455,530	234,936,997
Trust receipts	447,884	485,912
Term loans	12,961,877	15,959,045
	425,306,701	315,600,977
Non-Current		
Secured		
Term loans	95,122,818	66,875,757
	520,429,519	382,476,734

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 2018 RM	Group 2017 RM
Within one year	425,306,679	315,600,977
Later than one year and not later than two years	21,914,030	8,396,581
Later than two years and not later than five years	44,837,185	31,732,385
Later than five years	28,371,625	26,746,791
	520,429,519	382,476,734

Notes to the Financial Statements (cont'd)

20. Bank Borrowings (Cont'd)

The range of interest rates per annum is as follows:

	Group	
	2018 %	2017 %
Bank overdrafts	6.80 - 8.50	6.80 - 7.85
Bankers' acceptance	3.43 - 5.40	3.63 - 4.60
Revolving credits	4.61 - 5.40	4.54 - 4.95
Term loans	4.48 - 7.45	4.71 - 6.85
Trust receipts	3.42 - 8.84	8.50 - 8.59

21. Deferred Tax Liabilities

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	6,146,571	5,163,600	57,098	49,500
Acquisition of subsidiaries	98,201	123,923	–	–
Recognised in profit or loss (Note 30)	2,065,877	(212,532)	1,382	5,260
Recognised in equity	2,212,070	–	–	–
Under provision in prior years (Note 30)	842,258	1,071,580	1,612	2,338
At 31 December	11,364,977	6,146,571	60,092	57,098

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liabilities	31,176,114	18,242,697	60,092	57,098
Deferred tax assets	(19,811,137)	(12,096,126)	–	–
	11,364,977	6,146,571	60,092	57,098

Notes to the Financial Statements
(cont'd)

21. Deferred Tax Liabilities (Cont'd)

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

Deferred tax liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Difference between carrying amount of property, plant and equipment and its tax base	28,424,757	18,242,697	60,092	57,098
Arising from revaluation of investment property	539,287	–	–	–
Arising from revaluation of property,plant and equipment	2,212,070	–	–	–
	31,176,114	18,242,697	60,092	57,098

Deferred tax assets

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unabsorbed tax lossess	2,416,724	3,643,371	–	–
Unutilised capital allowances	17,293,124	3,484,167	–	–
Unutilised reinvestment allowances	101,289	4,968,588	–	–
	19,811,137	12,096,126	–	–

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unabsorbed tax lossess	14,968,997	2,405,884	–	–
Unutilised capital allowances	2,241,979	3	–	–
Other temporary differences	15,109	118,542	–	–
	17,226,085	2,524,429	–	–

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.

Notes to the Financial Statements (cont'd)

22. Amount Due to Contract Customers

	Group 2018 RM	2017 RM
Contract costs incurred to date	43,651,678	–
Attributable profits	9,240,376	–
	52,892,054	–
Less: Progress billings	(59,414,081)	–
	(6,522,027)	–
Presented as:		
Amount due to contract customers	(6,522,027)	–

Amount due to contract customers consist of advance billings in excess of revenue recognised overtime during the construction period. This is amount is expected to be recognised as revenue over a period of 365 days.

The costs incurred to date on construction contracts include the following charges made up during the financial year:

	Group 2018 RM	2017 RM
Rental of equipments and machineries	1,041,856	–
Rental of factory	692,740	–
Rental of motor vehicles	102,373	–
Rental of workers house	319,300	–
Staff cost	1,861,539	–
	4,017,808	–

23. Trade Payables

	Group 2018 RM	2017 RM
Trade payables		
- Third parties	133,964,186	127,270,987
- Related parties	2,052,624	2,909,879
	136,016,810	130,180,866

Credit terms of trade payables of the Group ranged from 14 to 120 days (2017: 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)

24. Other Payables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Other payables				
- Third parties	26,435,987	14,677,036	205,879	25,456
- Related parties	492,641	8,891,834	–	–
	26,928,628	23,568,870	205,879	25,456
Dividend payable	8,345,820	8,345,820	8,345,820	8,345,820
Deposit received	1,309,150	1,420,357	–	–
Accruals	19,109,472	11,698,770	61,000	52,250
GST payable	105,940	334,063	–	133,290
	55,799,010	45,367,880	8,612,699	8,556,816

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.

25. Derivative Financial Liabilities

Group	2018 Contract/ Notional amount USD	2018 Financial Liabilities RM	2017 Contract/ Notional amount USD	2017 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 an income of RM33,767 (2017: loss of RM33,767) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

26. Amount Due to Directors

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

Notes to the Financial Statements (cont'd)

27. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contracts with customers				
- Sales of goods	1,035,648,910	989,197,089	–	–
- Services rendered	12,777,506	21,695,344	–	–
- Construction contract revenue	52,892,055	–	–	–
-Hire purchase interest received	92,276	316,908	–	–
- Management fees received	–	–	7,101,000	7,421,000
	1,101,410,747	1,011,209,341	7,101,000	7,421,000
Revenue from other sources:				
- Dividend income	–	–	8,450,000	22,500,000
- Rental income from investment properties	4,006,292	4,200,453	–	–
	4,006,292	4,200,453	8,450,000	22,500,000
	1,105,417,039	1,015,409,794	15,551,000	29,921,000

28. Finance Costs

	Group	
	2018 RM	2017 RM
Bank overdrafts	1,310,163	300,211
Bankers acceptance	11,187,521	10,094,038
Letter of credit	51,359	–
Other interests	6,527	328,438
Revolving credits	4,195,439	2,222,755
Term loans	5,458,443	2,996,048
Trust receipts	37,375	57,907
Finance lease	76,651	207,491
	22,323,478	16,206,888

Notes to the Financial Statements
(cont'd)

29. Profit before Taxation

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- Statutory				
- Current year	425,604	355,513	48,000	40,000
- Under/(Over) provision in prior years	17,000	(17,100)	–	–
- Non-statutory				
- Current year	5,000	5,000	5,000	5,000
Amortisation of other investments investments	987	1,090	–	–
Bad debts written off				
- Trade	901,457	2,443,850	–	–
- Non-trade	–	25,000	–	–
Depreciation of property, plant and equipment	22,034,424	18,360,475	337,586	314,244
Non-executive Directors' remunerations				
- Fee	240,000	240,000	240,000	240,000
- Other emoluments	22,250	22,250	22,250	22,250
Impairment on property, plant and equipment	1,148,488	–	–	–
Impairment on trade receivables		3,600,957	685,897	––
Impairment loss on asset held for sale	30,000	–	–	–
Incorporation fee	3,592	9,426	–	–
Inventory written down	–	63,196	–	–
Inventories written off	42,454	33,812	–	–
Preliminary expenses	211,256	–	–	–
Property, plant and equipment written off	4,355	36,616	–	–
Rental expenses on:				
- Car park	32,700	32,400	7,200	7,200
- Land	1,291,000	896,000	–	–
- Loader	–	1,300	–	–
- Office equipments	14,560	66,988	4,093	3,170
- Premises	2,126,659	1,561,011	95,550	101,350
- Plant	809,800	520,356	–	–
- Hostel	446,200	142,161	–	–
- Factory equipment	685,584	443,941	–	–
- Motor vehicle	102,373	–	–	–
Bad debts recovered	(144,275)	(29,500)	–	–
Fair value adjustment on investment properties	(5,392,871)	(150,000)	–	–
Gain on disposal of assets held for sale	–	(1,638)	–	–
Gain on disposal of property, plant and equipment	(18,354)	(512,917)	–	–
Gain on disposal of a subsidiary company	(594,724)	–	–	–

Notes to the Financial Statements
(cont'd)

29. Profit before Taxation (Cont'd)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Gain)/Loss on derivative financial liabilities	(33,767)	33,767	–	–
Gain on disposal of other investment	(2,513)	–	–	–
Loss/(Gain) on foreign exchange				
- Realised	507,534	50,652	–	–
- Unrealised	(21,239)	356,877	–	–
Interest income from bank	(27,318)	(45,784)	–	(5,307)
Interest income from fixed deposits	(99)	(4,702)	–	–
Interest from overdue account	(2,059,193)	(463,794)	–	–
Interest income from financial liabilities at amortised cost	–	–	(1,632,921)	–
Other interest income	(350)	–	–	–
Rental income	(270,680)	(189,390)	–	–
Rental of motor vehicles income		(109,859)	(222,070)	––
Reversal of impairment on trade receivables	(805,011)	(2,686,626)	–	–
Solar operator fees	–	(357,240)	–	–
Other income from solar power panels	(3,956,688)	(2,911,532)	–	–

30. Taxation

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses recognised in profit or loss:				
Current year taxation	8,208,330	8,690,517	144,500	113,801
Real property gain tax	–	70,510	–	–
(Over)/Under provision in prior years	(1,466,791)	226,357	44,927	(1,640)
	6,741,539	8,987,384	189,427	112,161
Deferred tax:				
Origination and reversal of temporary differences	2,065,877	(212,532)	1,382	5,260
Under provision in prior years	842,258	1,071,580	1,612	2,338
	2,908,135	859,048	2,994	7,598
	9,649,674	9,846,432	192,421	119,759

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year.

Notes to the Financial Statements
(cont'd)

30. Taxation (Cont'd)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation	33,748,689	39,458,049	9,895,435	22,405,366
At Malaysian statutory tax rate of 24% (2017: 24%)	8,099,685	9,469,932	2,374,904	5,377,288
Non taxable income	(5,158,191)	(1,042,283)	(2,419,901)	(5,400,000)
Expenses not deductible for tax purposes	4,856,220	2,668,362	190,879	141,773
Utilisation of current year capital allowances	–	(1,813,002)	–	–
Utilisation of current year reinvestment allowances	(1,469,646)	–	–	–
Utilisation of previously unrecognised deferred tax asset	–	(1,325,007)	–	–
Deferred tax assets not recognised	3,427,110	565,857	–	–
Income under partial tax exemption scheme	(13,197)	(72,724)	–	–
Differentiate of tax rate	(46,975)	236,591	–	–
Share of associate tax	626,198	–	–	–
Tax effect of partial tax exemption	(46,997)	(139,231)	–	–
(Over)/Under provision of taxation in prior years	(1,466,791)	226,357	44,927	(1,640)
Under provision of deferred tax in prior years	842,258	1,071,580	1,612	2,338
Tax expenses for the financial year	9,649,674	9,846,432	192,421	119,759

Notes to the Financial Statements
(cont'd)

31. 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	
	2018 RM	2017 RM
Profit attributable to owners of the parent for basic earnings	22,946,249	29,747,397
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	556,388,000	505,888,000
Effect of ordinary shares issued during the financial year	–	17,945,205
Weighted average number of ordinary shares at 31 December	556,388,000	523,833,205
Basic earnings per ordinary share (sen)	4	6

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.

32. Dividends

	Group/Company	
	2018 RM	2017 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 2018 (single tier dividend of RM0.015 per ordinary share)	8,345,820	–
- 31 December 2017 (single tier dividend of RM0.02 per ordinary share)	–	11,127,760
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
	8,345,820	19,473,580

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

Notes to the Financial Statements
(cont'd)

33. Staff Costs

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Salaries, wages and other emoluments	47,096,035	40,006,942	2,970,625	3,339,634
Defined contribution plans	5,461,627	5,008,566	583,661	612,732
Other benefits	1,728,309	4,482,422	80,405	2,076,583
	54,285,971	49,497,930	3,634,691	6,028,949

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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Executive Directors				
Salaries and other emoluments	1,842,084	1,812,034	1,769,133	1,740,034
Defined contribution plans	212,687	221,311	206,187	210,722
	2,054,771	2,033,345	1,975,320	1,950,756

34. 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:

Group	At 1.1.2018 RM	Drawdown/ Addition RM	New finance leases/ Term loans (Note 4(v)) RM	Acquisition/ (Disposal) of subsidiary companies RM	(Repayment)/ Proceed RM	At 31.12.2018 RM
Finance lease liabilities (Note 19)	2,529,645	–	94,000	302,703	(1,949,808)	976,540
Term loans (Note 20)	82,834,802	42,134,589	–	–	(16,884,696)	108,084,695
Other borrowings (Note 20)	296,722,909	–	–	(880,000)	93,560,505	389,403,414
Fixed deposits with licensed banks	19,094	–	–	–	99	19,193
Dividend payable	8,345,820	8,345,820	–	–	(8,345,820)	8,345,820
	390,452,270	50,480,409	94,000	(577,297)	66,380,280	506,829,662
Company						
Dividend payable	8,345,820	8,345,820	–	–	(8,345,820)	8,345,820

Notes to the Financial Statements
(cont'd)

34. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

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

Group	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
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
	333,169,024	33,256,263	28,715,817	3,507,131	(8,195,965)	390,452,270
Company						
Dividend payable	10,117,760	19,473,580	–	–	(21,245,520)	8,345,820

35. 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.

Notes to the Financial Statements
(cont'd)

35. Related Party Disclosures (Cont'd)

(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	
	2018	**2017**
	RM	**RM**
Transactions with companies in which Directors of the Company has substantial financial interests		
- Transportation services rendered	4,017,300	13,784,610
- Sales of goods	2,654,621	1,877,077
- Purchase of goods	11,195,848	9,419,054
- Rental received/receivables	1,157,800	1,044,000
- Rental paid/payables	334,700	274,450
- Hotel accommodation paid	6,207	13,243
- Purchase of motor vehicle	286,761	–
- Other income	141,495	179,730
	19,794,732	26,592,164

	Company	
	2018	**2017**
	RM	**RM**
Transactions with subsidiary companies		
- Dividend income	8,450,000	22,500,000
- Management fee income	7,101,000	7,421,000
- Interest income from financial liabilities at amortised cost	1,632,921	–
	17,183,921	29,921,000
Transactions with companies in which Directors of the Company has substantial financial interests		
- Rental paid/payables	31,350	24,000

(c) Compensation of key management personnel

Remuneration of Directors and other member of key management are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries, fees and other other emoluments	5,293,034	5,368,005	2,013,383	1,933,275
Defined contribution plans		596,449	609,007	206,187
	5,889,483	5,977,012	2,219,570	2,133,531

Notes to the Financial Statements
(cont'd)

36. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has seven (7) 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
Modular building solutions	Manufacture of prefabricated buildings mainly of metal

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.

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 2018 and 31 December 2017.

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.

Notes to the Financial Statements
(cont'd)

36. 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	Modular building solutions RM	Adjustments and elimination RM	As per consolidated financial statements RM
Group									
2018									
Revenue									
External customers	5,800	17,314,393	629,905,864	96,849,764	178,758,201	129,690,962	52,892,055	–	1,105,417,039
Inter-segment	16,200,600	7,217,323	3,560,744	88,748	42,262,286	37,787,005	–	(107,116,706)	–
Total revenue	16,206,400	24,531,716	633,466,608	96,938,512	221,020,487	167,477,967	52,892,055	(107,116,706)	1,105,417,039
Results									
Segment results	8,128,023	2,431,873	18,198,286	3,538,869	20,404,476	759,020	11,187,070	(11,711,574)	52,936,043
Interest income	1,632,921	(8,070)	(753,328)	(627)	(99,972)	(7,058)	(1,310,623)	(1,540,203)	(2,086,960)
Finance costs	–	(42,771)	(11,291,968)	(656,198)	(8,824,059)	(2,522,344)	(709,067)	1,722,929	(22,323,478)
Share of results of associates	–	–	–	–	–	–	–	5,223,084	5,223,084
Profit/(Loss) before taxation	9,760,944	2,381,032	6,152,990	2,882,044	11,480,445	(1,770,382)	9,167,380	(6,305,764)	33,748,689
Taxation	(188,766)	(405,992)	(2,384,198)	(344,640)	(3,848,832)	371,007	(2,394,055)	(454,198)	(9,649,674)
Net profit/(loss) for the financial year	9,572,178	1,975,040	3,768,792	2,537,404	7,631,613	(1,399,375)	6,773,325	(6,759,962)	24,099,015
Assets									
Segment assets	511,680,126	33,587,980	532,774,645	80,351,623	465,170,952	205,075,281	130,151,366	(857,596,982)	1,101,194,991
Capital expenditure	80,398	149,675	792,090	14,850	105,533,793	212,248	1,029,158	(51,617,526)	56,194,686
Total assets	511,760,524	33,737,655	533,566,735	80,366,473	570,704,745	205,287,529	131,180,524	(909,214,508)	1,157,389,677
Total liabilities	171,083,521	20,185,236	342,800,155	36,540,098	452,253,353	143,406,166	124,301,100	(550,897,701)	739,671,928

Notes to the Financial Statements
(cont'd)

36. 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	Modular building solutions RM	Adjustments and elimination RM	As per consolidated financial statements RM
Group									
2018									
Other non-cash items									
Amortisation of other investments	–	987	–	–	–	–	–	–	987
Depreciation of property, plant and equipment	406,626	253,606	1,330,459	2,480,327	12,645,418	4,313,146	172,643	432,199	22,034,424
Impairment on trade receivables	–	61,284	801,807	259,728	1,411,054	1,067,084	–	–	3,600,957
Impairment on property, plant and equipment	–	–	–	–	1,148,488	–	–	–	1,148,488
Inventories written off	–	–	42,454	–	–	–	–	–	42,454
Bad debts written off									
- Trade	–	–	872,031	–	–	29,426	–	–	901,457
Fair value adjustment on investment properties	–	–	(300,000)	–	(1,720,000)	(5,092,871)	–	1,720,000	(5,392,871)
Impairment loss on assets held for sales	–	–	30,000	–	–	–	–	–	30,000
Gain on disposal of a subsidiary company	–	–	–	–	–	4,028,452	–	(4,623,176)	(594,724)
Gain on disposal of property, plant and equipment	–	–	–	22,802	(14,999)	(26,157)	–	–	(18,354)
Gain on unrealised foreign exchange	–	–	3,872	–	(59,671)	7,387	–	27,173	(21,239)
Gain on derivative financial liabilities	–	–	–	–	–	(33,767)	–	–	(33,767)
Property, plant and equipment written off	–	–	4,355	–	–	–	–	–	4,355
Reversal of impairment on trade receivables	–	(157,893)	–	(88,226)	(147,091)	–	–	(411,801)	(805,011)

Notes to the Financial Statements
(cont'd)

36. 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 before taxation	22,710,984	3,734,067	15,520,545	3,129,261	22,137,556	(3,607,918)	(21,549,918)	42,074,577
Taxation	(188,044)	(1,073,181)	(4,046,454)	(515,749)	(3,308,299)	(295,642)	(419,063)	(9,846,432)
Net profit for the financial year	22,522,940	2,660,886	11,474,091	2,613,512	18,829,257	(3,903,560)	(21,968,981)	32,228,145
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
Total liabilities	140,420,065	8,787,223	302,243,416	44,711,280	351,615,630	126,760,021	(406,976,850)	567,560,785

36. 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
Inventories written down	–	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, investment properties	–	–	(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 revaluation of investment properties 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)

36. 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Group				
Malaysia	1,087,001,409	1,001,021,490	608,883,997	510,569,834
Singapore	18,415,630	14,388,304	653	2,605
	1,105,417,039	1,015,409,794	608,884,650	510,572,439

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

Notes to the Financial Statements (cont'd)

37. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at amortised costs RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2018			
Financial Assets			
Trade receivables	337,919,656	–	337,919,656
Other receivables	25,125,475	–	25,125,475
Hire purchase receivables	326,483	–	326,483
Fixed deposits with licensed bank	19,193	–	19,193
Cash and bank balances	52,728,662	–	52,728,662
	416,119,469	–	416,119,469
Financial Liabilities			
Trade payables	–	136,016,810	136,016,810
Other payables	–	55,693,070	55,693,070
Amount due to Directors	–	5,964,499	5,964,499
Finance lease liabilities	–	976,540	976,540
Bank borrowings	–	520,429,519	520,429,519
	–	719,080,438	719,080,438

Notes to the Financial Statements
(cont'd)

37. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
Group				
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

Notes to the Financial Statements (cont'd)

37. Financial Instruments (Cont'd)

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

	Financial assets at amortised costs RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2018			
Financial Assets			
Other receivables	5,809,784	–	5,809,784
Amounts due from subsidiary companies	173,462,339	–	173,462,339
Cash and bank balances	8,482,177	–	8,482,177
	187,754,300	–	187,754,300
Financial Liabilities			
Other payables	–	8,612,699	8,612,699
Amounts due to subsidiary companies	–	162,210,403	162,210,403
	–	170,823,102	170,823,102

	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

Notes to the Financial Statements
(cont'd)

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies

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 RM520,562,475 (2017: RM427,824,048), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

37. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2018						
Financial liabilities						
Trade payables	136,016,810	–	–	–	136,016,810	136,016,810
Other payables	55,693,070	–	–	–	55,693,070	55,693,070
Amount due to Directors	5,964,499	–	–	–	5,964,499	5,964,499
Finance lease liabilities	584,713	428,515	17,545	–	1,030,773	976,540
Bank borrowings	425,661,667	22,473,847	45,996,318	31,578,019	525,709,852	520,429,519
	623,920,759	22,902,362	46,013,863	31,578,019	724,415,004	719,080,438
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)

37. 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	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company						
2018						
Financial liabilities						
Other payables	8,612,699	–	–	–	8,612,699	8,612,699
Amount due to subsidiary companies	54,649,843	109,299,686	–	–	163,949,529	162,210,403
	63,262,542	109,299,686	–	–	172,562,228	170,823,102
2017						
Financial liabilities						
Other payables	8,423,526	–	–	–	8,423,526	8,556,816
Amount due to a subsidiary company	130,500,022	–	–	–	130,500,022	130,500,022
	138,923,548	–	–	–	138,923,548	139,056,838

(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)

37. 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
2018						
Cash and bank balances	462,679	2,800,387	–	–	–	3,263,066
Trade receivables	287,669	9,897,999	–	–	–	10,185,668
Trade payables	(141,158)	(1,979,592)	(914,796)	(4,901)	(545,064)	(3,585,511)
Other payables	–	(360,690)	(43,083)	–	–	(403,773)
	609,190	10,358,104	(957,879)	(4,901)	(545,064)	9,459,450
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

Notes to the Financial Statements
(cont'd)

37. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the USD, SGD, EUR, RMB and THB exchange rates against RM, with all other variables held constant.

Group	2018 Change in currency rate RM	Effect on profit before tax RM	2017 Change in currency rate RM	Effect on profit before tax RM
USD	Strengthened 10%	60,919	Strengthened 10%	57,169
	Weakened 10%	(60,919)	Weakened 10%	(57,169)
SGD	Strengthened 10%	1,035,810	Strengthened 10%	34,807
	Weakened 10%	(1,035,810)	Weakened 10%	(34,807)
EUR	Strengthened 10%	(95,788)	Strengthened 10%	(49)
	Weakened 10%	95,788	Weakened 10%	49
RMB	Strengthened 10%	(490)	Strengthened 10%	(5,705)
	Weakened 10%	490	Weakened 10%	5,705
THB	Strengthened 10%	(54,506)	Strengthened 10%	(19,187)
	Weakened 10%	54,506	Weakened 10%	19,187

Notes to the Financial Statements (cont'd)

37. 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	
	2018 RM	**2017 RM**
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	19,193	19,094
Financial liability		
Finance lease liabilities	976,540	2,529,645
Floating rate instruments		
Financial liability		
Bank borrowings	520,429,519	382,476,734

Notes to the Financial Statements
(cont'd)

37. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

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 RM5,204,295 (2017: RM3,824,767), 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.

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
Group				
2018				
Finance lease liabilities	–	554,723	–	425,929
2017				
Finance lease liabilities	–	588,747	–	606,632

Notes to the Financial Statements (cont'd)

37. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(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.

38. 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.

Notes to the Financial Statements
(cont'd)

38. Capital Management (Cont'd)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Total loan and borrowings	521,406,059	385,006,379	–	–
Less: Fixed deposits with licensed banks	(19,193)	(19,094)	–	–
Less: Cash and bank balances	(52,728,662)	(49,991,808)	(8,482,177)	(6,601,259)
Net debts/(cash)	468,658,204	334,995,477	(8,482,177)	(6,601,259)
Total equity	415,765,749	399,551,296	328,460,794	332,095,308
Gearing ratio (times)	1.13	0.84	#	#

\# The gearing ratio is not applicable as the Company does not has any loan and borrowings as at 31 December 2018 and 31 December 2017.

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

39. Capital Commitment

Capital expenditure

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

	Group	
	2018 RM	2017 RM
Authorised and contracted for:		
Property, plant and equipment		9,127,591

Notes to the Financial Statements
(cont'd)

39. Capital Commitment (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 2018 RM	Group 2017 RM
Within one year	1,275,200	42,000
Later than one year but not later than five years	596,200	23,000
Later than five years	219,000	–
	2,090,400	65,000

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 3 years (2017: 1 to 2 years).

40. Financial Guarantees

	Group 2018 RM	Group 2017 RM
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	1,080,775,700	830,005,700

41. Subsequent Event

On 29 March 2019, Solarvest Energy Sdn. Bhd., an associate of the Company incorporated a 70% owned subsidiary company, Solarvest Energy SR Sdn. Bhd..

42. 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 18 April 2019.

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)	Revaluation Date	Approximate Age of Building	Audited Net book value as at 31 December 2018
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	31/12/2018	2	51,995,464.00
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 Existing use: Factory	Category of land use: Industrial Land area: 83,190.5m^2 Built-up area: 17,554m^2	31/12/2018	5	36,929,838.00
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	31/12/2018	6	17,200,000.00
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: 10,595m^2 Built-up area: #	31/12/2018	5	7,091,515.25
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: 9,291m^2 Built-up area: #	31/12/2018	5	6,218,713.38
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: 8,150m^2 Built-up area: #	31/12/2018	5	5,455,011.73
7	PN 218833, Lot 12473, Mukim Bidor, Batang Padang, Perak	Lot 12461, Kawasan Perusahaan Bidor, 35500 Bidor, Perak, Malaysia	Leasehold 99 years expiring 5 March 2096	Description of property: Factory Building Existing use: Factory	Category of land use: Industrial Land area: 75,072m^2 Built-up area: 3,613m^2	31/12/2018	2	5,265,000.00

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)	Revaluation Date	Approximate Age of Building	Audited Net book value as at 31 December 2018
8	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: 848.2m^2 Built-up area: 663.3m^2	31/12/2018	3	4,550,000.00
9	PN 218731, Lot 12448, Mukim Bidor, Batang Padang, Perak	Lot 12461, Kawasan Perusahaan Bidor, 35500 Bidor, Perak, Malaysia	Leasehold 99 years expiring 5 March 2096	Description of property: Factory Building Existing use: Factory	Category of land use: Industrial Land area: 75,072m^2 Built-up area: 3,617m^2	31/12/2018	1	4,313,245.00
10	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: #	31/12/2018	5	3,276,353.67

\# 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

AS AT 29 MARCH 2019

SHARE CAPITAL

Total Number of Issued Shares	:	556,388,000
Issued Share Capital	:	RM325,795,595.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2019

	No. of holders	% of shareholders	No. of holdings	% of shares
1 – 99	9	0.44	149	0.00
100 - 1,000	285	13.96	205,801	0.04
1,001 - 10,000	1,104	54.09	5,918,800	1.08
10,001 - 100,000	474	23.22	15,898,550	2.89
100,001 to less than 5% of issued shares	165	8.08	302,222,600	54.94
5% and above of issued shares	4	0.20	225,822,100	41.05
	2,041	**100.00**	**550,068,000** (a)	**100.00**

(a) *Excluding a total of 6,320,000 shares bought-back by the Company and retained as treasury shares as at 29 March 2019.*

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019

		Direct	%	Indirect	%
1	Divine Inventions Sdn. Bhd.	193,432,800	35.17	–	–
2	PP Chin Hin Realty Sdn. Bhd.	–	–	193,432,800 (a)	35.17
3	Datuk Seri Chiau Beng Teik	143,831,100	26.15	193,432,800 (a)	35.17
4	Datin Seri Wong Mee Leng	–	–	193,432,800 (a)	35.17
5	Chiau Haw Choon	10,750,000	1.95	193,432,800 (a)	35.17

(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 29 MARCH 2019

		Direct	%	Indirect	%
1	Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	100,000	0.02	–	–
2	Datuk Seri Chiau Beng Teik	143,831,100	26.15	193,432,800 (a)	35.17
3	Chiau Haw Choon	10,750,000	1.95	193,432,800 (a)	35.17
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	–	–
7	Shelly Chiau Yee Wern *(Alternate Director to Datuk Seri Chiau Beng Teik)*	–	–	–	–

(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 29 MARCH 2019)

		No. of shares	% of shares
1.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD (50-00023-000)	95,000,000	17.27
2.	DIVINE INVENTIONS SDN BHD	51,432,800	9.35
3.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK (MGN-CBT0006M)	43,482,100	7.90
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	35,907,200	6.53
5.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATUK SERI CHIAU BENG TEIK (SMART)	25,100,000	4.56
6.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD	24,000,000	4.36
7.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	15,240,400	2.77
8.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD (M&A)	13,000,000	2.36
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD	12,781,000	2.32
10.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	12,757,200	2.32
11.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK	10,584,600	1.92
12.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD	10,000,000	1.82
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK SERI CHIAU BENG TEIK (514440532080)	10,000,000	1.82
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	8,849,200	1.61
15.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	6,100,000	1.11
16.	CHEONG KAI MENG	6,039,100	1.10
17.	MOHD SALLEH BIN HASHIM	6,000,000	1.09
18.	YAYASAN GURU TUN HUSSEIN ONN	5,966,000	1.08
19.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIAU HAW CHOON	5,900,000	1.07
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	5,514,000	1.00
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DATUK SERI CHIAU BENG TEIK (MY2975)	5,000,000	0.91
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHIAU HAW CHOON (SMART)	4,850,000	0.88

Statistics of Shareholdings
(cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2019) (cont'd)

		No. of shares	% of shares
23.	KEH CHUAN SENG	4,514,300	0.82
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR PEH LIAN HWA (SMART)	4,406,100	0.80
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUM ANG KIA (DATO')	3,900,000	0.71
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEH LIAN HWA (7001214)	3,896,500	0.71
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	3,453,400	0.63
28.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR OOI CHEN SENG (SMART)	3,345,300	0.61
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)	3,190,000	0.58
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (GROWTH)	2,860,400	0.52
	TOTAL	**443,069,600**	**80.55**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth (5th) 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 Monday, 17 June 2019 at 10.00 a.m. for the purpose of transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 2019 to be divided amongst the Directors in such manner as the Directors may determine and other benefits payable of up to RM200,000 for the period commencing from 17 June 2019 up to the next Annual General Meeting of the Company. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire pursuant to Clause 105(1) of the Company's Constitution:

   (a) Datuk Seri Dr Nik Norzul Thani Bin Nik Hassan Thani (Ordinary Resolution 2)

   (b) Datuk Seri Chiau Beng Teik (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.

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 Part A, Section 2.4 of the Circular to Shareholders dated 30 April 2019 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:

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)**

(i) the transactions are necessary for the day to day operations of the Company's subsidiary in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;

(ii) the mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

(iii) disclosure is made in the annual report of the Company of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholder's mandate is in force, where:

(a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1.0 million; or

(b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the higher;

and amongst other, based on the following information:

(a) the type of the Recurrent Related Party Transactions made; and

(b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationships with Chin Hin Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

Notice of Annual General Meeting (cont'd)

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

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 2019.

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.

8. 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)
Thien Lee Mee (LS0009760)
Company Secretaries

Kuala Lumpur
Date: 30 April 2019

Notice of Annual General Meeting
(cont'd)

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 Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

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 7 June 2019 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out above will be put to vote by way of poll.

EXPLANATORY NOTES :

1. **Audited Financial Statements for the Financial Year Ended 31 December 2018**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2018 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 17 June 2019 until the next Annual General Meeting for the Company.

Notice of Annual General Meeting (cont'd)

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, the Company has not issued any new shares pursuant to the General Mandate granted to the Directors at the Fourth (4th) Annual General Meeting held on 31 May 2018 and which will lapse at the conclusion of the Fifth (5th) Annual General Meeting. A renewal of this General Mandate is being sought at the Fifth (5th) Annual General Meeting under the proposed Ordinary Resolution 5.

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 Renewal of 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03 (3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of Annual General Meeting of the Company for the details.

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CHIN HIN GROUP BERHAD (1097507-W)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

Form of Proxy

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 Fifth (5th) 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 Monday, 17 June 2019 at 10.00 a.m. and at any adjournment thereof.

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees and other benefits payable.	**Ordinary Resolution 1**		
2.	To re-elect Datuk Seri Dr Nik Norzul Thani Bin Nik Hassan Thani as Director.	**Ordinary Resolution 2**		
3.	To re-elect Datuk Seri Chiau Beng Teik 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**		

(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 ____________________, 2019.

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 : ....%

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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 Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
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 7 June 2019 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out above will be put to vote by way of poll.

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THE SHARE REGISTRAR OF
CHIN HIN GROUP BERHAD
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor

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