

We make Great Experience

Annual Report
2019

 **CHIN HIN**™

CHIN HIN GROUP BERHAD
201401021421 (1097507-W)

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.

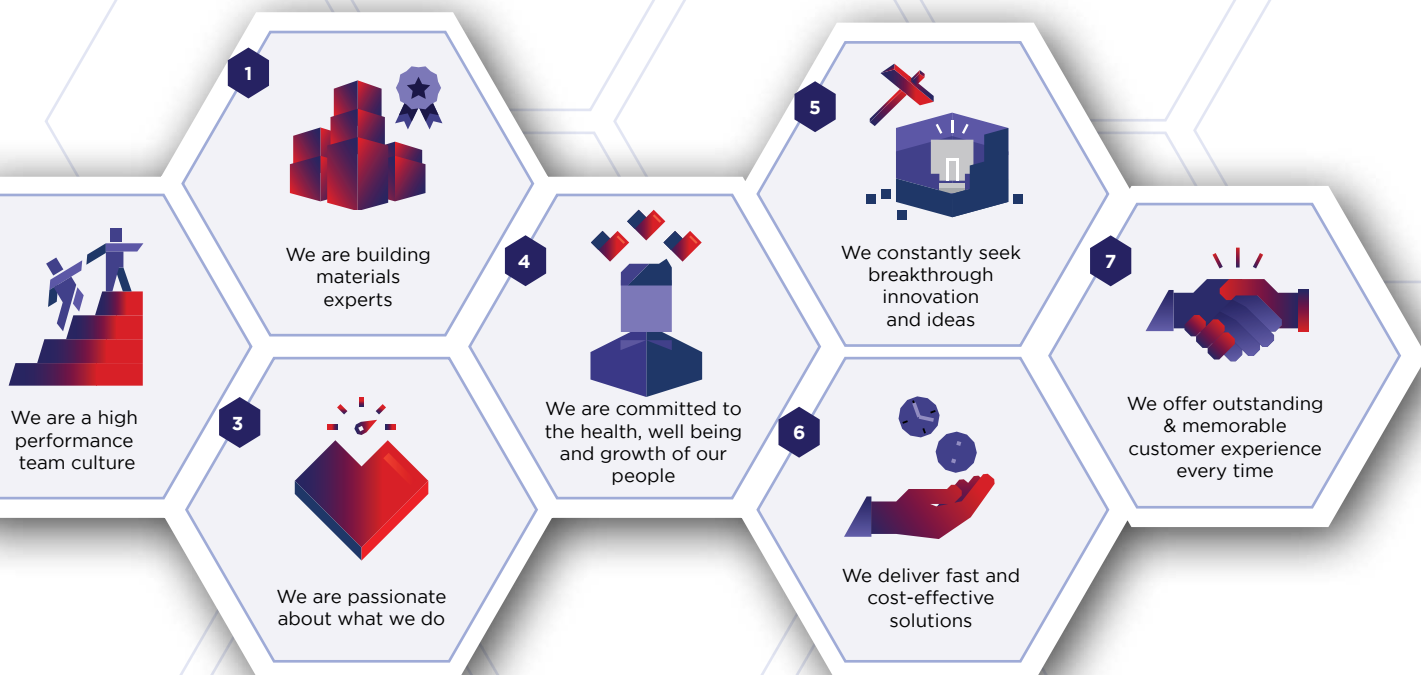
CHIN HIN GROUP today has expanded its business to cover not only trading but also manufacturing and services across:

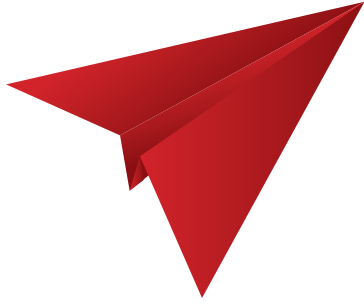
- Fire-Rated and Wooden Doors
- High Quality Door Locks
- Steel Door Frames
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistics
- Modular Building Solutions
- Pre-Cast Concrete Products
- Polymer Concrete Pipes
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete ("UHPC")
- Solar Power Investment Business

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"





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

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CORPORATE VALUES



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

CORPORATE MILESTONES



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

2016

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

2014

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

2008

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

1974

Started as a hardware shop Chop Chin Hin

ACCELERATION

Solarvest Holdings Berhad (Associate) making initial public offering at Ace Market of Bursa Malaysia

Organic Growth

- Midah Industries Sdn Bhd - expanded its product portfolios to include wooden door, high density fiberboard door, louvers, timber frame, handrail, architrave and skirting .

2019

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

- Starken AAC 2 Sdn Bhd (F.K.A Sage Evergreen Sdn Bhd)
- Starken Drymix Solutions Sdn Bhd
- G-Cast UHPC Sdn Bhd

2015

Obtained SC approval for IPO

EXPANSION

2011

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

1995

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



Initial Public Offering



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

YEOH CHIN HOE

Senior Independent Non-Executive
Director

DATUK CHENG LAI HOCK

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

AUDITORS

Messrs UHY (AF 1411)
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
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Malaysia Tel : (603) 78904700
Fax : (603) 78904670

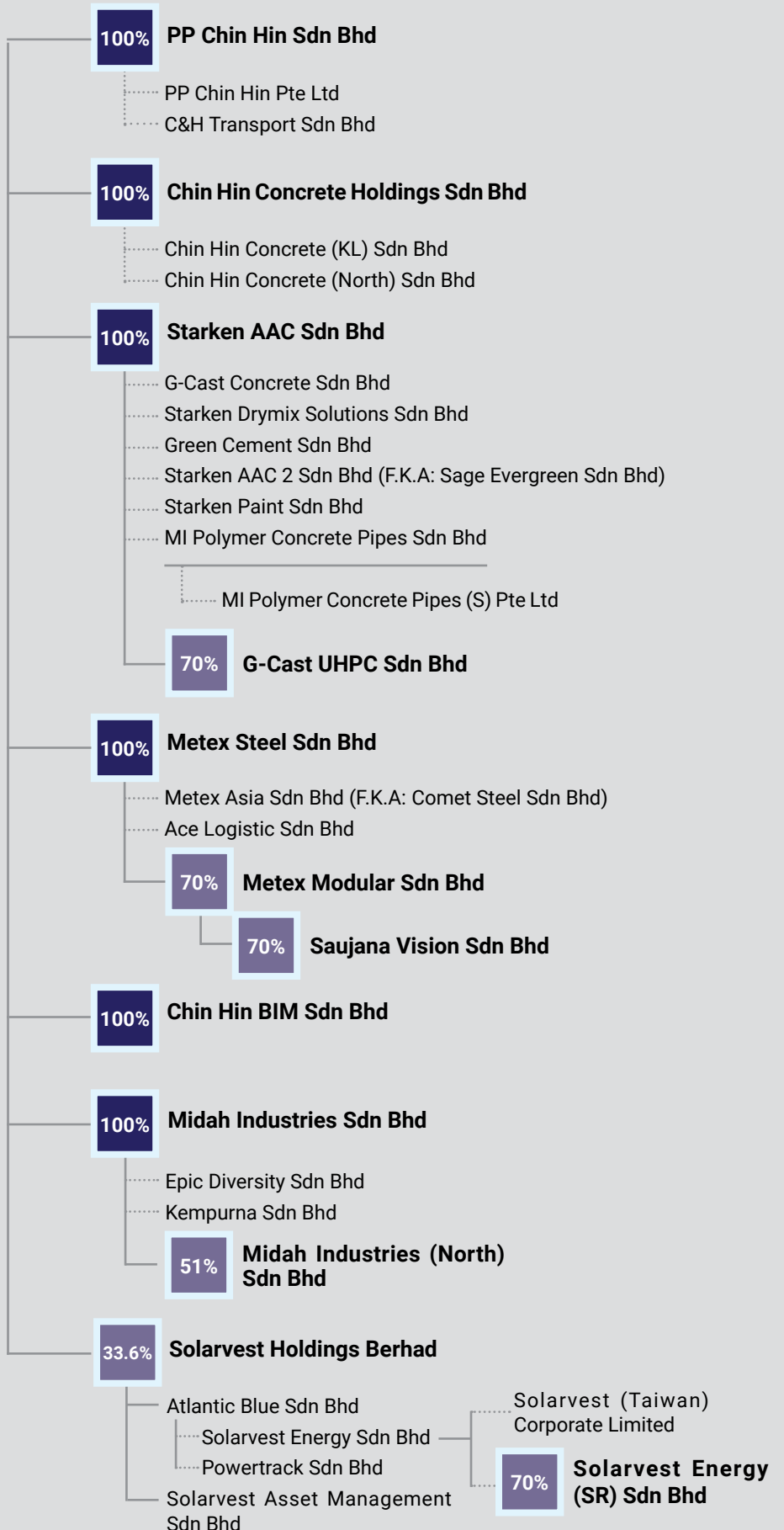
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
(Syariah Compliant Stocks)

STOCK NAME/CODE

CHINHIN/5273

CORPORATE STRUCTURE



Notes:

- All subsidiaries and associates 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 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, Pengurusan Aset Air Berhad (PAAB) (a wholly owned company under the Minister of Finance Inc.) and IIUM Holdings Sdn Bhd (a wholly owned subsidiary of International Islamic University Malaysia). He also sits on the Board of Amanah Saham Nasional Berhad (ASNB), Cagamas Holdings Berhad and MUFG Bank (Malaysia) 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.

DATUK SERI DR NIK NORZRUL THANI BIN NIK HASSAN THANI

Malaysian | Male | Aged 60
Independent Non-Executive Chairman



DIRECTORS' PROFILE (CONT'D)



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-four (44) 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 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 16 June 2020 and has not committed any offences within the past five (5) years other than traffic offences, if any.

DATUK SERI CHIAU BENG TEIK

Malaysian | Male | Aged 59
Deputy Group Executive Chairman

DIRECTORS' PROFILE (CONT'D)

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 Leng, a major shareholder of the Company. He also sits on the Board of Chin Hin Group Property Berhad and Solarvest Holdings Berhad. He has no conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 16 June 2020 and has not committed any offences within the past five (5) years other than traffic offences, if any.

CHIAU HAW CHOON

Malaysian | Male | Aged 36
Group Managing Director



DIRECTORS' PROFILE (CONT'D)



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 five (25) 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.

LEE HAI PENG

Malaysian | Male | Aged 54
Executive Director Cum Chief Financial Officer

DIRECTORS' PROFILE (CONT'D)

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 thirty five (35) years of experiences as company secretary and more than nineteen (19) 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.

DATUK CHENG LAI HOCK

Malaysian | Male | Aged 61
Independent Non-Executive Director



DIRECTORS' PROFILE (CONT'D)



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

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

Mr Yeoh sits on the Board of Directors of Hextar Global Berhad (formerly known as 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.

YEOH CHIN HOE

Malaysian | Male | Aged 69
Senior Independent Non-Executive Director

DIRECTORS' PROFILE (CONT'D)

Ms Shelly Chiau Yee Wern 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 Operating Officer at BKG Development Sdn Bhd, a wholly-owned subsidiary of Chin Hin Group Property Berhad.

Ms Shelly Chiau Yee Wern is the daughter of Datuk Seri Chiau Beng Teik, the Deputy Group Executive Chairman and a major shareholder of the Company, and Datin Seri Wong Mee Leng, a major shareholder of the Company. She is the sister of Mr Chiau Haw Choon, the Group Managing Director and a major shareholder of the Company.

Ms Shelly Chiau is a Non-Independent Non-Executive Director of Green Ocean Corporation Berhad. She also sits on the Board of Chin Hin Group Property Berhad as alternate director to Datuk Seri Chiau Beng Teik. She has no conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 16 June 2020 and has not committed any offences within the past five (5) years other than traffic offences, if any.

SHELLY CHIAU YEE WERN

Malaysian | Female | Aged 30
Alternate Director To Datuk Seri Chiau Beng Teik



KEY SENIOR MANAGEMENT PROFILE



Standing, left to right:

LEE HAI PENG

**Executive Director cum
Chief Financial Officer**

- Chin Hin Group Berhad

LOK BOON CHENG

Chief Executive Officer

- Metex Steel Group of
Companies

Director

- Metex Modular Sdn
Bhd
- Saujana Vision Sdn
Bhd

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
- Starken AAC 2 Sdn Bhd
(F.K.A: Sage Evergreen
Sdn Bhd)
- Starken Paint 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

CHUA SHIOU MENG

Chief Executive Officer

- Chin Hin Concrete
Holdings Sdn Bhd
- Chin Hin Concrete (KL)
Sdn Bhd
- Chin Hin Concrete
(North) Sdn Bhd

SE KOK WENG

**Chief Executive Officer &
Director**

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

KEY SENIOR MANAGEMENT PROFILE (CONT'D)

TAN CHEAK JOO

- **Malaysian, Male, Aged 50**
- **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

Mr 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 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 nineteen (19) years of 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

- **Malaysian, Male, Aged 56**
- **Chief Executive Officer**
 - Metex Steel Group of Companies
- **Director**
 - Metex Modular Sdn Bhd
 - Saujana Vision Sdn Bhd

Mr Lok Boon Cheng is the Chief Executive Officer of Metex Steel Group of Companies and the Director of Metex Modular 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-nine (29) years of 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

- **Malaysian, Male, Aged 51**
- **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
- Starken AAC 2 Sdn Bhd (f.k.a Sage Evergreen Sdn Bhd)
- Starken Paint Sdn Bhd

Mr 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 one (21) years of experience 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 Malaysia Securities Berhad) 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)

SE KOK WENG

- Malaysian, Male, Aged 45
- Chief Executive Officer & Director
- Midah Industries Sdn Bhd
- Midah Industries (North) Sdn Bhd
- Epic Diversity Sdn Bhd
- Kempurna Sdn Bhd

Mr Se Kok Weng is the Chief Executive Officer and directors of Midah Group of Companies.

He managed the overall factory operation and sales of fire rated door set, timber related products, timber door, timber frame, metal door frame and architectural hardware for our group. He has more than fifteen (15) years of experience in sales, marketing and distribution of timber-based products for the building industry.

Upon his graduation from SMK Petaling, he joined Multec Enterprise Sdn Bhd ("Multec") as a general clerk in 1994. He was subsequently transferred to sales department and promoted as Sales Executive. Two years later, he was transferred from Multec to Woodlandor Wood Products Sdn Bhd ("Woodlandor") which is a sister company of Multec. In 1999, he left Woodlandor and joined Midah Industries as Senior Sales Executive and has been with the company ever since. In the year 2008, he became the shareholder of both Midah Industries Sdn Bhd and Epic Diversity Sdn Bhd.

Mr Se Kok Weng was entrusted with a wide range of job scope during his eighteen (18) years of service as a senior sales executive which include the daily sales activities for both Midah and Epic which cover the commercial and residential projects, site measurement and also give proposal to architect for each and every project. He has gained a deep understanding of the Midah and Epic's product knowledge including the entire production process, species of timber and detail costing of each door. In 2017, Midah Industries was acquired by Chin Hin and he was promoted as a General Manager. In September 2019, he was promoted again to the position of CEO of the Midah Group of companies, responsible for the development and implementation of business strategies, build up sales teams, providing direction and operational leadership and achieving corporate goals.

Mr Se Kok Weng does not hold directorship 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.

CHUA SHIOU MENG

- Malaysian, Male, Aged 48
- Chief Executive Officer
- Chin Hin Concrete Holding Sdn Bhd
- Chin Hin Concrete (KL) Sdn Bhd
- Chin Hin Concrete (North) Sdn Bhd

Mr Chua Shiou Meng is the Chief Executive Officer of Chin Hin Concrete Group of Companies.

He completed his education of Business Administration in INTI College Subang and has more than twenty-three (23) years of working experience in the Concrete industry.

He started off his career as a Sales Executive with TOKO Business Machine Sdn Bhd in 1995 and a few years later moved to CI Readymix Sdn Bhd which started his career into the Concrete industry.

In 2000 he moved to the Sales Manager Position in Hanson Building Materials Malaysia Sdn Bhd where he was responsible for managing the Sales Associates.

In April 2007, he joined Tasek Concrete Sdn Bhd ("TCSB") as Sales Manager and he remained there for twelve (12) years. During his time in TCSB, he was promoted numerous times and each new role widened his scope and responsibilities; from Regional Sales Manager – Central & Eastern Region to General Manager (National Sales & Marketing) and finally to Senior General Manager of TCSB Group. He was responsible for the development and implementation of business strategies, developing sales teams, delivering continuous improvement, providing direction and operational leadership and achieving corporate targets.

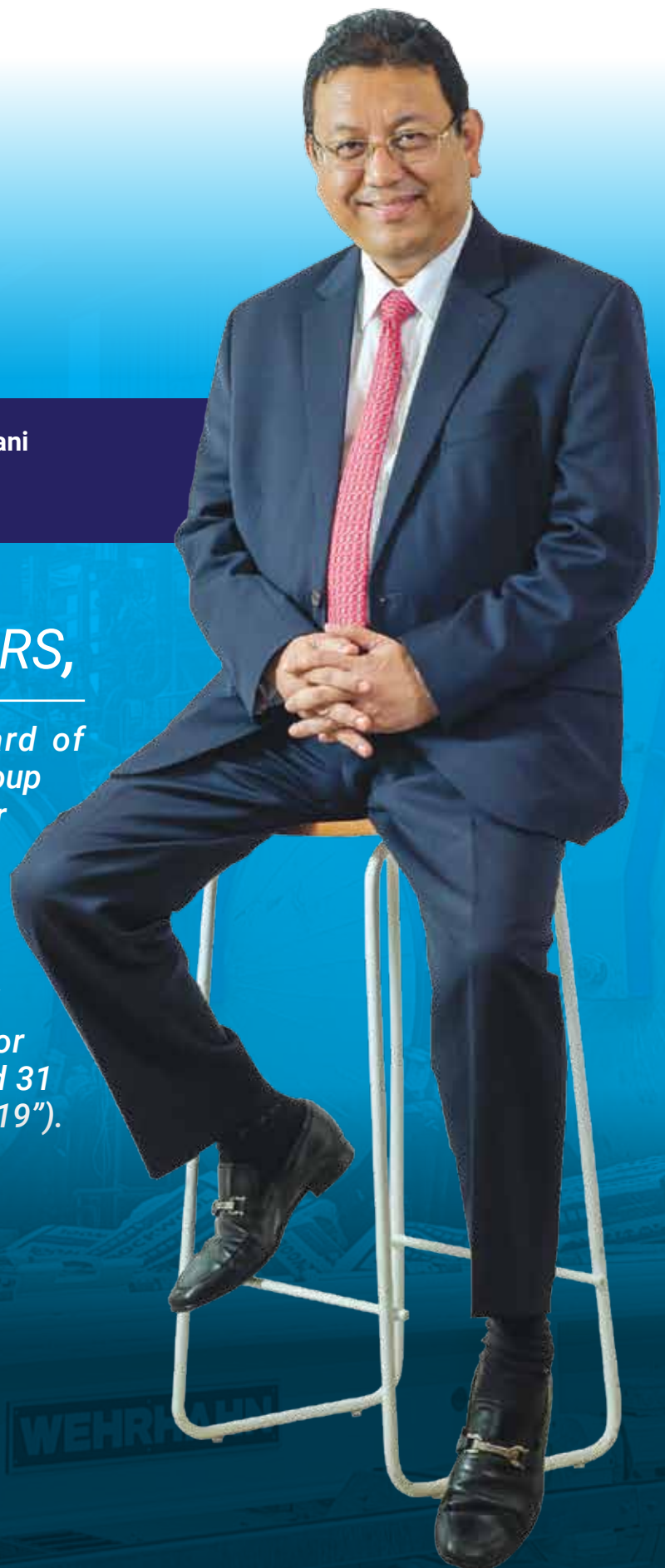
He joined Chin Hin Concrete Holdings Sdn Bhd in 2019 and he is a Council Member of National Ready Mixed Concrete Association Malaysia.

Mr Chua Shiou Meng 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.

**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 2019 ("FY2019").



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

CHIN HIN GROUP BERHAD ("Chin Hin / Group") is a fully integrated building materials manufacturer and distributor conglomerate. We began our journey approximately fifty (50) years ago with a 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 today has expanded its business to cover not only trading but also manufacturing and services across:

- Fire-Rated and Wooden Door
- High Quality Door Locks
- Steel Door Frames
- Concrete Drymix
- Wire Mesh Products
- Ready-Mix Concrete
- Provision of Logistics
- Modular Building Solutions
- Pre-Cast Concrete Products
- Polymer Concrete Pipes
- Autoclaved Aerated Concrete ("AAC")
- Ultra-High Performance Concrete ("UHPC")
- Solar Power Investment Business

For the financial year ended 31 December 2019 ("FY2019"), the Group continued to focus on its core businesses to consolidate its presence as one of the preferred and trusted market leaders in the building material industry. In FY2019, the Group has ventured into its upstream industries by expanding into wooden door manufacturing business. Besides, Chin Hin also focusing on high density fiberboard door, louvres, timber frame, handrail, architrave and skirting as well.

Chin Hin has embarked on the de-gearing plan and has begun to trim its group gearing level via the disposal of non-core assets such as shop offices and vacant sites in order to pare down its borrowings level and to strengthen the group financial position with the enhancement of the Group's current ratio.

The Group will continue to build on its supply chain system and core competencies to remain as one of the market leaders. We will also continue to invest in brand building and promotional activities to remain competitive, to strengthen and expand our distribution network in Malaysia as well as other regions for our current products base and source for new business opportunities that are in synergy with the Group's current product range and activities.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

STATEMENTS OF COMPREHENSIVE INCOME

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Revenue	1,056,458	1,105,417	(48,959)	(4.43)
Gross profit	100,077	101,508	(1,431)	(1.41)
Gross profit margin (%)	9.47%	9.18%	0.29%	3.16
Profit before tax ("PBT")	22,923	33,749	(10,826)	(32.08)
Profit after tax ("PAT")	15,302	24,099	(8,797)	(36.50)
PAT margin (%)	1.45%	2.18%	(0.73%)	(33.49)

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Revenue Breakdown

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Investment holding and management services	17,841	16,206	1,635	10.09
Distribution of building materials and provision of logistics	587,639	633,467	(45,828)	-7.23
Ready-mixed concrete	64,174	96,939	(32,765)	-33.80
Manufacturing of fire-rated and wooden door	43,294	24,532	18,762	76.48
Manufacturing of AAC and precast concrete products	332,636	221,020	111,616	50.50
Manufacturing of wire mesh and metal roofing systems	136,717	167,478	(30,761)	-18.37
Modular building solutions	6,637	52,892	(46,255)	-87.45
Sub-total	1,188,938	1,212,534	(23,596)	-1.95
Adjustment and eliminations	(132,480)	(107,117)	(25,363)	-23.68
Total	1,056,458	1,105,417	(48,959)	-4.43

The Group reported revenue of RM1,056.46 million in FY2019, a decrease of RM48.96 million or 4.43% as compared to RM1,105.42 million in the preceding financial year ended 31 December 2018 ("FY2018"). The decrease in revenue in FY2019 was mainly resultant from the lower revenue generated from the segments below:

- modular building solutions;
- manufacturing of wire mesh;
- ready-mixed concrete; and
- distribution of building materials and logistics services.

In this respect, the modular building solutions revenue was considerably much lower due to the end-work activity for the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor in the second quarter of FY2019. Please refer to "Review of Operating Activities" below for further analysis.

The sluggish property market arising from the property overhang and lack of growth substance to spur the momentum of construction activities have affected the performance of the ready-mixed concrete, manufacturing of wire mesh sector and the distribution of building materials and logistics services.

However, the decrease was mitigated by the increased revenue from our manufacturing of fire-rated and wooden door, AAC and precast concrete divisions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

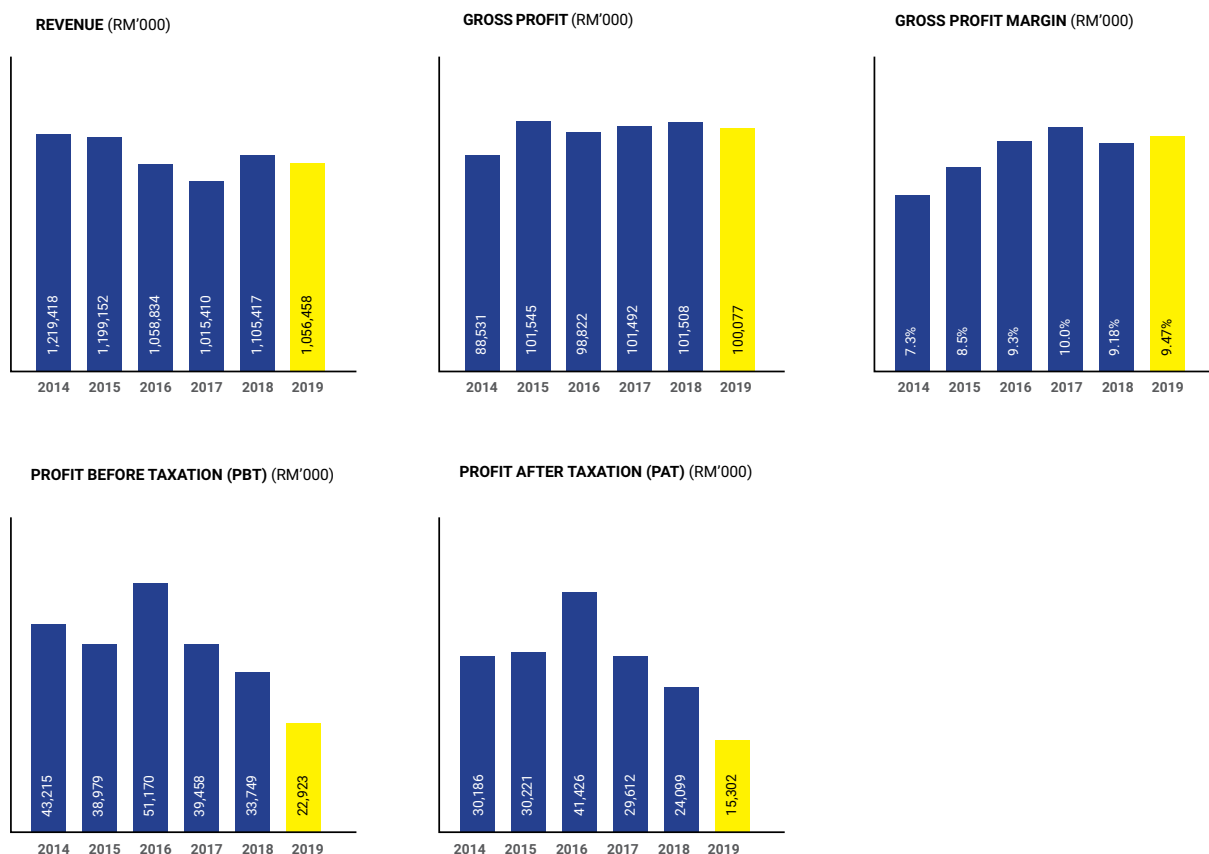
REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (Cont'd)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Revenue Breakdown (Cont'd)

The revenue from the manufacturing of AAC block and precast concrete had increased by approximately 0.5 times. The increase was driven by the growth in the market demand for panel in the domestic and Singapore's markets, while the increase in revenue from the precast concrete products and others were mainly due to the followings:

- surge in sales volume for prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe and emergency walkway as a result of product portfolio expansion plan in the infrastructure sector;
- increase in export sales of polymer pipes to Singapore as we continued to dominate the market for jacking pipes of diameter 800mm and below;
- higher sales and production volume from Starken AAC 2 Sdn Bhd (formerly known as Sage Evergreen Sdn Bhd) ("Starken AAC 2") after its testing and commissioning in last July 2018;
- more than 2 times growth in sales turnover for Starken Drymix Solutions Sdn Bhd ("Starken Drymix") whom specialise in the production of thin adhesive base, render, skim coat, tile adhesive, panel plaster and basic skim;
- growth in the sales turnover of Green Cement Sdn Bhd ("Green Cement") for selling pulverised fuel ash ("PFA") to companies which were approved by the Department of Environment ("DOE"); and
- surge in revenue for G-Cast UPHC Sdn Bhd ("G-Cast UPHC ") in its second year of operation.



MANAGEMENT DISCUSSION AND 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 has decreased by RM1.43 million or 1.41% to RM100.08 million in FY2019 (FY2018: RM101.51 million). However, the gross profit margin for the current year was recorded at 9.47%, an increase of 0.29 basis point as compared to the preceding year of 9.18%. The higher gross profit margin was primarily due to the reasons below:

- better margin from precast concrete products as a result of the product portfolio expansion plan in the infrastructure sector which required added technical skill;
- gross profit recorded in FY2019 as opposed to gross losses suffered by Starken AAC 2 in FY2018 during its initial start-up;
- margin improvement in Starken Drymix as a result of economies of scale achieved due to higher production output in its second year of operation; and
- lower gross losses suffered by G-Cast UPHC as opposed to the FY2018 which was its first year of operation.

Other income

Other income has increased by RM0.86 million or 11.12% from RM7.75 million in the preceding year to RM8.61 million in the current year primarily due to the to the followings:

- RM0.78 million of gain on disposal of Rawang Units, Gunung Indah Units and Mergong Units, assets held for sale to Chin Hin Building Materials Supply (JB) Sdn Bhd for a total cash consideration of RM21.22 million;
- RM0.61 million of gain on disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang which belongs to the mesh business to PSJ Transport Sdn Bhd for a total cash consideration of RM18.00 million;
- Lease income of RM0.51 million earned from the industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang prior to the disposal of the said property;
- Overdue interest income of RM0.21 million earned by the distribution of building materials segment;
- higher scrap sales from steel related raw materials of approximately RM 0.10 million; and
- gain on disposal of factory equipment, two units of loaders and four units of forklifts totalled RM0.10 million from the AAC division.

and, set-off with the below:

- RM0.19 million loss incurred on the disposal of four storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak for a total cash consideration of RM2.05 million; and
- RM0.11 million overdue interest income charged to its Modular project developer as a result of delayed payment for progress construction works certified in FY2019 (which subsequently being reversed out at consolidation level) as opposed to RM1.31 million charged to Saujana before our acquisition taken place in December 2018.

Fair value adjustment on investment properties

Lower fair value adjustment on investment properties in FY2019 which was resultant from the valuation gain in FY2018 on a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang which belongs to the mesh business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

Expenses

The Group's distribution and administrative expenses have surged by RM1.47 million and RM0.56 million respectively year-on-year ("YoY") solely due to the new businesses i.e. steel door frame and timber door in the central region, new fire door business in the northern region, Starken AAC 2 and precast concrete new plant in Kuantan and Kota Tinggi.

Other expenses have increased by RM0.12 million or 2.85% YoY mainly due to the depreciation of right of use assets arising from the adoption of MFRS 16: Leases.

Net loss on impairment of financial instruments has surged up by RM3.25 million or 116.38% mainly due to the higher provision for impairment of receivables in the ready-mixed concrete and the distribution of building materials sectors.

The Group's finance cost in FY2019 has increased by RM2.36 million YoY principally due to the drawdown of additional revolving credits of RM41.60 million to part-finance the acquisition of assets, property, machines, equipment and new business for G-Cast as well as to finance Starken AAC 2's working capital. Beside, there were additional term loans drawdown of RM10.13 million in the manufacturing of AAC and Precast Concrete Products sector particularly to part finance the total construction cost for Kota Tinggi precast concrete manufacturing plant coupled with the machines and equipment cost related to this new plant. During FY2019, the Company has also pared down its term loan, bankers' acceptance and overdraft by RM17.08 million, RM20.76 million and RM20.56 million respectively.

Share of results of associates

Share of profit from associate company has increased by RM2.25 million or 43.04% YoY mainly contributed by four (4) large scale solar ("LSS") photovoltaic projects i.e.:

- 12.8 MWp DC solar farm in Mukim Asam Kumbang, Kamunting, Daerah Larut and Matang, Perak;
- 13.0 MWp DC solar farm in Mukim Teja, Daerah Kampar, Perak;
- 12.9 MWp DC solar farm in Mukim Sungai Raya, Daerah Kinta, Perak; and
- 9.9 MWp DC floating solar farm in Dengkil, Selangor.

The first three projects have successfully completed with ahead of schedule and achieved the commercial operation date ("COD") in the last quarter of FY2019.

Whereas the 9.9 MWp DC floating solar farm is expected to achieve its COD in the mid of July 2020, delayed by at least another two months due to the Movement Control Order ("MCO") imposed by Malaysia Government. Besides, the higher profits were also contributed by the profit recognised on the 28.26 MWp Net Energy Metering ("NEM") roof-top projects completed during FY2019.

Profit

Given the abovementioned analysis, the Group reported a lower PBT of RM22.92 million as compared to RM33.75 million reported in FY2018.

The effective tax rate of 33.24% in FY2019 was actually higher than the preceding year's of 28.59%. This was mainly due to the real property gain tax ("RPGT") of RM1.58 million being accrued in FY2019. The RPGT was derived from the disposal of investment properties as mentioned in the "Other income" above. If the RPGT is excluded from the taxation computation, the effective tax rate will be worked out at 26.35%.

Order book

The Group's order book presently stands at RM272.17 million, which will keep the Group busy for the next twelve (12) months. In view of the order books on hand and our continuous efforts to secure sales volume, the Group expects the level of sales and profitability in the financial year ending 2020 ("FY2020") will be optimistic.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF FINANCIAL POSITION

	31 December 2019 RM'000	31 December 2018 RM'000	Variance	
			RM'000	%
Non-current assets	564,922	608,885	(43,963)	(7.22)
Current assets	605,714	548,505	57,209	10.43
Total assets	1,170,636	1,157,390	13,246	1.14
Total equity	422,121	417,718	4,403	1.05
Non-current liabilities	93,039	106,914	(13,875)	(12.98)
Current liabilities	655,476	632,758	22,718	3.59
Total liabilities	748,515	739,672	8,843	1.20
Net assets per shares attributable to ordinary owner of the company	0.77	0.75	0.02	2.67

Total assets

As at 31 December 2019, total assets of the Group has increased by RM13.25 million to close the financial year at RM1,170.64 million, with the analysis below:

- the biggest chunk of increase was resulted from the YoY increase in trade receivables and inventories by RM34.22 million after the expansion of its manufacturing sector's sales and product portfolio especially in the manufacturing of AAC and precast concrete sector coupled with the manufacturing of fire-rated and wooden door division;
- the increase in non-current asset held for sale of RM34.10 million arising from the reclassification of PP Chin Hin Sdn Bhd's properties under the header of property, plant & equipment ("PPE") and investment properties ("IP") totalling RM53.96 million as a result of Sale and Purchase Agreement ("SPA") signed between PP Chin Hin Sdn Bhd and Midas Signature Sdn Bhd as mentioned in the Segmental Review below coupled with the reclass of a two-storey shop lot at Gunung Perak, Alor Setar worth RM0.58 million set-off with the sale of Rawang Units, Gunung Indah Units and Mergong Units to Chin Hin Building Materials Supply (JB) Sdn Bhd of RM20.44 million;
- YoY increase in contract assets of RM3.34 million in G-Cast UHPC arising from the progress billing on contract work;
- investment in an associate company of RM6.77 million, arising from our share of PAT in FY2019 net-off with no gain, no loss disposal of Cocotech Sdn Bhd at RM0.15 million; and
- cash and bank balances increased by RM3.20 million;

and, set off with the reasons below:

- reduction of property, plant & equipment ("PPE") of RM7.30 million which principally due to:
 - the PPE of RM29.53 million being reclassified as Non-Current Asset Held for Sale as a result of the SPA signed as highlighted above;
 - depreciation charges of RM30.61 million;
 - the disposal of various assets i.e. factory equipment, motor vehicles and plant & machineries with net book value ("NBV") of RM0.52 million; set-off with
 - right of use of assets of RM6.71 million arising from the adoption of MFRS 16: Leases coupled with the additions of Capex amounted to RM46.68 million, please refer to capital expenditures detailed below;

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Total assets (Cont'd)

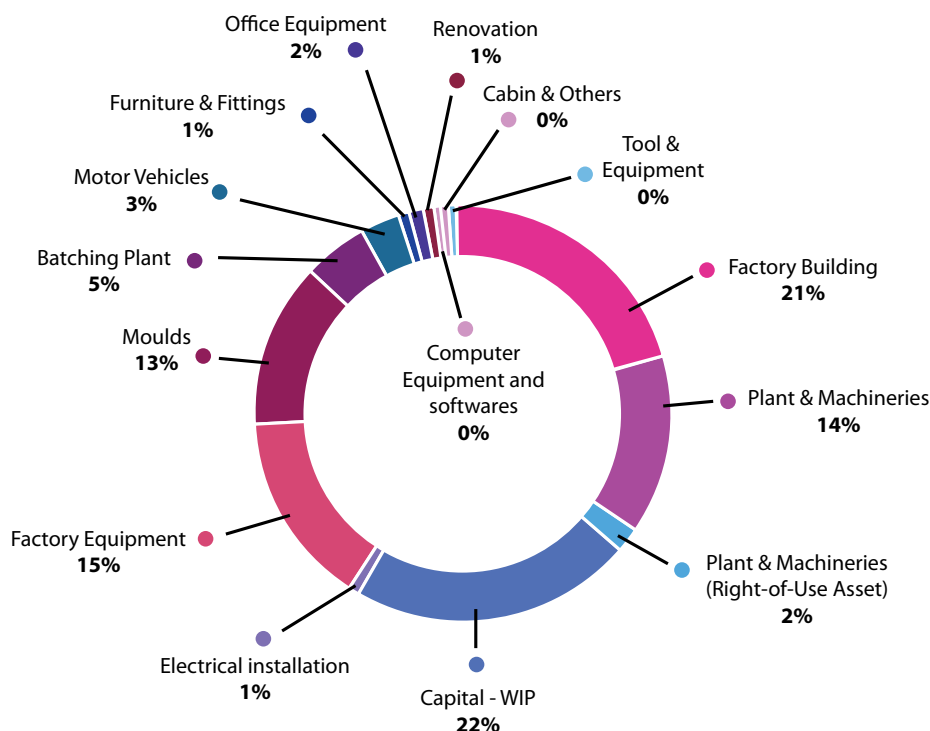
- reduction of IP of RM43.28 million principally arising from:
 - the disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang worth RM17.20 million as mentioned in the "Other Income" above;
 - disposal of a four-storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak worth RM2.24 million;
 - a total of RM25.01 million of the IP was reclassified to Non-Current Asset Held for Sale as a result of the SPA signed as highlighted above; set-off with
 - the purchase of a double-storey semi-detached house worth RM0.52 million via contra of accounts receivable due to non-payment and the fair value gain on investment properties during the year of RM0.65 million by the distribution of building materials and logistic segment.
- the reduction in other receivables of RM15.67 million principally due to the staggered repayment of disposal proceeds from Frontscape Sdn Bhd to Metex Steel Sdn Bhd ("Metex Steel") of RM7.20 million coupled with the settlement of outstanding sum of RM3.28 million from Formino Metal Sdn Bhd to Chin Hin as per the "Settlement Agreement";
- refund of overpayments of Goods and Service Tax by Royal Custom of Malaysia amounting to RM3.85 million has also contributed to the reduction in other receivables; and
- tax recovered from Lembaga Hasil Dalam Negeri of RM1.73 million due to over-estimation of corporate taxation in FY2018.

Capital Expenditure ("Capex")	Breakdown of Capex (RM)
Factory Buildings	9,654,862
Plant & Machineries	6,729,949
Plant & Machineries (Right-of-Use Asset)	964,000
Capital - WIP	10,277,877
Electrical installation	478,744
Factory Equipment	6,760,601
Moulds	6,028,912
Batching Plant	2,215,742
Motor Vehicles	1,427,085
Furniture & Fittings	409,193
Office Equipment	826,183
Renovation	534,481
Computer Equipment and softwares	159,370
Cabin & Others	195,445
Tool & Equipment	19,380
Total	46,681,824

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)



Breakdown of Capex (Total)

In FY2019, 95.41% of total capex was incurred on the outlay on factory building, plant & machineries, capital work-in-progress, electrical installation, factory equipment, mould, batching plant and motor vehicles, mainly arising from setting up G-Cast Concrete Sdn Bhd's plants, Green Cement's cementitious grinding and Starken AAC 2's plants located at Kota Tinggi, Johor.

Besides, the capex was also incurred on Starken Drymix and G-Cast UHPC for the expansion of their production capacity to cater for the increase in sales volume. Additionally, RM2.55 million and RM2.22 million were spent on setting up the wooden door manufacturing division and buying over the existing concrete batching plants from our outsourced concrete producers respectively, with the material information as below:

Capital Expenditures for Expansion of Production Capacity

Factory building

- Additional RM1.03 million was spent on the water taping through horizontal directional drilling pit and intersection for access to Starken AAC 2's plant at Kota Tinggi, Johor;
- RM6.88 million to construct G-Cast Sdn Bhd's new precast concrete plant at Kota Tinggi, Johor;
- Additional RM1.44 million was spent on the extension, improvement and foundation on G-Cast Concrete's several plants located at Serendah, Rawang, Bidor and Kulai and Kuantan; and
- RM0.30 million to construct concrete loading bay and silo platform in Starken Drymix.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Capital Expenditures for Expansion of Production Capacity (Cont'd)

Plant and machineries, Capital WIP, Factory equipment and others

- Additional RM3.01 million was spent on the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor;
- RM6.49 million was spent on constructing the new cementitious grinding plant (Green Cement) located in Kota Tinggi, Johor which inclusive of ball mill grinding system, four (4) units of cement silo, FRP cross flow square type cooling tower, hoppers, filter and weighing machine, air compressor, dust collector, classifier, wheel loader, intelligent laser particle size analyser coupled with electrical installation under construction;
- RM5.98 million was spent for the purchased of moulds for various precast concrete plant located at Serendah, Rawang, Bidor and Kulai, Kota Tinggi and Kuantan to gear up for the product expansion i.e. prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe and emergency walkway. Another RM0.05 million was spent on the addition of moulds in MI polymer and the ready-mixed concrete division;
- Another RM9.78 million was spent on plant and machineries, plant and machineries under construction, factory equipments and motor vehicles especially in the precast concrete plant located at Kota Tinggi and other plants i.e. Rawang, Kuantan, Kulai, Bidor and Serendah for the said expansion. Items bought include spun pipe machines, wire cage machines, railway structures, mixer concrete batching plants, gantry cranes, girder cranes, C-liftings, precurving railways, compressors, diesel forklift, mixer trucks, wheel loaders, generator sets and etc;
- RM2.41 million on the plant and machineries, capital work-in-progress (factory building and plant and machineries) and factory equipment for the AAC panel plant at Kota Tinggi, Johor with RM0.44 million spent on its electrical installation works;
- RM1.36 million on plant and machineries and factory equipments particularly one unit of SLA 3D printer and one unit of two tons lifting winch system for G-Cast UHPC plant located at Subang;
- RM2.22 million was spent on buying over the existing concrete batching plants from our outsourced concrete producers in Central and Northern region. Another RM0.23 million was used on motor vehicles and moulds;
- RM2.55 million on setting up the wooden door manufacturing division; and
- RM0.83 million was spent on plant & machineries and factory equipment in Starken AAC's plant located at Serendah.

Current assets increased from RM548.51 million as at 31 December 2018 to RM605.71 million as at 31 December 2019, mainly contributed by higher trade receivables and inventories as mentioned above. Trade receivables have hike up by RM17.79 million or 5.26% YoY and trade receivables turnover period has deteriorated to 123 days in FY2019 (FY2018: 112 days) due to the challenging operating environment where all market players have extended their credit term as well as cutting down their selling price in order to maintain their market share.

The inventories have increased by RM16.43 million or 18.57% YoY due to the finished goods for pre-stressed and reinforce concrete beam, crosshead, cable trough and emergency walkway for the mega infrastructure projects in town i.e. Duke Highway, Mass Rapid Transit ("MRT"), Light Rapid Transit ("LRT"), Gemas-Johor Baru Electrified Double Track Project ("EDTP") and West Coast Expressway ("WCE"). Our production for the said projects are on track with the construction progress. Besides, the two new precast concrete plants at Kota Tinggi and Kuantan were stocking up for the buffer finished goods. Hence, the said infrastructure-related inventories have increased by RM9.67 million. The remainder of the increase was contributed by the new business i.e. wooden door, Starken Drymix and G-Cast UHPC.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Total equity

Total equity increased by RM4.40 million YoY, mainly due to enhancement of PAT attributable to the owners of the Company of RM18.05 million, and set-off against the dividend declared during the year of RM10.97 million and non-controlling interest of RM2.75 million. As such, our net assets per share has increased by RM0.02 or 2.67% YoY to RM0.77 per share.

Total liabilities

Total liabilities increased by RM8.84 million YoY, mainly contributed by the increase in trade payables, amount due to directors and lease liabilities of RM4.94 million, RM15.85 million and RM5.43 respectively. Trade payables surge mainly due to the increase in purchases during FY2019, which is in line with the increase in inventories, as mentioned above.

The increase in amount due to directors of RM15.85 million was an advance from Datuk Seri Chiau Beng Teik ("Datuk Seri") to Chin Hin to fund the capex in our manufacturing sector. Datuk Seri has issued a letter of support, undertake to provide immediate financial support and/or assistance to Chin Hin in the event that the Company is unable to meet its financial commitments and to ensure that it will continue as a going concern. Lease liability increased was due to the adoption of MFRS 16: Leases.

The said increase in liabilities were set-off by the reduction in total bank borrowings, tax payables, contract liabilities, finance lease liabilities and other payables of RM6.68 million, RM2.05 million, RM6.52 million, RM0.98 million and RM1.14 million respectively. The reduction in bank borrowing was resultant from the repayment of term loan and bank overdraft during FY2019.

STATEMENTS OF CASH FLOWS

	FY2019 RM'000	FY2018 RM'000	Variance	
			RM'000	%
Net Cash flows (used in)/from operating activities	15,417	(68,833)	84,250	>100.00
Net Cash flows (used in) investing activities	(4,404)	(51,912)	47,508	91.52
Net Cash flows from financing activities	12,813	103,523	(90,710)	-87.62
Net decrease in cash and cash equivalents	23,826	(17,222)	41,048	> 100.00

The Group's net cashflows from operating activities for the FY2019 stood at RM15.42 million, largely due to the increase in trade payables and reduction of other receivables as mentioned above. Besides, the positive net cashflows from operating activities also contributed by the tax refund by the Inland Revenue Board of Malaysia due to the overpayment of corporate tax in prior years of assessment ("YA") as a results of estimates of tax payable for a current YA should not be less than 85% of the revised estimate of tax payable for the immediate preceding YA. The considerable decrease in the net cash flows used in the operating activities in FY2018 was contributed by the reduction in trade payables of RM49.73 million as a result of acquisition of Kempurna Sdn Bhd ("Kempurna") and Saujana Vision Sdn Bhd during FY2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

STATEMENTS OF CASH FLOWS (CONT'D)

Cash outflows in investing activities recorded at RM4.40 million in FY2019 mainly due the capital expenditures acquired by cash amounted RM45.82 million (net of lease financing of RM0.87 million) as detailed above coupled with the addition of a double-storey semi-detached house located in Kuantan via contra of debts with the distribution of building materials client worth RM0.52 million, and mitigated by the activities below:

- Disposal of investment properties i.e. Rawang Units, Gunung Indah Units and Mergong Units to Chin Hin Building Materials Supply (JB) Sdn Bhd by our distribution of building materials division for a total cash consideration of RM21.22 million;
- Disposal of a piece of land and industrial factory located at Daerah Seberang Perai Tengah, Pulau Pinang belongs to the mesh business to PSJ Transport Sdn Bhd for a total cash consideration of RM18.00 million;
- Disposal of an investment property, four-storey shophouse located at Bandar Ipoh, Daerah Kinta, Perak by our distribution of building materials division for a total cash consideration of RM2.05 million;
- Disposal of various property, plant and equipments for example gantry crane, motor vehicles, lorry, two units of loaders, six units of forklifts, panel saw machine and a notebook for a total cash consideration of RM0.51 million; and
- Disposal of our investment in an associate company, Cocotech Sdn Bhd for a total consideration of RM0.15 million. The disposal proceeds was used to set-off against the amount owing by our indirect subsidiary, Saujana Vision Sdn Bhd, the vendor to the purchaser. The said disposal was undertaken for the purpose of streamlining and rationalizing Chin Hin's operation by disposing business that is not related to the construction industry. The Proposed Disposal will enable Chin Hin Group to channel the Group's resources into other business activities that are anticipated to be more promising.

The net cash inflows from financing activities of RM12.81 million, mainly stemmed from the advances from Directors of RM15.85 million and supported by the net drawdown of additional banking facilities totalling RM13.88 million which set-off by the dividend payout and repayment of lease liabilities of RM13.75 million and RM3.17 million respectively.

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, revolving credit, term loans, hire purchase, loan from directors 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, proceeds from the disposal of thirty-five (35) units of properties and Ace Logistic Sdn Bhd of RM76.45 million, 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 AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES

GENERAL OVERVIEW

Chin Hin has engaged expertise from the Digital Transformation Labs to kickstart their Digital Transformation Programme ("DTAP") for its manufacturing companies to identify business pain points using specific methodologies to brainstorm on new ideas, design new business model, develop new product with the main focus to increase productivity, eliminate human error, improve product quality and reliability, cost reduction, reduce over dependence on foreign labour which to be in line with the government's commitments and efforts to turn to automation and to become a more developed economy.

In a nutshell, Chin Hin has put in all its efforts to prepare its manufacturing plants towards Industry Revolution 4.0. With the engagement of expertise from the Digital Transformation Lab to execute the said DTAP, Chin Hin is able to tag into the DTAP Pilot Grant of 1:1 established by Malaysia Digital Economy Corporation (MDEC) and Malaysian Investment Development Authority (MIDA).



Picture: Kickstart of DTAP in Chin Hin to gear towards Industrial Revolution 4.0

The Company has employed a Technical Assistant General Manager to embark on identifying the best practices to eliminate unproductive processes across all the manufacturing plants in Chin Hin with the final aim to gear towards Industry Revolution 4.0. Besides, Chin Hin also emphasized on the importance of preventive maintenance and to stay lean in maintenance. Lean Maintenance supports a Lean Manufacturing approach by preventing unscheduled downtime. This is to reduce or eliminate the factors that cause machine breakdowns.

FYE 2019 was an innovative year where our manufacturing subsidiaries have introduced many new products to the building material and infrastructure market. Below is the range of product expanded:

- AAC products - AAC single mesh panel, floor panel and sound barrier wall panel. The sound barrier wall panel is a highly effective panelling solution that yields a significant reduction of unwanted noise generated from vehicles or traffic at highways, state or federal roads and railways; and
- Infrastructure products - prestress and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe, emergency walkway, cable plinth, fencing pole, turn out bearer, prestress plank and tunnel walkway.

The "Joint Practises Session" initiated in the 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" is progressing well within the Group. Weekly meetings among sales staffs are still be held and more and more business units are involved to share the market intelligence. This move will definitely benefit the whole Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES

SEGMENTAL OVERVIEW

Distribution of building materials and logistics

The building materials distribution landscape has changed tremendously lately. Number of the building material player is gradually pulling out from the market in view of the intense competition which affected their earnings and margin. As such, the distribution of building materials and logistics sector recorded a total revenue of RM587.64 million in FY2019, a decrease of RM45.83 million or 7.23% as compared to RM633.47 million recorded in the previous financial year, which contributed 55.62% (FY2018: 57.31%) of the Group's consolidated revenue.

Despite the decline in revenue, the gross profit margin has increased marginally by 0.12 basis point from 6.24% in FY2018 to 6.36% in FY2019. The higher margin was contributed by the volume rebate offered by our steel bar supplier and it is also the effect of the Company's strategy to focus on higher margin building material products to supplement the loss of income from cement sales resultant from the impact of Business to Customers (B2C) from the cement manufacturer. As such, PBT has increased marginally by RM0.69 million, from RM6.15 million in FY2018 to RM6.84 million in FY2019.

PP Chin Hin Sdn Bhd ("PP Chin Hin") has on 8 November 2019 entered into thirty-five (35) conditional sale and purchase agreements ("SPAs") with Midas Signature Sdn Bhd ("Midas") for the disposal of properties for a total cash consideration of RM55.65 million ("Proposed Disposal") as per the tabulation below. The Proposed Disposal is deemed to be a related party transaction and shareholders' approval needs to be sought in the upcoming Extraordinary General Meeting which to be scheduled on 15 July 2020:

Properties	Consideration (RM)
(a) 11 units of shop offices and 89 units of car parks located at Jalan Kuchai Lama, Kuala Lumpur	26,450
(b) 1 unit of factory located at Shah Alam	4,550
(c) 9 units of shop offices located at Taman Bandar Baru Mergong, Alor Setar	8,600
(d) 9 units of shop offices located at Kompleks Perniagaan Sultan Abdul Hamid	7,050
(e) 1 unit of shop office located at Pekan Simpang Kuala, Alor Setar	650
(f) 1 unit of shop office located at Taman Gunung Perak, Alor Setar	600
(g) 3 units of shop offices located at Taman Bandar Baru Mergong, Alor Setar	7,750
Total	55,650

In conjunction with the Proposed Disposal, PP Chin Hin will enter into fourteen (14) tenancy agreements with Midas for the proposed tenancies of five (5) units of shop offices at Kuala Lumpur, seven (7) units of shop offices at Alor Setar, Kedah and eighty-nine (89) units of car parks at Kuala Lumpur ("Proposed Tenancy"). The tenancies will commence on the day immediately after the completion of the respective SPA.

The rationale of the Proposed Disposals was to provide an avenue for the Group to unlock the value of its property assets at their market value; and raise cash proceeds which can be channelled towards the Group's business operations, to fund the inventories purchase in order to remain competitive, relevant and protect their margins as well as market shares. The Proposed Tenancy provides the Group with certainty that its on-going business operations will not be disrupted.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Distribution of building materials and logistics (Cont'd)

Moreover, the proposed disposals will also reduce the administrative time and effort required to monitor the properties and will 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, which will reduce the Group's gearing level and improve the Group's cash flow position due to the lower interest expense. In view of the capital requirements of the Group's operations and financial obligations, the Group recognises the need to pursue an asset light strategy and to monetise its non-core assets to raise additional funds to improve the Group's financial position with the enhancement of its current ratio.

On 29 May 2020, the circular and independent advice letter in relation to the Proposed Disposals were issued.

Ready-Mixed Concrete

The revenue for the ready-mixed concrete segment decreased by approximately RM32.77 million or 33.80% from RM96.94 million in FY2018 to RM64.17 million in FY2019, which contributed 6.07% (FY2018: 8.77%) of the Group's consolidated revenue. As such, the said segment recorded a loss before tax of RM5.83 million, a decline of RM8.72 million, approximately 302.45% from RM2.88 million PBT in FY2018.

The decrease in revenue and PBT from the ready-mixed concrete segment were 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. Besides, the considerable decline also contributed by the shutting down of six (6) site plants in the Central (four plants) and Northern (two plants) region due to the completion of projects. There were additional impairment on receivables and expected credit loss of RM2.61 million and RM0.36 million being provided in FY2019.

Manufacturing of fire-rated and wooden door

The manufacturing of fire-rated and wooden door segment recorded a revenue of RM43.29 million, a surge of RM18.76 million or 76.48% as compared to the preceding year's results of RM24.53 million, which contributed 4.10% (FY2018: 2.22%) of the Group's consolidated revenue. The surge in revenue was contributed by:

- the sales volume from Kempurna, a company specialises in the manufacturing of steel door frame which acquired in the last quarter of FY2018;
- new wooden door business that the Company has ventured into in mid of February, 2019; and
- the new organic growth company, Midah North Sdn Bhd, offset by the drop in sales for fire door business.

The fire door sales have declined by RM2.48 million or 13.95% YoY due to the relocation of factory from Broga to Kapar, same factory with Kempurna in August 2019 and the termination of existing subcontractor whom responsible for the production of fire door in Broga. The production output was affected due to the inexperience in-house workers and foreign workers shortage issues. The inexperience in-house workers need time to acquire the production skill and to get familiarize with the machine. However, the inexperience in-house workers issue has been overcome and the production floor already tried their very best to catch up the shortfall of delivery quantity.

As of the end of December 2019, there were 3,000 units of outstanding fire door has yet to be delivered which caused by the impact of relocation. Midah Industries Sdn Bhd ("Midah") has placed an order for a new sizing machine that can greatly improve the door sizing process from six (6) minutes per door leaf to merely one (1) minute per door leaf to overcome this issue. The machine is a semi-automated machine that will allow Midah to reallocate its workforce to other production process to reduce our over-reliance on foreign workers. Nevertheless, new batch of foreign workers applied to Foreign Workers Division, Malaysian Immigration Department already been approved and expected to ease the labour shortage issue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of fire-rated and wooden door (Cont'd)

The profit before tax has declined by RM2.38 million, from RM2.38 million in FY2018 to a merely breakeven position in FY2019. The considerable decline in PBT for the manufacturing of fire-rated and wooden door division was contributed by the initial losses sustained by Midah Industries North Sdn Bhd of RM0.55 million and the drop in gross profit margin from the fire door segment, set-off substantially by the PBT earned by Kempurna Sdn Bhd, the door frame manufacturer of RM0.74 million. The fact is substantiated by the raw materials pricing for the fire door business have increased throughout the financial year yet the cost hike cannot be passed on to the client due to market competitiveness. Moreover, door competitors have cut their selling price in order to secure order to ensure their survival. In addition, many projects secured were delayed due to uncertainties clouding for the construction sector as a result of properties overhang.

Manufacturing of AAC and Precast Concrete Products

The manufacturing of AAC and precast concrete products segment recorded a total revenue of RM332.64 million in FY2019, representing a growth of 50.50% as compared to RM221.02 million recorded in FY2018 and contributed 31.49% (FY2018: 19.99%) of the Group's consolidated revenue. This sector recorded a PBT of RM26.98 million, representing an increase of 135.02% as compared to RM11.48 million in FY2018.

Manufacturing of AAC and Precast Concrete Products Sector	2019 RM'000	2019 RM'000	2018 RM'000	2018 RM'000	Remarks
	Revenue	PBT	Revenue	PBT	
Starken AAC Sdn Bhd	109,957	12,672	102,753	7,358	FY2019 – Dividend income of RM9.00 million declared and paid by G-Cast was reflected in the PBT.
G-Cast Concrete Sdn Bhd	120,341	15,991	82,326	9,586	
Starken Drymix Sdn Bhd	21,918	2,260	5,731	171	
MI Polymer Concrete Pipes Sdn Bhd	14,252	2,865	10,305	6,843	FY2018 – There was a fair value gain on investment property of RM1.72 million which subsequently reclassified as PPE at the Group consolidation level.
MI Polymer Concrete Pipes Pte Ltd	14,964	492	10,851	276	FY2018 – Inter-company sales of RM10.20 million & inter-company dividend received by MI Polymer Concrete Pipes Sdn Bhd of RM5.36 million from MI Polymer Concrete Pipes Pte Ltd.
G-Cast UHPC Sdn Bhd	9,492	(3,015)	650	(2,921)	FY2019 – inter-company sales of RM14.19 million
Starken AAC2 Sdn Bhd	38,055	(5,320)	6,594	(10,228)	
Green Cement Sdn Bhd	3,656	1,038	1,810	395	
	332,635	26,983	221,020	11,480	

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

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

Starken AAC: The increase in revenue of Starken AAC was driven by the growth in market demand for panel in the domestic and Singapore's market. AAC wall panel has gained popularity in Singapore particularly by the Housing and Development Board ("HDB") for its unique features such as fire-resistant and soundproof. Despite that the PBT in Starken AAC's book presented a positive growth, however, if we exclude the RM9.00 million dividend income declared by G-Gast, it presented a 50.10% YoY decrease. The drop in PBT was contributed by the increase in raw materials cost as well as the intense price war due to the excess capacity encountered by the AAC block sector in the local market as a result of subdued property market.

G-Cast Concrete: The increase in the revenue for precast concrete products to RM120.34 million in FY2019 from RM82.33 million in FY2018, a YoY increase of RM38.01 million or 46.17% was due to the surge in sales volume for the supply of prestress and reinforce concrete beam, crosshead, cable trough and emergency walkway to mega infrastructure projects in town as mentioned above. As such, PBT has also increased by RM6.41 million or 66.82% YoY as a result of our Group's product expansion programme which required added technical skills.

Starken Drymix: Our organic growth company, whom specialise in the production of thin adhesive base, render, skim coat, tile adhesive, panel plaster and basic skim has transformed from a loss making company in FY2018 (-RM1.55 million, after set-off of RM1.72 million fair value gain on investment properties) to a profit making company in FY2019 with a PBT of RM2.26 million. The significant improvement was primarily due to the acceptance of "Starken Drymix" brand in the local construction material market.

MI Polymer Concrete Pipes Group of companies' ("MIPCP"): The revenue has increased by RM4.06 million or 37.07% from RM10.96 million in FY2018 to RM15.02 million in FY2019. Consequently, MIPCP's PBT has increased by RM1.60 million or 90.58% YoY. Both of the increase were contributed by the surge in export of polymer pipes to Singapore as we continued to dominate the market for jacking pipes of diameter 800mm and below.

G-Cast UHPC: G-Cast UHPC has endured a loss before tax of RM3.02 million despite the increase in revenue of RM8.84 million or 13.6 times higher YoY. The huge losses incurred as a result of cost over-run due to complexity of installation work attributable to site condition for Pavilion Project.

Starken AAC 2: The revenue has increased by RM31.46 million or 3.77 times YoY after its testing and commissioning in June 2018. Nonetheless, the company has suffered a loss before tax of RM5.32 million in the current year, a reduction of RM4.91 million as compared to the preceding year. 47.74% of the loss was contributed by the finance cost. This new AAC production line in Starken AAC 2 with 600,000m³ installed capacity located at Kota Tinggi, Johor is still hovering its production utilisation rate at 30% level as of 31 December 2019 in view of the excess supply of block in the local market as a result of the subdued property market in Malaysia. However, the export market demand for AAC wall panel is fast gaining in popularity for the affordable housing in Singapore, to supplement the reduction in demand of AAC block from the local market.

Green Cement: The revenue of RM3.66 million and PBT of RM1.04 million derived solely from the selling of PFA to Chin Hin's related company within the Group and a few third party companies. 87.98% of 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 PFA which has expired on 18 July 2018 where 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. The remaining 12.02% of the PFA sold came from coal-fired power station plant located at Tanjung Bin, Johor Darul Takzim which is owned by Tanjung Bin Power Sdn Bhd, pursuant to the Agreement signed on 14 August 2018 with G-Cast for the collection of coal ash on a non-exclusive basis. The Agreement shall be effective and valid for a period of ten (10) years, with an option to extend for additional three (3) years, or any period to be agreed by both parties. The bottom ash was being used as raw material for the production of precast concrete pipes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Manufacturing of Wire Mesh and Metal Roofing Systems

Segmental Detail	2019 (RM'000)	2018 (RM'000)	Variance (RM'000)	%
Manufacturing of Wire Mesh and Metal Roofing Systems - loss before tax	1,003	(1,770)	2,773	>100
<u>Adjustments:</u>				
Gain on revaluation of Investment Properties – Land and factory in Prai	—	(5,093)	5,093	>100
Gain on revaluation of Investment Properties – Land and factory in Nilai belongs to Ace Logistics Sdn Bhd	(200)	—	(200)	—
Loss on disposal of subsidiary company – Formino	—	4,028	(4,028)	100
Formino's Loss before tax for FY2018 (Disposal of Formino - SPA dated 30 March 2018)	—	594	(594)	100
Inter-company interest charged to Metex Modular (other income)	(514)	—	(514)	—
Gain on disposal of land and factory in Prai	(611)	—	(611)	—
Actual Results for the manufacturing of Wire Mesh	(322)	(2,241)	1,919	85.63

The manufacturing of steel mesh and metal roofing systems segment recorded a total revenue of RM136.72 million in FY2019, representing a decrease of 18.37% as compared to RM167.48 million recorded in FY2018, and contributed 12.94% (FY2018: 15.15%) of the Group's consolidated revenue. The sluggish property market arising from property overhang and lack of growth catalyst to spur the momentum of construction activities have affected the sales volume of the manufacturing of wire mesh sector. Nevertheless, the wire mesh business has turnaround from a loss making company in FY2018 to a profitable one in FY2019. Besides the analysis above, the enhancement of profits were primarily due to the to the followings:

- reduction in finance cost of RM1.21 million as a result of an injection of additional paid-up share capital from RM30 million to RM50 million; and
- there were an additional impairment of trade receivables and expected credit loss accrued in FY2018 of RM0.88 million and RM0.13 million respectively.

Metex Steel Sdn Bhd ("Metex Steel") has on 8 November 2019 entered into a conditional share sale agreement ("Ace Logistic SSA") with PP Chin Hin Realty Sdn Bhd ("PP CH Realty") for the disposal by Metex Steel of 100% equity interest in Ace Logistic Sdn Bhd ("Ace Logistic") to PP CH Realty for a cash consideration of RM20,800,000 ("Proposed Disposal of Ace Logistic"). The Proposed Disposal is deemed to be a related party transaction and shareholders' approval needs to be sought in the upcoming Extraordinary General Meeting which to be scheduled on 15 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (Cont'd)

SEGMENTAL OVERVIEW (CONT'D)

Modular Building Solutions

Metex Modular Sdn Bhd ("Metex Modular") has recognised RM6.64 million of revenue, a reduction of RM46.25 million or 87.45% YoY. This segment contributed 0.63% (FY2018: 4.78%) of the Group's consolidated revenue. The modular building solutions revenue for the current year was considerably low as the project works to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor for the initial six (6) blocks of integrated workers complex in Mukim Pengerang, Daerah Kota Tinggi, Johor has completed. As a result, this segment recorded a much lower PBT of RM0.80 million as compared to RM9.17 million in the preceding year.

The Group has decided to defer the balance of project work of RM178.77 million until the said six (6) completed blocks of integrated workers complex, which can accommodate 2,496 pax of worker are rented out.

THE GROUP'S PROSPECTS

The operating environment is envisaged to remain very challenging in FY2020 especially we are in the building material sector in view of the current sluggish property market and lack of growth catalyst to spur the momentum of construction activities in the near term. Moreover, the Covid-19 pandemic, which has infected more than seven million and killed over four hundred thousand worldwide as at 10 June 2020, presents the worst start possible for the recession expected ahead. The MCO which to curb the Covid-19 outbreak has dampened Malaysia economy to a certain extent. Chin Hin has continued to adopt a cautious strategy to focus on consolidating its existing business, turnaround the loss-making investment and to transform digitally all the processes in its manufacturing plant and corporate offices to gear towards "Industrial 4.0 Revolution" by introducing Robotic Process Automation ("RPA").

Trading Sector

The performance of trading sector in the current year will remain challenging and affected by the uncertainties in the business landscape domestically and globally. The soft property market, volatility in the pricing of cement, steel & metal and delay of some mega and major infrastructure projects ("East Coast Rail Link ("ECRL") and Bandar Malaysia") have impacted the construction activities; which in turn affected building materials demand. Recognises the need to be profitable and sustainably generate returns against the backdrop of these challenging and highly competitive operating environment, Chin Hin has continued with on-going initiatives to drive further growth in revenue through market penetration, expanding market coverage especially on the retail and dealers network which generate consistent sales to replace the shortfall from projects sales, sourcing for new products and developed further existing special products to provide solution and value-added services such as value engineering, cost down project supply and other integrated solutions.

Our main focus is to continually identify and distribute a wider range of products suitable for B40 affordable homes, eco-friendly building and smart homes which are the current and future market trend. The size and strength of our distribution network company of eleven (11) branches and nine (9) warehouses that spanned across Peninsular Malaysia, will enable us to sustain our future trading business. Leverage on our marketing & distribution network to secure new agencies and increase the geographical coverage to increase our business. Since YTL Corp Bhd took over Lafarge Malaysia Bhd, their trading arm CMCM Perniagaan Sdn Bhd only sell their own cement while other major trading companies are scaling down their operations due to lower margins and soft market. These development means more window of opportunities for Chin Hin's trading arm to seize for more business of non-cement products.

To be relevant in today's fast paced business and meeting our customers' expectation with excellence, we have taken steps to adopt new technology and digitalisation to enhance our operational processes. This automation will reduce many repetitive processes and the enhanced efficiency augurs well for our Company future competitiveness and growth.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of fire-rated and wooden door Sector

Midah fire door has moved its manufacturing plant from Broga to Kapar during mid of 2019, to streamline its manufacturing operation for fire rated and wooden door. The Company has implemented a cost-cutting measures after the relocation by utilising its own workers to run the production for both the fire-rated and wooden door rather than outsource the production work to subcontractors as practised previously. Kempurna's metal doors and window frames factory is just located next to Midah's factory. After the relocation, it has improvised the logistic planning of our end product to customers, and hence customer satisfaction.

Midah fire and wooden door's order bank is picking up slowly in view of the sluggish property market after the MCO. Midah's key philosophy *"We are not just selling a product but we are selling an overall experience to our customer"*. Midah do not compromise selling substandard quality doors albeit operate in a tough market environment where contractors' main concern is pricing. Midah has always position itself as a high quality manufacturer. Lately, a few of the old client whom have left us earlier, began to divert back their orders to us after their bad experience of the unresolved quality problem faced using the cheap and sub-quality competitors.

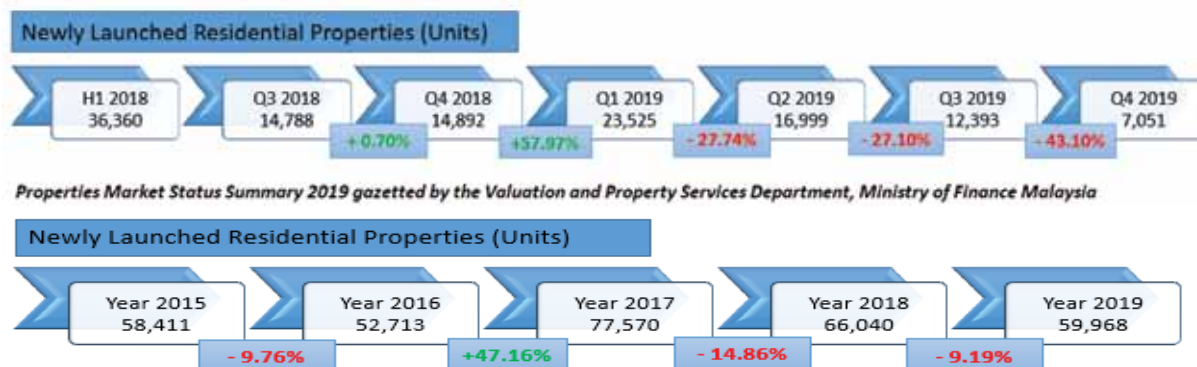
Manufacturing of AAC and Precast Concrete Products Sector

Starken AAC

Starken AAC's turnover has dropped gradually despite having RM73.00 million order bank as at the end of December 2019. Property market has shrunk by approximately 52.65% in the fourth quarter of FY2019 as compared with the fourth quarter of FY2018 as per the statistic below, Newly Launched Residential Properties (units) as gazetted by the Valuation and Property Services Department which has caused Starken AAC to perform unsatisfactorily in FY2019. Starken AAC will continue to export its AAC block and wall panel to the neighbouring countries particularly to Singapore, Philippines, Maldives and Australia to expand its market.

Wall panel order from Singapore has increased considerably in FY2019. Our Kota Tinggi's AAC production line maintained its production capacity at 30% as of 31 December 2019 due to the excess supply of block in the local market as a result of subdued property market in Malaysia.

Currently, Starken is supplying to three out of the four affordable housing project by HDB in Singapore which adopted the prefabricated, prefinished, volumetric construction (PPVC) precast system. Nevertheless, the export market demand for panel and block are fast gaining in popularity as the building blocks and panel for affordable housing in Singapore to supplement the reduction in demand from the local market.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

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



Picture: Starken AAC supplies the AAC panels to 4 star Maniyafaru Resort in Maldives. The AAC panels are used as the wall panels for 262 villas and many of the ancillary buildings in the resort.

G-Cast

Another two new plants have been rolled out in Kuantan and Kota Tinggi in the mid of FY2019 to cater for the hike in demand for the precast concrete products. Now our precast concrete capacity has reached 400,000 metric tonnes per annum. These enlarged capacity has enabled Chin Hin to experience a strong growth in the infrastructure precast concrete business particularly within the railway sub-sector in FY2019 after our recent expansion of 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 require added technical expertise.



Picture: L-Wall with Precast Slap

The Company is supplying pre-stressed and reinforce concrete beam, crosshead, cable trough and emergency walkway to the mega infrastructure projects in town. Chin Hin has introduced new products into the local market which include cable plinth, fencing pole, turn out bearer, prestress plank and tunnel walkway for Gemas-Johor Baru EDTP and MRT 2. The efforts to penetrate into the regional markets like the Philippines and Australia has shown some positive signs. Precast concrete and Polymer concrete pipe division are delivering their mock-up products lately to the foreign customers.



Picture: Eco-Module



Picture: Eco-Module



Picture: Arch Culverts

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

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



Picture: Crosshead



Picture: MRT 2 Cable Trough & Walkway



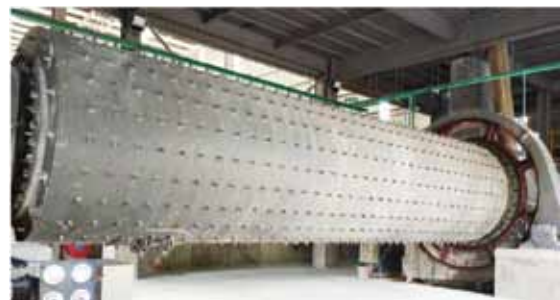
Picture:
Prestressed T-Beam

Green Cement

Chin Hin is getting its major supply of PFA from Jimah East plant since early 2018. The 10-year Coal Ash Offtake agreement signed with Tanjung Bin Power Sdn Bhd, a subsidiary of Malakoff Corporation Berhad to collect coal ash on a non-exclusive basis has started on a trial basis since 14 August 2019. The said Agreement has benefitted the Company in terms of lower raw material cost and it is part of our sustainability initiatives to consume the recycle ash as construction material.



Picture : Green Cement's Grinding plant located at Kota Tinggi



Picture : Ball mill at Green Cement's grinding plant located at Kota Tinggi, Johor

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

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

MI Polymer Concrete Product

MIPCP has completed all the long term test for its pipes. Our pipes are capable of withstanding 50 and 100 years of design life and in compliance with BS EN 14636-1:2009. With the said accreditation, it has enhanced our presence locally and regionally especially in Singapore, the Philippines, Indonesia and Australia. On 4th of December 2019, MIPCP obtained the Category (A) SPAN approval for its complete range of Polymer Concrete Pipes size & Fittings. The previous certificate obtained is Category (B) SPAN approval which is only valid for one year. Now we are waiting for the new Malaysian Sewerage Industry Guidelines (MSIG) to be adopted which has incorporated our polymer pipes. MIPCP has developed a new product i.e. Steel Jacketed (Cladded) Polymer Concrete Jacking Pipes. It is currently under submission for use in PUB Projects in Singapore. It is a special type of pipe which would be used for extremely high strength and corrosion resistance requirements. New range of products will be launched in the second half of FY2020 which include Polymer Concrete Drains and Open Cut Pipes. MIPCP continue to dominate Singapore market for its Jacking Pipes of diameter 800mm and they are actively tender for projects in the Philippines and Jakarta.



Picture: Steel Jacketed (Cladded) Polymer Concrete Jacking Pipe



Picture: Polymer Concrete Drain



Picture: Polymer Open Cut Pipe

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

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

Starken Drymix

Starken Drymix whom has turnaround since end of FY2018 has reached its production utilisation rate of 49% as of 31 December 2019. The Company has achieved a satisfactory performance in FY2019. Starken Drymix will continue with the organic growth and will focus seriously on the market share expansion programme especially in the infrastructure sector such as LRT and MRT projects as well as hospital projects after we had accumulated enough profiles in the past one year. At the same time, Starken Drymix is also busy exploring the possibilities to joint venture with overseas investor to expand its market share in the ASEAN region.

G-Cast UHPC

G-Cast UHPC has performed unsatisfactorily in FY2019 due to the under costing of Pavilion project secured. Installation cost overrun due to site difficulties has caused the company to suffer a PBT losses of RM2.90 million. Moving forward, G-Cast UHPC will collaborate with the existing form work wall system for the semi-unitized wall where UHPC is being used to replace the exterior wall as precast prefinished permanent wall panel. Besides, G-Cast UHPC will also concentrate to convert the existing unitized wall system into full UHPC wall system.



Picture: Bukit Jalil Pavilion 2 Shopping Mall – Façade walls constructed using UHPC that are highly customised, curved with three pattern features, pre-finish with everlasting pigmented homogeneous colours. Large and lightweight panels allow quick and fast track construction.



Picture: ATSA Corporate Office located at Taman Tun Dr Ismail, Kuala Lumpur – Façade cladding customisation of unlimited pattern possibilities tailored to Architects and clients requirement, completed by G-Cast UHPC



Picture: Shree Lakshmi Narayan Temple located at Jalan Kasipillay, Kampung Kasipillay, Kuala Lumpur – Temple dome tower structure construction using UHPC with high detailing finishing and design



Picture: Very light, thin 3D decorative panels constructed using Fibre Reinforced Polymer ("FRP") at SP Setia Temasya Sales Gallery completed by G-Cast UHPC

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Manufacturing of Wire Mesh Sector

Metex Steel is expecting a slow first half construction activities due to the MCO but gradually picking up its momentum from July 2020 till end of the year. As a quality branded mesh producer, Metex Steel shall continue to strengthen our commitment to improve operational efficiency, product quality image and service/marketing management capability, hence sustaining sales revenue growth according to prevailing market conditions.

In the coming financial year, Metex Steel will continue to emphasize two key strategies, i.e. "Product Standard" and "Product Special Innovation" programme to open up more opportunities for sales revenue growth. In light of recent collapse of under-construction condominium in Kuala Lumpur, we believe the Ministry, Enforcement Authority and leading certification body would be more serious and strict to develop, educate, promote and enforce product quality standard and product safety at construction site. This will directly inculcate the construction stakeholders and general public regarding the importance of product & building safety, technical and legal compliance of meeting the Malaysian Standards requirement and Perakuan Pematuhan Standard ("PPS") enforcement on material quality, site and building public safety.

Over the last few months, with the effort of awareness promotion and product standard compliance programme, the construction industry starts seeing higher level of material quality compliance, purchaser buying pattern switches to product quality standard instead of just on unsustainable price-war. All these positive progress translated to support of more stable and reasonable prices for the mesh industry.

Metex Steel shall intensify its in-house effort by building up strong technical/design support, offering optimum yet competitive costing to the industry and broaden its revenue base. In short, Metex Steel is committed to promote aggressively its "Technical Product Innovation" strategy further. On top of that, Metex Steel shall pull the availability of wide product range and marketing knowledge together from Group's strength and its experience to expand sales as "One-Stop Construction Material" solution partner.

Metex Steel shall continue to optimise its advantages in availability of advanced energy efficient welding technology, higher automated processes, pool of competent technical/process personnel and continuous certifications of both ISO 9001: Quality Management System and ISO 14001: Environmental Management System, to strengthen our "Metex Steel" brand position in the market.

Modular Building Solutions Sector

The completed six (6) blocks of integrated workers complex which can accommodate 2,496 pax has yet to be leased out due to the previous access road for our site at PTD 5209, Kampung Lepau, Pengerang to RAPID's gate 1 which was granted and approved by Pihak Berkuasa Tempatan Pengerang was closed and fenced by Petronas for security reason, we had to arrange for another permanent access with Petronas.

Petronas had acquired and constructed a bypass from Jalan Sultan Sulaiman ("Highway Pengelih R72") to their RAPID's gate 1. Both Johor Petroleum Development Corporation and our state government joint venture partner, Kumpulan Prasarana Rakyat Johor has assisted us to get two accesses from our site to this bypass. The construction period was from March 2019 to January 2020.

Hence, our certification of practical completion ("CPC") was affected due to the above reason and only now we have fully completed and submitted all the relevant documents that were required by the authority. As of to date, we have received a conditional CPC from the authority. We foresee to lease out the said completed six (6) blocks by the third quarter of FY2020 in view of the commencement of RAPID Phase 2. The balance of the contract work, to build an integrated workers complex with comprehensive facilities in Mukim Pengerang, Daerah Kota Tinggi, Johor of approximately RM178.77 million will be resumed once the completed six (6) blocks are rented out.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Solar Power Generation Income - Other Income and Associates Company

The Group has recorded Green Technology Solar Panel gross income of RM2.91 million in FY2019 from its electricity production capacity of 2,425 kilowatts 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 guaranteed that ABSB shall attain the PAT of RM20.00 million in aggregate within twenty four (24) months from the Completion Date i.e. 24 August 2017. As at 31 August 2019, ABSB has realised RM25.68 million PAT within the twenty four (24) months period after the completion date as per the tabulation below.

Profit Guarantee Tracking as at 31 August 2019

	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	
PAT for FYE August 2019 (8 months period)	10,586,113	25,684,668
Profit Guarantee exceeded by		4,901,443
Minus : Non Business Income		
Other Income – accretion of discount on Redeemable Preference Share (RPS)	2,731,601	
Unwinding of discount for RPS	(274,527)	2,457,074
Profit Guarantee exceeded by		3,227,594

Our associate company Solarvest Holding Bhd ("Solarvest") has made a strong debut on the Ace Market of Bursa Malaysia on 26 November 2019, opening at 60 sen or 25 sen above its offer price of 35 sen. Solarvest's initial public offering ("IPO") was oversubscribed by thirty-five (35) times. Its listing exercise involved the issuance of 98.83 million new shares, raising about RM34.59mil in IPO proceeds. On the last day of trading in FY2019, Solarvest closed at 74.5 sen, 112.86% higher than its offer price. Proceeds from the IPO will be channelled to expand the solar business in the Southern region of Peninsular Malaysia and into the overseas market such as Taiwan and Vietnam.

In line with government's initiatives to drive the solar photovoltaic agenda and encourage installation among property developers, they are allowed to reserve NEM quota for new projects starting 5 August 2019. This is one of the measures taken by the government to achieve the target of 20 per cent of renewable energy in the national installed capacity mix (excluding large hydro) by 2025.



Picture: Solarvest made a strong debut on ACE Market on 26th November 2019

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

THE GROUP'S PROSPECTS (Cont'd)

Solar Power Generation Income - Other Income and Associates Company (Cont'd)

The order books of Solarvest as at end December 2019 stand at RM146.60 million and is expected to remain strong with their healthy sales funnel. Solarvest has secured two new contracts involving engineering, procurement, construction and commissioning (EPCC) works in the Philippines during mid April 2020. The projects were secured from Vivant Energy Corporation ("Vivant"). Vivant's principal business activities include energy distribution and generation, retail electricity supply, and energy-related engineering solutions across Luzon, Visayas and Mindanao in the Philippines. The first project is for developing solar PV systems at ten (10) designated buildings, with a cumulative capacity of 816.2-kilowatt peak (kWp), at the University San Agustin in Iloilo City, the Philippines. The second project is developing 377.52 kWp solar PV systems for Bulihan Industrial Park in Bulacan, the Philippines. These projects are to be completed within a year, both new solar rooftop projects are expected to contribute positively to their financial performance for the financial year ending 31 March 2021. Solarvest aims to make further inroads into the Philippines and are actively in talks with local partners to bid for more projects there. Solarvest move to the Philippines is in line with their strategic intents to diversify their geographical footprint. Chin Hin is confident that Solarvest could be the next earnings growth driver to the Group.

As of the date of this Annual Report, Atlantic Blue has completed three (3) LSS2 projects as detailed under "Share of results of associates" above.



Picture: 9.9MWp DC floating solar plant in Dengkil, Selangor

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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:-

(i) Risks relating to the industries in which our Group operates

Our Group is involved in the distribution and manufacturing of building materials to the construction and property development industries. As such, our Group is exposed to the vagaries of these industries caused by various factors which include political and economic stability, inflation, labour shortages, as well as increase in raw material costs. Although our Group's management will endeavour to closely monitor and manage our business to mitigate such effects, any adverse changes to the construction and property development industries will adversely affect the business 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 undergoes 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 depends 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 a contingency plan 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 one hundred and twenty (120) 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED OR KNOWN RISKS (Cont'd)

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

During credit application process, our Credit Control Department ("CCD") will perform CCRIS and CTOS check on the background of 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.

(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 resources, which lessen the threat from more players entering the industry.

Our strategies are to continually leverage on our economies of scale, negotiating power, strong financial resources and a wide distribution network which other market players do not have.

(vi) We are dependent on obtaining adequate financing to fund our operations

There is an inherent timing difference between our trade collections from our customers and payments to our suppliers. Normally, we are granted trade credit facilities of between fourteen (14) to one hundred and twenty (120) days by our suppliers, whereas our trade collections are between sixty (60) to one hundred and twenty (120) days. As such, we are required to fund our purchases from our suppliers, either from internal resources or borrowings. If we are unable to secure adequate financing, our cash flow, operations, growth and expansion plans will be adversely affected.

Our total borrowings as at 30 April 2020 amounted to approximately RM586.46 million. Any significant increase in interest rates will adversely affect our profitability. Thus far, we do not experience any significant increase in interest rates levels which has resulted in a material adverse impact on our financial performance.

Chin Hin is undertaking a non-core asset trimming exercise and cost optimisation programme to dispose of those non-performing assets and to eliminate unnecessary processes with the ultimate goal to increase efficiency across the board and gear up our manufacturing plant towards Industry Revolution 4.0.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD-LOOKING STATEMENT

The Malaysian economy is expected to face another tumultuous year in FY2020 as it is being challenged by the domestic sluggish property market and growing internal and external headwind, particularly the outbreak of coronavirus "Covid-19" in the world. The "Covid-19" pandemic is spreading fast and cannot be contained, it has disrupted the world trade, supply chains and travel regionally and internationally.

Following the global Covid-19 outbreak and the recent spike in Covid-19 cases in Malaysia, the Malaysian Prime Minister announced a Restriction of Movement Order on 16 March 2020 as a measure to curb the outbreak. The MCO imposed on all private companies, excluding those involved in essential services has caused a total shutdown of operations on private sector which has a huge damaging effects on businesses and the economy of Malaysia. We foresee that the local market to remain subdued arising from all the negative impacts as mentioned above coupled with the tight lending policy by the financial institution, poor market sentiment and the lack of growth catalyst to spur the momentum of construction activities in the near term.

However on the optimistic tone, the revival of ECRL and Bandar Malaysia projects, building of 100,000 units of affordable homes a year as well as the spilled over of Transit Oriented Development ("TOD") along the main MRT and LRT line augur well for the construction sector. Twenty-four (24) TOD projects have been rolled out along the thirty-one (31) stations of the maiden MRT line. Government driven initiatives such as Bank Negara RM1.50 billion allocation to build and complete affordable homes under the People's Housing Programme, Civil Servants Housing Project, PR1MA, and Syarikat Perumahan Nasional Berhad, stamp duties exemption and assistance to first time buyers coupled with project crowdfunding are some of the positive measures to stimulate the residential property market. This support augurs well in creating demand for building materials and provides the momentum to stimulate the construction activities.

With regard to industry challenges, we foresee intense market competition with the emergence of new players and the over supply of building material products in the market. To mitigate these risk, Chin Hin will focus its attention on the optimisation programme to stay lean and mean and to gear towards Industrial Revolution 4.0 plant-wide to reduce over-reliance on foreign workers. In view of the sluggish property market, the Company has redirected its focus towards tendering overseas projects and approaching foreign customer to expand its geographical market.

Despite the tough market conditions, we are gratified that our efforts over the years to build up our own brand and deliver outstanding products as well as service quality have not gone unrecognised. As mentioned above, the Group will be focusing on growing its geographical expansion and also invest in product development to expand our product offerings. The Group is in the midst of sourcing potential business partners in different markets to form a strategic alliance. With the diversification of market, it opens up greater opportunity for the Group to grow internationally. Barring any unforeseen circumstances, Chin Hin envisages a positive outlook for FY2020 after MCO.

SUSTAINABILITY STATEMENT 2019

At Chin Hin Group, businesses are not solely assessed by its financial performance, but on its overall performances within economic, environmental and social contexts.

Introduction

Subsequent to the first Sustainability Statement of Chin Hin Group Berhad reported for the financial year ended 31 December 2018, we recognise the growing significance of developing our business operations in a sustainable and responsible manner, by having our business operating strategies and corporate culture being continuously aligned with our sustainability aims within the economic, environmental and social contexts.

Through Sustainability Statement, we provide our stakeholders a better understanding on our approach to create sustainable long-term value for stakeholders as well as to address sustainability challenges and opportunities, particularly on our material matters, in contributing towards the betterment of our businesses, environment and society.

Scope of this Statement

This Sustainability Statement covers our sustainability efforts and performances in Chin Hin and its subsidiaries for the financial year ended 31 December 2019. Subsidiaries refers to all companies in which Chin Hin holds a majority stake or has direct management control.

Our business activities cover not only trading of building materials but also manufacturing and services across: -

- ▶ Fire-Rated and Wooden Doors
- ▶ High Quality Door Locks
- ▶ Steel Door Frames
- ▶ Concrete Drymix
- ▶ Wire Mesh Products
- ▶ Ready-Mix Concrete
- ▶ Provision of Logistics
- ▶ Modular Building Solutions
- ▶ Pre-Cast Concrete Products
- ▶ Polymer Concrete Pipes
- ▶ Autoclaved Aerated Concrete ("AAC")
- ▶ Ultra-High-Performance Concrete ("UHPC")
- ▶ Solar Power Investment Business

Material Matters Assessment

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.

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.

Feedback

In our continuous efforts to raise our standards in reporting, we welcome stakeholders' 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 2019 (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.

Our Vision

To be the Malaysia's Leading Integrated Building Materials Specialist

Our Mission

World-Class Performance Through Innovations

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

Deliver Value and Quality Always

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

Developing Human Resources While Contributing to Society

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

Our Core Value



SUSTAINABILITY STATEMENT 2019

(CONT'D)

SUSTAINABILITY MANAGEMENT

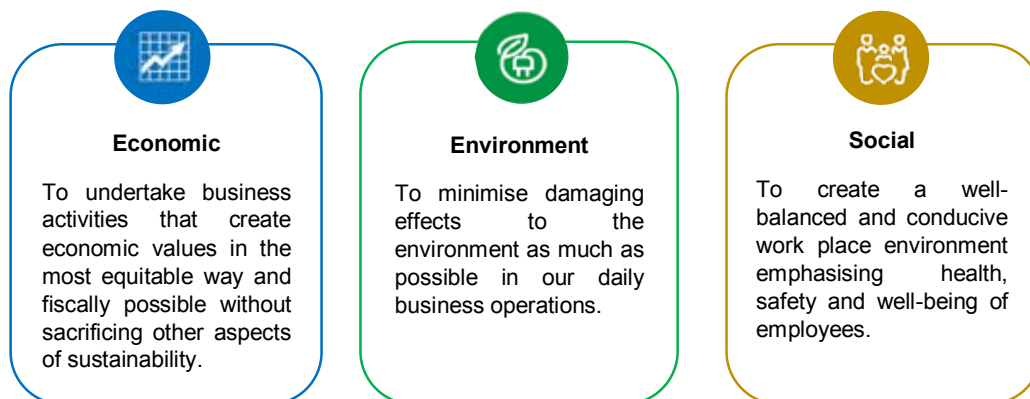


We recognise the growing significance of sustainability in our business value. As we continuously build on this foundation to further strengthen our business for the long-term, we are also enhancing our transparency on disclosure of material matters relating to Economic, Environment and Social aspects continuously. 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 Sustainability Principles

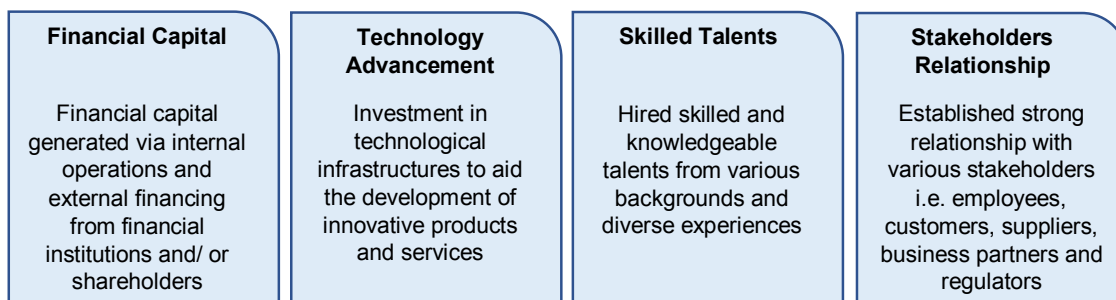
As a responsible organisation, Chin Hin Group is aware of the impacts that we caused to the environment and society in our daily business operations, hence we are committed to manage these impacts and execute our business operations as a responsible corporate citizen working towards a better world. To achieve this, we have to uphold high standards of governance across our entire business operations to promote responsible business practices, manage environmental impacts and meet the social needs of our community.

Within Chin Hin Group, we strive to uphold the following sustainability principles: -



Our Sustainability Approach

Our approach in achieving sustainable business operations is focusing on four major components, namely financial capital, technological advancement, skilled talents and strong relationship with various stakeholders as depicted below: -

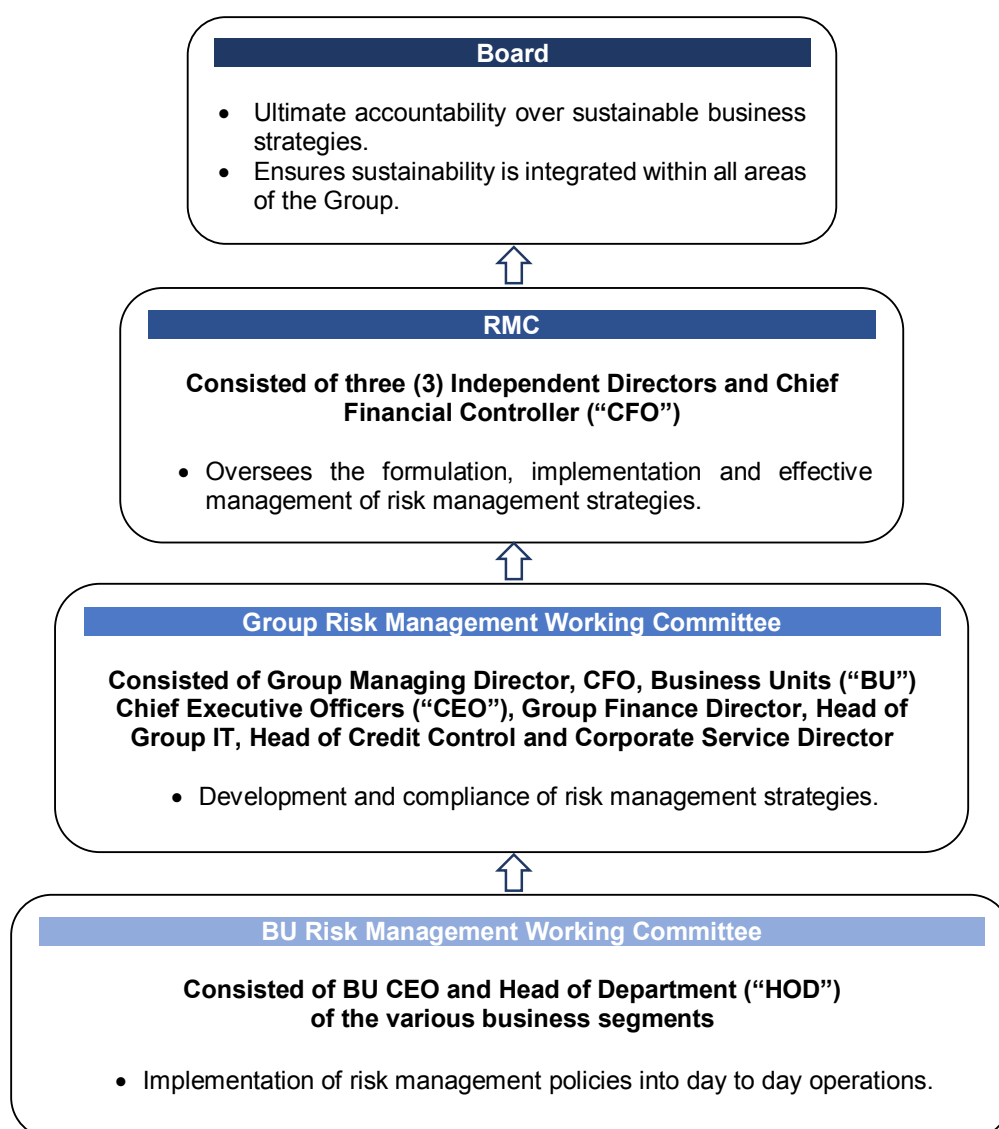


SUSTAINABILITY STATEMENT 2019 (CONT'D)

SUSTAINABILITY GOVERNANCE STRUCTURE









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 RMC is also responsible to determine whether there is a robust process in place for identifying, assessing and monitoring key business risks to safeguard shareholders' investment and the Group's assets.



SUSTAINABILITY STATEMENT 2019 (CONT'D)

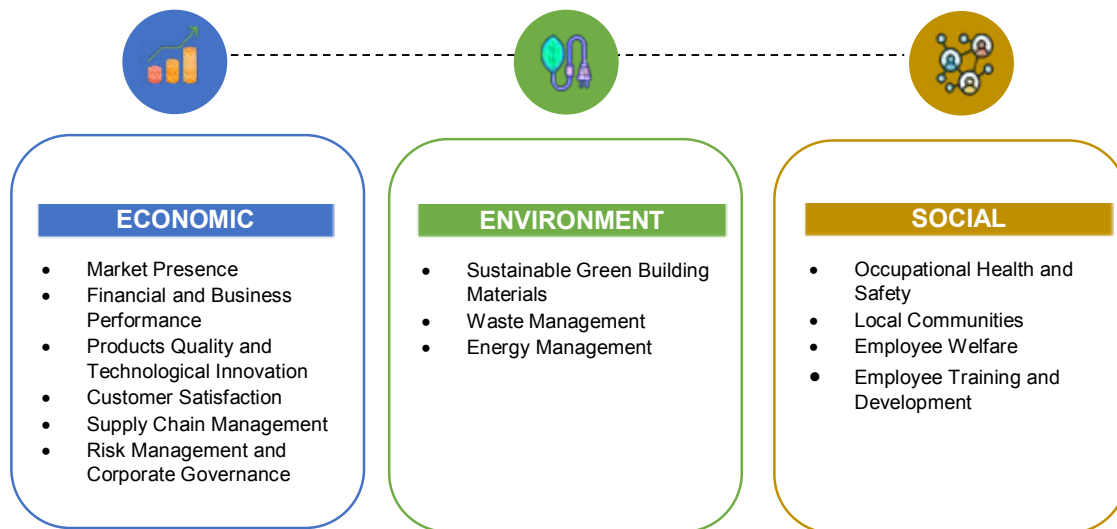
STAKEHOLDER ENGAGEMENT

Stakeholders	Stakeholders Concerns/ Material Matters	Engagement Approach
 Board of Directors	<ul style="list-style-type: none"> Continuous business and operational improvements Financial results of the Group Identification and monitoring of business risks and corporate strategies Interest of stakeholders and shareholders 	<ul style="list-style-type: none"> Quarterly and ad-hoc Board meetings Annual general meeting Company events
 Shareholders and Investors	<ul style="list-style-type: none"> Financial and operational performance Share price performance Business management & corporate governance Risks and returns 	<ul style="list-style-type: none"> Annual & extraordinary general meetings Quarterly financial results and annual report Press releases and interviews Corporate website Bursa announcements
 Employees	<ul style="list-style-type: none"> Career development opportunities Training and development Talent and performance management Succession planning Workplace health and safety Competitive compensation and benefit packages 	<ul style="list-style-type: none"> Induction training Learning and development program Regular engagement with senior management Performance appraisals Company social events
 Customers	<ul style="list-style-type: none"> Quality assurance and reliable products and services Customers satisfaction Technological and operational innovation New products development Competitive pricing and on-time delivery 	<ul style="list-style-type: none"> Regular meetings Feedback survey Social media and corporate website Company events Advertisement and marketing events
 Suppliers	<ul style="list-style-type: none"> Business relationships and continuity Sourcing of quality materials Selection of suppliers and credit terms 	<ul style="list-style-type: none"> Face-to-face interaction Supplier assessment Email communications
 Government	<ul style="list-style-type: none"> Adherence to laws and regulations Health and safety Permits and licenses Corporate governance and compliances 	<ul style="list-style-type: none"> Meetings/ visits Verification/ compliance audit Quarterly announcements Ad-hoc report submission as and when requested by regulators
 Community	<ul style="list-style-type: none"> Job creation for local communities Impact of operations on surrounding environment Economic support 	<ul style="list-style-type: none"> Community outreach program Corporate volunteering program Corporate website/ social media
 Analyst/ Media	<ul style="list-style-type: none"> Financial and operational performance Business strategies and plans Corporate governance 	<ul style="list-style-type: none"> Annual & extraordinary general meetings Press conference and media interviews Media release

SUSTAINABILITY STATEMENT 2019 (CONT'D)

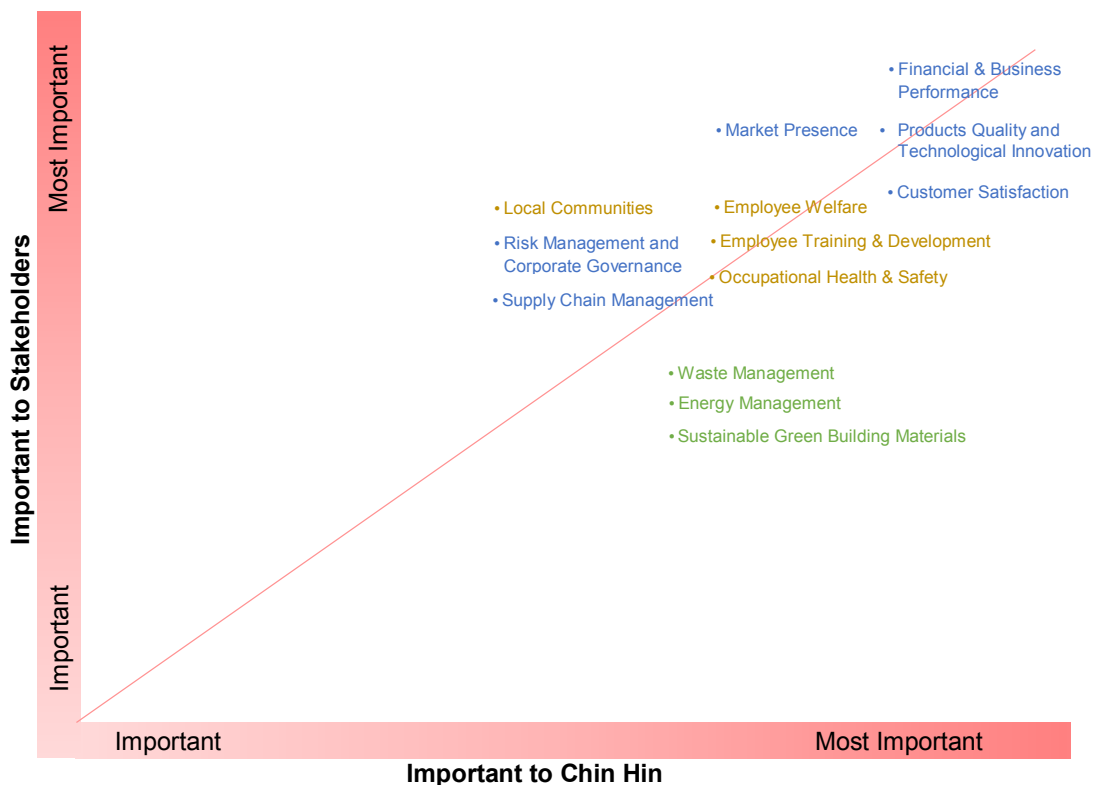
OUR ASSESSMENT ON MATERIAL MATTERS

In FYE 2018, a materiality assessment was undertaken to identify and assess the issues that are most relevant and material to the sustainability of our Group. Coming to FYE 2019, we have reassessed and concluded that material matters relevant to our Group are similar to that of identified in FYE 2018 within the three (3) contexts as follows: -



Based on our current year assessment, we have identified and ranked 14 key areas which matter the most to our Group as well as our stakeholders. As all issues were important to some degree, scales from “Important” to “Most Important” were adopted.

The outcome of our **Material Matters Matrix** is illustrated below: -



SUSTAINABILITY STATEMENT 2019

(CONT'D)

Economic

Environmental

Social

MANAGING OUR BUSINESS

At Chin Hin Group, the principle of sustainability is integrated in our pursuit of economic growth. We are committed to provide high quality of building materials and related products and services to our customers while enhancing internal capabilities to meet the ever-changing need of the business environment. We also keep abreast with latest technologies so as to remain competitive within building materials and construction industries.



Business Profitability

	Audited FYE 2017	Audited FYE 2018	Audited FYE 2019
	RM'000	RM'000	RM'000
Revenue	1,015,410	1,105,417	1,056,458
Gross Profit	101,492	101,508	100,077
Profit After Tax	29,612	24,099	15,302

Chin Hin Group currently has six (6) 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 services, ready-mixed concrete, manufacturing of fire-rated and wooden door, manufacturing of AAC and precast concrete, manufacturing of wire mesh as well as modular building solutions.

In FYE 2019, our Group recorded a total revenue of RM1.06 billion, a slight decrease of 4.4%, compared to revenue of RM1.11 billion generated in FYE 2018. The decrease in revenue in FYE 2019 was mainly resultant from the lower revenue generated from the segments of modular building solutions, manufacturing of wire mesh, ready-mixed concrete and distribution of building materials and logistics services.

However, the decrease was mitigated by the increased revenue from our manufacturing of fire-rated and wooden door, AAC and precast concrete divisions. Our financial performance is discussed in detail in the Management Discussion and Analysis ("MD&A") section within this Annual Report.

We will continue to focus on manufacturing and supplying good quality building products and services, increase our range of products and services and improve our operational efficiencies by investing in relevant technological advancement so as to boost up our sales continuously.

Economic Resilience

In order to be resilient within our industries, the Group has identified and assessed relevant risks that may impact our business operations. The risk assessment conducted covers the risks on our business and the industries. A series of mitigation plans/actions have been established to cater for the occurrence of the relevant risks.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

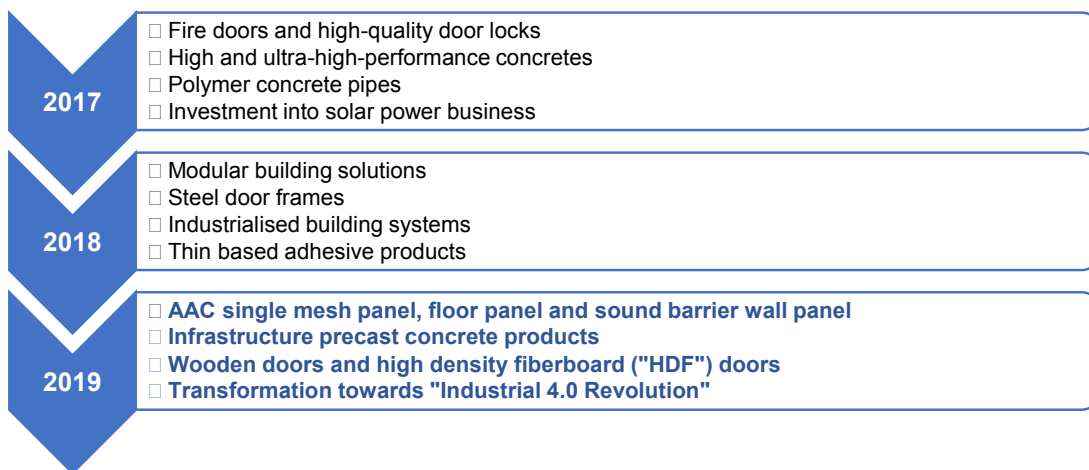


Anti-Bribery and Corruption

In Chin Hin Group, our business transactions and operational practices are governed by our firm controls and Code of Ethics that emphasised ethical practices, of which we are committed to in order to avoid practice of bribery and corruption of all forms in the Group's daily operations. All employees are required to carry out their obligations and responsibilities diligently and decently. This shall then strengthen the trust relationship with our various stakeholders. In addition, we adhered strictly to all laws and regulations relating to countering bribery and corruption in Malaysia. During FYE 2019, no employees had been disciplined or dismissed, no contracts with suppliers or customers being terminated, nor have any public cases been brought against Chin Hin Group and its employees due to non-compliance to the laws and regulations against acts of corruption or bribery. In this regard, there was no relevant fines, penalties or settlements imposed or made during the year.

Expanding our Expertise

Continuous growth in technological and product innovation is one of the core material matters in Chin Hin Group's long term business strategy plan. Since the Listing of Chin Hin Group 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 industries. Our key expansion in products and services portfolio since year 2017 are depicted below: -



In FYE 2019, we have expanded our product ranges for AAC products by introducing AAC single mesh panel, floor panel and sound barrier wall panel. The sound barrier wall panel is a highly effective panelling solution that yields a significant reduction of unwanted noise generated from vehicles or traffic at highways, state or federal roads and railways. Speaking of highways, we have also enlarged our infrastructure precast concrete business via supplying prestressed and reinforce concrete beam, crosshead, cable trough, long-span bridge, prestress slab, arch culvert, medium pressure jacking pipe, eco-module and emergency walkway to mega infrastructure projects in town which require added technical expertise.

In addition, apart from manufacturing of fire doors and high-quality door locks, we have expanded the door product ranges to wooden doors, HDF doors, louvers, timber frame, handrail, architrave and skirting in year 2019.

Last but not least, we are working towards transforming digitally all the processes in our manufacturing plants and corporate offices to gear towards "Industrial 4.0 Revolution".

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Ensuring Products and Services Quality

Chin Hin Group employs stringent standards and certifications across our business processes so as to improve our products reliability, durability and performance. We maintain strict compliance to the quality certifications listed below as part of our annual assurance to stakeholders on our commitments toward meeting the customer requirements.

Certificate/ License
ISO 9001:2015 Quality Management System
ISO 14001:2015 Environment Management System
Green Label Certification (ISO 14024 Type I Eco-Labels)
SIRIM ECO 023:2010 Eco-Label Mark
SIRIM BS 476: Part 22:1987 Listed Product Mark
SIRIM MS144:2014 Certification Mark
SIRIM MS145:2014 Certification Mark
SIRIM MS146:2014 Certification Mark
Singapore Green Building Product Certificate for Block and Panel - AAC
Singapore Green Label



SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social



Customer Satisfaction

Meeting our stakeholders' requirement and satisfaction level give a competitive edge to our business. We strive to deliver the best quality and services to our customers. In ensuring their satisfaction towards our services, our team conducts customer satisfaction survey annually to obtain feedbacks. In general, our customer survey covers our responsiveness on enquiry and submission, quality, delivery, commitment and service, order management, suggestion for improvement, and complaint handling. Any enquiries and complaints from customers shall be dealt with by our team members within a short period of times.



Supplier Management

Suppliers are the key component of our supply chain as they support our various trading and manufacturing activities. As traders and manufacturers, the quality and cost of the materials/products we procure remain as important aspects of our business. Thus, to ensure suppliers' materials/products quality and pricing meets our requirements, we conduct supplier evaluation frequently and rule out any suppliers that do not meet our requirements so as to maintain quality and yet cost-effective supplies.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social



With the rising awareness on eco-friendly practices, we are mindful of delivering quality sustainable building materials to our customers. Careful thought and planning are put into our business products to create an eco-friendly environment which reduce environmental waste, decrease greenhouse radiation and integrated energy.

OUR ENVIRONMENTALLY FRIENDLY PRODUCTS

Starken AAC

Our Starken AAC products are becoming the preferred building products for constructing residential, hotel, industrial and public buildings because of its natural composition and non-toxic property, saves energy and environmentally friendly while possess the durability characteristics similar to normal concrete or stone, yet with workability better than wood.

Our Starken AAC products are a sustainable building material which contains up to **20%** of recycled materials. They 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.

We managed to increase our supply of AAC Blocks to customers from 381,056 m³ in FYE 2018 to 525,305 m³ in FYE 2019. 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 three (3) prominent environmental friendly features of our Starken AAC products are as follows: -



SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

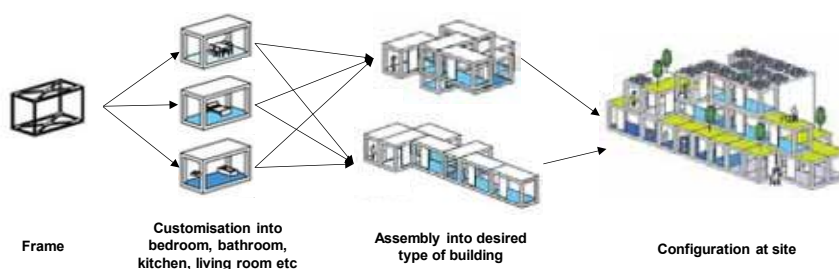
Social

Modular Units

Our 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 environmentally friendly advantages over the site-built construction, such as reduce 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.

We have produced 16 modular units throughout FYE 2019. Although we produce lesser compared to 408 modular units in FYE 2018, we managed to extend our customer base to overseas customers located at United Kingdom and Saudi Arabia in FYE 2019. We remain optimistic towards the popularity of modular units in view of its “green” features and we are looking forward to managing greater number of projects which will cultivate a win-win situation to our Group as well as the surrounding environment.



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.

We managed to increase our supply of polymer concrete pipes to customers from 15km in year 2018 to 20km in year 2019. Over the years, we have delivered about 105km of polymer concrete pipes in total.

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 2019 (CONT'D)

Economic





Environmental

Social

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 acquisition of 33.6% on Solarvest Holdings Berhad (“Solarvest”), one of the leading turnkey EPC Solution Provider that specialises in large-scale solar farming and provision of solar photovoltaic solutions.

	Total Projects Capacity	No. of Tree	No. of Car	Tonnes of Carbon Footprint
Year 2019	 196MW	 146,020	 355,348	 196,000
Year 2018	75MW	55,875	135,975	75,000

Solarvest managed to secure more solar panel systems installation projects across Malaysia with total combined capacity of approximately 196MW in year 2019 as compared to 75MW in year 2018. Based on our internal assessment, this is equivalent to planting an estimate of 146,020 trees in Malaysia or taken off an estimate of 355,348 cars from the road per year. With this in place, it can actually offset an estimate of 196,000 tonnes carbon footprint annually.

Steel Wire Mesh

Our steel wire mesh is manufactured using advance technology and automated processes which complied to ISO 9001 quality management system and ISO 14001 environmental management system. Our modern manufacturing processes generate low wastage and lesser rework needed. Its metal scrap has an average recycle rate of 80% and it is recyclable into new steel products through reproduction at steel making plant.



SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

OUR INTERNAL SUSTAINABILITY INITIATIVES

Solar Panel Installation on Our Factories

The solar panel systems installed on our Metex Steel and Starken AAC factories have the capacity to generate 1MW and 1.425MW of electricity respectively.

Electricity generated from our solar panel systems are then supplied to distribution licences under the Feed-in Tariff ("FiT") mechanism and hence, reducing the need to generate energy which are less environmentally friendly.

Currently, we are in collaboration with Solarvest to organise corporate promotional and publicity activities to showcase our Metex Steel factory to potential customers for installation of solar panel systems.

Quality and Environmental Management

It is in our quality & environmental policy that we have to be committed to protect environment and fulfil our compliance obligations, including prevention of pollution and other specific commitments(s) relevant to the context of our Group through continual improvement of the Quality and Environmental Management System so as to enhance our quality and environmental performance.

Energy and Water Management

Our Group is advocating for efficient management of energy and water utilisation across the offices, operation sites and factories. Our relevant aims are to: -

- Minimise energy and water usage;
- Minimise energy cost by using bio-mass fuel;
- Minimise environmental impact by reducing harmful emissions; and
- Make use of renewable energy (solar panels) which have least negative impact on the environment.

We are committed to achieve and maintain the above as we believe that our small steps taken shall contribute to the environmental improvement and long-term sustainability.

Waste Management

In our daily operations, we strive to reduce waste through refurbishment and reuse of equipment and recycling of materials and products whenever possible. Our policy on waste management is to ensure that all wastes generated are identified, controlled, stored, disposed or removed in an appropriate manner and in accordance to relevant statutory requirements. All employees are required to adhere to the waste management policy strictly at all time.



Recycling of Coal Ash

We have continued with our efforts to collect coal ash, a harmful by-product of coal fired in Power Station and we managed to collect 33,000 mt in FYE 2019.

Properly recycled coal ash can be used as an alternative material to produce higher grade cements which are stronger and more durable. Through new co-polymers technologies, it enables robust and versatile mix to variations in raw materials, which lead to ease of handling and placement, quality control and consistency in concrete quality.

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 2019 (CONT'D)

Economic

Environmental

Social

SUSTAINABLE 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 achievements.

Our Seven (7) Core Values

In Chin Hin Group, we value and put heavy emphasis on the welfare, sharing and learning of our people. These are embedded in our core values as follow: -



We believe in **treating everyone like a family**. We act as a team to achieve common goals. We honour our team members. We build bridges not walls.



We believe in **continuous learning and improvement**. We invest in self-development. We share to learn more and we learn from mistakes.



We believe in **fulfilling balanced life**. We strive to achieve a balance between our personal and professional lives. We stay healthy and live purposefully to improve our mind, body and soul.



We believe in **doing the right things**. We are accountable, responsible, and trustworthy people. We perform our job with the highest integrity.



We believe in **being open and willing to share**. We listen and appreciate feedback. We communicate with good intentions and with a positive outcome in mind.



We believe in **exceeding expectation**. We put the best effort in everything we do in order to deliver the highest standards of work.



We believe in **influencing and inspired others**. We empower people to succeed in career and life aspects.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Fair Recruitment and Assessment

Recruitment, selection and promotion processes 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. This serves as a good baseline practice across our business operations. As our effort to meet this practice, we ensure all employees involved in recruitment process should possess necessary knowledge and skills to conduct recruitment and selection effectively.

Our People's Basic Rights

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.
- All disciplinary issues will be handled base on guidelines and procedures set by Ministry of Human Resources.
- Training on disciplinary issues handling shall be conducted on yearly basis for relevant Manager.

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.

WORKING HOURS, WAGES, & 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.

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 2019 (CONT'D)

Economic

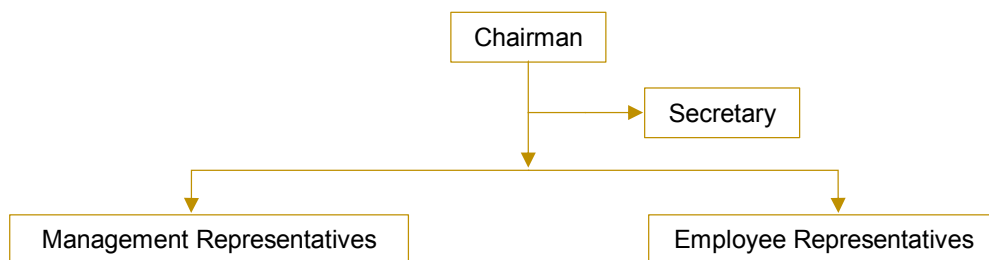
Environmental

Social

Occupational Health and Safety

As always, ensuring workplace environment that priorities the health and safety of our employees and site visitors is of utmost importance to our Group. We ensure safety culture is incorporated seamlessly into our daily operations while supporting employees' confidence and morale when working at Chin Hin Group. We are committed to provide health and safety trainings, constant health and safety reviews to identify issues and establish mitigation approaches so as to improve the health and safety status of our workforce.

To facilitate our management of occupational health and safety initiatives, certain subsidiaries have set up respective Health and Safety Committee ("HSC"). We assign roles and responsibilities to the HSC members with the aim to ensure our business operations are in compliance with health and safety standards as outlined by the national regulations. The HSC is represented by both the Management and employees of the relevant subsidiaries and generally in the following set-up: -



Our Health and Safety 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 Practices

- Provide employees with education, campaigns and trainings to raise awareness and enhance employee's involvement in taking precaution steps.
- Institutionalise the value of health and safety throughout the organisation.
- Report any potential hazard, injury or accident immediately to respective immediate superior or department head for necessary remedy actions to be carried out.
- Check on all basic safety and health features such as fire extinguishers and medical boxes and ensure they are not expired and 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.
- Perform regular health and safety inspections around factories and sites.
- Conduct accident investigation with the purpose of establishing causes and recommend corrective and preventive actions thereafter.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Occupational Health and Safety (Cont'd)

In FYE 2019, we have conducted health and safety programs or trainings as tabulated below: -

Health and Safety Programs/ Trainings in 2019	
On Monthly Basis	Safety Induction and Briefing HSC Meeting Dust Collectors on Cement and Lime Silo
January 2019	ISO 14001 - Awareness for Schedule Waste Training on Hazardous Chemicals Management
February 2019	Proper PPE Usage (Refresh & Training) Annual and Baseline Audiometric Testing Local Exhaust Ventilation System Effectiveness Testing
March 2019	First Aid Training Hazardous Chemicals Management Chemicals Exposure Monitoring
April 2019	Forklift Training Theory & Practical Annual Shutdown General Training and Safety Briefing
July 2019	Emergency Response: Overflow Slurry to Inland Water
September 2019	OSH Conference Evacuation Drill, Fire Fighting Demonstration, Spillage Control and Basic Manual Handling
December 2019	Workplace Health Promotion by Malaysian Society for Occupational, Safety and Health ("MSOSH") and SOCSO



SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

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 result-centric work environment that promotes operational excellent and efficiency.

Within year 2019, the Group has spent approximately RM0.2 million for employees' development and training initiatives. A summary of our training and development initiatives within year 2019 are as follows: -



Global Leadership Summit Malaysia 2019

Chin Hin Group has continued to sponsor the annual Global Leadership Summit Malaysia in year 2019. Our Group has sent employees from different business unit 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 the workplace.



Mini Global Leadership Summit

For those who did not attend the Global Leadership Summit Malaysia, we conducted a mini workshop as part of the employee personal development program where we share leadership videos, corporate discussion and applicable leadership theories into the workplace.



Various ISO Trainings

The Group continued to hold various internal and external training programs for employees 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.



Online Approval Form Training

The Online Approval Form ("OAF") Training is a brief introduction session explaining the work flow of Online Approval Routing in relation to Delivery Order that requires Sales Coordinator, Sales Manager and Salesman to complete the OAF process.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Employee Learning and Development (Cont'd)



New Staff Orientation and Core Values Workshop

To kick start new joiner's journey with Chin Hin Group, they are required to attend our New Staff Orientation and Core Values Workshop as part of their on-boarding process where we will brief them with an introduction of the Group and the Group's beliefs and work culture.



Briefing on the Staff Benefits Update at Newly Acquired Subsidiaries

Our Group's Human Resources Team went down to our Kapar Factory to conduct a briefing on the staff benefits to our newly acquired subsidiaries' working teams.



Behavioural Interview Skill Workshop

The workshop was catered for the hiring managers from different BU. It is to equip the hiring managers with necessary skills in finding the right people to suit for relevant jobs. It is also to provide the hiring managers with new knowledge and skills in conducting interview.



Managing Misconduct at Workplace

This workshop was conducted for our PP Chin Hin Branch Managers. The objective is to create an understanding of misconduct at workplace, distinguish differences between minor and major misconducts, explain why it is important to perform disciplinary actions in managing misconducts and how to handle the relevant issues.



Digitalisation Workshop

We conducted a few workshops for all BU to come together to plan for the future of digitalisation.



Group Digital Transformation Journey

We invited consultants to conduct a workshop that guide us through the process of company going for digitalisation.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Employee Learning and Development (Cont'd)



Factory Tour

All new joiners are given the opportunity to visit our Starken AAC factory located at Serendah. This allows our new joiners to explore and understand the products, production flows and factory working environment.

Employee Engagement

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



Town Hall Sessions

Town Hall Sessions are conducted twice a year. This allows the Group Managing Director and CEO to share their business and financial updates for the relevant quarters. It is also a platform to share the latest news, information and the overall directions of the Group. The session is open for employees to raise any concerns or questions with the Head of Human Resources. Due to the spread of the Group's business operations amongst different states of Malaysia, the Town Hall Sessions were conducted at the Headquarter Office at Kuala Lumpur.



Spot Award

Spot Award was presented to our nominated employees who were evaluated based on Chin Hin Group's Core Values and General Competencies. It is to encourage our employees to understand and adopt the Core Values and General Competencies within Chin Hin Group's working environment. This award is also aimed to boost employee satisfaction and productivity besides to develop a healthy working culture where the efforts of employees are being recognized and appreciated.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Employee Engagement (Cont'd)



Photoshoot Session

At Chin Hin Group, we are guided by strong culture that celebrates teamwork and unity amidst diversity and we want to take the opportunity to do a private photoshoot for our company career webpage.



Self-Enrichment Session

Self-Enrichment Session was conducted for those who are seeking for life-long learnings opportunities. We took the session to dive into the book "Enchantment by Guy Kawasaki" with our colleagues to learn further on how to enchant people.



#Learn. Share. Teach Session

From September 2019 onwards, we conducted #Learn. Share. Teach Session on monthly basis. Speakers are coming from different BU to share their knowledge and expertise to other employees. Opportunities are given to employees to stand up and share their experiences while listening to others for their successful or painful working stories.



Briefing by Maybank

Maybank has given a briefing session to our Bumi colleagues about ASB Financing-I and its benefits to users.



Perkesso and LHDN Sharing Session

For the convenience of our employees, we invited Perkesso and LHDN to Chin Hin Group to share on the current employee insurance schemes and guide our employees in doing e-filing for personal tax purposes.



KWSP Mobile Team

We invited KWSP Mobile Team to open up a Kiosk at our Headquarter office to assist our employees with their employees' provident fund inquiries.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Employee Engagement (Cont'd)



Durian Party

It's the Durian Season! We believe in all good things are to be shared with one another. We brought a truck full with durians to our Chin Hin Culture Centre and we demolished all the delicious durians.



It's My Cheat Day!

We have organised a one-day cheat day sales booth at our Chin Hin Culture Centre in which snacks brands such as Pocky, Haagen Dazs and Just Milk by Nestle were sold at promotional price to our employees.



Chocolate Day Sales Booth

In collaboration with The Cocoa Trees, we had a Chocolate Day Sales Booth for our employees to spur ourselves with purchasing chocolates at corporate price.



Bowling Tournament

We had our Chin Hin Bowling Tournament on 20 October 2019. It was a friendly match between the employees across various BU. Five employees form a team and compete against other teams. It was an intense competition and yet everyone gets to enjoy themselves in the game.



Health and Wellness Day

We invited Health Care Provider to come to our Headquarter office to do medical check-up like drawing blood and urine test. On the same occasion, we provide nutritious breakfasts, organise health talks and cooking demo class for our employees.



Zumba & Body Combat Classes

Zumba and Body Combat Classes is part of our after-work fitness activities in order to get our heart pumping and getting fit together. It is a fitness journey that everyone committed and strive to achieve together.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Employee Engagement (Cont'd)



Merdeka Day Celebration

On 28 August 2019, in conjunction with Merdeka Day, we had our Best Dress Contest with the theme of "True Colors of Malaysia" where we get our employees to dress their most cultural outfit.

It was filled with joy and laughter during the session where the contestants were performing mini cat walk competition and the rest of the employees were given chance to vote for the best dress of the day. It was truly a wonderful view to see the employees came together and participate in this competition.



Hari Raya Celebration

We had our Hari Raya celebration with our colleagues at Starken AAC and G-Cast on this very special day.



Christmas Celebration

During Christmas month, we had our very own "Christmas Decoration Competition, Office Edition" where it was a departmental competition to freely decorate the office spaces following the theme of Winter Wonderland. Our employees to our surprise really enjoyed themselves during the process of making their imagination come to life.



Mini Christmas Market

It's Christmas Season! and that means its shopping time. We brought The Cocoa Trees back and this time we had Pin Tea and Sales Booth selling earrings for the less fortunate. We have everything under the roof for employees to enjoy themselves.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

OUR COMMUNITY SERVICES

Chin Hin Group continue to believe that contribution to community development by offering opportunities for jobs, education, health and overall wellbeing is essential as part of the social responsibilities in building up and maintaining a sustainable business.

In FYE 2019, we have participated in various collaborations and events to enrich the local community as follows: -

Blood Donation Campaign

In collaboration with Pusat Darah Negara, we have organised a blood donation campaign at our Chin Hin Culture Centre. With a permitted accessibility, Chin Hin Group hopes to regularly participate in such social activities.



Collaboration with Borneo Evangelical Mission

We are working very closely with Borneo Evangelical Mission, Miri, Sarawak, East Malaysia to provide job opportunities to the locals and explore their career aspirations by sharing who we are and our working culture as well.

Visitors from Kuching

We have hosted a tour visit at our Starken AAC factory located at Serendah for our guests from Kuching, Sarawak, East Malaysia.



Visitor from China for Cambodia Project

We had visitors from China to our Starken AAC factory located at Serendah for a Cambodia Project.

SUSTAINABILITY STATEMENT 2019 (CONT'D)

Economic

Environmental

Social

Our Community Services (Cont'd)

Factory Visit by 40 Multinational Engineering Students

On 28 January 2019, in collaboration with Faculty of Engineering from University of Malaya, we had the privilege to host a factory tour at our Starken AAC & G-cast factories located at Bukit Beruntung for 40 Multinational Engineering Students coming from Philippines, Indonesia, China and Malaysia who joined the 40th Engineering Development, Motivation and Awareness Training (EDMAT-40).



Factory Visit by Students from Politeknik Nilai and Technical Association Malaysia ("TAM")

On 7 March 2019, students from Politeknik Nilai and representatives from TAM visited our Starken AAC factory located at Bukit Beruntung to gain insight and a glance of the factory to understand how the business operation works and explore the factory working environment.

Factory Visit by Taylor's University Students

On 18 June 2019, we have students from Taylor's University to visit our Starken AAC factory located at Bukit Beruntung to understand the production process and explore the factory working environment.



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 practised 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 2019.

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) Review and Adopt Strategic Plan of the Group

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) Implementation of Internal Compliance Controls and Justifies Measures to Address Principal Risks

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 shareholder and other stakeholder 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 judgment. 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 MCGG 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 MCGG 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)

Information and Support for Directors (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 balanced 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) members, comprising an Independent Non-Executive Chairman, three (3) Executive Directors and two (2) Independent Non-Executive Directors. 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 page 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.

The Board is mindful of the MCGG's recommendation which stated "at least half of the board shall comprise of Independent Directors. For Large Companies, the Board shall comprise a majority independent director." Although increasing number in the Independent Directors may provide more fresh ideas and viewpoints to the Board, the Board is of the view that there is balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objective as the Independent Non-Executive Directors of the Company have strong personalities with high levels of integrity and 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. Further, all the Independent Non-Executive Directors 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. Nevertheless, the Board, through the Nomination Committee will endeavor to identify suitable candidates with the relevant market and industry knowledge for the proposed appointment as Independent Non-Executive Director(s) of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Tenure of Independent Directors

As recommended by MCCG, the Board has implemented a nine (9) years policy for its Independent Non-Executive Directors. 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.

As at 31 December 2019, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 Director to effectively discharge his/her duties to the Company;
- ii) the outside commitments of a candidate to be appointed or elected as a 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.

A familiarisation programme, including visits to the Group's business and operations premises and meetings with the management will be arranged for new Directors to facilitate their understanding of the Group's business operations.

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCGG 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 2019, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

There were five (5) Board of Directors' meetings held during the financial year ended 31 December 2019. 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	4/5	80
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

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2019.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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	<p><u>CONFERENCE DIARY - SPEAKING ENGAGEMENTS 2019</u></p> <p>Name of Conference/Training: The 2nd Malaysia-China Youth Civilizational Dialogue on Islam and Confucianism Topic: Ethics in Economy and Finance Conference Organiser: IIUM Alumni Association Date & Venue: 21st & 22nd August 2019, Palace of the Golden Horses</p> <p>Name of Conference/Training: International Directors Summit Topic: A NEW PARADIGM: TOWARDS ASEAN 4.0 Conference Organiser: Institute of Corporate Directors Malaysia (ICDM) Date & Venue: 14 & 15 October 2019, Shangri-La Kuala Lumpur</p> <p><u>CONFERENCE DIARY - TRAINING PROGRAMME ATTENDED 2019</u></p> <p>Event: Malaysia Asean Entrepreneur Forum 2019 Topic: "Redefining Regional Entrepreneurship in the New Economy" Venue: Mahkota Hall, SMECorp, Level 5B, Platinum Sentral Date: 5 March 2019, Tuesday Time 9.00 am to 1.00 pm</p> <p>Event: PNB Leadership Forum 2019 Topic: "Governance to Performance" Venue: Hilton KL Date: 5 March 2019, Tuesday Time 1.30 pm to 5.00 pm</p> <p>Event: Green Conference 2019 Venue: Intercontinental Hotel Kuala Lumpur Date: 21 March 2019, Tuesday Time 9.00 am to 1.00 pm</p> <p>Event: Beyond Paradigm Summit 2019 Venue: MITEC Date: 17-18 June 2019 Time 9.00 am to 1.00 pm</p> <p>Event: PNB CORPORATE SUMMIT 2019 Topic: "REBOOTING CORPORATE MALAYSIA" Venue: Mandarin Oriental Kuala Lumpur Date: 30 October 2019, Wednesday Time 8.30 am to 5.00 pm</p> <p>Event: PNB YTI Memorial Lecture 2019 Topic: "The Diverse Facets of Leadership" Venue: Grand Hyatt Kuala Lumpur Date: 18 November 2019 (Monday) Time 8.00 am to 1.00 pm</p>
Datuk Seri Chiau Beng Teik	Nil

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Name of Director	Seminars/Conferences/Training Programmes Attended
Datuk Cheng Lai Hock	<p>Name of Conference / Training : Malaysian Tax Conference 2019 Conference Organiser : Malaysia Date & Venue: 3 April 2019</p> <p>Name of Conference / Training: Seminar Percukaian Kebangsaan 2019 Conference Organiser : LHDN Date & Venue: 24 October 2019</p>
Mr Chiau Haw Choon	<p>Name of Conference/ Training: YPO Regional Forum Conference Organiser: YPO SEA Region Date & Venue: 18th – 19th January 2019 @ Singapore</p> <p>Name of Conference/ Training: Mentoring Masterclass by Clara Villa Conference Organiser: YPO Date & Venue: 12th April 2019 @ Garden International School KL</p> <p>Name of Conference/ Training: Global Leadership Summit 2019 Conference Organiser: GLS Conference Services Date & Venue: 28th March 2019 @ Putrajaya</p> <p>Name of Conference/ Training: EY Entrepreneur of the Year 2019 Conference Organiser: Ernst & Young Date & Venue: 6th-9th June 2019 @ Monte Carlo</p> <p>Name of Conference/ Training: BIM Executive Workshop Conference Organiser: Chin Hin Group Date & Venue: 4th-5th July 2019</p> <p>Name of Conference/ Training: OAK JOURNAL WORKSHOP by Keith Roberts Conference Organiser: YPO Date & Venue: 8th July 2019</p> <p>Name of Conference/ Training: Starken AAC Philippine Workshop Conference Organiser: Chin Hin Group Date & Venue: 17th July 2019</p> <p>Name of Conference/ Training: YPO Regional Forum Conference Organiser: @ Bangkok YPO SEA Region Date & Venue: 2nd-3rd August 2019</p> <p>Name of Conference/ Training: Comquas Training Conference Organiser: Chin Hin Property Date & Venue: 19th August 2019</p> <p>Name of Conference/ Training: Chin Hin Group Digital Transformation Workshop Conference Organiser: Chin Hin Group Date & Venue: 2nd December 2019</p>

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Name of Director	Seminars/Conferences/Training Programmes Attended
Mr Lee Hai Peng	Nil
Mr Yeoh Chin Hoe	<p>Name of Conference/ Training : Session on Corporate Governance and Anti-Corruption Conference Organiser: Bursa Malaysia and Securities Commission Malaysia Date & Venue: 31 October 2019 @ Securities Commission</p> <p>Name of Conference/ Training : Audit Oversight Board Conversations with Audit Committees Conference Organiser: Securities Commission Malaysia Date & Venue: 8 November 2019 @ Securities Commission</p>
Ms Shelly Chiau Yee Wern (Alternate Director to Datuk Seri Chiau Beng Teik)	<p>Name of Conference/Training: Global Leadership Summit – Connect. Collaborate. Contribute Conference Organiser: GLS Conference Services Date & Venue: 28 March 2019 @ Putrajaya</p>

During the financial year ended 31 December 2019, Datuk Seri Chiau Beng Teik and Mr Lee Hai Peng were unable to attend any training during the financial year due to their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

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.

Conflict of Interest and Related Party Transactions

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are reminded by the Company Secretaries of their statutory duties and responsibilities and are provided with updates on any changes thereon. Hence, all related party transactions are submitted to the Audit Committee for review on a quarterly basis.

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board, or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

The details of the related party transactions for the financial year ended 31 December 2019 are set out under Note 35 to the Audited Financial Statements on page 215 of this Annual Report. The Audit Committee had reviewed the related party transactions that arose within the Group to ensure that the transactions were fair, reasonable and on normal commercial terms as well as not detrimental to the minority shareholders and were in the best interest of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Nomination Committee

In line with the Best Practices of MCGG, 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 assessed the independence of its Independent Non-Executive Directors; and
- iii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution.

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 2019, 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 and have been recommended for re-election / re-appointment at the forthcoming Annual General Meeting of the Company.

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 2019, 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 activities undertaken by the Remuneration Committee during the financial year included the following :

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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.

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 2019 are as follows:

Director	Company		Group	
	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	11,750	—	—
Datuk Seri Chiau Beng Teik	—	—	—	206,864
Chiau Haw Choon	—	—	—	1,506,393
Lee Hai Peng	—	—	—	529,328
Datuk Cheng Lai Hock	60,000	12,000	—	—
Yeoh Chin Hoe	60,000	11,250	—	—

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Remuneration of Top Eight (8) Senior Management

The top eight (8) 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, Mr Colin Pang Toh Chin, Mr Se Kok Weng and Mr Chua Shiou Meng, their profile is presented separately on pages 8 to 18 in this Annual Report. Mr Colin Pang has resigned from his position as Chief Executive Officer of Chin Hin Concrete Group of Companies in September 2019. The total remuneration of these top eight (8) senior management was RM 5,719,124.76 representing 7.63% of the total employees' remuneration of the Group for the financial year ended 31 December 2019.

The remuneration of the aforesaid top eight (8) 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 Company notes the need for corporate transparency in disclosing the details of the remuneration of its top eight (8) senior management, however, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may be detrimental to the business interests and give rise to recruitment and talent retention issues. Thus, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the full details of the top eight (8) senior management personnel of the Company.

The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and the top eight (8) senior management's total combined remuneration package should meet the intended objectives of the MCGG.

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 2019, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 2019 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements 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 109 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
- 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 2019.

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 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

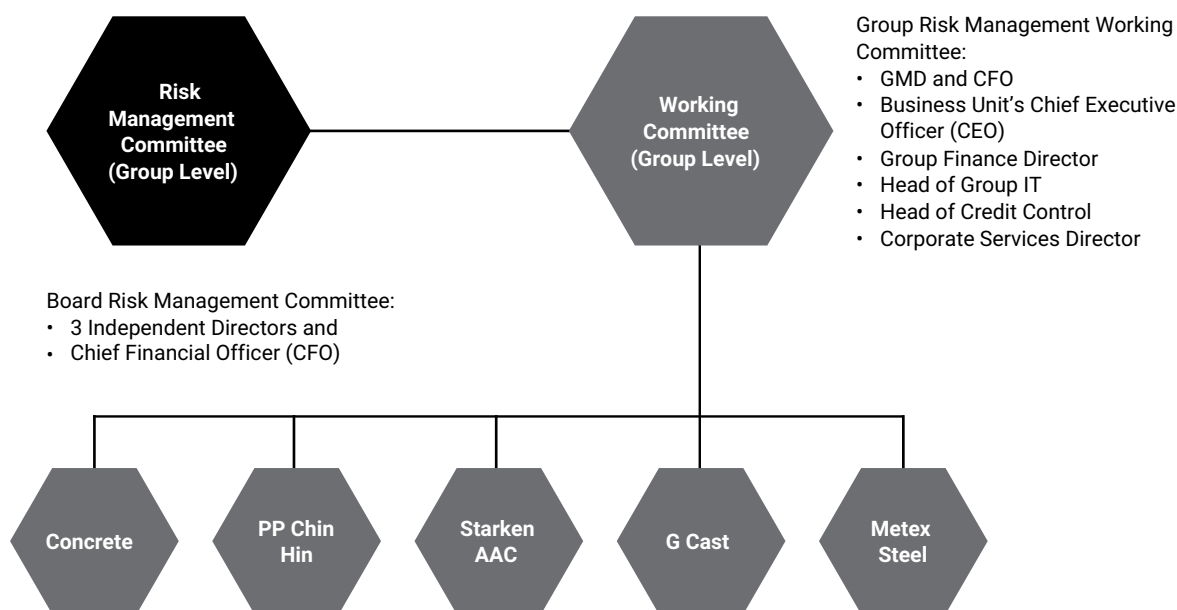
Risk Management and Internal Control

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.

Risk Management structure:



Business Unit (BU) Risk Management Committee:

- Chief Executive Officer (CEO) of Business Units
- Head of Departments

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

Business Unit (BU) Risk Management Committee:

- Chief Executive Officer (CEO) of Business Units
- Head of Departments

*** 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:

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 110 to 112 in this report.

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. For each internal audit review, a team led by Engagement Director, Mr. Lionel Vernon Yong Nguon Kee and/or Senior Director, Mr. Leonard Lim Weng Leong will be assigned by Internal Audit firm to undertake the review in accordance to the internal audit plan approved by the Audit Committee. The Engagement Director of the firm is a Certified Internal Auditor, United States of America (CIA), a Chartered Accountant (Malaysia), a Member of the Malaysian Institute of Accountants (MIA), a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom (FCCA) and a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). The Senior Director of the firm is a Fellow Member of Institute of Public Accountants (FIPA), a Fellow Member of Institute of Financial Accountants (FFA) and a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). The Internal Audit firm appointed by the Company is free from any relationships or conflict of interest which could impair their objectivity and independence. The Internal Auditors performed their work by referring to a recognised framework such as the standards recommended by the International Professional Practices Framework of the 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 2019 amounted to RM65,270.00.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 adequacy and effectiveness of the systems of internal control and compliance with the Group's policies and procedures;
- ii) Proposed and presented the internal audit plan for the Audit Committee's approval and ensured that appropriate actions were taken to carry out the audits based on the approved plan; and
- iii) Reported to the Audit Committee the results of the internal audit reports and its findings and the implementation of the management responses to the findings.

Based on the internal audit review conducted by the internal auditors, the Audit Committee and the Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2019.

The Audit Committee and the Board further 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, potential investors and analysts and fund managers;
- v) Conduct Annual General Meetings; and
- vi) Social media and other electronic channels.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 2019 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.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. As recommended by the MCGG, 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 at least 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.

In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meetings is currently by way of attending in person or by proxy. If necessary, the Company would embark on electronic voting and remote shareholder participation if our shareholders request for such services.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 Fifth (5th) AGM of the Company held on 17 June 2019, 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.

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of votes received, both for and against for each separate resolution. The outcome of a general meeting will be announced to Bursa Securities on the same meeting day.

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 2019, the status of utilisation of the proceeds of approximately RM65.65 million from the private placement are as follow:

	Details of the Utilisation of Proceeds	Utilisation						Expected Timeframe for Utilisation of Proceeds (from the listing date)	Revised expected timeframe for utilisation of proceeds (from Details of the utilisation the listing date)
		^(a) Proceeds Raised RM'000	Actual Utilisation RM'000	Balance of Proceeds Unutilised RM'000	Variations of the Proceeds Utilisation RM'000	After Variations of the Proceeds Utilisation RM'000	Balance of Private Placement Proceeds RM'000		
(a)	Construction of new manufacturing and operation facility of G-Cast Concrete Sdn Bhd ("GCCSB") in Kota Tinggi, Johor	12,000	11,477	523	–	–	523	Within 18 months	^(iv) Up to 30 months
(b)	Expansion of existing manufacturing facilities and purchase of new equipment and machineries of GCCSB in Rawang, Selangor	6,200	6,200	–	⁽ⁱⁱⁱ⁾ 285	285	–	Within 12 months	Up to 24 months
(c)	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	2,408	285	⁽ⁱⁱⁱ⁾ (285)	–	–	Within 12 months	No Change
(d)	Repayment of bank borrowings	23,600	23,600	–	–	–	–	Within 6 months	No Change
(e)	Future expansion plans	10,000	10,000	–	–	–	–	Within 24 months	No Change
(f)	Working capital purposes	9,757	9,757	–	⁽ⁱⁱ⁾ 865	865	–	Within 6 months	No Change
(g)	Expenses for the Private Placement	1,400	535	865	⁽ⁱⁱ⁾ (865)	–	–	Within 1 month	No Change
		65,650	63,977	1,673	–	1,150	523		

Note:

- (i) As per Chin Hin's announcement dated 6 June 2017.
- (ii) Pursuant to the Private Placement announcement dated 6 June 2017, the Company has transferred the unutilised proceeds of RM0.87 million from the estimated expenses incurred for the Private placement to its working capital requirements.
- (iii) The Company had earmarked RM2.70 million of the Placement Proceeds for the expansion of existing manufacturing facilities and purchase of new equipment and machineries of MIPCP. However, the actual utilisation for the said expansion was lower than the budgeted proceeds and the balance yet to be utilised stands at RM0.29 million. Therefore, the Company proposes to reallocate the unutilised proceeds of RM0.29 million for the purchase of 2 units of gantry cranes for GCCSB's manufacturing facility located in Rawang, Selangor and the purchase is expected to be completed by the third quarter of 2019.
- (iv) The Company requires additional time to complete the construction of GCCSB's new manufacturing and operation facility in Kota Tinggi, Johor, as the Group had mainly focused on the construction and expansion of its new manufacturing facilities in Rawang, Selangor and Bidor, Perak. The Group has commenced construction of its new manufacturing and operation facilities in Kota Tinggi, Johor since April 2019 and is expected to be completed by last quarter of 2019.

OTHER DISCLOSURE REQUIREMENTS (CONT'D)

- ii) As at 31 December 2019, the status of utilisation of the proceeds of approximately RM21.15 million from the disposal of 17 properties are as follows:

	Details of the Utilisation of Proceeds	Utilisation						Estimated timeframe for utilisation from the completion of the proposed disposal
		Proposed received RM'000	Actual Utilisation RM'000	Balance of Proceeds Unutilised RM'000	Variations of 17 properties disposal proceeds RM'000	Variations of 17 properties disposal proceeds RM'000	Balance of 17 properties disposal Proceeds unutilised RM'000	
(a)	Repayment of bank borrowings	15,000	1,000	14,000	-	-	-	Within 3 months
(b)	Working capital to purchase inventories	5,150	5,150	-	64*	64	-	Within 12 months
(c)	Expenses for the exercise	1,000	936	64	(64)*	-	-	Within 3 months
		21,150	7,086	14,064	-	64	14,000	

Note:

- (*) The Company has transferred the unutilised disposal proceeds of RM0.064 million from the estimated expenses incurred to its working capital to purchase inventories.

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 its subsidiaries involving Directors' and major shareholders' interest.

	Company Level RM	Group Level RM
Audit services rendered	47,000	407,713
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 relating to loan entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

OTHER DISCLOSURE REQUIREMENTS

(CONT'D)

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

The Company is seeking approval from shareholders for the proposed new shareholders' mandate and renewal of the existing shareholders' mandate for the Group to enter into RRPT(s) of a revenue or trading nature pursuant at the forthcoming Annual General meeting to be held on 15 July 2020.

The details of RRPTs of a revenue or trading nature of the Group for the financial year ended 31 December 2019 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	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Supply and/or purchase of building materials based on prevailing market price. 	1,262	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Provision and/of receipt of transportation services based on prevailing market price. 	Nil	
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
Italia Ceramics Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Supply and/or purchase of building materials based on prevailing market price. 	17	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> 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
CH Hardware & Transport Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision of transportation services based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
		<ul style="list-style-type: none"> Supply and/or purchase of building materials based on prevailing market price. 	Nil	
Pintar Muda Development Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Sale of building materials based on prevailing market price. 	2	<ul style="list-style-type: none"> Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB. Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. Datuk Seri Chiau Beng Teik and Chiau Haw Choon are the directors of Pintar Muda Development Sdn Bhd, which in turn is a wholly-owned subsidiary of PP Chin Hin Realty Sdn Bhd ("PP Chin Hin Realty"), a Major Shareholder of CHGB.
		<ul style="list-style-type: none"> 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)

Related Party	CHGB Group - Transacting Party	Nature of Transaction with CHGB Group	Value of Transaction (RM'000)	Nature of relationship between CHGB Group and the Related Party
GA Hotel Management Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Sale of building materials based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
		<ul style="list-style-type: none"> Provision of hotel accommodations by GA Hotel Management Sdn Bhd based on prevailing market price 	Nil	
Chip Hin Trading Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision and/or receipt of transportation services based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> 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
CHL Logistic Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision and/or receipt of transportation services based on prevailing market price. 	2,544	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Sales and/or purchase of building materials based on prevailing market price. 	6,952	
		<ul style="list-style-type: none"> Sale of vehicle insurance premium and road tax to CHL Logistic Sdn Bhd (as agent of the insurance company). 	7	
		<ul style="list-style-type: none"> Rental income received by Chin Hin Concrete (KL) for office space rented to CHL Logistic Sdn Bhd. 	22	
		<ul style="list-style-type: none"> Rental income received for motor vehicles rented out to CHL Logistic Sdn Bhd. 	Nil	
Teras Maju Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Sale of building materials based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Purchase of raw materials based on prevailing market price. 	1,575	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
		<ul style="list-style-type: none"> Renting 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	
Perimore Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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 Perimore 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 Sdn Bhd	• Rental income received from Sens Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin Sdn Bhd.	162	• Datuk Seri Chiau Beng Teik is the Deputy Group Executive Chairman and a Major Shareholder of CHGB.
		• Rental income received from Sens Hotel Sdn Bhd for renting parking lot belonging to PP Chin Hin Sdn Bhd.	12	• Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB.
	• CHGB Group	• Provision of insurance and other administrative services by CHGB Group based on prevailing market price.	Nil	• Datin Seri Wong Mee Leng is a Major Shareholder of CHGB.
		• Provision of hotel accommodations by Sens Hotel Sdn Bhd based on prevailing market price.	9	• 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.
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	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Rental expenses paid to Laksana Saujana Sdn Bhd for renting of warehouse-cum office. 	120	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
Chin Hin Hotel Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Rental income received from Chin Hin Hotel Sdn Bhd for renting of shop houses belonging to PP Chin Hin Sdn Bhd. 	385	<ul style="list-style-type: none"> Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. Chiau Haw Choon is the director of Chin Hin Hotel Sdn Bhd, which is turn is substantially owned by PP Chin Hin Realty, a Major Shareholder of CHGB.
		<ul style="list-style-type: none"> Sale of building materials based on prevailing market price. 	Nil	
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by/to CHGB Group based on prevailing market price. 	1	
Chin Hin Concrete Mix Sdn Bhd	<ul style="list-style-type: none"> PP Chin Hin Sdn Bhd 	<ul style="list-style-type: none"> Rental paid for renting of office space by PP Chin Hin Sdn Bhd. 	10	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Renting 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	

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
Murni Jaya Enterprise Sdn Bhd	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision of transportation services based on prevailing market price. 	2,481	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Rental income received from Murni Jaya Enterprise Sdn Bhd for the renting of motor vehicles. 	85	
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	
PP Chin Hin Realty	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Sale of building materials based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.
		<ul style="list-style-type: none"> Rental income received from PP Chin Hin Realty for renting parking lot belonging to PP Chin Hin Sdn Bhd. 	9	
		<ul style="list-style-type: none"> Rental paid to PP Chin Hin Realty for rental of office space by Chin Hin Concrete (KL) Sdn Bhd. 	19	
		<ul style="list-style-type: none"> Rental paid to PP Chin Hin Realty for rental of office space by CHGB. 	24	
		<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	77	

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 ("Chin Hin Property") and its subsidiary companies	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> 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 Renting of office premises to and/or from Chin Hin Group based on market value and is payable on an equal pro-rated monthly basis. 	208	<ul style="list-style-type: none"> 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 Property. Chiau Haw Choon is the Group Managing Director and a Major Shareholder of CHGB. He is also an Executive Director of Chin Hin Property.

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	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	2	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> CHGB Group 	<ul style="list-style-type: none"> Provision of insurance and other administrative services by CHGB Group based on prevailing market price. 	Nil	<ul style="list-style-type: none"> 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.

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
Stellar 8 Sdn Bhd (formerly known as Midas Prosperity Sdn Bhd) ("Stellar 8")	<ul style="list-style-type: none"> PP Chin Hin Sdn Bhd 	<ul style="list-style-type: none"> Renting of office premises to and/or from Chin Hin Group based on market value and is payable on an equal pro-rated monthly basis. 	240	<ul style="list-style-type: none"> 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 Stellar 8, which in turn is an indirect wholly-owned subsidiary of PP Chin Hin Realty, a Major Shareholder of CHGB.

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 2019, 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 (3) 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 established 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, Procurement, Information Technology 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 2019. 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 2019, the Audit Committee held six (6) meetings and the details of the attendance are as follows:

Members	Meeting Attendance
Yeoh Chin Hoe	6/6
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	6/6
Datuk Cheng Lai Hock	4/6

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:

- Any significant changes to accounting policies and practices;
- Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters were addressed;
- Significant adjustments arising from the audit; and
- 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.

AUDIT COMMITTEE REPORT (CONT'D)

(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.
- iv) Reviewed the external auditor's audit report, and significant matters and/or management representative letter highlighted by the external auditors and management's response to the management representative letter; and
- 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.

(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;
- ii) Reviewed the Corporate Governance Overview Statement on compliance with the MCCG for inclusion in the Annual Report; and
- iii) Reviewed the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

How the Audit Committee Discharged and Met its Responsibilities During the Financial Year

i) Financial Reporting

The Audit Committee had reviewed the unaudited quarterly financial results and the annual audited financial statements of the Company and of the Group and made recommendations to the Board for approval and for announcement to Bursa Securities.

The Audit Committee also had reviewed the annual audited financial statements with the External Auditors and finance team to ensure that the financial statements give a true and fair view of the financial position and performance of the Group are in compliance with the relevant accounting standards, other legal requirements and to ensure compliance with the provisions of the Companies Act, 2016 and the MMLR.

AUDIT COMMITTEE REPORT

(CONT'D)

ii) External Auditors

During the financial year under review, the Audit Committee had met with the External Auditors without the presence of any Executive Director or management of the Company to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit.

Significant matters requiring follow up were highlighted in the management representative letter by the External Auditors and enquired on the adequacy and effectiveness of remedial actions taken by management in resolving these issues.

The Audit Committee also had reviewed and evaluated the audit planning memorandum and audit review memorandum prepared and presented by the External Auditors. The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its subsidiaries were analysed and reviewed by the Audit Committee for recommendation to the Board for approval.

The Audit Committee also evaluated the performance and independence of the External Auditors covering areas such as calibre, quality processes/performance, audit team, independence and objectivity, audit scope and planning, audit fees as well as the audit communications of the External Auditors.

The Audit Committee having been satisfied with the independence and performance of Messrs UHY, had recommended the re-appointment of Messrs UHY as External Auditors to the Board for consideration and tabled to the shareholders for approval at the forthcoming Annual General Meeting.

iii) Internal Audit

During the financial year under review, the Audit Committee had reviewed and evaluated the Internal Audit Reports ("IAR") pertaining to the internal control of the following areas of the Group prepared by the Internal Auditors of the Company:

- Enterprise Risk Management Framework for PP Chin Hin Sdn Bhd, Chin Hin Concrete Sdn Bhd, Metex Steel Sdn Bhd and Starken AAC Sdn Bhd;
- Inventory Management;
- Production;
- Procurement; and
- Information Technology Management.

The IAR on audit findings, description, implication, recommendations to improve any weaknesses or non-compliance and the management action plan and comments thereto were tabled to the Audit Committee for their review and deliberations. The management was invited to attend the meetings as and when necessary to brief the Audit Committee on matters relating to their areas of responsibility.

Some weaknesses in internal control were identified for the year under review and measures have been or are being taken to address these weaknesses. The Internal Auditors monitored the implementation of management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.

AUDIT COMMITTEE REPORT (CONT'D)

iv) Enterprise Risk Management

During the financial year under review, the Audit Committee also assisted the Board to oversee the execution of the risk management framework. The Risk Management Committee has been entrusted by the Board to appraise and evaluate the effectiveness of the overall risk management and internal control system and report to the Audit Committee on weaknesses and significant risks which will affect the operations, industrial relations, financial position and compliance status of the Group.

The Risk Management Committee held three (3) meetings in the financial year ended 31 December 2019 and reviewed the findings consolidated and prioritised by the divisions and/ or departments on the risks evaluated under their purview, prior to reporting to the Audit Committee for further deliberation.

In addition to reviewing the top risks, the Risk Management Committee also maintained oversight of second-tier risks to ensure overall adequacy and effectiveness of risk mitigation plans and controls. Major incidents, if any, were reported to the Audit Committee to facilitate the review of the effectiveness of crisis management and the adequacy of mitigating measures taken by the Group to address the underlying risks.

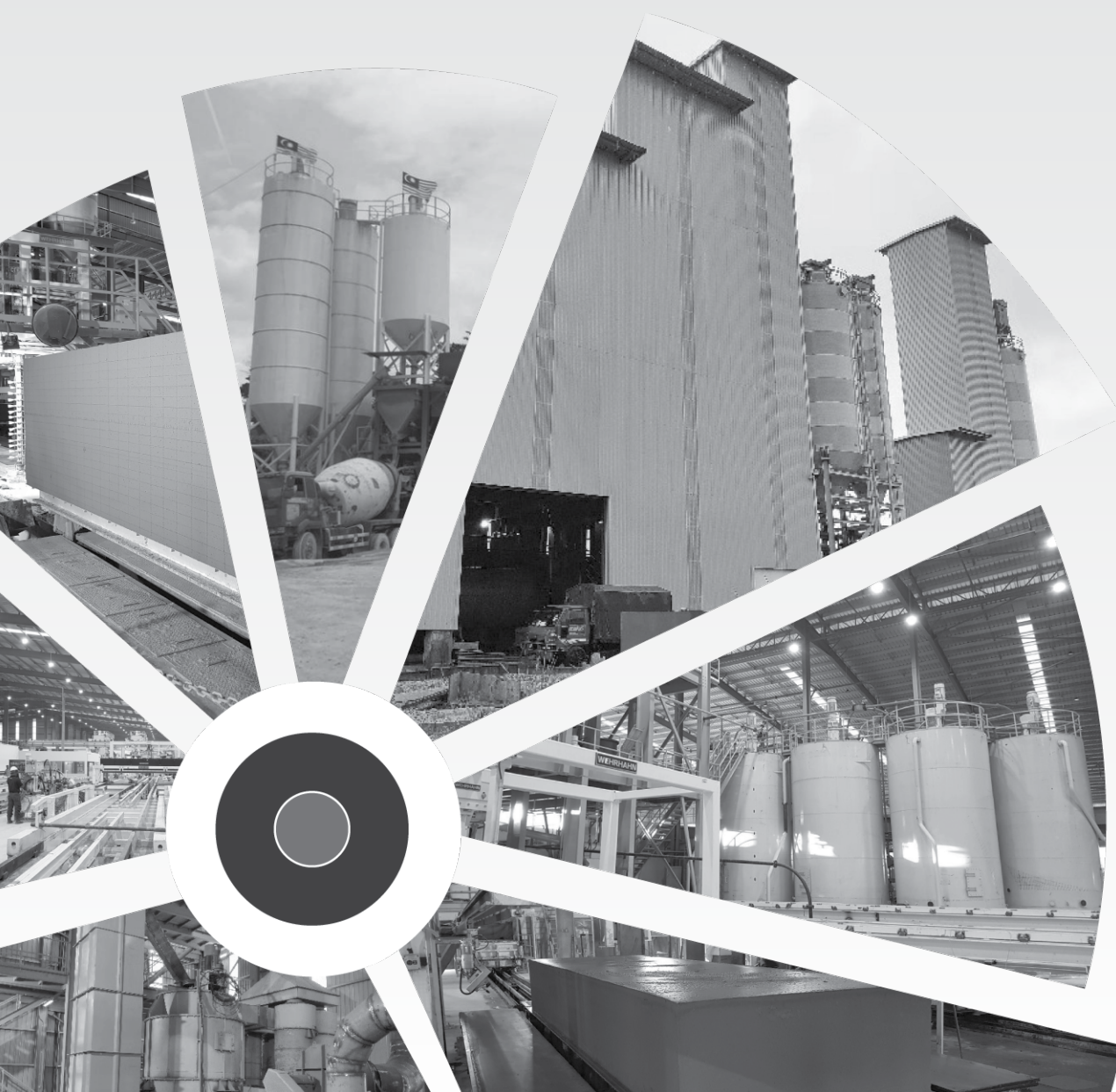
With the reporting and update by the Risk Management Committee on key risk management issues and summary of activities undertaken during the financial year under review, the Audit Committee reviewed the key corporate risk profiles, risk assessment of core business processes, operational risks and mitigation measures as well as the process for identifying, evaluating, and managing risk through the risk management framework as to ensure that the risk management process and culture are embedded throughout the Group.

v) Related Party Transactions

The related party transactions including recurrent related party transactions of a revenue and entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on the Group's normal commercial terms and adequate internal procedures had been deployed in the Group in relation to such transactions to monitor compliance with the MMLR and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders.

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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 2019.

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	15,302,436	11,250,539
Attributable to:		
Owners of the Parent	18,049,802	11,250,539
Non-controlling interests	(2,747,366)	–
	15,302,436	11,250,539

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 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	8,251,020
A first interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2019 on 14 October 2019	5,500,680
A second interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2019 on 15 April 2020	5,466,080
	19,217,780

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

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As at 31 December 2019, the Company held 6,320,000 treasury shares out of the total 556,388,000 issued ordinary shares. Further relevant details are disclosed in Note 19(a) 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
Ng Wai Luen
Tan Cheak Joo
Woo Jing Kun, Freeman
Yeoh Meng Hooi
Lau See Hua
Poh Way Chard
Se Kok Weng
Lok Boon Cheng (Resigned on 01.12.2019)
Wong Keng Yeak (Resigned on 23.08.2019)

* Director of the Company and its subsidiary companies

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:

	At 01.01.2019	Number of ordinary shares		At 31.12.2019
		Bought	Sold	
Interests in the Company				
Direct Interests				
Chiau Haw Choon	10,750,000	–	–	10,750,000
Datuk Cheng Lai Hock	100,000	–	–	100,000
Datuk Seri Chiau Beng Teik	149,831,100	–	(26,000,000)	123,831,100
Datuk Seri Dr Nik Norzrul Thani Bin Nik Hassan Thani	100,000	–	–	100,000
Lee Hai Peng	2,374,000	–	–	2,374,000
Yeoh Chin Hoe	100,000	–	–	100,000
Indirect Interests				
Chiau Haw Choon*	185,432,800	28,000,000	–	213,432,800
Datuk Seri Chiau Beng Teik*	185,432,800	28,000,000	–	213,432,800

* Deemed interest pursuant to Section 8 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 RM16,192 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 EVENTS

The subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are set out in Note 29 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 June 2020.

.....
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 129 to 233 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 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 June 2020.

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 129 to 233 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the Federal)
Territory on 16 June 2020)

LEE HAI PENG

Before me,

COMMISSIONER FOR OATHS
No. W 710
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 2019 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 129 to 233.

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 2019, 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 judgement, 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
<p>Impairment on Trade Receivables</p> <p>The Group's trade receivables amounting to RM356 million, representing approximately 59% of the Group's total current asset as at 31 December 2019.</p> <p>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.</p> <p>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 123 days as at 31 December 2019 is within its industry's norm.</p>	<p>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 2019.</p> <p>We reviewed the Group's policy on management of credit risk and its credit exposures.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We considered the adequacy of disclosure made in accordance with MFRS 9 <i>Financial Instruments</i>.</p>
<p>Inventories - Net Realisable Value</p> <p>The Group's inventories amounting to RM105 million, representing approximately 17% of the Group's total current asset as at 31 December 2019.</p> <p>Inventories are measured at the lower of cost and net realisable value. The Group estimates the realisable value of inventories based on an assessment of expected sales prices. Details of inventories are disclosed in Note 11.</p> <p>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.</p>	<p>We compared on a test basis, the unit price used in the final inventory listing summary to current price lists, recent sales invoices, or recent vendor invoices.</p> <p>For finished goods manufactured by the company, we compared, on a test basis, inventory carrying amounts and recent selling prices or sales invoices; estimated cost to complete for work-in-process items and estimated costs necessary to make the sale; and ascertained that such carrying amounts are not in excess of net realisable value.</p> <p>We compared the inventory turnover ratio and gross profit percentage of the current period to prior periods.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN HIN GROUP BERHAD (CONT'D)

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.

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.

Auditors' 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 these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN HIN GROUP BERHAD (CONT'D)

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

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

- 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.

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

TIO SHIN YOUNG

Approved Number: 03355/02/2022 J
Chartered Accountant

KUALA LUMPUR
16 June 2020

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019

			Group		Company
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	462,352,786	469,655,732	1,247,241	1,322,354
Investment properties	5	25,180,000	68,460,000	–	–
Goodwill on consolidation	6	39,048,311	39,048,311	–	–
Investment in subsidiary companies	7	–	–	305,388,162	285,388,162
Investment in associates	8	38,315,335	31,694,351	24,750,000	24,750,000
Other investments	9	25,320	26,256	–	–
		564,921,752	608,884,650	331,385,403	311,460,516
Current Assets					
Contract assets	10	3,337,269	–	–	–
Inventories	11	104,900,739	88,469,324	–	–
Trade receivables	12	355,710,585	337,919,656	–	–
Other receivables	13	26,473,734	42,146,636	2,771,750	5,928,456
Net investment in lease	14	78,156	326,483	–	–
Amount due from subsidiary companies	15	–	–	146,685,946	173,462,339
Tax recoverable		4,729,984	6,455,073	–	10,500
Fixed deposits with licensed banks	16	20,448	19,193	–	–
Cash and bank balances		55,927,865	52,728,662	5,616,167	8,482,177
		551,178,780	528,065,027	155,073,863	187,883,472
Assets held for sale	17	54,535,500	20,440,000	–	–
		605,714,280	548,505,027	155,073,863	187,883,472
Total Assets		1,170,636,032	1,157,389,677	486,459,266	499,343,988
EQUITY					
Share capital	18	325,795,595	325,795,595	325,795,595	325,795,595
Reserves	19	97,121,296	89,970,154	3,042,749	2,665,199
Equity attributable to owners of the parent		422,916,891	415,765,749	328,838,344	328,460,794
Non-controlling interests		(795,366)	1,952,000	–	–
Total equity		422,121,525	417,717,749	328,838,344	328,460,794

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019
(CONT'D)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
LIABILITIES					
Non-Current Liabilities					
Amount due to a subsidiary company	15	–	–	82,968,098	107,666,764
Finance lease liabilities	20	–	425,929	–	–
Lease liabilities	21	2,358,093	–	70,653	–
Bank borrowings	22	79,320,574	95,122,818	–	–
Deferred tax liabilities	23	11,360,034	11,364,977	63,637	60,092
		93,038,701	106,913,724	83,102,388	107,726,856
Current Liabilities					
Contract liabilities	10	–	6,522,027	–	–
Trade payables	24	140,955,703	136,016,810	–	–
Other payables	25	60,615,015	61,758,859	5,528,271	8,612,699
Amount due to Directors	26	15,854,652	4,650	15,550,256	–
Amount due to a subsidiary company	15	–	–	53,320,427	54,543,639
Finance lease liabilities	20	–	550,611	–	–
Lease liabilities	21	3,071,979	–	104,180	–
Bank borrowings	22	434,432,822	425,306,701	–	–
Tax payables		545,635	2,598,546	15,400	–
		655,475,806	632,758,204	74,518,534	63,156,338
Total Liabilities		748,514,507	739,671,928	157,620,922	170,883,194
Total Equity and Liabilities		1,170,636,032	1,157,389,677	486,459,266	499,343,988

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 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	27	1,056,458,143	1,105,417,039	17,259,000	15,551,000
Cost of sales		(956,380,892)	(1,003,909,377)	–	–
Gross profit		100,077,251	101,507,662	17,259,000	15,551,000
Other income		8,614,191	7,752,026	–	1,632,921
Fair value adjustment on investment properties		650,000	5,392,871	–	–
Distribution expenses		(10,632,205)	(9,166,563)	–	–
Administrative expenses		(48,159,860)	(47,596,591)	(5,412,781)	(7,288,486)
Other expenses		(4,365,250)	(4,244,376)	–	–
Net loss on impairment of financial instruments		(6,049,758)	(2,795,946)	–	–
Finance costs	28	(24,682,236)	(22,323,478)	(403,474)	–
Share of results of associates		7,471,031	5,223,084	–	–
Profit before taxation	29	22,923,164	33,748,689	11,442,745	9,895,435
Taxation	30	(7,620,728)	(9,649,674)	(192,206)	(192,421)
Net profit for the financial year		15,302,436	24,099,015	11,250,539	9,703,014
Other comprehensive income					
<i>Item that is or may be reclassified subsequently to profit or loss</i>					
Exchange translation differences for foreign operations		16,922	(78,375)	–	–
Revaluation surplus		823	7,599,129	–	–
Total comprehensive income for the financial year		15,320,181	31,619,769	11,250,539	9,703,014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019
(CONT'D)

		2019	Group	2018	2019	Company	2018
	Note	RM		RM	RM		RM
Profit for the financial year attributable to:							
Owners of the parent		18,049,802		22,946,249	11,250,539		9,703,014
Non-controlling interests		(2,747,366)		1,152,766	–		–
		15,302,436		24,099,015	11,250,539		9,703,014
Total comprehensive income attributable to:							
Owners of the parent		18,067,547		30,467,003	11,250,539		9,703,014
Non-controlling interests		(2,747,366)		1,152,766	–		–
		15,320,181		31,619,769	11,250,539		9,703,014
Earnings per share							
Basic earnings per share (sen)	31	3		4			
Diluted earnings per share (sen)	31	3		4			

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

Group	Note	Attributable to owners of the parent						
		Non-distributable					Distributable	
		Share Capital	Treasury Shares	Foreign Currency Translation Reserve	Merger Reserve	Revaluation Reserve	Retained Earnings	Total Equity
		RM	RM	RM	RM	RM	RM	RM
At 1 January 2019		325,795,595	(4,991,708)	234,312	(153,191,580)	16,367,673	231,551,457	415,765,749
Effect of adopting MFRS 16		-	-	-	-	-	(44,445)	(44,445)
Prior year adjustments		-	-	-	-	-	94,800	94,800
At 1 January 2019, restated		325,795,595	(4,991,708)	234,312	(153,191,580)	16,367,673	231,601,812	415,816,104
Net profit for the financial year		-	-	-	-	-	18,049,802	18,049,802
Foreign exchange translation		-	-	16,922	-	-	-	16,922
Revaluation of assets, net of tax		-	-	-	-	823	-	823
Total comprehensive income		-	-	16,922	-	823	18,049,802	18,067,547
Transaction with owners:							(2,747,366)	15,320,181
Dividends to owners of the Company	32	-	-	-	-	-	(10,966,760)	(10,966,760)
Total transactions with owners		-	-	-	-	-	(10,966,760)	(10,966,760)
At 31 December 2019		325,795,595	(4,991,708)	251,234	(153,191,580)	16,368,496	238,684,854	422,916,891
							(795,366)	422,121,525

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019
(CONT'D)

Attributable to owners of the parent											
Group	Note	Non-distributable					Distributable				
		Share Capital RM	Treasury Shares RM	Foreign Currency			Revaluation Reserve RM	Retained Earnings RM	Total Equity RM	Non-Controlling Interests RM	Total Equity RM
				Translation Reserve RM	Merger Reserve 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	19(a)	-	(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	

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019
(CONT'D)

		Non-distributable		Distributable	
	Note	Share Capital RM	Treasury share RM	Retained Earnings RM	Total Equity RM
Company					
At 1 January 2019		325,795,595	(4,991,708)	7,656,907	328,460,794
Prior year adjustment		–	–	94,800	94,800
Effect of adopting MFRS 16		–	–	(1,029)	(1,029)
At 1 January 2019, as restated		325,795,595	(4,991,708)	7,750,678	328,554,565
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	11,250,539	11,250,539
Transactions with owners:					
Dividends to owners of the Company	32	–	–	(10,966,760)	(10,966,760)
Total transactions with owners		–	–	(10,966,760)	(10,966,760)
At 31 December 2019		325,795,595	(4,991,708)	8,034,457	328,838,344
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	19(a)	–	(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

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From Operating Activities				
Profit before taxation	22,923,164	33,748,689	11,442,745	9,895,435
Adjustments for:				
Amortisation of other investments	936	987	—	—
Bad debts written off - Trade	584,004	901,457	—	—
Depreciation of property, plant and equipment	30,613,519	22,034,424	441,539	337,586
Dividend income	—	—	(11,500,000)	(8,450,000)
Fair value adjustment on investment properties	(650,000)	(5,392,871)	—	—
(Gain)/Loss on disposal of :				
- Investment in a subsidiary	—	(594,724)	—	—
- Investment properties	(610,000)	—	—	—
- Property, plant and equipment	9,547	(18,354)	—	—
- Other investment	—	(2,513)	—	—
- Assets held for sale	(780,000)	—	—	—
Impairment loss on :				
- Property, plant and equipment	—	1,148,488	—	—
- Trade receivables	7,036,195	3,600,957	—	—
- Other receivables	464,777	—	—	—
- Assets held for sale	—	30,000	—	—
Interest expenses	24,682,236	22,323,478	403,474	—
Interest income	(1,251,996)	(2,086,960)	—	(1,632,921)
Inventories written down	170,000	—	—	—
Inventories written off	117,292	42,454	—	—
Gain on derivative financial liabilities	—	(33,767)	—	—
Property, plant and equipment written off	—	4,355	—	—
Reversal of impairment on trade receivables	(1,451,214)	(805,011)	—	—
Share of results of associates	(7,471,031)	(5,223,084)	—	—
Unrealised loss/(gain) on foreign exchange	88,747	(21,239)	—	—
Operating profit before working capital changes	74,476,176	69,656,766	787,758	150,100

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019
(CONT'D)

Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Changes in working capital:				
Inventories	(16,718,707)	(24,169,202)	—	—
Trade receivables	(23,960,002)	(33,306,722)	—	—
Other receivables	15,208,125	(18,600,984)	3,156,706	(5,754,125)
Net investment in lease	248,327	(129,126)	—	—
Trade payables	4,939,747	(49,734,128)	—	—
Other payables	1,771,896	15,125,221	(204,688)	55,884
Amount due from/(to) contract customers	(9,859,296)	6,522,027	—	—
Amounts due from/to subsidiary companies	—	—	854,515	26,221,278
Amount due to Directors	—	(6,011,847)	—	—
	(28,369,910)	(110,304,761)	3,806,533	20,523,037
Cash generated from/ (used in) operations	46,106,266	(40,647,995)	4,594,291	20,673,137
Interest paid	(24,682,236)	(22,323,478)	(403,474)	—
Interest received	1,251,996	2,086,960	—	—
Tax paid	(8,784,937)	(8,012,610)	(162,761)	(176,029)
Tax refund	3,106,380	64,620	—	—
Real property gain tax paid	(1,580,173)	—	—	—
	(30,688,970)	(28,184,508)	(566,235)	(176,029)
Net cash from/(used in) operating activities	15,417,296	(68,832,503)	4,028,056	20,497,108

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019

(CONT'D)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From					
Investing Activities					
Acquisition of additional shares in a subsidiary company		—	—	(20,000,000)	—
Dividends received		—	—	11,500,000	8,450,000
Capital contribution by non-controlling interests		—	1,200,019	—	—
Net cash outflow from acquisition of subsidiary companies	7(b)	—	(8,133,567)	—	(13,648,265)
Purchase of property, plant and equipment	4(v)	(45,814,824)	(56,100,686)	(103,229)	(80,397)
Purchase of investment properties		(520,000)	—	—	—
Proceeds from disposal of an associate, net of cash disposed		150,000	—	—	—
Proceeds from disposal of a subsidiary, net of cash disposed	7(c)	—	10,220,887	—	—
Proceeds from disposal of investment properties		20,050,000	—	—	—
Proceeds from disposal of assets held for sale		21,220,000	—	—	—
Proceeds from disposal of property, plant and equipment		510,900	887,279	—	—
Proceeds from disposal of other investments		—	14,000	—	—
Net cash used in investing activities		(4,403,924)	(51,912,068)	(8,603,229)	(5,278,662)
Cash Flows From					
Financing Activities					
Dividend paid		(13,751,700)	(8,345,820)	(13,751,700)	(8,345,820)
Drawdown of term loans		10,134,000	42,134,589	—	—
Net changes on banker acceptance, trust receipt and revolving credits		20,837,366	93,560,505	—	—
Increase in fixed deposits pledged		(1,255)	(99)	—	—
Advance from directors		15,850,002	—	15,550,256	—
Repayment of finance lease liabilities		—	(1,949,808)	—	—
Repayment of lease liabilities		(3,168,645)	—	(89,393)	—
Repayment of term loans		(17,086,837)	(16,884,696)	—	—
Repurchase of shares		—	(4,991,708)	—	(4,991,708)
Net cash from/(used in) financing activities		12,812,931	103,522,963	1,709,163	(13,337,528)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019
(CONT'D)

		Group		Company
Note	2019 RM	2018 RM	2019 RM	2018 RM
Net increase/(decrease) in cash and cash equivalents	23,826,303	(17,221,608)	(2,866,010)	1,880,918
Cash and cash equivalents at the beginning of the financial year	29,787,252	47,072,785	8,482,177	6,601,259
Effect of exchange translation differences on cash and cash equivalents	(66,448)	(63,925)	–	–
Cash and cash equivalents at the end of the financial year	53,547,107	29,787,252	5,616,167	8,482,177
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	55,927,865	52,728,662	5,616,167	8,482,177
Bank overdrafts	22 (2,380,758)	(22,941,410)	–	–
Fixed deposits with licensed banks	16 20,448	19,193	–	–
	53,567,555	29,806,445	5,616,167	8,482,177
Less: Pledged Fixed deposits with licensed banks	16 (20,448)	(19,193)	–	–
	53,547,107	29,787,252	5,616,167	8,482,177

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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.

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

Adoption of new and amended standards

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

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negatives Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interest in Associates and Joint Ventures
Amendments to MFRS 15	Clarification to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2015 – 2017	Amendments to MFRS 3
Cycle	Amendments to MFRS 11
	Amendments to MFRS 112
	Amendments to MFRS 123

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 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 Leases (cont'd)

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 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 ("ROU") 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 ROU 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.

The ROU 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.

As permitted by the transitional provision of MFRS 16, the Group and the Company have elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group and the Company have also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- The Group and the Company do not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group and the Company use hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land under property, plant and equipment classification and prepaid lease payments (or land use rights) have been reclassified to ROU assets on 1 January 2019 for the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 Leases (cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statement of Financial Position

Group	Note	As at 31.12.2018 RM	MFRS 16 adjustment RM	As at 01.01.2019 RM
Property, plant and equipment	4	469,655,732	2,546,994	472,202,726
Finance lease liabilities	20	(976,540)	976,540	–
Lease liabilities	21	–	(3,567,979)	(3,567,979)
Retained earnings		(231,551,457)	44,445	(231,507,012)

Company				
Property, plant and equipment	4	1,322,354	53,803	1,376,157
Lease liabilities	21	–	(54,832)	(54,832)
Retained earnings		(7,656,907)	1,029	(7,655,878)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, and lease liabilities recognised in the statements of financial position as at 1 January 2019.

	Group RM	Company RM
Operating lease commitments as at 31 December 2018	2,090,400	–
Discounted using the incremental borrowings rate at 1 January 2019	(110,843)	–
Add: Transfer from finance lease obligations upon initial application of MFRS 16	976,540	–
Lease liabilities recognised upon initial adoption of lease definition under MFRS 16	847,882	54,832
Less: Recognition exemption for short-term leases	(236,000)	–
Lease liability recognised as at 1 January 2019	3,567,979	54,832

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.13%.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (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
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 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendment to MFRS 16 Leases	Covid-19-Related Rent Concessions	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to MFRS 16 Amendments to MFRS 141	1 January 2022
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
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

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

The initial application of the above mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(b) Functional and presentation currency

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

(c) Significant accounting judgements, estimates and 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:

Classification between investment properties and property, plant and equipment

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

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

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

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

Satisfaction of performance obligations in relation to contracts with customers

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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumption (Cont'd)

Judgements (Cont'd)

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.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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 / depreciation of property, plant and equipment and right-of-use ("ROU") asset (Note 4)

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

Revaluation of property, plant and equipment and investment properties and right-of-use ("ROU") asset

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 2019 for investment properties and revalued land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Note 4 and 5 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumption (Cont'd)

Key sources of estimation uncertainty (Cont'd)

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.

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 11 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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumption (Cont'd)

Key sources of estimation uncertainty (Cont'd)

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 judgements 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 10.

Provision for expected credit loss of financial assets at amortised cost

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 12, 13, 14 and 15 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 23 to the financial statements.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumption (Cont'd)

Key sources of estimation uncertainty (Cont'd)

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 2019, the Group and the Company have tax recoverable of RM4,729,984 and Nil (2018: RM6,455,073 and RM10,500) respectively and tax payable of RM545,635 and RM15,400 (2018: RM2,598,546 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

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(o)(i) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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(o)(i) to the financial statements on impairment of non-financial assets.

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investment in associates (Cont'd)

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(o)(i) to the financial statements on impairment of non-financial assets.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

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.

(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(o)(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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (Cont'd)

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

Freehold buildings	2%
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%
Batching plant	10% - 33%

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.

Leasehold land and buildings

The above accounting policies for property, plant and equipment applies to leasehold land and buildings until 31 December 2019. The leasehold land and buildings was depreciated over the remaining lease period.

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group and the Company have reclassified the carrying amount of the leasehold land and building to ROU assets. The policy of recognition and measurement of the right-of-use assets is in accordance with Note 3(e) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

Policy applicable from 1 January 2019

(i) As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(o)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	2%, or over the lease term, if shorter
Leasehold land	Over the remaining lease period
Plant and machinery	4.79%-20%
Motor vehicles	10%-34%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

Policy applicable before 1 January 2019

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

As lessee

(i) Finance lease

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Policy applicable before 1 January 2019 (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

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

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

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

As lessor

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

(f) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment properties (Cont'd)

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

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

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

(g) Financial assets

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

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.

(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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities

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.

(i) Financial guarantee contracts

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 financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 incurred plus recognised profits (less recognised losses).

(m) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(n) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of assets

(i) Non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of assets (Cont'd)

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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 recognises 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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.

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (Cont'd)

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

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 input method to measure the progress towards complete satisfaction of the performance obligations under the construction contract, i.e. based on the proportion of contract costs incurred for the work performed up to the end of the reporting period as a percentage of the estimated total costs of the construction contracts.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (Cont'd)

(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.

(t) 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 their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Income taxes (Cont'd)

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

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

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

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

(v) 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.

(w) 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.

(x) 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
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	At Valuation/At Cost									
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Additions RM	Disposals RM	Reclassifica- -tion RM	Transfer to assets held for sale RM	Other movements RM	Exchange difference RM	At 31 December RM
Group 2019										
Other property, plant and equipment										
At Valuation										
Freehold buildings	90,763,455	-	90,763,455	7,915,187	-	(58,934)	(24,100,000)	-	-	74,519,708
Leasehold buildings	37,372,469	(37,372,469)	-	-	-	-	-	-	-	-
At Cost										
Freehold and leasehold land	55,887,304	(27,878,057)	28,009,247	-	-	-	(1,825,500)	(36,000)	-	26,147,747
Computer equipments and softwares	2,701,496	-	2,701,496	159,370	(9,552)	-	-	-	-	2,851,314
Cabins	197,010	-	197,010	184,570	-	-	-	-	-	381,580
Cranes	460,000	-	460,000	-	-	-	-	-	-	460,000
Electrical installation	9,428,866	-	9,428,866	478,744	-	-	-	-	-	9,907,610
Fire protection and security system	161,928	-	161,928	10,875	-	-	-	-	-	172,803
Furniture and fittings	2,653,116	-	2,653,116	409,193	(980)	35,787	-	-	-	3,097,116
Motor vehicles	40,719,602	(1,386,097)	39,333,505	1,427,085	(540,129)	-	-	-	-	40,220,461
Moulds	18,056,944	-	18,056,944	6,028,912	-	-	-	-	-	24,085,856
Office equipments	6,065,908	-	6,065,908	826,183	(4,550)	37,134	-	-	(36)	6,924,639

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation/At Cost										
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Additions RM	Disposals RM	Reclassifica- -tion RM	Transfer to assets held for sale RM	Other movements RM	Exchange difference RM	At 31 December RM	
Group 2019											
Other property, plant and equipment (Cont'd)											
At Cost (Cont'd)											
Plant and machineries	149,106,753	-	149,106,753	6,729,949	(310,431)	52,411,512	-	-	-	207,937,783	
Signboards	138,140	-	138,140	-	(11,290)	-	-	-	-	126,850	
Skid tanks	9,600	-	9,600	-	-	-	-	-	-	9,600	
Tool and equipments	2,904,602	-	2,904,602	19,380	-	999	-	-	-	2,924,981	
Factory equipments	23,501,265	-	23,501,265	6,760,601	(694,330)	427,243	-	-	-	29,994,779	
Renovation	6,211,149	-	6,211,149	534,481	(250,122)	-	-	-	-	6,495,508	
Batching plant	-	-	-	2,215,742	-	-	-	-	-	2,215,742	
Capital - Work in progress (WIP)	114,601,762	-	114,601,762	10,277,877	-	(52,853,741)	-	-	-	72,025,898	
Right-of-Use Assets											
At Valuation											
Leasehold buildings	-	37,372,469	37,372,469	1,739,675	-	-	(3,600,000)	-	-	35,512,144	

**NOTES TO THE
FINANCIAL STATEMENTS**
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation/At Cost									
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Additions RM	Disposals RM	Reclassifica- -tion RM	Transfer to assets held for sale RM	Other movements RM	Exchange difference RM	At 31 December RM
Group 2019										
Right-of-Use Assets (Cont'd)										
At Cost										
Leasehold land	-	27,878,057	27,878,057	-	-	-	-	-	-	27,878,057
Motor vehicles	-	1,386,097	1,386,097	-	-	-	-	-	-	1,386,097
Plant and machineries	-	-	-	964,000	-	-	-	-	-	964,000
Lease of land	-	1,281,725	1,281,725	829,417	-	-	-	-	-	2,111,142
Lease of shophouse and building	-	46,532	46,532	276,840	-	-	-	-	-	323,372
Lease of plant and machinery	-	-	-	111,305	-	-	-	-	-	111,305
Lease of accomodation	-	34,352	34,352	117,493	-	-	-	-	-	151,845
Lease of factory equipment	-	-	-	913,006	-	-	-	-	-	913,006
Lease of warehouse, office and factory	-	2,892,206	2,892,206	1,915,677	-	-	-	-	-	4,807,883
	560,941,369	4,254,815	565,196,184	50,845,562	(1,821,384)	-	(29,525,500)	(36,000)	(36)	584,658,826

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

		Accumulated depreciation					
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Charge for the financial year RM	Disposals RM	Reclassifica- -tion RM	At 31 December RM
Group 2019							
Other property, plant and equipment							
At Valuation							
Freehold buildings	860,374	-	860,374	1,145,446	-	-	2,005,820
Leasehold buildings	701,411	(701,411)	-	-	-	-	-
At Cost							
Freehold and leasehold land	680,082	(680,082)	-	-	-	-	-
Computer equipments and softwares	1,623,981	-	1,623,981	355,243	(4,178)	-	1,975,046
Cabins	71,977	-	71,977	25,187	-	-	97,164
Cranes	335,300	-	335,300	46,000	-	-	381,300
Electrical installation	2,141,045	-	2,141,045	981,843	-	-	3,122,888
Fire protection and security system	116,293	-	116,293	16,314	-	-	132,607
Furniture and fittings	1,451,217	-	1,451,217	262,671	(620)	3,757	1,717,025
Motor vehicles	26,408,488	(514,400)	25,894,088	3,753,009	(510,367)	-	29,136,730
Moulds	4,003,866	-	4,003,866	1,998,149	-	-	6,002,015
Office equipments	4,253,329	-	4,253,329	585,090	(3,902)	(4,357)	4,830,160

NOTES TO THE
FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

			Accumulated depreciation						
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Charge for the financial year RM	Disposals RM	Reclassifica- -tion RM	At 31 December RM		
Group 2019									
Other property, plant and equipment (Cont'd)									
At Cost (Cont'd)									
Plant and machineries	32,949,993	-	32,949,993	11,568,243	(73,216)	-	44,445,020		
Signboards	67,294	-	67,294	11,972	(4,893)	-	74,373		
Skid tanks	9,599	-	9,599	-	-	-	9,599		
Tool and equipments	1,565,942	-	1,565,942	642,786	-	600	2,209,328		
Factory equipments	8,737,125	-	8,737,125	4,696,266	(636,507)	-	12,796,884		
Renovation	4,159,833	-	4,159,833	468,237	(67,254)	-	4,560,816		
Batching plant	-	-	-	148,296	-	-	148,296		
Capital - Work in progress (WIP)	-	-	-	-	-	-	-		
Right-of-Use Assets									
At Valuation									
Leasehold buildings	-	701,411	701,411	705,659	-	-	1,407,070		

**NOTES TO THE
FINANCIAL STATEMENTS**
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

		Accumulated depreciation					
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated RM	Charge for the financial year RM	Disposals RM	Reclassifica- -tion RM	At 31 December RM
Group 2019							
Right-of-Use Assets (Cont'd)							
At Cost							
Leasehold land	-	680,082	680,082	303,228	-	-	983,310
Motor vehicles	-	514,400	514,400	277,168	-	-	791,568
Plant and machineries	-	-	-	12,050	-	-	12,050
Lease of land	-	863,472	863,472	589,856	-	-	1,453,328
Lease of shophouse and building	-	23,266	23,266	179,132	-	-	202,398
Lease of plant and machinery	-	-	-	7,420	-	-	7,420
Lease of accomodation	-	7,361	7,361	48,124	-	-	55,485
Lease of factory equipment	-	-	-	173,512	-	-	173,512
Lease of warehouse, office and factory	-	813,722	813,722	1,612,618	-	-	2,426,340
	90,137,149	1,707,821	91,844,970	30,613,519	(1,300,937)	-	121,157,552

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Accumulated impairment loss			Carrying amount	
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated / At 31 December RM	At 31 December RM	At 1 January, restated RM
Group 2019					
<i>Other property, plant and equipment</i>					
<u>At Valuation</u>					
Freehold buildings	—	—	—	72,513,888	89,903,081
Leasehold buildings	1,148,488	(1,148,488)	—	—	—
<u>At Cost</u>					
Freehold and leasehold land	—	—	—	26,147,747	28,009,247
Computer equipments and softwares	—	—	—	876,268	1,077,515
Cabins	—	—	—	284,416	125,033
Cranes	—	—	—	78,700	124,700
Electrical installation	—	—	—	6,784,722	7,287,821
Fire protection and security system	—	—	—	40,196	45,635
Furniture and fittings	—	—	—	1,380,091	1,201,899
Motor vehicles	—	—	—	11,083,731	13,439,417
Moulds	—	—	—	18,083,841	14,053,078
Office equipments	—	—	—	2,094,479	1,812,579
Plant and machineries	—	—	—	163,492,763	116,156,760
Signboards	—	—	—	52,477	70,846
Skid tanks	—	—	—	1	1
Tool and equipments	—	—	—	715,653	1,338,660
Factory equipments	—	—	—	17,197,895	14,764,140
Renovation	—	—	—	1,934,692	2,051,316
Batching plant	—	—	—	2,067,446	—
Capital - Work in progress (WIP)	—	—	—	72,025,898	114,601,762
<i>Right-of-Use Assets</i>					
<u>At Valuation</u>					
Leasehold buildings	—	1,148,488	1,148,488	32,956,586	35,522,570

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Accumulated impairment loss			Carrying amount	
	At 1 January RM	Effect of adoption MFRS 16 RM	At 1 January, restated / At 31 December RM	At 31 December RM	At 1 January, restated RM
Group 2019					
Right-of-Use Assets (Cont'd)					
At Cost					
Leasehold land	—	—	—	26,894,747	27,197,975
Motor vehicles	—	—	—	594,529	871,697
Plant and machineries	—	—	—	951,950	—
Lease of land	—	—	—	657,814	418,253
Lease of shophouse and building	—	—	—	120,974	23,266
Lease of plant and machinery	—	—	—	103,885	—
Lease of accomodation	—	—	—	96,360	26,991
Lease of factory equipment	—	—	—	739,494	—
Lease of warehouse, office and factory	—	—	—	2,381,543	2,078,484
	1,148,488	—	1,148,488	462,352,786	472,202,726

NOTES TO THE
FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At	Additions	Changes in	Disposals	Disposal of	Written	Transfer/	Arising from	Exchange	At 31
2018	1 January	RM	fair value	RM	a subsidiary	off	Reclassi-	acquisition of	differences	December
At Valuation	RM	RM	RM	RM	company	RM	fication	subsidary	RM	RM
Freehold buildings	73,902,015	8,403,275	3,231,269	-	(13,770)	-	5,240,666	-	-	90,763,455
Leasehold buildings	29,790,234	5,854,774	(98,619)	-	-	-	1,826,080	-	-	37,372,469
At Cost	55,045,793	1,659,468	-	-	-	-	(817,957)	-	-	55,887,304
Freehold and leasehold land	2,566,744	459,060	-	(2,250)	(329,002)	-	-	6,944	-	2,701,496
Computer equipments and softwares	130,340	55,270	-	-	-	-	11,400	-	-	197,010
Cabins	460,000	-	-	-	-	-	-	-	-	460,000
Cranes	3,906,327	4,746,649	-	-	-	-	775,890	-	-	9,428,866
Electrical installation	161,928	-	-	-	-	-	-	-	-	161,928
Fire protection and security system	2,322,099	491,215	-	-	(169,366)	(1,939)	-	11,107	-	2,653,116
Furniture and fittings	39,993,076	1,420,708	-	(553,113)	(1,032,384)	-	(2,405)	893,720	-	40,719,602
Motor vehicles	14,456,634	3,600,310	-	-	-	-	-	-	-	18,056,944
Moulds	5,290,413	711,125	-	-	(19,993)	(14,115)	23,185	75,251	42	6,065,908
Office equipments	145,706,728	15,481,894	-	(796,502)	(5,284,007)	-	(7,797,291)	1,795,931	-	149,106,753
Plant and machineries	150,290	1,600	-	-	(13,750)	-	-	-	-	138,140
Signboards	9,600	-	-	-	-	-	-	-	-	9,600
Skid tanks	3,017,861	103,399	-	(2,880)	(172,284)	-	(41,494)	-	-	2,904,602
Tool and equipments	-	4,394,888	-	(165,000)	-	-	19,271,377	-	-	23,501,265
Factory equipments	6,463,853	33,738	-	-	(294,860)	-	-	8,418	-	6,211,149
Renovation	75,133,802	8,777,313	-	-	-	-	(31,016,240)	61,706,887	-	114,601,762
Capital - Work in progress (WIP)										
	458,507,737	56,194,686	3,132,650	(1,519,745)	(7,329,416)	(16,054)	(12,526,789)	64,498,258	42	560,941,369

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Accumulated depreciation									
	At 1 January RM	Charge for the financial year RM	Changes in fair value RM	Disposals RM	Disposal of a subsidiary company RM	Written off RM	Transfer/ Reclassi- fication RM	Arising from acquisition of subsidiary companies RM	Exchange differences RM	At 31 December RM
Group 2018										
At Valuation										
Freehold buildings	4,868,943	892,061	(4,479,822)	-	(1,148)	-	(419,660)	-	-	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	-	-	-	-	-	-	-	4,003,866
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	22,034,424	(6,678,549)	(650,820)	(2,726,151)	(11,699)	(419,660)	1,280,004	40	90,137,149

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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 31 December 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Other property, plant and equipment				Right-of-use assets		
	Office equipments RM	Computer software RM	Renovation RM	Signboard RM	Motor vehicles RM	Lease of warehouse, office and factory RM	Total RM
Company							
2019							
At January 2019	339,976	187,380	448,885	26,900	1,125,166	–	2,128,307
Effect of adoption MFRS 16	–	–	–	–	–	162,862	162,862
At 1 January 2019, as restated	339,976	187,380	448,885	26,900	1,125,166	162,862	2,291,169
Additions	33,739	42,900	26,590	–	–	209,394	312,623
At 31 December	373,715	230,280	475,475	26,900	1,125,166	372,256	2,603,792
Accumulated depreciation							
At 1 January 2019	89,093	73,711	99,357	8,484	535,308	–	805,953
Effect of adoption MFRS 16	–	–	–	–	–	109,059	109,059
At 1 January 2019, as restated	89,093	73,711	99,357	8,484	535,308	109,059	915,012
Charge for the financial year	35,719	42,783	46,127	2,690	225,033	89,187	441,539
At 31 December	124,812	116,494	145,484	11,174	760,341	198,246	1,356,551
Carrying amount							
At 31 December	248,903	113,786	329,991	15,726	364,825	174,010	1,247,241
At 1 January 2019, as restated	250,883	113,669	349,528	18,416	589,858	53,803	1,376,157

NOTES TO THE
FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2018	Office equipments RM	Computer software RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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 22 to the financial statements are:

	2019 RM	Group 2018 RM
Freehold buildings	26,036,000	63,383,594
Leasehold buildings	29,897,351	21,964,333
Freehold and leasehold land	45,287,531	53,187,972
	101,220,882	138,535,899

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

	2019 RM	Group 2018 RM
Plant and machineries	33,708,064	35,665,305
Motor vehicles	745,876	1,132,823
	34,453,940	36,798,128

(iii) The remaining leasehold period of the buildings ranged from 80 to 90 years (2018: 81 to 91 years).

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

	2019 RM	Group 2018 RM
Motor vehicles	9,174	45,840

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(v) Purchase of property, plant and equipment

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Aggregate costs	50,845,562	56,194,686	312,623	80,397
Less: Lease liabilities recognised	(4,163,738)	–	(209,394)	–
Finance lease financing	(867,000)	(94,000)	–	–
Cash payments	45,814,824	56,100,686	103,229	80,397

(vi) Revaluation of freehold and leasehold buildings

In the previous financial year, 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

In the previous financial year, the Group has recognised impairment losses amounting to RM1,148,488 arising from properties in which their net carrying amount is less than the estimated recoverable amount based on valuations performed by independent professional valuers.

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

(vi) Revaluation of freehold and leasehold buildings

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been RM74,983,412 (2018: RM95,039,823).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	2019 RM	Group 2018 RM
Freehold buildings	16,896,400	32,104,408

5. INVESTMENT PROPERTIES

	2019 RM	Group 2018 RM
At 1 January	68,460,000	71,430,000
Additions	520,000	—
Disposals	(19,440,000)	—
Transfer from property, plant and equipment (Note 4)	—	12,107,129
Transfer to assets held for sale (Note 17)	(25,010,000)	(20,470,000)
Changes in fair value recognised in profit or loss	650,000	5,392,871
At 31 December	25,180,000	68,460,000
Included in the above are:		
At fair value		
Freehold land and building	25,180,000	68,460,000

(a) Investment properties under leases

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

In the previous 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 RM25,180,000 (2018: RM68,460,000). 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.

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

The increase in fair value of RM650,000 (2018: RM5,392,871) has been recognised in the profit or loss during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

5. INVESTMENT PROPERTIES (CONT'D)

- (c) Income and expenses recognised in profit or loss

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

	2019 RM	Group 2018 RM
Lease income	3,998,550	4,491,812
Direct operating expenses:		
- Income generating investment properties	900	1,230
- Non-income generating investment properties	(236,854)	(204,450)

- (d) Investment properties pledged as securities to licensed banks

Investment properties of the Group amounting to RM25,180,000 (2018: RM68,460,000) have been pledged to secure banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

6. GOODWILL ON CONSOLIDATION

	2019 RM	Group 2018 RM
At cost		
At 1 January	39,048,311	30,958,067
Acquisition of subsidiary companies	—	8,090,244
At 31 December	39,048,311	39,048,311

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

	2019 RM	Group 2018 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	371,829
Saujana Vision Sdn. Bhd.	7,718,415	7,718,415
	39,048,311	39,048,311

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

6. GOODWILL ON CONSOLIDATION (CONT'D)

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% (2018: 6.4%) were applied in determining the recoverable amounts of the CGUs. The discount rate used is pre-tax and reflect the specific risks relating to the respective CGU.

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

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

7. INVESTMENT IN SUBSIDIARY COMPANIES

	2019 RM	Company 2018 RM
At cost		
Unquoted share in Malaysia		
At 1 January	285,388,162	271,739,897
Acquisition during the year	—	13,648,265
Acquisition of additional shares in a subsidiary company	20,000,000	—
At 31 December	305,388,162	285,388,162

Details of the subsidiary companies are as follows:

Name of Company	Principal place of business/ Country of Incorporation	Effective Interest 2019 %	2018 %	Principal Activities
PP Chin Hin Sdn. Bhd.	Malaysia	100	100	Dealing in cement, hardware and general trading, letting of properties, hire purchase financing, property development and transport
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 and transportation
Chin Hin BIM Sdn. Bhd.	Malaysia	100	100	Provision of solution and services to the construction industry and distribution of software
Midah Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in wood products

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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 2019 %	2018 %	Principal Activities
Held through PP Chin Hin Sdn. Bhd.				
- PP Chin Hin Pte Ltd*	Singapore	100	100	Wholesale of construction material, hardware, plumbing, heating equipment and supplies of NEC products
- C&H Transport Sdn. Bhd.	Malaysia	100	100	Transportation
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
- Starken AAC 2 Sdn. Bhd. (Formerly known as Sage Evergreen Sdn. Bhd.)	Malaysia	100	100	Manufacturing and sale of Industrialised Building System components including but not limited to Wall Panel, Beam, Column and Slab
- 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.				
- Metex Asia Sdn. Bhd. (Formerly known as Comet Steel Sdn. Bhd.)	Malaysia	100	100	Assembly and erection of prefabricated constructions on the site
- Ace Logistic Sdn. Bhd.	Malaysia	100	100	Investment holding
- Metex Modular Sdn. Bhd.	Malaysia	70	70	Manufacture of prefabricated buildings mainly of metal

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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		Principal Activities
		2019 %	2018 %	
Held through Metex Modular Sdn. Bhd.				
Saujana Vision Sdn. Bhd.	Malaysia	49	49	Building contractor
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 lock set, alarm system and other related business
- Kempurna Sdn. Bhd.	Malaysia	100	100	Manufacturers metal doors and window frames
- Midah Industries (North) Sdn. Bhd.	Malaysia	51	51	Wholesale of logs, swan timber, plywood, veneer related products and variety of goods without any particular specialization as well as installation of doors, windows door and window frames of wood or other materials, fitted kitchens, staircases, shop fittings and furniture

* Subsidiary company not audited by UHY

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of subsidiary companies

During the financial year

On 1 May 2019, Metex Steel Sdn. Bhd. ("MSSB"), a wholly owned subsidiary of the Company had increased its paid-up capital from RM30,000,000 to RM50,000,000. The Company has subscribed for an additional 20,000,000 shares in MSSB. Consequently, MSSB is remained as a wholly owned subsidiary of the Company.

In the previous financial year

- (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.
- (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.

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
Property, plant and equipment	63,218,254
Investment in associate	150,000
Inventories	2,146,470
Trade receivables	3,949,746
Other receivables	1,571,308
Cash and bank balances	1,011,102
Trade payables	(57,508,790)
Other payables	(7,961,185)
Amount due to Directors	(5,959,849)
Tax payable	(326,762)
Deferred tax liabilities	(98,201)
Finance lease liabilities	(302,703)
Total identifiable assets and liabilities	(110,610)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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
Purchase consideration settled in cash	(9,144,669)
Cash and bank balances	1,011,102
	<hr/> (8,133,567) <hr/>

Goodwill arising from business combination

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

	2018 RM
Fair value of consideration transferred via cash	9,144,669
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
Goodwill	<hr/> 8,090,244 <hr/>

Acquisition-related costs

The Group incurred acquisition-related costs of Nil (2018: RM64,238) 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

In the previous financial year, 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.

There is no acquisition in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Disposal of a subsidiary company

On 8 November 2019, Metex Steel Sdn. Bhd. ("MSSB") a wholly-owned subsidiary of the Company has entered into a conditional share sale agreement ("CSSA") with PP Chin Hin Realty Sdn Bhd ("PP CH Realty") for the disposal by MSSB of 100% equity interest in Ace Logistic Sdn Bhd ("Ace Logistic") to PP CH Realty for a cash consideration of RM20,800,000. As at the financial year ended 31 December 2019, the disposal is not yet complete.

In the previous financial year, on 30 March 2018, MSSB, a wholly-owned subsidiary of the Company has entered into a Share Sale Agreement ("SSA") with Frontscape Sdn. Bhd. for the disposal of the entire equity interest in Formino Metal Sdn. Bhd. ("FMSB") comprising 15,000,002 ordinary shares for a 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:

	2018 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

8. INVESTMENT IN ASSOCIATES

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Unquoted shares, at cost in Malaysia	31,694,351	26,947,465	24,750,000	24,750,000
Share of post-acquisition reserves	6,770,984	4,596,886	—	—
Arising from acquisition of subsidiary company	—	150,000	—	—
Disposal of associate	(150,000)	—	—	—
	38,315,335	31,694,351	24,750,000	24,750,000

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(CONT'D)

8. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2019 %	2018 %	
Direct interest:				
Solarvest Holdings Berhad*#	Malaysia	33.6	—	Investment holding
Indirect interest: Held through Solarvest Holdings Berhad				
Atlantic Blue Sdn. Bhd.*	Malaysia	33.6	45	Provision of EPCC services for solar PV systems and investment in solar PV plant
Solarvest Asset Management Sdn. Bhd.*	Malaysia	33.6	—	Dormant
Indirect interest: Held through Atlantic Blue Sdn. Bhd.				
- Powertrack Sdn. Bhd.*	Malaysia	33.6	45	Provision of design, testing and commissioning and operations and maintenance of solar PV system
- Solarvest Energy Sdn. Bhd.*	Malaysia	33.6	45	Provision of EPCC services for solar PV systems
Indirect interest: Held through Solarvest Energy Sdn. Bhd.				
- Solarvest Energy (SR) Sdn. Bhd.*	Malaysia	23.5	31.5	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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

8. INVESTMENT IN ASSOCIATES (CONT'D)

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

Solarvest Holdings Berhad ("Solarvest") was incorporated on 20 September 2017, a private limited company with an issued and paid-up capital of RM2 comprising two (2) ordinary shares. On 26 November 2019, Solarvest was converted into a public limited liability company and assumed its present name of Solarvest Holdings Berhad.

On 30 January 2019, there was a capital restructuring whereby Solarvest obtained full control of co Atlantic Blue Sdn. Bhd. ("ABSB") by issuing 291,795,555 new ordinary shares of Solarvest for a total purchase consideration of RM26,261,600 to the ABSB's vendors, in exchange for the shares in the ABSB. The vendors of Solarvest have the same interest in the Company as they had in ABSB and there are no change to the assets and liabilities as a result of establishment of Solarvest.

On 30 September 2019, Solarvest issued its prospectus in relation to the public issue of 98,828,000 new ordinary shares ("Public Issue") at an issue price of RM0.35 per share in conjunction with the Solarvest's listing on the ACE market of Bursa Malaysia Securities Berhad. Thereafter, Solarvest successfully listed its entire enlarged share capital of 390,623,655 shares on the ACE market of Bursa Malaysia Security Berhad on 26 November 2019.

Upon the listing exercise of Solarvest, the Company's shareholding reduced from 45% to 33.6%.

On 24 December 2020, Solarvest Holdings Berhad ("Solarvest") an associate of the Company incorporated a new subsidiary company with the name "Solarvest Asset Management Sdn. Bhd." ("SAMSB") with the registered share capital of RM100 only represented by 100 ordinary shares in SAMSB.

On 31 December 2019, Saujana Vision Sdn. Bhd. ("SVSB"), an indirect subsidiary of the Company has entered into a Share Sale Agreement with Margaret Voon Lee Ching for the disposal of the entire equity interest in Coco Tech Sdn. Bhd. ("CTSB") comprising 150,000 ordinary shares for a cash consideration of RM150,000. The disposal was completed on 31 December 2019.

Summarised financial informations of the Group's associates, Solarvest Holdings Berhad ("SHB"), Atlantic Blue Sdn. Bhd. ("ABSB"), Powertrack Sdn. Bhd. ("PSB") and Solarvest Energy Sdn. Bhd. ("SESB") 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 31 December 2019 (CONT'D)

8. INVESTMENT IN ASSOCIATES (CONT'D)

Aggregate information of associate that are individually immaterial:

<i>Summarised statements of financial position</i>	SHB 2019 RM	2019 RM	ABSB 2018 RM	2019 RM	PSB 2018 RM	2019 RM	SESB 2018 RM
Non-current assets	36,280,205	26,666,019	18,319,318	38,080	37,456	268,151	9,764
Current assets	20,532,950	67,135,282	38,019,077	7,691,504	7,930,644	58,383,763	16,180,117
Non-current liabilities	–	(13,951,459)	(9,284,681)	–	–	(133,378)	(168,960)
Current liabilities	(404,533)	(59,180,834)	(30,308,907)	(2,203,167)	(1,998,348)	(37,306,907)	(9,943,008)
Net assets	56,408,622	20,669,008	16,744,807	5,526,417	5,969,752	21,211,629	6,077,913
Interest in associate	33.6%	33.6%	45%	33.6%	45%	33.6%	45%
Group's share of net assets	18,953,297	6,944,787	7,535,163	1,856,876	2,686,388	7,127,107	2,735,061
Carrying value of the Group's interest in associates	38,315,335	–	31,544,351	–	–	–	–
<i>Summarised statements of profit or loss and other comprehensive income</i>							
Revenue	–	153,185,526	66,042,241	36,000	3,906,782	55,983,745	22,382,844
Net (loss)/profit for the financial year	(2,413,717)	4,163,041	5,449,872	(458,767)	2,068,956	9,968,185	2,696,474
Total comprehensive income for the financial year	(2,413,717)	4,163,041	5,449,872	(458,767)	2,068,956	9,968,185	2,696,474

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

8. INVESTMENT IN ASSOCIATES (CONT'D)

Aggregate information of associate that are individually immaterial:

The Associate's shares of profit from continuing operation:

	2019 RM	2018 RM
The Group's share of profit for the financial year	–	66,403
The Group's share of total comprehensive income for the financial year	–	66,403
Carrying value of the Group's interest in associates		–

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

9. OTHER INVESTMENTS

	2019 RM	Group 2018 RM
Club memberships		
At cost		
At 1 January	32,028	46,028
Disposal during the year	–	(14,000)
At 31 December	32,028	32,028
Accumulated amortisation		
At 1 January	5,772	7,298
Amortisation for the financial year	936	987
Disposal during the year	–	(2,513)
At 31 December	6,708	5,772
Carrying amount		
At 31 December	25,320	26,256
Market value of quoted investments	25,320	26,256

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

10. CONTRACT ASSETS/(LIABILITIES)

	2019 RM	Group 2018 RM
Contract costs incurred to date	8,290,116	43,651,678
Attributable profits	465,733	9,240,376
Less: Provision for foreseeable losses	(294,338)	—
	8,461,511	52,892,054
Less: Progress billings	(5,124,242)	(59,414,081)
	3,337,269	(6,522,027)
Presented as:		
Contract Assets/(Liabilities)	3,337,269	(6,522,027)

Contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its contracted project activities. The amount due from contract customers will be transferred to trade receivables when the rights become unconditional.

Contract liabilities primarily relate to the advance consideration received from customer for construction contract, which revenue is recognised over time during the property development and constructions activities.

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

	2019 RM	Group 2018 RM
Lease of equipments and machineries	—	1,041,856
Lease of factory	—	692,740
Lease of motor vehicles	—	102,373
Lease of workers house	—	319,300
Staff cost	1,575,881	1,861,539
	1,575,881	4,017,808

Contract value yet to be recognised as revenue

As of the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) is RM4,056,145 (2018: RM Nil). The Group expects to recognise this revenue as the construction contracts are completed, which is expected to occur over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

11. INVENTORIES

	2019 RM	Group 2018 RM
At cost		
Raw materials	27,579,749	26,200,500
Work-in-progress	1,713,703	4,598,694
Finished goods	68,152,568	52,033,353
Consumables	6,087,161	5,208,076
Engineering stocks	327,703	–
Scrap	75,775	270,304
	103,936,659	88,310,927
At net realisable value		
Finished goods	964,080	158,397
	104,900,739	88,469,324
Recognised in profit or loss:		
Inventories recognised as cost of sales	852,336,187	926,489,628
Inventories written down	170,000	–
Inventories written off	117,292	42,454

12. TRADE RECEIVABLES

	2019 RM	Group 2018 RM
Trade receivables		
- Third parties	357,443,596	337,645,379
- Related parties	14,105,660	10,611,794
	371,549,256	348,257,173
Less: Accumulated impairment losses	(15,838,671)	(10,337,517)
	355,710,585	337,919,656

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2018: 60 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on case by case basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(CONT'D)

12. TRADE RECEIVABLES (CONT'D)

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

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

	2019 RM	Group 2018 RM
At 1 January	10,337,517	6,739,959
Effect of adopting MFRS 9	–	915,022
Acquisition of subsidiary companies	–	2
Impairment losses recognised	7,036,195	3,600,957
Reversal	(1,451,214)	(805,011)
Written off	(83,915)	(113,474)
Exchange difference	88	62
At 31 December	15,838,671	10,337,517

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. Reversal of an impairment loss is recognised when the amount is recovered.

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
2019			
Neither past due nor impaired	219,802,434	(89,757)	219,712,677
<i>Past due not impaired:</i>			
Less than 30 days	50,121,104	(49,310)	50,071,794
31 to 60 days	29,461,258	(67,857)	29,393,401
More than 60 days	57,814,100	(1,281,387)	56,532,713
	137,396,462	(1,398,554)	135,997,908
Individual impaired	357,198,896	(1,488,311)	355,710,585
	14,350,360	(14,350,360)	–
	371,549,256	(15,838,671)	355,710,585

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

12. TRADE RECEIVABLES (CONT'D)

Analysis of the trade receivables ageing as at the end of the financial year is as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net Amount RM
2018			
Neither past due nor impaired	140,990,988	(197,337)	140,793,651
<i>Past due not impaired:</i>			
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
Individual impaired	339,182,001	(1,262,345)	337,919,656
	9,075,172	(9,075,172)	–
	348,257,173	(10,337,517)	337,919,656

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

As at 31 December 2019, trade receivables of RM135,997,908 (2018: RM197,126,005) 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 RM14,350,360 (2018: RM9,075,172), related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

13. OTHER RECEIVABLES

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Other receivables				
- Third parties	10,888,282	21,926,460	2,500,824	5,795,284
- Related parties	164,952	211,957	–	–
	11,053,234	22,138,417	2,500,824	5,795,284
Less: Accumulated impairment losses	(437,137)	(20,514)	–	–
	10,616,097	22,117,903	2,500,824	5,795,284
Deposits	4,377,964	3,007,572	14,500	14,500
Prepayments	5,417,203	7,099,225	247,281	109,527
GST recoverable	6,062,470	9,921,936	9,145	9,145
	26,473,734	42,146,636	2,771,750	5,928,456

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

13. OTHER RECEIVABLES (CONT'D)

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

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

	2019 RM	Group 2018 RM
At 1 January	20,514	20,514
Impairment losses recognised	464,777	—
Written off	(48,154)	—
At 31 December	437,137	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.

14. NET INVESTMENT IN LEASE

	2019 RM	Group 2018 RM
Minimum lease received		
Within one year	99,481	366,851
Less: Future finance receive	(21,325)	(40,368)
Present value of minimum lease received	78,156	326,483
Present value of minimum lease received		
Within one year	78,156	326,483
Analysed as:		
Repayable within twelve months		78,156

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 net investment in lease of the Group is bearing interest rate ranging from 5% to 18% (2018: 5% to 18%) per annum.

15. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Current assets and current liabilities

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

Non-current liabilities

This represent non-trade in nature, unsecured, interest bearing at rate of 3.00% (2018: 3.08%) per annum and repayable on or before 31 December 2022 (2018: 31 December 2021).

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

16. 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 22.

The interest rates and maturities of deposits are 2.50% (2018: 3.35%) per annum and 365 days (2018: 365 days).

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

17. ASSETS HELD FOR SALE

	2019 RM	Group 2018 RM
At 1 January	20,440,000	—
Transfer from property, plant and equipment (Note 4)	29,525,500	—
Transfer from investment property (Note 5)	25,010,000	20,470,000
Acquisition of subsidiary companies	—	—
Disposals	(20,440,000)	—
Less: impairment loss on remeasurement of fair value cost to sell	—	(30,000)
At 31 December	54,535,500	20,440,000

The Group has entered into several sale and purchase agreements with third parties to dispose the above assets for total cash consideration of RM56,180,000 during September and November 2019. The disposals are expected to be completed by September 2020.

In the previous financial year, the Group has entered into several sale and purchase agreements with third parties to dispose the above assets for total cash consideration of RM21,220,000 during June and October 2018. The disposals are completed during the financial year.

18. SHARE CAPITAL

	Group/Company		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid shares				
At 1 January/				
At 31 December	556,388,000	556,388,000	325,795,595	325,795,595

Included in the share capital is share premium amounting to RM7,655,532 that was not utilised on or before its expiry date of 30 January 2019.

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

31 December 2019
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19. RESERVES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable					
Treasury shares	(a)	(4,991,708)	(4,991,708)	(4,991,708)	(4,991,708)
Merger reserve	(b)	(153,191,580)	(153,191,580)	–	–
Revaluation reserve	(c)	16,368,496	16,367,673	–	–
Foreign currency translation reserve	(d)	251,234	234,312	–	–
Retained earnings		238,684,854	231,551,457	8,034,457	7,656,907
		97,121,296	89,970,154	3,042,749	2,665,199

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

(a) Treasury shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 17 June 2019, 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			
	2019	2018		
	Number of shares	Amount RM	Number of shares	Amount RM
At 1 January	6,320,000	4,991,708	–	–
Purchase of own share	–	–	6,320,000	4,991,708
At 31 December	6,320,000	4,991,708	6,320,000	4,991,708

During the financial year, the Company repurchased Nil (2018: 6,320,000) of its issued share capital from the open market at an average price of Nil (2018: RM0.79) per share including transaction costs. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

(b) Merger reserve

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

(c) Revaluation reserve

The revaluation reserve represents increases in the fair value of land and buildings 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.

(d) Foreign currency translation reserve

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

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31 December 2019
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20. FINANCE LEASE LIABILITIES

	Group 2018 RM
Minimum lease payments:	
Within one year	584,713
Later than one year and not later than two years	428,515
Later than two years and not later than five years	17,545
	1,030,773
Less: Future finance charges	(54,233)
Present value of minimum lease payments	976,540
Present value of minimum lease payments	
Within one year	550,611
Later than one year and not later than two years	425,929
	976,540
Analysed as:	
Repayable within twelve months	550,611
Repayable after twelve months	425,929
	976,540

In the previous financial year, the Group leases plant and machineries 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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21. LEASE LIABILITIES

	Group 2019 RM	Company 2019 RM
At 1 January	—	—
- Effect of adoption MFRS 16	3,567,979	54,832
At 1 January 2019, restated	3,567,979	54,832
Additions	5,030,738	209,394
Payments	(3,168,645)	(89,393)
At 31 December	5,430,072	174,833
Presented as:		
Non-Current	2,358,093	70,653
Current	3,071,979	104,180
	5,430,072	174,833
The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:		
Within one year	3,302,914	108,000
Later than one year and not later than two years	1,610,235	71,500
Later than two years and not later than five years	829,293	—
	5,742,442	179,500
Less: Future finance charges	(312,370)	(4,667)
Present value of lease liabilities	5,430,072	174,833

The Group leases various land, buildings, machineries and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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22. BANK BORROWINGS

	2019 RM	Group 2018 RM
Current Secured		
Bank overdrafts	2,380,758	22,941,410
Revolving credits	101,100,134	59,500,000
Bankers' acceptance	308,693,274	329,455,530
Trust receipts	447,372	447,884
Term loans	21,811,284	12,961,877
	434,432,822	425,306,701
Non-Current Secured		
Term loans	79,320,574	95,122,818
	513,753,396	520,429,519

The bank borrowings are secured by the following:

- Legal charge on the land and building as disclosed in Note 4 and investment properties as disclosed in Note 5;
- Pledge of fixed deposits of the Group as disclosed in Note 16;
- Corporate guarantee by the Company;
- Joint and several guaranteed by the Company's Directors;
- Corporate guarantee by certain subsidiary companies;
- Debentures incorporating fixed charges over all present and future assets of the Group; and
- Legal charge over shop offices of a subsidiary company and deed of assignment of lease income proceeds (present and future) derived from the shop offices.

The maturity of bank borrowings is as follows:

	2019 RM	Group 2018 RM
Within one year	434,432,822	425,306,679
Later than one year and not later than two years	18,096,403	21,914,030
Later than two years and not later than five years	48,240,698	44,837,185
Later than five years	12,983,473	28,371,625
	513,753,396	520,429,519

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

22. BANK BORROWINGS (CONT'D)

The range of interest rates per annum is as follows:

	2019 %	Group 2018 %
Bank overdrafts	6.80 - 8.50	6.80 - 8.50
Bankers' acceptance	3.63 - 5.40	3.43 - 5.40
Revolving credits	4.15 - 5.40	4.61 - 5.40
Term loans	3.96 - 6.73	4.48 - 7.45
Trust receipts	8.69 - 8.94	3.42 - 8.84

23. DEFERRED TAX LIABILITIES

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
At 1 January	11,364,977	6,146,571	60,092	57,098
Acquisition of subsidiaries	—	98,201	—	—
Recognised in profit or loss (Note 30)	67,582	2,065,877	5,339	1,382
Recognised in equity (Over)/Under provision in prior years (Note 30)	(823)	2,212,070	—	—
	(71,702)	842,258	(1,794)	1,612
At 31 December	11,360,034	11,364,977	63,637	60,092

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

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Deferred tax liabilities	36,412,713	31,250,769	63,637	60,092
Deferred tax assets	(25,052,679)	(19,885,792)	—	—
	11,360,034	11,364,977	63,637	60,092

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23. DEFERRED TAX LIABILITIES (CONT'D)

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

Deferred tax liabilities

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Difference between carrying amount of property, plant and equipment and its tax base	33,521,213	28,499,412	63,637	60,092
Arising from revaluation of investment property	731,287	539,287	—	—
Arising from revaluation of property, plant and equipment	2,160,213	2,212,070	—	—
	36,412,713	31,250,769	63,637	60,092

Deferred tax assets

	Group	
	2019 RM	2018 RM
Unabsorbed tax losses	3,312,087	2,416,725
Unutilised capital allowances	20,190,927	17,367,778
Unutilised reinvestment allowances	1,533,989	101,289
Other temporary differences	15,676	—
	25,052,679	19,885,792

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

	Group	
	2019 RM	2018 RM
Unabsorbed tax losses	13,142,173	10,246,147
Unutilised capital allowances	7,621,693	2,292,555
Other temporary differences	5,666	166,947
	20,769,532	12,705,649

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.

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24. TRADE PAYABLES

	2019 RM	Group 2018 RM
Trade payables		
- Third parties	136,352,061	133,964,186
- Related parties	4,603,642	2,052,624
	140,955,703	136,016,810

Credit terms of trade payables of the Group ranged from 14 to 120 days (2018: 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.

25. OTHER PAYABLES

	2019 RM	Group 2018 RM	Company 2019 RM	2018 RM
Other payables				
- Third parties	32,849,112	26,530,787	191	300,679
- Related parties	290,843	6,452,490	—	—
	33,139,955	32,983,277	191	300,679
Dividend payable	5,466,080	8,251,020	5,466,080	8,251,020
Deposit received	2,368,787	1,309,150	—	—
Accruals	19,595,077	19,109,472	62,000	61,000
GST payable	45,116	105,940	—	—
	60,615,015	61,758,859	5,528,271	8,612,699

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.

26. AMOUNT DUE TO DIRECTORS

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

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27. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
- Sales of goods	1,039,382,494	1,035,648,910	—	—
- Services rendered	12,423,711	12,777,506	—	—
- Construction contract revenue	1,170,459	52,892,055	—	—
- Interest income from net investment in lease	19,043	92,276	—	—
- Management fees received	—	—	5,759,000	7,101,000
	1,052,995,707	1,101,410,747	5,759,000	7,101,000
Revenue from other sources:				
- Dividend income	—	—	11,500,000	8,450,000
- Lease income from investment properties	3,462,436	4,006,292	—	—
	3,462,436	4,006,292	11,500,000	8,450,000
	1,056,458,143	1,105,417,039	17,259,000	15,551,000

28. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Bank overdrafts	927,524	1,310,163	—	—
Bankers acceptance	11,106,383	11,187,521	—	—
Letter of credit	1,965	51,359	—	—
Other interests	2,149	6,527	400,867	—
Revolving credits	5,167,898	4,195,439	—	—
Term loans	5,471,471	5,458,443	—	—
Overdraft	14,792	—	—	—
Trust receipts	37,136	37,375	—	—
Lease liability interest	209,744	—	2,607	—
Related party companies	1,743,174	—	—	—
Finance lease	—	76,651	—	—
	24,682,236	22,323,478	403,474	—

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29. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- Statutory				
- Current year	407,713	425,604	47,000	48,000
- (Over)/Under provision in prior years	(10,770)	17,000	(3,000)	—
- Non-statutory				
- Current year	5,000	5,000	5,000	5,000
Amortisation of other investments	936	987	—	—
Bad debts written off				
- Trade	584,004	901,457	—	—
Depreciation of property plant and equipment	30,613,519	22,034,424	441,539	337,586
Non-executive Directors' remunerations				
- Fee	240,000	240,000	240,000	240,000
- Other emoluments	35,705	22,250	35,705	22,250
Impairment on				
- Property, plant and equipment	—	1,148,488	—	—
- Trade receivables	7,036,195	3,600,957	—	—
- Other receivables	464,777	—	—	—
- Asset held for sale	—	30,000	—	—
Incorporation fee	—	3,592	—	—
Inventory written down	170,000	—	—	—
Inventories written off	117,292	42,454	—	—
Lease expenses relating to short-term leases	4,192,437	—	11,952	—
Lease expenses relating to low-value asset	429,773	—	15,760	—
Loss/(Gain) on foreign exchange				
- Realised	235,506	507,534	—	—
- Unrealised	88,747	(21,239)	—	—
Loss/(Gain) on disposal of property, plant and equipment	9,547	(18,354)	—	—
Preliminary expenses	—	211,256	—	—
Property, plant and equipment written off	—	4,355	—	—

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

29. PROFIT BEFORE TAX (CONT'D)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental expenses on:				
- Car park	—	32,700	—	7,200
- Land	—	1,291,000	—	—
- Office equipments	—	14,560	—	4,093
- Premises	—	2,126,659	—	95,550
- Plant	—	809,800	—	—
- Hostel	—	446,200	—	—
- Factory equipment	—	685,584	—	—
- Motor vehicle	—	102,373	—	—
Bad debts recovered	(186,353)	(144,275)	—	—
Fair value adjustment on investment properties	(650,000)	(5,392,871)	—	—
Gain on disposal of				
- Assets held for sale	(780,000)	—	—	—
- Investment properties	(610,000)	—	—	—
- Investment in a subsidiary company	—	(594,724)	—	—
- Other investment	—	(2,513)	—	—
Gain on derivative financial liabilities	—	(33,767)	—	—
Interest income from bank	(588,478)	(27,318)	—	—
Interest income from fixed deposits	(1,255)	(99)	—	—
Interest income from overdue account	(643,220)	(2,059,193)	—	—
Interest income from net investment lease	(19,043)	—	—	—
Interest income from financial liabilities at amortised cost	—	—	—	(1,632,921)
Other interest income	—	(350)	—	—
Lease income	(830,852)	(270,680)	—	—
Lease of motor vehicles income	—	(109,859)	—	—
Reversal of impairment on trade receivables	(1,451,214)	(805,011)	—	—
Other income from solar power panels	(3,052,930)	(3,956,688)	—	—

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

30. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax expenses recognised in profit or loss:				
Current year taxation	5,980,572	8,208,330	171,401	144,500
Real property gain tax	1,580,173	–	–	–
Under/(Over) provision in prior years	64,103	(1,466,791)	17,260	44,927
	7,624,848	6,741,539	188,661	189,427
Deferred tax:				
Origination and reversal of temporary differences	67,582	2,065,877	5,339	1,382
(Over)/Under provision in prior years	(71,702)	842,258	(1,794)	1,612
	(4,120)	2,908,135	3,545	2,994
	7,620,728	9,649,674	192,206	192,421

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

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31 December 2019
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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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation	22,923,164	33,748,689	11,442,745	9,895,435
At Malaysian statutory tax rate of 24% (2018: 24%)	5,501,559	8,099,685	2,746,259	2,374,904
Non taxable income	(1,251,678)	(5,158,191)	(2,760,000)	(2,419,901)
Expenses not deductible for tax purposes	2,997,293	4,856,220	190,481	190,879
Utilisation of current year reinvestment allowances	(3,645,978)	(1,469,646)	—	—
Real property gain tax	1,580,173	—	—	—
Utilisation of previously unrecognised deferred tax assets	(847,500)	—	—	—
Deferred tax assets not recognised	2,782,365	3,427,110	—	—
Income under partial tax exemption scheme	(10,163)	(13,197)	—	—
Differentiate of tax rate	(94,417)	(46,975)	—	—
Share of associate tax	700,047	626,198	—	—
Tax effect of partial tax exemption	(83,374)	(46,997)	—	—
Under/(Over) provision of taxation in prior years	64,103	(1,466,791)	17,260	44,927
(Over)/Under provision of deferred tax in prior years	(71,702)	842,258	(1,794)	1,612
Tax expenses for the financial year	7,620,728	9,649,674	192,206	192,421

The Group has unutilised tax losses, unutilised capital allowances, and unutilised reinvestment allowances amounting to approximately RM26,942,510, RM91,750,247 and RM6,391,620 (2018: RM20,300,759, RM74,658,139 and RM422,039) respectively, available for carry forward to set-off against future taxable profits. The said amount is subject to approval by the tax authorities.

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(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:

	2019 RM	Group 2018 RM
Profit attributable to owners of the parent for basic earnings	18,049,802	22,946,249
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	556,388,000	556,388,000
Effect of ordinary shares issued during the financial year	—	—
Weighted average number of ordinary shares at 31 December	556,388,000	556,388,000
Basic earnings per ordinary share (sen)	3	4

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 2019 RM	2018 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)	—	8,251,020
- 31 December 2019 (single tier dividend of RM0.01 per ordinary share)	5,500,680	—
Second interim single tier dividend paid in respect of the financial year ended		
- 31 December 2019 (single tier dividend of RM0.01 per ordinary share)	5,466,080	—
	10,966,760	8,251,020

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

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33. STAFF COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages and other emoluments	55,585,308	47,096,035	3,411,803	2,970,625
Defined contribution plans	6,281,696	5,461,627	405,586	583,661
Other benefits	2,341,665	1,728,309	146,862	80,405
	64,208,669	54,285,971	3,964,251	3,634,691

Included in staff costs is aggregate amount of remuneration received and receivables by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors				
Salaries and other emoluments	1,987,004	1,842,084	–	1,769,133
Defined contribution plans	255,581	212,687	–	206,187
	2,242,585	2,054,771	–	1,975,320

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:

	At 1 January 2019 RM	Adoption of MFRS 16 RM	At 1 January 2019, restated RM	Financing cash flows RM	Dividend Declared RM	New leases RM	At 31 December 2019 RM
Group							
Finance lease liabilities (Note 20)	976,540	(976,540)	–	–	–	–	–
Lease liabilities (Note 21)	–	3,567,979	3,567,979	(3,168,645)	–	5,030,738	5,430,072
Term loans (Note 22)	108,084,695	–	108,084,695	(6,952,837)	–	–	101,131,858
Other borrowings (Note 22)	389,403,414	–	389,403,414	20,837,366	–	–	410,240,780
Dividend payable	8,251,020	–	8,251,020	(13,751,700)	10,966,760	–	5,466,080
Amount due to Directors	4,650	–	4,650	15,850,002	–	–	15,854,652
	506,720,319	2,591,439	509,311,758	12,814,186	10,966,760	5,030,738	538,123,442

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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)

	At 1 January 2019 RM	Adoption of MFRS 16 RM	At 1 January 2019, restated RM	Financing cash flows RM	Dividend Declared RM	New leases RM	At 31 December 2019 RM
Company							
Dividend payable	8,251,020	–	8,251,020	(13,751,700)	10,966,760	–	5,466,080
Lease liabilities	–	54,832	54,832	(89,393)	–	209,394	174,833
	8,251,020	54,832	8,305,852	(13,841,093)	10,966,760	209,394	5,640,913
	At 1 January 2018 RM	Financing cash flows RM	Dividend Declared RM	New finance leases/ Term loans (Note 4(v)) RM	Acquisition of subsidiary companies RM	At 31 December 2018 RM	
Group							
Finance lease liabilities (Note 20)	2,529,645	(1,949,808)	–	94,000	302,703	976,540	
Term loans (Note 22)	82,834,802	25,249,893	–	–	–	108,084,695	
Other borrowings (Note 22)	296,722,909	93,560,505	–	–	(880,000)	389,403,414	
Dividend payable	8,345,820	(8,345,820)	8,251,020	–	–	8,251,020	
	390,433,176	108,514,770	8,251,020	94,000	(577,297)	506,715,669	
Company							
Dividend payable	8,345,820	(8,345,820)	8,251,020	–	–	8,251,020	

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.

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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:

	2019 RM	Group 2018 RM
Transactions with companies in which Directors of the Company has substantial financial interests		
- Transportation services rendered	5,024,790	4,017,300
- Sales of goods	1,990,596	2,654,621
- Purchase of goods	8,878,335	11,195,848
- Lease received/receivables	999,158	1,157,800
- Lease paid/payables	242,500	334,700
- Hotel accommodation paid	9,440	6,207
- Purchase of motor vehicle	—	286,761
- Other income	196,926	141,495
	17,341,745	19,794,732
Transactions with subsidiary companies		
- Dividend income	11,500,000	8,450,000
- Management fee income	5,759,000	7,101,000
- Interest income from financial liabilities at amortised cost	—	1,632,921
- Lease expenses	66,240	—
- Interest expenses	1,760	—
	17,327,000	17,183,921
Transactions with companies in which Directors of the Company has substantial financial interests		
- Lease paid/payables	36,600	31,350

(c) Compensation of key management personnel

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

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Salaries, fees and other emoluments	3,079,091	5,293,034	—	2,013,383
Defined contribution plans	374,591	596,449	—	206,187
	3,453,682	5,889,483	—	2,219,570

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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 2019 and 31 December 2018.

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.

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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 2019									
Revenue									
External customers	581,114	36,758,141	581,695,435	63,990,449	267,814,102	104,505,444	1,113,458	–	1,056,458,143
Inter-segment	17,259,705	6,535,958	5,943,886	184,175	64,821,613	32,211,447	5,523,456	(132,480,240)	–
Total revenue	17,840,819	43,294,099	587,639,321	64,174,624	332,635,715	136,716,891	6,636,914	(132,480,240)	1,056,458,143
Results									
Segment results	11,776,372	144,638	16,850,421	(5,459,355)	40,038,735	2,824,278	3,203,632	(27,992,356)	41,386,365
Interest income	–	(67,683)	(952,022)	(89)	(674,155)	(514,397)	(111,936)	1,068,286	(1,251,996)
Finance costs	(403,474)	(76,539)	(9,056,632)	(375,180)	(12,381,990)	(1,306,671)	(2,296,375)	1,214,625	(24,682,236)
Share of result of associates	–	–	–	–	–	–	–	7,471,031	7,471,031
Profit/(Loss) before tax	11,372,898	416	6,841,767	(5,834,624)	26,982,590	1,003,210	795,321	(18,238,414)	22,923,164
Taxation	(181,380)	(191,329)	(2,515,072)	323,170	(3,555,262)	(311,285)	(489,523)	(700,047)	(7,620,728)
Net profit/(loss) for the financial year	11,191,518	(190,913)	4,326,695	(5,511,454)	23,427,328	691,925	305,798	(18,938,461)	15,302,436
Assets									
Segment assets	499,170,734	40,817,358	486,975,695	66,376,946	619,458,852	187,370,907	141,936,796	(918,153,080)	1,123,954,208
Capital expenditure	109,529	2,798,308	196,834	2,672,596	37,951,170	83,944	11,542,853	(8,673,410)	46,681,824
Total assets	499,280,263	43,615,666	487,172,529	69,049,542	657,410,022	187,454,851	153,479,649	(926,826,490)	1,170,636,032
Total liabilities	158,284,732	30,256,688	292,086,706	30,734,621	536,051,838	115,259,211	146,294,426	(560,453,715)	748,514,507

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36. SEGMENT INFORMATION (CONT'D)

Group 2019	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
Other non-cash items		936	-	-	-	-	-	-	936
Amortisation of other investments	-	-	-	-	-	-	-	-	-
Depreciation of property, plant and equipment	502,477	1,652,259	1,767,186	2,691,850	19,598,940	4,270,154	419,917	(289,264)	30,613,519
Impairment on trade receivables	-	61,095	2,933,507	2,409,518	1,442,097	189,978	-	-	7,036,195
Impairment on other receivables	-	-	-	464,777	-	-	-	-	464,777
Impairment written down	-	170,000	-	-	-	-	-	-	170,000
Inventories written off	-	4,986	112,306	-	-	-	-	-	117,292
Bad debts written off	-	-	-	-	-	-	-	-	-
- Trade	-	-	584,004	-	-	-	-	-	584,004
Fair value adjustment on investment properties	-	-	(650,000)	-	-	(200,000)	-	200,000	(650,000)
Loss/(Gain) on disposal of property, plant and equipment	-	9,420	(77,284)	(330,408)	(107,177)	157,339	45,208	312,449	9,547
Loss on unrealised foreign exchange	-	-	-	-	88,747	-	-	-	88,747
Gain on disposal of assets held for sale	-	-	(780,000)	-	-	-	-	-	(780,000)
Gain on disposal of investment properties	-	-	190,000	-	-	(800,000)	-	-	(610,000)
Reversal of impairment on trade receivables	-	(48,144)	(612,734)	(135,044)	(627,815)	(27,477)	-	-	(1,451,214)

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36. SEGMENT INFORMATION (CONT'D)

Group 2018	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
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 tax	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

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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		987	-	-	-	-	-	-	987
Amortisation of other investments	-								
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 31 December 2019 (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	
	2019 RM	2018 RM	2019 RM	2018 RM
Group				
Malaysia	1,030,515,901	1,087,001,409	564,921,749	608,883,997
Singapore	25,942,242	18,415,630	3	653
	1,056,458,143	1,105,417,039	564,921,752	608,884,650

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

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

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

	At amortised Cost RM
Group 2019	
Financial Assets	
Trade receivables	355,710,585
Other receivables	14,994,061
Net investment in lease	78,156
Fixed deposits with licensed banks	20,448
Cash and bank balances	55,927,865
	<hr/> 426,731,115 <hr/>
Financial Liabilities	
Trade payables	140,955,703
Other payables	60,569,899
Amount due to Directors	15,854,652
Lease liabilities	5,430,072
Bank borrowings	513,753,396
	<hr/> 736,563,722 <hr/>
2018	
Financial Assets	
Trade receivables	337,919,656
Other receivables	25,125,475
Hire purchase receivables	326,483
Fixed deposits with licensed banks	19,193
Cash and bank balances	52,728,662
	<hr/> 416,119,469 <hr/>
Financial Liabilities	
Trade payables	136,016,810
Other payables	61,652,919
Amount due to Directors	4,650
Finance lease liabilities	976,540
Bank borrowings	520,429,519
	<hr/> 719,080,438 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

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

	At amortised Cost RM
Company	
2019	
Financial Assets	
Other receivables	2,515,324
Amounts due from subsidiary companies	146,685,946
Cash and bank balances	5,616,167
	<hr/>
	154,817,437
Financial Liabilities	
Other payables	5,528,271
Amounts due to a subsidiary company	136,288,525
Amount due to Directors	15,550,256
Lease liabilities	174,833
	<hr/>
	157,541,885
2018	
Financial Assets	
Other receivables	5,809,784
Amounts due from subsidiary companies	173,462,339
Cash and bank balances	8,482,177
	<hr/>
	187,754,300
Financial Liabilities	
Other payables	8,612,699
Amounts due to a subsidiary company	162,210,403
	<hr/>
	170,823,102

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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 Group's maximum exposure in this respect is RM513,753,396 (2018: RM520,429,519), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

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

(ii) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

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.

Group	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
2019						
Financial liabilities						
Trade payables	140,955,703	-	-	-	140,955,703	140,955,703
Other payables	60,615,015	-	-	-	60,615,015	60,615,015
Amount due to Directors	15,854,652	-	-	-	15,854,652	15,854,652
Lease liabilities	3,163,004	1,701,476	828,065	-	5,692,545	5,430,072
Bank borrowings	435,232,717	18,589,562	48,944,343	13,065,687	515,832,309	513,753,396
	655,821,091	20,291,038	49,772,408	13,065,687	738,950,224	736,608,838
2018						
Financial liabilities						
Trade payables	136,016,810	-	-	-	136,016,810	136,016,810
Other payables	61,758,859	-	-	-	61,758,859	61,758,859
Amount due to Directors	4,650	-	-	-	4,650	4,650
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
	624,026,699	22,902,362	46,013,863	31,578,019	724,520,944	719,186,378

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (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	Total contractual cash flows RM	Total carrying amount RM
Company 2019					
Financial liabilities					
Other payables	5,528,271	–	–	5,528,271	5,528,271
Amount due to subsidiary companies	53,320,427	42,300,509	42,300,509	137,921,445	136,288,525
Amount due to Directors	15,550,256	–	–	15,550,256	15,550,256
Lease Liabilities	108,000	71,500	–	179,500	174,833
	74,506,954	42,372,009	42,300,509	159,179,472	157,541,885
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

**NOTES TO THE
FINANCIAL STATEMENTS**
31 December 2019
(CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

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

(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"), Australian Dollar ("AUD") and Thai Baht ("THB").

	USD RM	SGD RM	Denominated in		AUD RM	THB RM	Total RM
			EUR RM	RMB RM			
2019							
Cash and bank balances	108,107	4,310,438	-	-	-	-	4,418,545
Trade receivables	5,342,846	16,669,663	-	93	147,153	-	22,159,755
Other receivables	-	-	-	32,708	-	-	32,708
Trade payables	(283,957)	(5,665,850)	-	-	-	(232,095)	(6,181,902)
Other payables	-	(231,904)	(28,479)	(14,316)	-	-	(274,699)
	5,166,996	15,082,347	(28,479)	18,485	147,153	(232,095)	20,154,407
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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (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, AUD and THB exchange rates against RM, with all other variables held constant.

Group	2019 Change in currency rate RM	Effect on profit before tax RM	2018 Change in currency rate RM	Effect on profit before tax RM
USD	Strengthened 10% Weakened 10%	516,700 (516,700)	Strengthened 10% Weakened 10%	60,919 (60,919)
SGD	Strengthened 10% Weakened 10%	1,508,235 (1,508,235)	Strengthened 10% Weakened 10%	1,035,810 (1,035,810)
EUR	Strengthened 10% Weakened 10%	(2,848) 2,848	Strengthened 10% Weakened 10%	(95,788) 95,788
RMB	Strengthened 10% Weakened 10%	1,849 (1,849)	Strengthened 10% Weakened 10%	(490) 490
AUD	Strengthened 10% Weakened 10%	14,715 (14,715)	Strengthened 10% Weakened 10%	— —
THB	Strengthened 10% Weakened 10%	(23,210) 23,210	Strengthened 10% Weakened 10%	(54,506) 54,506

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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:

	2019 RM	Group 2018 RM
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	20,448	19,193
Financial liability		
Finance lease liabilities	—	976,540
Lease liabilities		5,430,072
Floating rate instruments		
Financial liability		
Bank borrowings	513,753,396	520,429,519

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(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 (Cont'd)

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 RM5,137,534 (2018: RM5,204,295), 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			Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	
Group				
2019				
Lease liabilities	—	2,364,711	—	2,358,093
Company				
2019				
Lease liabilities	—	70,653	—	70,653

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

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

(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.

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Total loan and borrowings	513,753,396	521,406,059	—	—
Less: Fixed deposits with licensed banks	(20,448)	(19,193)	—	—
Less: Cash and bank balances	(55,927,865)	(52,728,662)	(5,616,167)	(8,482,177)
Net debts/(cash)	457,805,083	468,658,204	(5,616,167)	(8,482,177)
Total equity	422,916,891	415,765,749	328,838,344	328,460,794
Gearing ratio (times)	1.08	1.13	#	#

The gearing ratio is not applicable as the Company does not has any loan and borrowings as at 31 December 2019 and 31 December 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
(CONT'D)

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.

	2019 RM	Group 2018 RM
Authorised and contracted for: Property, plant and equipment	4,034,346	9,127,591

40. OPERATING LEASE COMMITMENTS

Operating lease commitments – as lessee

At the end of the previous financial year, the future minimum lease payments under non-cancellable operating leases are:

	Group 2018 RM
Within one year	1,275,200
Later than one year but not later than five years	596,200
Later than five years	219,000
	2,090,400

The 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.

41. FINANCIAL GUARANTEES

	2019 RM	Group 2018 RM
Unsecured		
Corporate guarantees given to the licensed banks for credit facility granted to related companies	525,935,543	1,080,775,700
Bank Guarantee issued to third parties	4,120,052	–

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019 (CONT'D)

42. SUBSEQUENT EVENTS

- (a) On 5 February 2020, Solarvest Energy Sdn. Bhd. an associate of the Company, had in Taiwan, incorporated a new subsidiary company with the name "Solarvest (Taiwan) Corporate Limited" ("STCL") with the registered share capital of TWD1,000,000 (equivalent to RM136,858) only represented by 100,000 ordinary shares in STCL.
- (b) On 12 February 2020, Solarvest Asset Management Sdn. Bhd. ("SAMSB") an associate of the Company had increased its paid-up capital from RM100 to RM2,000,000. Solarvest Holdings Berhad ("Solarvest") has subscribed for an additional 1,999,900 shares in SAMSB. Consequently, SAMSB is remained as a wholly owned subsidiary of Solarvest.
- (c) On 4 June 2020, the Group and the Company disposed 20 million shares of Solarvest for a total cash consideration of RM24 million via off-market deal. Subsequently, the Company's shareholding reduced from 33.6% to 28.5%.
- (d) The Directors of the Group and the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Group and of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

43. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of Directors on 16 June 2020.

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 2019
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	52,380,326
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 and Factory Building Existing use: Factory	Category of land use: Industrial Land area: 83,190.5m ² Built-up area: 17,554m ²	31/12/2019	5	33,409,860
3	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: #* Existing use: Tenanted	Category of land use: Industry Land area: 10,595m ² Built-up area: #	31/12/2019	6	7,022,020
4	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: 6,413m ²	N/A	1	6,858,437
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	Description of property: #* Existing use: Tenanted	Category of land use: Industry Land area: 9,291m ² Built-up area: #	31/12/2019	6	6,157,771
6	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	3	5,476,468
7	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	Description of property: #* Existing use: Tenanted	Category of land use: Industry Land area: 8,150m ² Built-up area: #	31/12/2019	6	5,401,554

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 2019
8	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	2	4,519,212
9	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: #* Existing use: Tenanted	Category of land use: Industry Land area: 4,895m ² Built-up area: #	31/12/2019	6	3,244,246
10	PN 46794, Lot 30118, No. Bangunan M1-B, No. Tingkat 1, No. Petak 47, Mukim Setapak, Negeri Wilayah Persekutuan Kuala Lumpur.	No. 15-0, No. 15-1, No. 15-2; and No. 15-3, Blok B, Platinum Walk, No. 2, Jalan Langkawi, Danau Kota 53300 Setapak, Kuala Lumpur	Leasehold 99 years expiring 20 November 2106	Description of property: Four Storey Shophouse Unit Existing use: Partly Tenanted By Third Parties and Partly Vacant	Category of land use: Building Land area: 112.5m ² Built-up area: 450m ²	31/12/2019	13	3,100,000

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 m² across these four(4) parcels of contiguous industrial land.

#* 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

STATISTICS OF SHAREHOLDINGS AS AT 29 MAY 2020

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 MAY 2020

	No. of holders	% of shareholders	No. of holdings	% of shares
1 – 99	9	0.44	149	0.00
100 – 1,000	294	14.36	199,201	0.04
1,001 – 10,000	1,084	52.96	5,890,300	1.08
10,001 – 100,000	505	24.67	17,231,350	3.15
100,001 to less than 5% of issued shares	150	7.33	275,780,100	50.45
5% and above of issued shares	5	0.24	247,506,900	45.28
	2,047	100.00	546,608,000^(a)	100.00

(a) Excluding a total of 9,780,000 shares bought-back by the Company and retained as treasury shares as at 29 May 2020.

SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2020

	Direct	%	Indirect	%
1 Divine Inventions Sdn. Bhd.	219,207,100	40.10	–	–
2 PP Chin Hin Realty Sdn. Bhd.	–	–	219,207,100 ^(a)	40.10
3 Datuk Seri Chiau Beng Teik	133,297,900	24.39	219,207,100 ^(a)	40.10
4 Datin Seri Wong Mee Leng	–	–	219,207,100 ^(a)	40.10
5 Chiau Haw Choon	10,750,000	1.97	219,207,100 ^(a)	40.10

(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 MAY 2020

	Direct	%	Indirect	%
1 Datuk Seri Dr Nik Norzrul Thani				
Bin Nik Hassan Thani	100,000	0.02	–	–
2 Datuk Seri Chiau Beng Teik	133,297,900	24.39	219,207,100 ^(a)	40.10
3 Chiau Haw Choon	10,750,000	1.97	219,207,100 ^(a)	40.10
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 AS AT 29 MAY 2020 (CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020)

		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	17.38
2.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR DIVINE INVENTIONS SDN BHD (SMART)	42,000,000	7.68
3.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD	41,399,700	7.57
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	39,007,200	7.12
5.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHIAU BENG TEIK (SMART)	30,100,000	5.51
6.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD (MGN-CBT0006M)	23,432,800	4.30
7.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	20,224,000	3.70
8.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	16,584,600	3.03
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DATO' ONG CHOO MENG (PBCL-0G0817)	16,100,000	2.95
10.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD (M&A)	12,374,600	2.26
11.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK CHIAU BENG TEIK (MGN-CBT0006M)	11,382,100	2.08
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK (514440532080)	10,000,000	1.83
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD	9,281,000	1.70
14.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	9,063,900	1.66
15.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	8,100,000	1.48
16.	MOHD SALLEH BIN HASHIM	6,600,000	1.21
17.	YAYASAN GURU TUN HUSSEIN ONN	5,966,000	1.09
18.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIAU HAW CHOON	5,900,000	1.08
19.	T7 GLOBAL BERHAD	5,630,000	1.03
20.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK (MY2975)	5,000,000	0.92

STATISTICS OF SHAREHOLDINGS AS AT 29 MAY 2020 (CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020) (Cont'd)

		No. of shares	% of shares
21.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DIVINE INVENTIONS SDN BHD	5,000,000	0.92
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHIAU HAW CHOON (SMART)	4,850,000	0.89
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	4,829,100	0.88
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	4,654,700	0.85
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEH CHUAN SENG (7001511)	4,324,800	0.79
26.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LIM KIAN HIN (SMART)	4,295,700	0.79
27.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEH CHUAN SENG (PNG)	4,000,000	0.73
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	3,965,100	0.73
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUM ANG KIA (DATO')	3,900,000	0.71
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHE HALIN BIN MOHD HASHIM (7002939)	3,341,500	0.61
TOTAL		456,306,800	83.48

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) 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 Wednesday, 15 July 2020 at 10.00 a.m. for the purpose of transacting the following businesses:

(In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our Annual General Meeting at short notice. Kindly visit Bursa Malaysia Securities Berhad’s website and Company’s website at www.chinhingroup.com for the latest updates on the status of the said meeting.)

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 2020 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 15 July 2020 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 of the Company’s Constitution:
 - (a) Chiau Haw Choon (Ordinary Resolution 2)
 - (b) Datuk Cheng Lai Hock (Ordinary Resolution 3)
4. To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 4)

As Special Business:

To consider and, if thought fit, to pass the following resolutions:

5. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** (Ordinary Resolution 5)

THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 (“the Act”), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) on 16 April 2020 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 20 % 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 Securities for the listing and quotation of the additional shares so issued.

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to its letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **Proposed 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 16 June 2020 for the purposes of Paragraph 10.09, Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), subject to the following:

- (i) the transactions are necessary for the day to day operations of the Company's subsidiary in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;
- (ii) the mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

- (iii) disclosure is made in the annual report of the Company of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholder's mandate is in force, where:
 - (a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1.0 million; or
 - (b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the higher;

and amongst other, based on the following information:

- (a) the type of the Recurrent Related Party Transactions made; and
- (b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationships with Chin Hin Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

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 16 June 2020.

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 / SSM PC No. 201908002253)
Thien Lee Mee (LS 0009760 / SSM PC No. 201908002254)
Company Secretaries

Kuala Lumpur
Date: 16 June 2020

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 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya Selangor, Malaysia 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 8 July 2020 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 resolutions set out above will be put to vote by way of poll.

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the Annual General Meeting ("AGM") are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

- (a) Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the AGM in person.
- (b) Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the AGM on their behalf by submitting the proxy form with predetermined voting instruction.
- (c) Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the AGM in person.
- (d) Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the AGM in person.
- (e) In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the AGM in person.
- (f) Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the AGM in person.
- (g) Members or proxies are advised to observe/maintain social distancing throughout the AGM.
- (h) NO door gift will be provided to the Members or proxies.
- (i) NO refreshment will be served at the Meeting venue.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES :

1. Audited Financial Statements for the Financial Year Ended 31 December 2019

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 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 15 July 2020 until the next Annual General Meeting for the Company.

3. Ordinary Resolution 5 : Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

Bursa Malaysia Securities Berhad has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("Extended Utilisation Period") and thereafter, the 10% general mandate will be reinstated.

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 20% 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.

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Companies Act, 2016 from its shareholders at the forthcoming (6th) AGM of the Company.

The 20% 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.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

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 Fifth (5th) Annual General Meeting held on 17 June 2019 and which will lapse at the conclusion of the Sixth (6th) Annual General Meeting. A renewal of this General Mandate is being sought at the Sixth (6th) Annual General Meeting under the proposed Ordinary Resolution 5.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

4. Ordinary Resolution 6 : Proposed 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 empower 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.



CHIN HIN GROUP BERHAD
Company Registration No. 201401021421 (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 Sixth (6th) 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 Wednesday, 15 July 2020 at 10.00 a.m. and at any adjournment thereof.

(In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our Annual General Meeting at short notice. Kindly visit Bursa Malaysia Securities Berhad's website and Company's website at www.chinhingroup.com for the latest updates on the status of the said meeting.)

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees and other benefits payable.	Ordinary Resolution 1		
2.	To re-elect Chiau Haw Choon as Director.	Ordinary Resolution 2		
3.	To re-elect Datuk Cheng Lai Hock 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 _____, 2020.

Signature : _____

(If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy

No. of Shares:

Percentage : %

Second Proxy

No. of Shares:

Percentage : %

NOTES ON APPOINTMENT OF PROXY

- 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.
- 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.
- 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.
- 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.
- The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya Selangor, Malaysia 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.
- 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 8 July 2020 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.
- 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.



COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the Annual General Meeting ("AGM") are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

- (a) Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the AGM in person.
- (b) Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the AGM on their behalf by submitting the proxy form with predetermined voting instruction.
- (c) Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the AGM in person.
- (d) Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the AGM in person.
- (e) In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the AGM in person.
- (f) Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the AGM in person.
- (g) Members or proxies are advised to observe/maintain social distancing throughout the AGM.
- (h) NO door gift will be provided to the Members or proxies.
- (i) NO refreshment will be served at the Meeting venue.

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Stamp

**THE SHARE REGISTRAR OF
CHIN HIN GROUP BERHAD
COMPANY REGISTRATION NO. 201401021421 (1097507-W)**
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya, Selangor
Malaysia

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CHIN GROUP GROUP BERHAD 201401021421 (1097507-W)

WWW.CHINHINGROUP.com

Chin Hin Group Berhad 201401021421 (1097507-W)

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