

SINO HUA-AN INTERNATIONAL BHD

ANNUAL REPORT 2007

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A N N U A L R E P O R T



SINO HUA-AN INTERNATIONAL BERHAD

(732227-T)



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NOTICE OF THE SECOND ANNUAL GENERAL MEETING



SINO HUA-AN INTERNATIONAL BERHAD

(Company No. 732227-T)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at the Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 30 June 2008 at 2:00 p.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the declaration of the Final Dividend of 4.55% tax exempt for the financial year ended 31 December 2007. (Resolution 2)
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2007. (Resolution 3)
4. To re-elect the following Directors who retire pursuant to Article 101 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
 - (a) Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (Resolution 4)
 - (b) Liu GuoDong (Resolution 5)
 - (c) Abdul Kadir Md Kassim (Resolution 6)
 - (d) Cedric Choo Sia Teik (Resolution 7)
 - (e) Zhu QingHua (Resolution 8)
 - (f) Lim See Tow (Resolution 9)
5. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 :- (Resolution 10)

"That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid who is over the age of 70 years, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."
6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 11)

A Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy which is annexed hereto and marked as "Annexure A", has been received by the Company for the nomination of Messrs. Anuarul Azizan Chew & Co. (an independent member of Morison International), who has given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

"That Messrs. Anuarul Azizan Chew & Co. (an independent member of Morison International), be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs. Deloitte & Touche to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

NOTICE OF THE SECOND ANNUAL GENERAL MEETING

7. As Special Business

To consider and if thought fit, with or without any modification, to pass the following resolutions as Ordinary Resolutions and Special Resolution:-

ORDINARY RESOLUTION 1

(Resolution 12)

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

“**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons 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 ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

ORDINARY RESOLUTION 2

(Resolution 13)

- PROPOSED RATIFICATION AND PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“**THAT** all the recurrent related party transactions of a revenue or trading nature entered into prior to the date of this resolution by the Company and its subsidiaries (“Hua-An Group”) as stated in Section 2.1.1 of the Circular to Shareholders dated 6 June 2008, which is necessary for its day-to-day operations, be and are hereby approved and ratified on the basis that these transactions are entered into on terms which are not more favorable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the “Proposed Ratification”);

THAT approval be and is hereby given to Hua-An Group to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature and with the Related Parties as stated in Section 2.1.1 of the Circular to Shareholders dated 6 June 2008, which are necessary for its day-to-day operations, to be entered into by the Hua-An Group on the basis that this transaction is entered into on terms which are not more favorable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the “Proposed Shareholders’ Mandate”);

THAT the Proposed Shareholders’ Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Shareholders’ Mandate, shall only continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company following the general meeting at which the Proposed Shareholders’ Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or
- (b) the expiration of the period within which the annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting;



NOTICE OF THE SECOND ANNUAL GENERAL MEETING

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Ratification and the Proposed Shareholders' Mandate."

ORDINARY RESOLUTION 3

(Resolution 14)

- PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SINO HUA-AN INTERNATIONAL BERHAD

"**THAT** subject always to the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised, to the extent permitted by the law, to buy-back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:-

- i) The aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up share capital of the Company at any point in time;
- ii) The maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or share premium of the Company; and
- iii) The shares purchased are to be treated in either of the following manner:
 - (a) cancel the purchased ordinary shares; or
 - (b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Securities; or
 - (c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder

THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

- i) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii) the expiration of the period within which the next AGM is required by law to be held; or
- iii) revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting of the Company,

whichever occurs first;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back 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 with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities."

NOTICE OF THE SECOND ANNUAL GENERAL MEETING

SPECIAL RESOLUTION 1

(Resolution 15)

- PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

“**THAT** the proposed amendments to the Company’s Articles of Association as set out in Appendix ‘A’ of the Annual Report, be and are hereby approved and **THAT** the Directors and Secretaries be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments of the Company’s Articles of Association.”

8. To transact any other ordinary business of which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the Final Dividend of 4.55% tax exempt in respect of financial year ended 31 December 2007 will be payable on 13 August 2008 to depositors who are registered in the Record of Depositors at the close of business on 15 July 2008, if approved by shareholders at the forthcoming Second Annual General Meeting on Monday, 30 June 2008.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor’s Securities Account before 4:00 p.m. on 13 August 2008 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)

TAN AI NING (MAICSA 7015852)

Joint Company Secretaries

Kuala Lumpur

6 June 2008



NOTICE OF THE SECOND ANNUAL GENERAL MEETING

EXPLANATORY NOTE TO SPECIAL BUSINESS:-

1. Authority pursuant to Section 132D of the Companies Act, 1965

The proposed adoption of the Ordinary Resolution 1 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time at their absolute discretion without convening a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

2. Proposed Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

Please refer to Circular to Shareholders dated 6 June 2008 in relation to the Proposed Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.

3. Proposed Share Buy-Back of up to 10% of the issued and paid-up share capital of Sino Hua-An International Berhad

Please refer to Circular to Shareholders dated 6 June 2008 in relation to the Proposed Share Buy-Back of up to 10% of the issued and paid-up share capital of Sino Hua-An International Berhad.

4. Proposed Amendments to Articles of Association

Please refer to Circular to Shareholders dated 6 June 2008 in relation to the Proposed Amendments to Articles of Association.

Notes:

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 20 June 2008 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting. A proxy may but need not be a member of the Company and the provision of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.*
5. *To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of authority, must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.*

NOTICE OF THE SECOND ANNUAL GENERAL MEETING

Statement Accompanying Notice of Annual General Meeting Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of Directors Standing for Re-Election pursuant to Article 101 of the Company's Articles of Association

Directors who are standing for re-election at the Second Annual General Meeting of the Company pursuant to Article 101 of the Company's Articles of Association are as follows:-

- (a) Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar
- (b) Liu Guodong
- (c) Abdul Kadir Md Kassim
- (d) Cedric Choo Sia Teik
- (e) Zhu Qinghua
- (f) Lim See Tow

2. Details of Director Standing for Re-Appointment pursuant to Section 129(6) of the Companies Act, 1965

Director standing for re-appointment pursuant to Section 129(6) of the Companies Act, 1965 is as follows:-

- (a) Y. Bhg. Dato' Mohd. Shahr Bin Abdul Hamid

3. Retirement of Directors pursuant to Article 97 of the Company's Articles of Association

Encik Jaleeludeen Bin Abu Baker and Mr. Zhang Tianran, the Executive Directors of the Company, who had served notice to the Company of their intention of not to seek for re-election to the Board of Directors, will be retiring at the forthcoming Second Annual General Meeting of the Company.

4. The details of the above Directors standing for re-election/re-appointment are set out in their respective profiles which appear on pages 29 to 32 of the Company's 2007 Annual Report. Their holdings in securities of the Company are set out in the Analysis of Shareholdings on page 86 of the Company's 2007 Annual Report.



ANNEXURE “A”

Liu GuoDong
Rm 46H, Tower 2
The Belcher's
89 Pok Fu Lam Road
Hong Kong

19 May 2008

The Board of Directors
Sino Hua-An International Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172 (11) of the Companies Act, 1965, I, being a shareholder of Sino Hua-An International Berhad (“the Company”), hereby given notice of my intention to nominate Messrs. Anuarul Azizan Chew & Co. (an independent member of Morison International) for appointment as Auditors of the Company to replace Messrs. Deloitte & Touche and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company.

“That Messrs. Anuarul Azizan Chew & Co. (an independent member of Morison International) be and are hereby appointed as Auditors of the Company in place of Messrs. Deloitte & Touche to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully,

LIU GUODONG

APPENDIX “A”

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
2	“Approved Market Place” means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption (No.2) Order, 1998.	2	Deleted.	Pursuant to the deletion of the definition of “Approved Market Place” in Paragraph 1.01 of the Listing Requirements.
2	“Securities” means shares, debentures, stocks or bonds issued or proposed to be issued and includes any right, option or interest in respect thereof.	2	“Securities” means shares, debentures, stocks or bonds issued or proposed to be issued and includes any right, option or interest in respect thereof which shall have the meaning given in section 2 of the Capital Markets and Services Act 2007.	Pursuant to Paragraph 1.01 of the Listing Requirements.
33	Subject to the Rules and Listing Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least twelve (12) clear Market Days after the date of announcement to the Exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Depository to prepare the appropriate Record of Depositors.	33	Subject to the Rules and Listing Requirements, the registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be closed for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended closure and the purposes thereof, which notice shall be at least ten (10) clear Market Days after the date of announcement to the Exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Depository to prepare the appropriate Record of Depositors.	Pursuant to Paragraph 9.19(1) of the Listing Requirements.
41	(i) Where (a) the Securities of the Company are listed on an Approved Market Place; and (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998, as the case may be, under the Rules in respect of such Securities,	41	(i) Where (a) the Securities of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998, as the case may be, under the Rules in respect of such Securities;	Pursuant to Paragraph 7.14 of the Listing Requirements and the deletion of Paragraph 7.14(2) of the Listing Requirements.

APPENDIX “A”

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
	<p>the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the Registrar of the Company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of the Securities.</p> <p>(ii) For the avoidance of doubt, no transmission of Securities from the Malaysian Register into the Foreign Register shall be allowed by the Company despite the fulfilment of Articles 41(i)(a) and (b).</p>		<p>the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of the Securities.</p> <p>(ii) Deleted</p>	
64	<p>(a) The Company shall in every calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and not more than fifteen (15) months after the holding of the last preceding annual general meeting, but so long as the Company holds its first annual general meeting within eighteen (18) months of its incorporation, it need not hold it in the year of its incorporation or in the following year.</p> <p>(b) Meetings of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meetings shall be called extraordinary general meetings. All general meetings shall be held at such time and place as the Directors shall determine. Every notice convening a general meeting shall contain sufficient information to enable a member to decide whether to attend the meeting and any other information as required by the Listing Requirements. Every notice convening a meeting for passing a Special Resolution shall state the intention to propose such resolution as a Special Resolution.</p>	64	<p>(a) The Company shall in every calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and not more than fifteen (15) months after the holding of the last preceding annual general meeting, but so long as the Company holds its first annual general meeting within eighteen (18) months of its incorporation, it need not hold it in the year of its incorporation or in the following year.</p> <p>(b) Meetings of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meetings shall be called extraordinary general meetings. The Company shall hold all General Meetings within Malaysia and such General Meetings within Malaysia at more than one venue using any technology that allows all members a reasonable opportunity to participate and such general meetings shall be held at such time and place as the Directors shall determine. Every notice convening a general meeting shall contain sufficient information to enable a member to decide whether to attend the meeting and any other information as required by the Listing Requirements. Every notice convening a meeting for passing a Special Resolution shall state the intention to propose such resolution as a Special Resolution.</p>	Pursuant to Section 145A of the Companies (Amendment) Act, 2007.

APPENDIX “A”

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
107	<p>The office of a director shall become vacant if the director during his term of office:</p> <p>(a) becomes bankrupt or makes any arrangement or composition with his creditors generally;</p> <p>(b) becomes prohibited from being a director by reason of any order made under the Act or contravenes Section 130 of the Act;</p> <p>(c) ceases to be or is prohibited from being a Director by virtue of the Act;</p> <p>(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</p> <p>(e) resigns his office by notice in writing to the Company and deposited at the Office of the Company;</p> <p>(f) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;</p> <p>(g) is not re-appointed as a Director, at the conclusion of the annual general meeting commencing next after he attains the age of seventy (70) years, to hold office until the next annual general meeting of the Company.</p>	107	<p>The office of Directors shall become vacant if the Director:-</p> <p>(a) becomes bankrupt or makes any arrangement or composition with his creditors generally;</p> <p>(b) becomes prohibited from being a director by reason of any order made under the Act or contravenes Section 130 of the Act;</p> <p>(c) ceases to be or is prohibited from being a Director by virtue of the Act;</p> <p>(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</p> <p>(e) resigns his office by notice in writing to the Company and deposited at the Office of the Company;</p> <p>(f) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;</p> <p>(g) is not re-appointed as a Director, at the conclusion of the Annual General Meeting commencing next after he attains the age of seventy (70) years, to hold office until the next Annual General Meeting of the Company.</p> <p>(h) if he is convicted by a court of law, whether within Malaysia or elsewhere, in relation to the offences set out in Article 107A.</p>	Pursuant to Paragraphs 7.29 and 15.05(3) of the Listing Requirements.
-	-	107A	<p>No person shall be appointed or allowed to act as a Director or to be involved whether directly or indirectly in the management of the Company, including acting in an advisory capacity in relation to the Company, if he:-</p> <p>(a) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a company;</p> <p>(b) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or</p>	Pursuant to Paragraphs 15.05(1) and 15.05(2) of the Listing Requirements.

APPENDIX “A”

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
			<p>(c) has been convicted by a court of law of an offence under the securities laws or the Act,</p> <p>within a period of five years (or such period as shall be prescribed by the Bursa Securities) from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be.</p> <p>For the purpose of this Article, “securities laws” means the Capital Markets and Services Act 2007, the Central Depositories Act, the Securities Commission Act 1993 and the Futures Industry Act 1993 or such other prevailing laws or regulations of the relevant authorities.</p>	
127	<p>A Director shall not vote in respect of any contract or proposed contract or arrangement in which he is interested, directly or indirectly, and if he does so vote, his vote shall not be counted. Subject to Article 128, he shall not be counted in the quorum present at any meeting, but neither of these prohibitions shall apply to:-</p> <p>(i) any arrangement for giving the Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or</p> <p>(ii) any contract or proposed contract which relates to any loan to the Company or any of its subsidiaries or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or</p> <p>(iii) Any contract or proposed contract or arrangement with any other corporation in which he is interested only as a holder of shares or Securities or as creditor and such interest is not material ; or</p> <p>(iv) any contract or proposed contract which has been or will be made with or for the benefit of or on behalf of a corporation (as defined in the Act) which by virtue of Section 6 of the Act is deemed to be related to the Company- that he is a director of that corporation.</p>	127	<p>A Director shall not vote in respect of any contract or proposed contract or arrangement in which he is interested, directly or indirectly, and if he does so vote, his vote shall not be counted. However he shall be counted only to make the quorum at the board meeting and shall not participate in any discussion while the contract or proposed contract is being considered at the board meeting and shall not vote on the contract or proposed contract, but neither of these prohibitions shall apply to:-</p> <p>(i) any arrangement for giving the Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or</p> <p>(ii) any contract or proposed contract which relates to any loan to the Company or any of its subsidiaries or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or</p> <p>(iii) Any contract or proposed contract or arrangement with any other corporation in which he is interested only as a holder of shares or Securities or as creditor and such interest is not material ; or</p>	Pursuant to Section 131A of the Companies (Amendment) Act, 2007.

APPENDIX “A”

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
			<p>(iv) any contract or proposed contract which has been or will be made with or for the benefit of or on behalf of a corporation (as defined in the Act) which by virtue of Section 6 of the Act is deemed to be related to the Company- that he is a director of that corporation; or</p> <p>(v) Any contract or proposed indemnity or proposed contract indemnity against any loss which any director may suffer by reason of becoming or being a surety for a company; or</p> <p>(vi) Any contract or proposed contract entered into or to be entered into by the Company or its subsidiary with another company in which the interest of the directors consist solely of –</p> <p>(i) in him being a director of the company and the holder of shares not more than the number or value as is required to qualify him for the appointment as a director; or</p> <p>(ii) in him having an interest in not more than five per centum of its paid-up capital.</p>	

APPENDIX “A”

Article No.	Existing Articles	Article No.	Proposed Amendments to Articles	Rationale
149	<p>(i) The Directors shall from time to time in accordance with the provisions of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are required under the Act. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports to the Exchange shall not exceed four (4) months or such period as may be prescribed by the Listing Requirements.</p> <p>(ii) A copy of every balance sheet and profit and loss account which is laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the auditors' report relating thereto and of the Directors' report shall not more than six (6) months after the close of the financial year and not less than twenty-one (21) days before the date of the meeting, be sent to every member of, every holder of debenture of, and trustees for every debenture holders of, the Company and to every other person who is entitled to receive notice of general meetings from the Company under the provisions of the Act, or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s): Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's registered office.</p>	149	<p>(i) The Directors shall from time to time in accordance with the provisions of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are required under the Act. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports to the Exchange shall not exceed four (4) months or such period as may be prescribed by the Listing Requirements.</p> <p>(ii) A copy of every balance sheet and profit and loss account which is laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the auditors' report relating thereto and of the Directors' report shall not more than six (6) months after the close of the financial year and not less than twenty-one (21) days before the date of the meeting, be sent to every member of, every holder of debenture of, and trustees for every debenture holders of, the Company and to every other person who is entitled to receive notice of general meetings from the Company under the provisions of the Act, or of these Articles in printed format or in CD-ROM or DVD-ROM format or such other format. In the event that the Annual Report is sent in CD-ROM or DVD-ROM format or such other format and a Member requires a printed format of such documents, the Company shall send such documents to the Members within four (4) market days from the date of receipt of the Members' request. The requisite number of copies of each such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s): Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's registered office.</p>	Pursuant to Paragraph 9.23A of the Listing Requirements.



STATEMENT ON CORPORATE GOVERNANCE

The Sino Hua-An International Berhad Group (“the Group”) fully supports effective Corporate Governance and the development of best practices in its pursuit of business integrity and professionalism.

The Board of Directors (“Board”) of the Group regard Corporate Governance as vitally important to the success of the Group’s business and are committed to applying the principles necessary to ensure that the following principles of good governance is practiced in all of its business dealings in respect of its shareholders and relevant stakeholders:-

- The Board is the focal point of the Group’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Group.
- All Board members are expected to act in a professional, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible to the Group for achieving a high level of good governance.

THE BOARD

The Group is controlled and led by a Board which is primarily entrusted with the responsibility of charting the direction of the Group. In addition, the Board oversees the conduct of the Group businesses and establishes and maintains an adequate system of internal controls. Due to limitations inherent to any system of internal controls, the Board focused primarily on the mitigation of any foreseeable or potential risks facing the Group.

To ensure that the Group is managed effectively, the Board meets regularly, with a formal schedule of matters reserved for its deliberation. The Board collectively deliberates, reviews and considers all corporate proposals prior to implementation. Corporate proposals are put to vote after thorough deliberation. In the event of an equality of votes for or against any particular proposal, the Chairman of the meeting shall have a second or casting vote, except when only two Directors are competent to vote on the proposal. In this respect, no individual or group of individuals dominates the Board’s decision making.

In the management and day-to-day operations of the Group, the Board, through the Managing Director, is fully assisted by the Management. The Board outlines the policies and objectives of the Group, which are carried out by the Management through the supervision of the Executive Chairman/Managing Director.

BOARD BALANCE

The Board members comprise one (1) Executive Chairman, one (1) Managing Director, four (4) Executive Directors and three (3) Independent Non-Executive Directors.

The profiles of individual Directors are set out on Pages 29 to 32 of the Annual Report.

The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group business activities, but also the importance of independence in decision-making at the Board level.

There is also balance in the Board because of the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in the Board’s decision making process. All the Non-Executive Directors are independent of the management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. They have the capability to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its businesses.

In discharging its duties, the Board met a total of six (6) times during the financial year ended 31 December 2007.

STATEMENT ON CORPORATE GOVERNANCE

The record of attendance at the meetings of the Board of Directors for the financial year ended 31 December 2007 is as follows:-

Directors	Date Of Appointment	No. Of Board Meetings Attended	Percentage (%)
Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar (Chairman)	21-3-2007	6/6	100
Liu Guodong	21-3-2007	6/6	100
Cedric Choo Sia Teik	21-3-2007	6/6	100
Jaleeludeen Bin Abu Baker	21-3-2007	6/6	100
Zhu Qinghua	21-3-2007	4/6	67
Zhang Tianran	25-3-2007	3/6	50
Y. Bhg. Dato' Shahar Bin Abdul Hamid	21-3-2007	5/6	83
Abdul Kadir Bin Kassim	21-3-2007	4/6	67
Lee Liang Ping ⁽¹⁾	22-3-2007	3/6	50
Lim See Tow	18-1-2008	N/A	N/A

Note:-

⁽¹⁾ Resigned on 5 November 2007

DIRECTORS' TRAINING

All the members of the Board have attended the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analyst Malaysia (RIIAM), the training arm of Bursa Malaysia Securities Berhad.

Moving forward, the Directors will continue to undergo relevant training programmes to further enhance their skills, knowledge and experience in order to fulfill their duties as Directors.

Trainings on the Revised Code of Corporate Governance and the Companies Act, 1965 amendments were given by the Company Secretary to all Directors to facilitate knowledge enhancement in the areas of the Code of Corporate Governance and relevant compliance areas.

RE-ELECTION/ RE-APPOINTMENT OF DIRECTORS

The Articles of Association provide that all Directors who are appointed by the Board during a financial year are subject to retirement at the following Annual General Meeting. The Articles also provide that at least one-third or the number nearest to one-third shall retire from office once at least in every three years. In accordance with the Company's Articles of Association, all Directors are due to retire at this forthcoming Annual General Meeting and being eligible would be standing for re-election.

Meanwhile, Dato' Mohd. Shahar Bin Abdul Hamid, a Director who is over the age of 70 years will be retiring at the forthcoming Annual General Meeting pursuant to Section 129(2) of the Companies Act, 1965 and is seeking re-appointment.

INFORMATION AND EXTERNAL ADVICE

The Board is provided with comprehensive board papers on a timely basis prior to board meetings. This is to ensure and to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. All members of the Board have access to the advice and services of the Company Secretary. The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Malaysia Securities Berhad.

Directors are also empowered to seek such external independent professional advice as they may require, at the expense of the Group, to enable them to make well-informed decisions.



STATEMENT ON CORPORATE GOVERNANCE

RESPONSIBILITY AND ACCOUNTABILITY

The Directors confirm that the financial statements continue to be prepared on the going concern basis and are satisfied that the Group will continue to secure adequate resources at the time of approving the financial statements, to continue in business for the foreseeable future.

The Directors are fully aware that they have the overall and ultimate responsibility for the Group's system of internal controls. The Board also maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. However, such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is committed to the identification of risk factors throughout the Group. The Board is well informed on areas where there are significant business risks or exposure as well as the consistency of its risk measurement, monitoring and management.

AUDIT COMMITTEE

The membership and Terms of Reference of the Committee is as stated on pages 33 to 37 of this Annual Report. A summary of the activities of the Audit Committee during the year, including an evaluation of the independent audit process, is set out in the Audit Committee Report on page 37.

The Committee met a total of three (3) times during the financial year ended 31 December 2007.

The External Auditors have direct access to the Chairman and members of the Committee without the presence of the Executive Directors for independent discussions.

NOMINATION AND REMUNERATION COMMITTEES

The Nomination and Remuneration Committee comprises the following members:-

- (i) Abdul Kadir Bin Kassim
Independent Non-Executive Director
- (ii) Dato' Mohd. Shahar Bin Abdul Hamid
Independent Non-Executive Director
- (iii) Lee Liang Ping ⁽¹⁾
Independent Non-Executive Director
- (iv) Lim See Tow ⁽²⁾
Independent Non-Executive Director

Note:-

⁽¹⁾ Resigned on 5 November 2007

⁽²⁾ Appointed on 18 January 2008

The Nomination Committee is empowered by the Board and its terms of reference to bring up to the Board recommendations as to the appointment of new Directors. The Remuneration Committee is responsible for determining the level and make up of Directors' remuneration to ensure that the Group attracts and retains Directors of the necessary caliber, experience and quality needed to run the Group successfully.

The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning.

STATEMENT ON CORPORATE GOVERNANCE

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:-

Category	Fees RM'000	Salary & Other Emoluments RM'000	Benefit in Kind RM'000	Allowances RM'000
Non-Executive Directors	68	–	–	14
Executive Directors	–	1,185	–	–

The number of Directors of the Company whose total remuneration during the financial year under review that fall within the following bands are as follows:-

Executive Directors	Number
Below RM50,000	–
RM50,001 – RM100,000	–
RM100,001 – RM150,000	–
RM150,001 – RM200,000	4
RM200,001 – RM250,000	–
RM250,001 – RM300,000	1
RM300,001 – RM350,000	1
Non-Executive Directors	
Below RM50,000	3

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Group appreciates feedback from their valued shareholders and consistent with this, it is the intention of the Board that the shareholders are well informed of all major developments that have an impact on the Group.

The various channels of communication with the shareholders are as follows:-

- The Annual Report
- The Annual General Meeting (AGM)
- The various disclosures and announcements made to the Bursa Malaysia Securities Berhad
- Newspaper articles and published interviews with business journalists
- Regular updates, dialogues, meeting, presentations with institutional shareholders and relevant authorities as well as ad-hoc responses to relevant queries from stakeholders

Besides the mandatory reporting and the public announcements of the Company's financial results to Bursa Malaysia, regulatory bodies and other relevant authorities, the Group keeps the members of the investing community and the shareholders abreast of its developments thorough press releases and active investor relations programmes.

During the financial year, the Directors and Management had had held several meetings with research analysts, fund managers, asset management organizations and institutional investment funds. The Management had also organized periodic visits to our manufacturing plant located in Linyi City, Shandong Province, China for fund managers, research analysts, members of the press, etc. to enable them to appreciate firsthand the coke manufacturing process, the environment in which we are operating in as well as to provide opportunities for them to have discussions with the members of our management in China.

The Management also participated in numerous domestic investors' conferences and international roadshows in Singapore and Hong Kong to proactively promote the Group to the regional investing community and at the same time obtained valuable feedback from them.



STATEMENT ON CORPORATE GOVERNANCE

The AGM is the principal forum for dialogue between the Group and its shareholders. Shareholders are given ample notice to prepare or present questions to the Board at the AGM. The AGM is also an excellent opportunity for shareholders to direct questions to the Board in relation to the Group's financial performance and the Group's activities.

The Group has also established a website, www.sinohuaan.com for shareholders and the public to gain access to corporate information, news and events related to the Group. Investors and members of the public who wish to contact the Company on any matters relating to their shareholdings and investments can channel their enquiries through e-mail via the Company's website.

This statement is made in respect of the financial year ended 31 December 2007 and in accordance with a resolution passed at the Board of Directors' Meeting held on 23 May 2008.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

The status of utilization of proceeds raised pursuant to the Restructuring Scheme of Antah and IPO of Sino Hua-An International Berhad as at 31 December 2007 is as follows:

Purpose	Proposed utilization (RM'000)	Actual utilization (RM'000)
Capital expenditure	150,000	167,000
Setting up of marketing office	15,000	–
Working capital	15,000	15,000
Expenses related to the Restructuring Scheme	20,000	18,000
	200,000	200,000

2. Share Buy-Back

There was no share buyback during the financial year.

3. Options, Warrants or Convertible Securities

During the financial year end, the Company had not issued any Options, Warrants or Convertible Securities.

4. American Depositary Receipt (“ADR”) or Global Depositary Receipt (“GDR”)

The Company did not sponsor any ADR or GDR program during the financial year ended 31 December 2007.

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed by any regulatory authorities on the Company and its subsidiaries.

6. Non-Audit Fees

The amount of non-audit fees paid/payable to the external auditors and their affiliated companies in the Group for the financial year ended 31 December 2007 is RM245,000.

7. Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2007 against the unaudited results for the year ended 31 December 2007 released by the Company earlier.

8. Profit Guarantee

There was no profit guarantee imposed on the Company for the Financial Year ended 31 December 2007.

9. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interest still subsisting at the end of the financial year ended 31 December 2007.



ADDITIONAL COMPLIANCE INFORMATION

10. Revaluation Policy on Landed Properties

The revaluation policy of the Company is disclosed in Note 4 to the Financial Statements. As at 31 December 2007, the Company has not carried out any revaluation exercise on its land/properties.

11. Recurrent Related Party Transactions of Revenue or Trading Nature.

The details of the transactions with related parties undertaken by the Group during the financial year are disclosed in Note 17 of the Financial Statements.



STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”), as guided by the ‘Statement on Internal Control: Guidance for Directors of Public Listed Companies’ is pleased to provide the following Statement on Internal Controls which outlines the nature and scope of internal controls of the Group during the financial year.

THE BOARD’S RESPONSIBILITIES

The Board of Directors acknowledges their responsibility to maintain a system of internal control and for reviewing its adequacy and integrity. The system is designed to manage rather than eliminate the risk of failure in achieving the Group’s corporate objectives and can only provide reasonable but not absolute assurance against any material misstatement or loss.

THE RISK MANAGEMENT PROCESS

Apart from financial controls, the Group’s system of internal controls also cover operational and compliance controls and, most importantly, risk management. As part of the risk management process, the Board assisted by the Audit Committee, is continuously identifying, assessing and managing significant business risks faced by the Group throughout the financial year.

The process will be regularly reviewed by the Board through the Audit Committee and is in accordance with the Guidance as contained in the “Statement of Internal Control Guidance for Directors of Public Listed Companies”.

THE INTERNAL CONTROL PROCESS

The other key features of the Group’s internal control system include the following:

- An organization structure with defined lines of responsibility and appropriate reporting structure including proper approval and authorization limit for approving capital expenditure and expenses within the Group;
- Internal policies and procedures are documented through a series of manuals for all major operations of the Group;
- Strategic planning and annual budgeting are undertaken for the key business units. Senior management closely monitors the key performance indicators and financial and operating results against budget to identify and where appropriate, to address significant variances;
- An Internal Audit Department which performs regular and systematic review of the internal controls to assess and provide sufficient assurance on the effectiveness of the systems of internal control and to highlight significant risks impacting the Group with recommendation for improvement; and
- The Audit Committee will regularly review reports by the Internal Audit Department and conducts annual assessment on the adequacy of the Department’s scope of work and resources.

The Group continues to take measures to enhance and strengthen the internal control environment.

This statement is made in respect of the financial year ended 31 December 2007 and in accordance with a resolution passed at the Board of Directors’ Meeting held on 23 May 2008.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

The Group remains committed to the philosophy of giving back to the community by aligning its corporate and social activities to support worthy social causes as part of our contribution to society and nation building.

Towards this end, we have started focusing our efforts on supporting the initiative of developing promising young aspiring children and the disabled to excel in sports by providing them with conducive sporting environment and infrastructures. This social cause was pursued via the Seremban Half Marathon (SHM), one of Negeri Sembilan state official functions organized annually. The Group has contributed RM10,000.00 to this cause and the money, together with those contributed by the other corporate sponsors, will be placed in the Junior Athletes' Development Fund which will be used towards developing the Junior and Disabled Athletes in Negeri Sembilan. The SHM organizing Chairman, Datuk Zainal Abidin Ahmad, said that the funds collected throughout the years have helped a number of junior and disabled athletes acing in their respective fields.



STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

In addition to the above, the Group also participated in the TA Enterprise Berhad Charity Bowling Tournament and had donated RM1,000.00 to the event. The funds raised from the said event were channeled to the Desa Amal Jireh, a charity home for the underprivileged children and old folks registered with the Selangor Welfare Department and the Registrar of Societies.

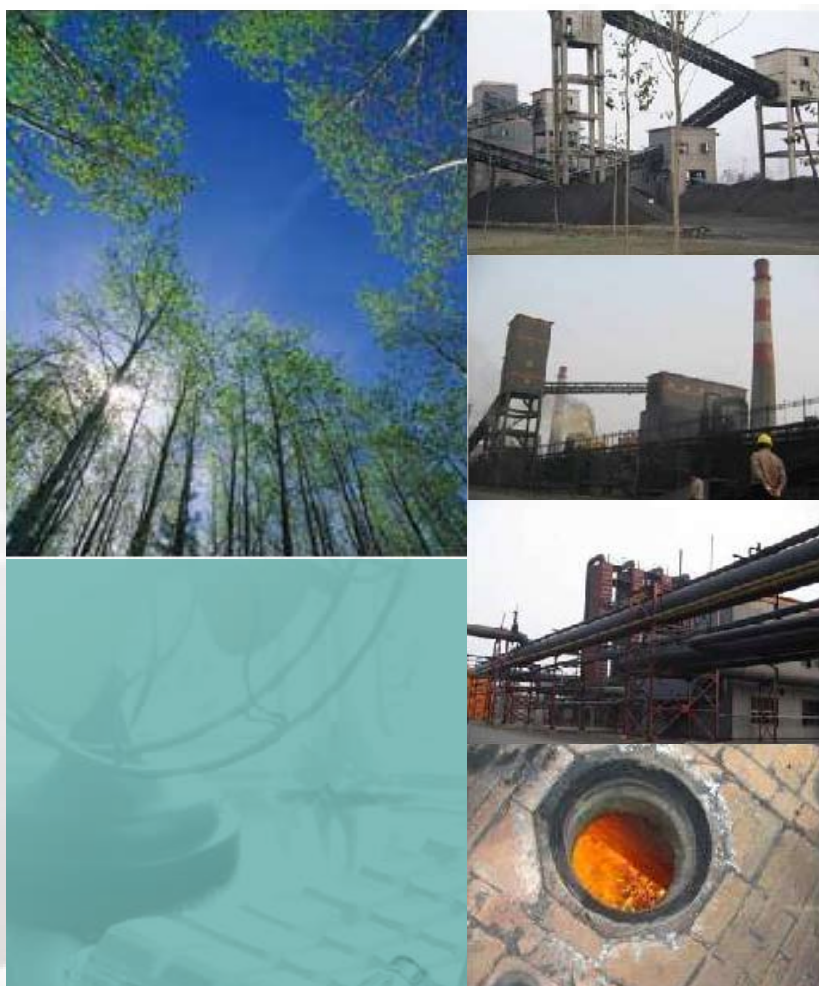


The Group have also initiatives in China to give back to the community. Being a successful home grown business enterprise in the Linyi city, Shandong Province, our subsidiary, namely Linyi Yehua Coking Co., Ltd. has adopted a recruitment policy of ensuring priority is given to citizen of the Linyi city. A substantial majority of our over 1000 workforce are citizens of the Linyi city.



STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

We are also an environmentally responsible Group. We take cognizance of the emissions from our metallurgical coke production plant and have taken the initiative to put in place environmentally protective measures and installed relatively advanced environmental protection equipment and mechanism to control the level of emissions released into the atmosphere. Additionally, we have also initiated preliminary discussions with relevant environmental advisors to explore the possibility of procuring carbon credits (in the form of Certified Emission Reductions (CERs) or Emission Reduction Units (ERUs)) from our existing production process as well as the viability of alternative Clean Development Mechanism (CDM) projects to be undertaken to further reduce emissions and to recycle heat energy.





STATEMENT OF DIRECTORS' RESPONSIBILITY

In accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting policies, the Directors are required to prepare financial statements that give a true and fair view of the state of affairs of the Group and the Company as at the financial year and of the results and cash flows for that year then ended.

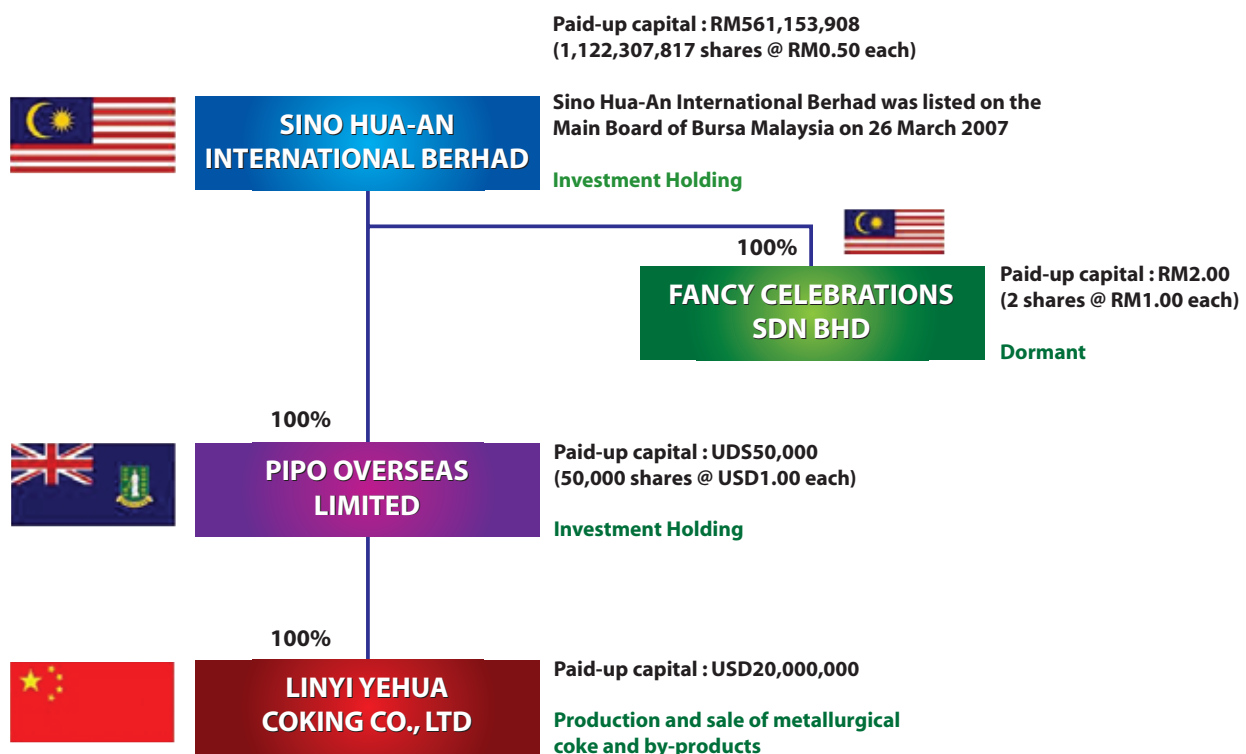
The Directors consider that in preparing the financial statements:-

- the Group and the Company have used appropriate accounting policies which are consistently applied;
- reasonable and prudent judgments and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and Company maintain proper accounting records which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

THE SINO HUA-AN GROUP



CORPORATE INFORMATION

BOARD OF DIRECTORS

Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar
(DK, DKYR, SPNS, SPMP, PPT)
Executive Chairman

Liu Guodong
Managing Director

Cedric Choo Sia Teik
Executive Director

Jaleeludeen bin Abu Baker
Executive Director

Zhu Qinghua
Executive Director

Zhang Tianran
Executive Director

Y. Bhg. Dato' Mohd Shahar bin Abdul Hamid
(DPTJ, KMN, DSN, PJK)
Independent Non-Executive Director

Abdul Kadir bin Md Kassim
Independent Non-Executive Director

Lee Liang Ping (resigned on 5 November 2007)
Independent Non-Executive Director

Lim See Tow (appointed on 18 January 2008)
Independent Non-Executive Director

AUDIT COMMITTEE

Y. Bhg. Dato' Mohd Shahar bin Abdul Hamid
(DPTJ, KMN, DSN, PJK)
Chairman and Independent Non-Executive Director

Abdul Kadir bin Md Kassim
Independent Non-Executive Director

Lee Liang Ping (resigned on 5 November 2007)
Independent Non-Executive Director

Lim See Tow (appointed on 18 January 2008)
Independent Non-Executive Director

Cedric Choo Sia Teik (resigned on 18 January 2008)
Executive Director

SECRETARY

Ms Chua Siew Chuan (MAICSA 0777689)
Ms Tan Ai Ning (MAICSA 7015852)

AUDITORS

Deloitte & Touche (AF0834)
Chartered Accountants

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel : (603) 2084 9000
Fax : (603) 2084 9940

PRINCIPAL BANKERS

RHB Bank Berhad (Kuala Lumpur, Malaysia)

The Hongkong and Shanghai Banking Corporation Limited (Hong Kong)

China Construction Bank (Linyi City, Shandong Province, PRC)

Agricultural Bank of China (Linyi City, Shandong Province, PRC)

China Construction Bank (Linyi City, Shandong Province, PRC)

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel : (603) 2084 9000
Fax : (603) 2084 9940

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Board)

PROFILE OF DIRECTORS



Standing from left: Zhu Qinghua (Executive Director), Abdul Kadir bin Md. Kassim (Independent Non-Executive Director), Jaleeludeen bin Abu Baker (Executive Director), Cedric Choo (Executive Director)

Seated from left: Dato' Mohd. Shahr bin Abdul Hamid (Independent Non-Executive Director), Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar (Executive Chairman), Liu Guodong (Managing Director)

Absent: Zhang Tianran (Executive Director), Lee Liang Ping (Independent Non-Executive Director – resigned on 5 Nov 2007), Lim See Tow (Independent Non-Executive Director – appointed on 18 Jan 2008)

Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar **(DK, DKYR, SPNS, SPMP, PPT)** **Executive Chairman**

Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar, a Malaysian aged 61 is the Executive Chairman of Hua-An Group. He was appointed Executive Chairman of the Company on 21 March 2007.

He has a Bachelor of Science in Economics (Honours) degree from the University of Wales, Aberystwyth, United Kingdom. He was a Diplomat for five (5) years and served as Second Secretary in Paris, France from 1972 to 1975. He has served as Chairman of Antah Holdings Bhd and has also sat on the boards of several public listed companies including Kian Joo Can Factory Berhad, Sime Darby Berhad, Tractors (Malaysia) Berhad, Consolidated Plantations Berhad and Ann Joo Steel Berhad.

He was proclaimed Regent of Negeri Sembilan from 1994 until 1999. On 11 August 2006, he was appointed as Director of PIPO. He was also founding Chairman of the Federation of Public Listed Companies Berhad and was nominated by the Minister of Finance to serve on the Committee of the Kuala Lumpur Stock Exchange (1989-1994). Overall, Y.A.M. Tunku has over 30 years of working experience mostly in the management role.

Y.A.M. Tunku Naquiyuddin is a major shareholder of Hua-An and he has no family relationship with any Director and/ or major shareholder of the Company.



PROFILE OF DIRECTORS

Liu Guodong **Managing Director**

Mr Liu Guodong, a Chinese PRC national aged 37, is the Managing Director of Hua-An Group. He was appointed Managing Director of Hua-An on 21 March 2007.

He was appointed as the Managing Director of Yehua on 15 December 2004 and was appointed as the legal representative of Yehua on 1 July 2005. He graduated from Linyi Teaching Institute with a Bachelor degree in Sports in 1995. Prior to joining Yehua, from 1994 to 2005, he was a self-employed businessman involved in local iron ore, coal and electrolysis aluminite powder international trade service. On 21 June 2005, he was appointed as the Director of PIPO Overseas Ltd.

Overall, Mr Liu has over ten (10) years of working experience in the related industry.

Mr Liu is a major shareholder of Hua-An and he has no family relationship with any Director and/ or major shareholder of the Company.

Cedric Choo Sia Teik **Executive Director**

Mr Cedric Choo Sia Teik, a Malaysian aged 35, was appointed to the Board of the Company on 21 March 2007. He is the Executive Director of Hua-An Group. He holds a Bachelor of Economics (Honours) majoring in Accounting and Finance degree from the University of Manchester, United Kingdom. He is also a Chartered Accountant and a member of the Association of Chartered Certified Accountants, United Kingdom and the Malaysian institute of Accountants. In 1995, he began his career with Arthur Andersen & Co., in the Corporate Finance department and later with Ernst & Young in July 2002 upon the merger of the two firms in Malaysia. He left Ernst & Young in 2005 and joined Antah Holdings Berhad as an Executive Director on 16 June 2005. Upon conclusion of the Antah restructuring exercise, he joined Sino Hua-An as an Executive Director. On 11 August 2006, he was appointed as the Director of PIPO Overseas Ltd.

Overall, Mr. Choo has over ten (10) years of working experience in accounting and finance.

He has no family relationship with any Director and /or major shareholder of the Company.

Jaleeludeen bin Abu Baker **Executive Director**

Encik Jaleeludeen bin Abu Baker, a Malaysian aged 37, was appointed to the Board of the Company on 21 March 2007. He graduated in 1994 with a Bachelor of Law degree from the International Islamic University, Malaysia and was admitted as an Advocate and Solicitor, High Court of Malaya in 1995. He started his career as a litigation and banking lawyer and was in practice until April 1997. He then left legal practice to join a diversified corporate group in June 1997 as part of their corporate legal team. Encik Jaleeludeen joined Hua-An Group since 2005. On 11 August 2006, he was appointed as the Director of PIPO Overseas Ltd.

Overall, Encik Jaleeludeen has over ten (10) years of corporate legal experience.

He has no family relationship with any Director and /or major shareholder of Hua-An.

PROFILE OF DIRECTORS

Zhu Qinghua **Executive Director**

Mr Zhu Qinghua, a Chinese PRC national aged 50 is Executive Director of Hua-An Group. He was appointed as the Director of Yehua on 1 July 2005. For the period 1990 to 2001, he was engaged in the commercial trade of building material, hardware, mechanical & electrical and coal mining. In 2001, Mr Zhu co-founded Mengfei with Mr. Zhang Tianran and was appointed as the Director and General Manager of Mengfei. He is responsible for the sales and marketing, purchasing, administration department of Mengfei. On 21 June 2005, he was appointed as the Director of PIPO Overseas Ltd.

Overall, Mr Zhu has over 15 years of working experience in the related industry.

Mr Zhu is a major shareholder of Sino Hua-An by virtue of his direct interest in Rise Business Inc.

Zhang Tianran **Executive Director**

Mr Zhang Tianran, a Chinese PRC National aged 61 was appointed to the Board of the Company on 25 March 2007. He was appointed as the Director of Linyi Yehua Coking Co.,Ltd. on 1 July 2005. For the period 1970 to 1993, he was engaged in various business activities such as the trading of clothing, restaurant operations, logistic business and trading of hardware. Then, for the period 1993 to 2001, he was engaged in the trading business of building materials, hardware and mechanical & electrical. With his hard work and years of experience, Mr. Zhang's business expanded rapidly and equipped him with the market intelligence to react promptly to market changes. In 2001, Mr. Zhang co-founded Mengfei with Zhu Qinghua and was appointed as the Managing Director of Mengfei. He is involved in the business development and planning of Mengfei. On 28 June 2005, he was appointed as the Director of PIPO. He is also the Director of Jiangshun since September 2003.

Overall, Mr. Zhang has over 25 years of working experience.

He has no family relationship with any Director and /or major shareholder of the Company.

Abdul Kadir bin Md Kassim **Independent Non-Executive Director**

Encik Abdul Kadir bin Md Kassim, a Malaysian aged 68 has served on the Board of the Company since 21 March 2007. He is a member of the Audit Committee and Chairman of the Nominating and Remuneration Committees. He holds a Bachelor of Laws Degree from University of Singapore. He served in the Malaysian Administrative and Diplomatic Service and in the Judicial and Legal Service between 1966 and 1973, holding various positions. He is currently the Managing Partner of Messrs Kadir, Andri & Partners. He is also the Chairman of Ho Hup Construction Company Berhad and a Director of United Engineers (Malaysia) Berhad, UEM World Berhad, Suria Capital Holdings Berhad, TIME dotcom Berhad and a few private companies, including being Chairman of the Committee of Labuan International Financial Exchange.

He has no family relationship with any Director and /or major shareholder of the Company.



PROFILE OF DIRECTORS

Y.Bhg Dato' Mohd Shahar Bin Abdul Hamid **Independent Non-Executive Director**

Y.Bhg Dato' Mohd Shahar Bin Abdul Hamid, a Malaysian aged 72 has served on the Board of the Company since 21 March 2007. He is the Chairman of the Audit Committee, a member of the Nominating and Remuneration Committees. He was a Shell scholar in engineering (1954-60) and he served Shell Malaysia Trading Sdn Bhd in various senior positions until 1971, when he was then invited to serve as Managing Director of Pernas Trading Sdn Bhd and Pernas Edar Sdn Bhd until 1977. In the years 1971 to 1974, he was appointed the leader of the Malaysian Trade Delegations to China, (The Canton Trade Fair) held twice a year in April and October. Subsequently, he was appointed as Managing Director of Gula Negeri Sembilan Sdn Bhd, to carry out the Project Reappraisal, following which he ventured into the housing development and fertilizer businesses. He served as Director of Antah Holdings Berhad since 1 June 1984. He is one of the founder members of the Lembaga Pemegang Amanah Yayasan Negeri Sembilan and a Trustee of Tuanku Ja'afar Educational Trust.

He has no family relationship with any Director and /or major shareholder of the Company.

Lim See Tow **Independent Non-Executive Director**

Lim See Tow, a Malaysian aged 32, has served on the Board of Hua-An Group since 18 January 2008. She is a member of the Audit Committee and a member of the Nomination and Remuneration Committee. Ms Lim is a member of Association of Chartered Certified Accountant (ACCA) and also a member of Malaysian Institute of Accountants (MIA). She was Audit Supervisor in Messrs Deloitte & Touche from 1999 to 2003. From 2005 to 2007 she was the Head of Finance & Special Project in Antah Holdings Berhad. Currently she is a Director in Clearwater Developments Sdn Bhd.

She has no family relationship with any Director and /or major shareholder of the Company.

Please refer to Analysis of Shareholding - Director's Shareholdings of the Annual Report on the director's shareholding in the Company.

AUDIT COMMITTEE REPORT

The Board of Directors of Sino Hua-An International Berhad ("Hua-An") is pleased to present the report of Audit Committee of the Company for the financial year ended 31 December 2007.

During the major part of the financial year ended 31 December 2007, the Audit Committee of Hua-An comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. However, the Audit Committee took cognizance of the revised Code of Corporate Governance prescribing the composition of the Audit Committee be made up exclusively of Independent Non-Executive Directors, thus took the necessary steps voluntarily to recompose its members to comply with the said prescription on 18 January 2008.

The members of the Audit Committee are as follows:-

Chairman : **Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid**
Independent Non-Executive Director

Members : **En. Abdul Kadir Bin Kassim**
Independent Non-Executive Director

Ms. Lim See Tow
Independent Non-Executive Director
(Appointed on 18 January 2008)

Mr. Lee Liang Ping
Independent Non-Executive Director
(Resigned on 5 November 2007)

Mr. Cedric Choo Sia Teik
Executive Director
(Resigned on 18 January 2008)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be non-executive directors, where the majority shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee should be financially literate and at least one (1) member:-

- (a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least 3 years of working experience and:
 - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

No alternate director is appointed as a member of the Audit Committee.



AUDIT COMMITTEE REPORT

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2. Chairman

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

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be Independent Director to chair the meeting.

3. Secretary

The Secretary of the Audit Committee shall be the Company Secretary.

4. Terms of Office

The Board of Directors of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

5. Meetings

The Audit Committee meetings shall regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

6. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

AUDIT COMMITTEE REPORT

7. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

8. Reporting

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

9. Objectives

The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.

10. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,

- (a) have explicit authority to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group.
- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.



AUDIT COMMITTEE REPORT

11. Duties and Responsibilities

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

- (a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditor's management letter and management's response;
- (g) To do the following, in relation to the internal audit function:-
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

AUDIT COMMITTEE REPORT

- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit Committee considers appropriate.

AUDIT COMMITTEE MEETINGS

Since the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad on 26 March 2008, there were three (3) Audit Committee Meetings held during the financial year ended 31 December 2007.

Details of attendance of Audit Committee Members

Name of Members	Date of Audit Committee Meetings		
	30/5/07	28/8/07	21/11/07
Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid	√	√	√
En. Abdul Kadir Bin Kassim	√	√	√
Mr. Lee Liang Ping (resigned on 5 November 2007)	√	√	–
Mr. Cedric Choo Sia Teik (resigned on 18 January 2008)	√	√	√
Ms. Lim See Tow (appointed on 18 January 2008)	–	–	–

SUMMARY OF ACTIVITIES

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

- (i) Reviewed the quarterly un-audited financial statements of the Group to recommend to the Board for approval;
- (ii) Reviewed the annual audited financial statements of the Company with the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure compliance with:
 - Provision of the Companies Act, 1965;
 - Listing Requirements of Bursa Malaysia Securities Berhad;
 - Applicable approved accounting standards in Malaysia; and
 - Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit;



AUDIT COMMITTEE REPORT

(iii) Reviewed with the external auditors:

- their audit plan, audit strategy and scope of work for the year;
- the results of the annual audit, their audit report and management letter together with management's response to the findings of the external auditors.

(iv) Discussed the implications of any latest changes and pronouncements on Company and the Group issued by the statutory and regulatory bodies.

INTERNAL AUDIT FUNCTIONS

The Audit Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the maintenance of a sound system of internal control.

The objective of the Internal Audit function is to provide independent assurance to the Board that the Group's system of internal control is adequate and functioning as intended.

During the year, a Risk Management Framework was proposed following an assessment of the Company's Operational and Business risks. Further details on the Internal Audit Functions of the Company can be found in the Statement of Internal Control on page 22.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Sino Hua-An International Berhad ("Hua-An"), I am pleased to present the Annual Report together with the Audited Financial Statements of the Company and Group for the for the year ended 31 December 2007.



During the year, the Group continued to pursue its objective of maximizing stakeholders' value by embarking on several strategic initiatives geared towards sustainable growth and improved performance. Being listed on Bursa Malaysia for only about a year, we have managed to meet investors' high expectations of us by delivering a strong and creditable financial performance in the financial year 2007 with both robust revenue and pre-tax profits.

Some of the significant initiatives that were rolled out during the year include our commissioning of the coal washing facility in May 2007. With such facility, we can now purchase raw coal which is relatively cheaper as opposed to pre-washed coal. Additionally, the coal washing facility also produces two new by-products, namely coal slime and middlings. The coal washing facility enables us to enjoy an overall cost savings on raw materials of approximately 3-5%.

In mid 2007, we have also commenced the construction of our additional metallurgical coke ovens to increase our annual production capacity from 1.2 million tonnes to 1.8 million tonnes. The construction of the said new metallurgical coke ovens have been completed and are expected to be fully commissioned in June 2008. This introduction of additional 600,000 tonnes production capacity can be viewed as an acceleration of our initial intended expansion plan of building the 1st batch of 300,000 tonnes metallurgical coke oven capacity plant in October 2007 followed by the 2nd batch of 300,000 tonnes metallurgical coke oven capacity plant in 2009, as disclosed in our submission to the Securities Commission in May 2006. However, taking cognizance of the promising prevailing coke market condition experienced by the Company whereby the demand for our metallurgical coke has been exceeding supply (which is constrained by our existing 1.2 million tonnes capacity) as well as the increasing trend of the prices of metallurgical coke and the by-products, we have made a concerted decision to bring forward the timing for the construction of the 2nd batch metallurgical coke oven and construct the entire 600,000 tonnes capacity in 2007.

These initiatives were a few of Hua-An's continued pursuits to consistently create and deliver value to our shareholders. Hua-An, as the first "red-chip" company to be listed on Bursa Malaysia on 26 March 2007 is indeed well placed to benefit from the booming steel industry in one of the fastest growing economies in the world.



CHAIRMAN'S STATEMENT

Financial Performance

2007 was indeed a good year for Hua-An. The Group achieved a turnover of RM852.7 million (inclusive of revenue from discontinued operations of RM1.3 million) for the financial year ended 31 December 2007. This represents an increase of about 16.7% from RM730.7 million recorded in the preceding financial year.

Profit for the year rose to RM127.5 million for the financial ended 31 December 2007, up by RM12.5 million or 10.9% from RM115.0 million in the preceding financial year. The profit for the year of RM127.5 million for the financial year ended 31 December 2007 could have been even higher compared to that in 2006 if the effect of the one-off restructuring expenses of RM8.8 million and tax expense of RM24.4 million were to be disregarded, as these two expenses were not incurred in the financial year 2006.

The abovementioned good financial performance recorded in the financial year 2007 was mainly attributed to the continued robust and positive pricing trend of metallurgical coke and the by-products enjoyed by the Group. The average prices of metallurgical coke, coal gas, ammonium sulphate and crude benzene during the financial year ended 2007 have increased by approximately 16%, 17%, 22% and 8% respectively compared with those of the preceding year.

As a result of the above financial position, the total assets of the Group was recorded at RM763.5 million and shareholders' fund of RM713.9 million for the financial year ended 31 December 2007. These represented a commendable increase of 107.3% and 165.9% respectively when compared with the total assets and shareholders' fund of RM368.3 million and 268.5 million respectively for the preceding financial year.

Operational Review and Industry Overview

The metallurgical coke industry is largely dependent on the direction and growth prospects of the steel industry as metallurgical coke is one of the critical raw material for the manufacturing of steel in China. It is expected that the steel demand in China will continue to grow for the next 5-10 years and the distinctive growth drivers are the Beijing Summer Olympic 2008, Shanghai Expo 2010, the Three Gorges Dam project and more importantly the massive infrastructure and urbanization programmes initiated by the Chinese Government to rapidly urbanise and develop the inner cities of China. Additionally, the rate of progress and development in the automobile and shipbuilding sectors in China also will continue to provide the impetus for the demand of steel moving forward, thus the demand for metallurgical coke.

China is the largest crude steel producer in the world and its production accounted for 36.4% of global crude steel production. In 2007, China produced approximately 489 million tonnes of crude steel, an increase of 15.7% from 2006. According to China Iron and Steel Association, in 2008 the crude steel production is expected to grow between 6.3% to 10.4%. Although on 1 January 2008, the Chinese government has increased the steel export duty for billet from 15% to 25%, situation of oversupply of steel products in China is not expected to be significant as China's domestic demand is still expected to be increasingly high, thus would be able to absorb the additional steel supply into the domestic market. Additionally, the Government's effort to encourage consolidation in the fragmented steel industry and its endeavour of closing down the inefficient and highly polluting plants will serve as an avenue to keep the demand and supply dynamics in check.

China is the world's largest metallurgical coke producer in the world. In 2007, China produced approximately 328 million tonnes of metallurgical coke which depicted a growth of 16.3% against its previous year. China is also the largest consumer and exporter of metallurgical coke. In view of the Chinese Government's effort to reduce indiscriminate exports of energy consuming resources so as to ensure the availability of sufficient supply in the domestic market only 5% of total production is allowed for the export market. Accordingly, as of 1 January 2008, the Chinese Government has increased the export duty of metallurgical coke from 15% to 25%.

China's economy expanded 11.4% in 2007, the fifth consecutive year that economic growth is at or above 10%. China's economic growth last year was driven primarily by private consumption, investment and exports. Retail sales, which account for about 95% of household consumption, expanded 16.8% in 2007. In comparison, retail sales grew by an average 12.3% from 2003 to 2006. Household consumption is estimated to have contributed 30% to 35% to China's economic growth in 2007. Supporting the robust private consumption growth is the double-digit increase in household income. Urban households' per capita disposable income surged 17.2% in 2007, while that for rural households expanded 15.4%. Investment has been a major contributor to China's economic growth in the last few years, with its share in the economy surpassing 40%.



CHAIRMAN'S STATEMENT

However, due to the implementation of measures to curb investment activities, investment growth has slowed down, albeit only slightly. Last year, urban fixed asset investment increased 25.8%. In comparison, urban fixed asset investment expanded by an average 26.4% from 2004 to 2006. Similarly, exports played a significant role in China's robust growth in the past few years, expanding by an average of 31.4% from 2003 to 2006. To reduce the country's reliance on exports as a major source of growth, the Chinese government has taken steps to slow down export growth. As a result, export growth moderated to 25.7% in 2007, which is still relatively strong. China's trade surplus hit a record high of US\$262.2bil in 2007.

For 2008, it is widely believed that the broad economic environment in China is still favourable for consumer spending. The urban unemployment rate fell to 4% at the end of 2007. Urban employees' compensation increased 17.6% in 2006 and accelerated to 22% in 2007.

The new Labour Law is expected to further enhance the welfare of China's workers. The greatest risk to China's private consumption growth is rising inflationary pressures. The inflation rate jumped to 8.7% in February. The severe snowstorms in January and February that paralysed the transportation system have played a big part in the surge in inflation. However, with income rising generally faster than the inflation rate, a low savings deposit rate, and the Olympics effect, iCapital (an independent investment advisor in Malaysia) expects retail sales to continue growing at double-digits this year. Investment growth is also widely believed to continue posting double-digit growth. While slowing external demand for China's exports and the conclusion of the Olympics are expected to slow down investment expenditure, planned infrastructure investment under the 11th Five-Year Programme plus investment in the services sector to enhance China's services capacity and to upgrade her technological capability, are expected to sustain investment activities in 2008 and the years to come. The rebuilding after the destruction caused by the snowstorms will also give a boost to investment activities.

Although interest rates were raised six times last year and banks have been ordered to lend more discreetly, China's companies should have no difficulty in financing their investment endeavours due to impressive profitability enjoyed in the last few years. Therefore, investment is expected to remain an important source of growth in 2008.

From the above analysis, iCapital expects China's economy to grow in the range of 9.0% to 10.5% in 2008. (The Star, 1/5/08, China's Growing Pains)

Future Outlook

The Board is optimistic and hopeful of better economic and market conditions in China going forward into the new financial year. With the availability of additional 600,000 tonnes (representing 50% added capacity from our existing 1.2 million tonnes) of metallurgical coke coming on stream by mid-2008, we would be able to register a further increase our annual earnings in the coming financial year, assuming coal-coke pricing dynamics and the prospects of the steel industry in China remained largely unchanged. The full-years effect of the additional 600,000 tonnes of metallurgical coke capacity would be experienced in the ensuing financial year, 2009.

Barring unforeseen circumstances, the Board is optimistic of Hua-An creating better value for our shareholders in the coming financial year. With the support of my fellow board members and capable management team, I believe we can continue to grow the Company to greater heights in the future by virtue of our continuous effort to source for viable opportunities for strategic diversification in line with our aspiration to grow the Group into a serious heavy industry player in China as well as in the region.

Dividend

The Board proposes a final dividend of 4.55%, tax exempt, amounting to RM25,504,410 in respect of the current financial year. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.



CHAIRMAN'S STATEMENT

A Note of Appreciation

On behalf of the Board of Directors, I would like to record my gratitude to our customers, suppliers, business partners and shareholders for their continuous support and confidence they place on the Hua-An Group.

A special note of appreciation goes to the management team and employees of the Hua-An Group for their relentless commitment, dedication, hard work and unwavering loyalty in ensuring the Group's continued success.

Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR
(DK, DKYR, SPNS, SPMP, PPT)
Executive Chairman

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DIRECTORS' REPORT

The directors of **SINO HUA-AN INTERNATIONAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

SIGNIFICANT CORPORATE EVENTS

On March 26, 2007, the Company assumed the listing status of Antah Holdings Berhad ("Antah") on the Main Board of Bursa Malaysia Securities Berhad upon the completion of the restructuring scheme undertaken by Antah.

In conjunction with the restructuring scheme undertaken by Antah, the Company completed the following transactions during the financial year:

(a) Acquisition of PIPO Overseas Limited ("PIPO") and its subsidiary, Linyi Yehua Coking Co., Ltd. ("Yehua")

The acquisition of 50,000 ordinary shares of USD1.00 each in PIPO ("PIPO Shares") representing the entire issued and paid-up share capital of PIPO from Liu Guodong ("LGD"), Rise Business Inc. ("RBI"), Rock Point Alliance Pte Ltd ("RPA Subsidiary") and CIM VI Limited ("CIMVI") (collectively referred to as the "PIPO Vendors") for a purchase consideration of RM800,000,000 satisfied entirely by the issuance of 800,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share.

(b) Acquisition of Wisma Antah

The acquisition of approximately 61,312.50 square feet in floor area of a ten (10)-storey office building with three (3) basement car park level erected on a piece of freehold land held under Geran 49604, Lot No. 52981, District and Mukim of Kuala Lumpur, State of Wilayah Persekutuan, measuring 4,177 sq. m. in area ("the Land") which is known as "Wisma Antah" (the Building) which consist of the floor area in Level 1 to Level 9 of the Building and 119 car park bays situated in the basement of the Building ("the Property") from Antah for a purchase consideration of RM17,400,000 satisfied by the issuance of 17,400,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share.

The Property, which was held by Extra Charm Sdn Bhd, was subsequently disposed of during the current financial year via the disposal of Extra Charm Sdn Bhd as disclosed below.

(c) Scheme of Arrangement with Antah's Shareholders

The share exchange of the entire issued and paid-up share capital of Antah of 169,815,233 ordinary shares of RM0.50 each ("Antah Shares"), after the capital reductions and share consolidation undertaken by Antah, for 84,907,617 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share on the basis of one (1) new ordinary share of RM0.50 each for every two (2) Antah Shares held after the capital reductions and share consolidation undertaken by Antah.

DIRECTORS' REPORT

(d) Scheme of Arrangement with Antah's Creditors

The issuance of 20,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share to creditors of Antah ("the Scheme Creditors") as full and final settlement of the amounts owing to the Scheme Creditors (including liabilities that are actual and contingent) aggregating approximately RM419.2 million as of December 31, 2005.

(e) Public Issue

The public issue of 200,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share.

(f) Disposal of Antah

The disposal of the entire issued and paid-up share capital of Antah comprising 169,815,233 Antah Shares to Vital Meridian Sdn Bhd for a nominal cash consideration of RM1.00.

On November 16, 2007, the Company disposed of its entire equity interest in Extra Charm Sdn. Bhd. ("ECSB"), comprising 2 ordinary shares of RM1.00 each of the issued and paid up share capital of ECSB, to Work @ Clearwater Sdn. Bhd. (formerly known as Brilliant Objectives Sdn. Bhd.), for a cash consideration of RM18,000,000. The disposal resulted in a net loss of RM65,000 and net gain of RM600,000 for the Group and the Company, respectively.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	151,282	27,019
Income tax expense	(24,425)	–
Profit for the year from continuing operations	126,857	27,019
Profit for the year from discontinued operations	665	–
Profit for the year	127,522	27,019

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the transactions as disclosed under significant corporate events above.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The directors proposed a final dividend of 4.55%, tax exempt, amounting to RM25,504,410 in respect of the current financial year. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting and will be reflected in the financial statements for the next financial year upon approval from the shareholders.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

In conjunction with the listing of the entire issued and paid-share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad and the restructuring scheme undertaken by Antah:

- (a) the authorised share capital of the Company was increased from RM100,000 to RM1,000,000,000 by the creation of an additional 1,999,800,000 new ordinary shares of RM0.50 each pursuant to a shareholders' resolution dated February 14, 2007;
- (b) the issued and paid-up share capital of the Company was increased from RM100 comprising 200 ordinary shares of RM0.50 each to RM561,153,909, comprising 1,122,307,817 ordinary shares of RM0.50 each as follows:

	Share capital RM'000	Share premium RM'000
(i) Acquisition of PIPO and its subsidiary, Yehua	400,000	400,000
(ii) Acquisition of Wisma Antah	8,700	8,700
(iii) Scheme of Arrangement with Antah's Shareholders	10,000	10,000
(iv) Scheme of Arrangement with Antah's Creditors	42,454	42,454
(v) Public Issue	100,000	100,000
	561,154	561,154

The resulting premium has been credited to the share premium account.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

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

DIRECTORS' REPORT

- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) 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
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent 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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (appointed on 21.3.2007)
Liu Guodong (appointed on 21.3.2007)
Zhu Qinghua (appointed on 21.3.2007)
Jaleeludeen Bin Abu Bakar (appointed on 21.3.2007)
Cedric Choo Sia Teik (appointed on 21.3.2007)
Zhang Tianran (appointed on 25.3.2007)
Y. Bhg. Dato' Mohd Shahar bin Abdul Hamid (appointed on 21.3.2007)
Abdul Kadir Bin Md. Kassim (appointed on 21.3.2007)
Lim See Tow (appointed on 18.01.2008)
Lee Liang Ping (appointed on 22.3.2007; resigned on 5.11.2007)
Chua Siew Chuan (resigned on 21.03.2007)
Tan Ai Ning (resigned on 21.03.2007)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.50 each			
	Balance as of date of appointment	Bought	Sold	Balance as of 31.12.2007
Shares in the Company				
Direct interest				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar	4,652,700	9,300,000	–	13,952,700
Liu Guodong	178,000,057	–	–	178,000,057
Indirect interest				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar ¹	305,753,459	–	–	305,753,459
Zhu Qinghua ²	102,000,038	–	–	102,000,038

Notes:

¹ Deemed interested by virtue of his interest in Rock Point Alliance Sdn Bhd, Syarikat Pesaka Antah Sdn Bhd and Syarikat Pesaka Radin Sdn Bhd and deemed interested by virtue of his family relationship with the relevant persons

² Deemed interested by virtue of his direct interest of over 15% equity in Rise Business Inc., a company incorporated in the BVI

By virtue of the above directors' interest in shares of the Company, they are deemed to have an interest in the shares of the subsidiaries to the extent the directors have their interest.

Other than as disclosed, the directors do not have any other interest in the shares of the Company or of its related companies during and at the end of financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements or being fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transaction with a related party as disclosed in Note 17 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



DIRECTORS' REPORT

Signed in accordance
with a resolution of the Directors,

Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR

LIU GUODONG

Kuala Lumpur,
April 28, 2008



REPORT OF THE AUDITORS

TO THE MEMBERS OF SINO HUA-AN INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)

We have audited the accompanying balance sheets as of December 31, 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the Financial Statements, being the financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

The financial statements of the Group for the preceding financial year reflect those of PIPO Overseas Limited and its subsidiary in accordance with the accounting treatment under FRS 3, Business Combination for a reverse acquisition transaction. The financial statements of the Group for the preceding financial year, which are denominated in Hong Kong dollars, were audited by another firm of auditors and are presented, after translating into Ringgit Malaysia, for comparative purposes only. The report issued by the said auditors, which was dated on April 16, 2007, was not subject to any qualification.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

OOI THIAM POH
2495/01/10 (J)
Partner

Petaling Jaya
April 28, 2008

INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(With comparative figures of the Company for the financial period May 3, 2006 to December 31, 2006)

		The Group		The Company	
		2007	2006	2007	2006
	Note	(12 months)	(12 months)	(12 months)	(7 months)
		RM'000	RM'000	RM'000	RM'000
Revenue	7	851,407	730,654	43,888	–
Cost of sales		(672,096)	(598,169)	–	–
Gross profit		179,311	132,485	43,888	–
Other income		842	314	866	10
Administrative expenses		(12,242)	(6,083)	(1,361)	–
Other operating expenses:					
Corporate exercise expenses		(8,845)	–	(8,845)	–
Unrealised foreign exchange loss		–	–	(7,529)	–
Others		(5,665)	(7,125)	–	(10)
Interest expenses on short-term bank borrowings		(2,119)	(4,607)	–	–
Profit before tax	8	151,282	114,984	27,019	–
Income tax expense	9	(24,425)	–	–	–
Profit for the year from continuing operations		126,857	114,984	27,019	–
Discontinued operations					
Profit for the year from discontinued operations	13	665	–	–	–
Profit for the year		127,522	114,984	27,019	–
Attributable to:					
Equity holders of the Company		127,522	114,984		
Earnings per share:	10				
From continuing and discontinued operations:					
Basic and diluted (sen)		12.11	14.37		
From continuing operations:					
Basic and diluted (sen)		12.04	14.37		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

AS OF DECEMBER 31, 2007

		The Group		The Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	428,423	220,471	17	–
Prepaid lease payments on leasehold land	12	31,030	10,203	–	–
Investment in subsidiaries	13	–	–	904,908	– *
Goodwill	14	107,114	2,351	–	–
Total Non-Current Assets		566,567	233,025	904,925	–
Current Assets					
Inventories	15	74,882	42,728	–	–
Trade receivables	16	39,762	24,216	–	–
Other receivables and prepaid expenses	16	24,735	42,626	–	–
Amount owing by related parties	17	25,441	15,976	–	–
Amount owing by a subsidiary	13	–	–	235,596	–
Fixed deposits with licensed bank		1,046	–	1,046	–
Cash and bank balances		31,035	9,687	755	– *
Total Current Assets		196,901	135,233	237,397	–
Total Assets		763,468	368,258	1,142,322	–
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	18	561,154	177	561,154	– *
Reserves	19	(188,879)	33,305	553,891	–
Retained earnings		341,653	235,023	27,019	–
Total Equity		713,928	268,505	1,142,064	–
Current Liabilities					
Trade payables	20	28,344	23,664	–	–
Other payables and accrued expenses	20	9,299	2,730	31	–
Amount owing to related parties	17	721	1,200	–	–
Amount owing to a subsidiary	13	–	–	227	–
Short-term borrowings	21	–	67,858	–	–
Tax liabilities		11,176	4,301	–	–
Total Liabilities		49,540	99,753	258	–
Total Equity And Liabilities		763,468	368,258	1,142,322	–

(Forward)



BALANCE SHEETS

AS OF DECEMBER 31, 2007

* Represent the following amounts:

	RM
Investment in subsidiaries	4
Cash in hand	96
Issued capital	100

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

The Group	Non-distributable				Distributable		Total RM'000
	Issued capital RM'000	Share premium RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Foreign statutory reserves RM'000	Retained earnings RM'000	
Balance as of January 1, 2006	177	–	–	3,817	11,928	136,531	152,453
Net income/(expense) recognised directly in equity:							
Exchange differences arising from translation of foreign operations	–	–	–	1,068	–	–	1,068
Profit for the year	–	–	–	–	–	114,984	114,984
Total recognised income and expense	–	–	–	1,068	–	114,984	116,052
Transfer to foreign statutory reserves	–	–	–	–	16,492	(16,492)	–
Balance as of December 31, 2006	177	–	–	4,885	28,420	235,023	268,505
Balance as of January 1, 2007	177	–	–	4,885	28,420	235,023	268,505
Net income/(expense) recognised directly in equity:							
Exchange differences arising from translation of foreign operations	–	–	–	2,856	–	–	2,856
Share issue expense	–	(7,263)	–	–	–	–	(7,263)
Profit for the year	–	–	–	–	–	127,522	127,522
Total recognised income and expense	–	(7,263)	–	2,856	–	127,522	123,115

(Forward)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

The Group	Non-distributable				Distributable		Total RM'000
	Issued capital RM'000	Share premium RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Foreign statutory reserves RM'000	Retained earnings RM'000	
Issuance of shares (Note 19):							
Acquisition of PIPO and its subsidiary, Yehua	400,000	400,000	-	-	-	-	800,000
Scheme of Arrangement with Antah's Shareholders	42,454	42,454	-	-	-	-	84,908
Acquisition of Wisma Antah	8,700	8,700	-	-	-	-	17,400
Scheme of Arrangement with Antah's Creditors	10,000	10,000	-	-	-	-	20,000
Public issue	100,000	100,000	-	-	-	-	200,000
Arising from reverse acquisition	(177)	-	(799,823)	-	-	-	(800,000)
Transfer to foreign statutory reserves	-	-	-	-	20,892	(20,892)	-
Balance as of December 31, 2007	561,154	553,891	(799,823)	7,741	49,312	341,653	713,928

(Forward)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

The Company	Issued capital RM'000	Non - distributable - Share premium RM'000	Distributable - Retained earnings RM'000	Total RM'000
Balance as of May 3, 2006 (date of incorporation)	- *	-	-	- *
Total recognised income and expense - Profit for the period	-	-	-	-
Balance as of December 31, 2006	- *	-	-	- *
Balance as of January 1, 2007	- *	-	-	- *
Net income/(expense) recognised directly in equity:				
Share issue expense	-	(7,263)	-	(7,263)
Profit for the year	-	-	27,019	27,019
Total recognised income and expense	-	(7,263)	27,019	19,756
Issuance of shares (Note 18):				
Acquisition of PIPO and its subsidiary, Yehua	400,000	400,000	-	800,000
Scheme of Arrangement with Antah's Shareholders	42,454	42,454	-	84,908
Acquisition of Wisma Antah	8,700	8,700	-	17,400
Scheme of Arrangement with Antah's Creditors	10,000	10,000	-	20,000
Public issue	100,000	100,000	-	200,000
Balance as of December 31, 2007	561,154	553,891	27,019	1,142,064

* Represent RM100.

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(With comparative figures of the Company for the financial period May 3, 2006 to December 31, 2006)

	The Group		The Company	
	2007	2006	2007	2006
	(12 months)	(12 months)	(12 months)	(7 months)
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit for the year	127,522	114,984	27,019	–
Adjustments for:				
Income tax expense recognised in income statements	24,425	–	–	–
Depreciation of property, plant and equipment	22,118	14,395	–	–
Finance costs	2,119	4,607	–	–
Amortisation of prepaid lease payments	746	371	–	–
(Gain)/Loss on disposal of subsidiary	65	–	(600)	–
Interest income	(817)	(290)	(266)	–
Dividend income	–	–	(43,888)	–
Unrealised loss on foreign exchange	–	–	7,529	–
Operating Profit/(Loss) Before Working Capital Changes	176,178	134,067	(10,206)	–
(Increase)/Decrease in:				
Inventories	(34,787)	(8,327)	–	–
Trade receivables	(17,285)	(8,490)	–	–
Other receivables and prepaid expenses	15,179	(35,986)	–	–
Amount owing by related parties	(10,449)	2,938	–	–
Amount owing by subsidiary	–	–	(199,237)	–
Increase/(Decrease) in:				
Trade payables	6,216	(6,986)	–	–
Other payables and accrued expenses	6,564	(1,584)	31	–
Amount owing to related parties	209	(10,526)	–	–
Amount owing to a subsidiary	–	–	227	–
Cash Generated From/(Used In)				
Operations	141,825	65,106	(209,185)	–
Income tax paid	(17,285)	–	–	–
Net Cash From/(Used In)				
Operating Activities	124,540	65,106	(209,185)	–

(Forward)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(With comparative figures of the Company for the financial period May 3, 2006 to December 31, 2006)

	The Group		The Company	
	2007	2006	2007	2006
	(12 months)	(12 months)	(12 months)	(7 months)
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN)				
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(225,734)	(63,837)	(17)	—
Payment for land lease	(20,756)	—	—	—
Interest received	817	290	266	—
Disposal of investment in subsidiary	17,149	—	18,000	—
Purchase of subsidiaries	—	—	—	—*
Net Cash From/(Used In) Investing Activities	(228,524)	(63,547)	18,249	—
CASH FLOWS FROM/(USED IN)				
FINANCING ACTIVITIES				
Proceeds from issuance of shares	200,000	—	200,000	—*
Shares issue expenses	(7,263)	—	(7,263)	—
Decrease in short-term borrowings	(63,583)	—	—	—
Finance costs paid	(2,119)	(4,607)	—	—
Net Cash From/(Used In) Financing Activities	127,035	(4,607)	192,737	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,051	(3,048)	1,801	—*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,593	11,670	—	—
Effect of exchange rate changes	(563)	971	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	32,081	1,801	—*

* Represent the following amounts:

	RM
Purchase of subsidiaries	4
Proceeds from issuance of shares	100
Net increase in cash and cash equivalent	96
Cash and cash equivalent at end of year	96

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally involved in investment holding.

The principal activities of the subsidiaries are disclosed in Note 13.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at 2nd floor, Wisma Antah Changkat Semantan, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company were approved and authorised by the Board of Directors for issuance on April 28, 2008.

2. SIGNIFICANT CORPORATE EVENTS

On March 26, 2007, the Company assumed the listing status of Antah Holdings Berhad ("Antah") on the Main Board of Bursa Malaysia Securities Berhad upon the completion of the restructuring scheme undertaken by Antah.

In conjunction with the restructuring scheme undertaken by Antah, the Company completed the following transactions during the financial year:

(a) Acquisition of PIPO Overseas Limited ("PIPO") and its subsidiary, Linyi Yehua Coking Co., Ltd. ("Yehua")

The acquisition of 50,000 ordinary shares of USD1.00 each in PIPO ("PIPO Shares") representing the entire issued and paid-up share capital of PIPO from Liu Guodong ("LGD"), Rise Business Inc. ("RBI"), Rock Point Alliance Pte Ltd ("RPA Subsidiary") and CIM VI Limited ("CIMVI") (collectively referred to as the "PIPO Vendors") for a purchase consideration of RM800,000,000 satisfied entirely by the issuance of 800,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share.

(b) Acquisition of Wisma Antah

The acquisition of approximately 61,312.50 square feet in floor area of a ten (10)-storey office building with three (3) basement car park level erected on a piece of freehold land held under Geran 49604, Lot No. 52981, District and Mukim of Kuala Lumpur, State of Wilayah Persekutuan, measuring 4,177 sq. m. in area ("the Land") which is known as "Wisma Antah" (the Building) which consist of the floor area in Level 1 to Level 9 of the Building and 119 car park bays situated in the basement of the Building ("the Property") from Antah for a purchase consideration of RM17,400,000 satisfied by the issuance of 17,400,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share.

The Property, which was held by Extra Charm Sdn Bhd, was subsequently disposed of during the current financial year via the disposal of Extra Charm Sdn Bhd as disclosed below.

(c) Scheme of Arrangement with Antah's Shareholders

The share exchange of the entire issued and paid-up share capital of Antah of 169,815,233 ordinary shares of RM0.50 each ("Antah Shares"), after the capital reductions and share consolidation undertaken by Antah, for 84,907,617 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share on the basis of one (1) new ordinary share of RM0.50 each for every two (2) Antah Shares held after the capital reductions and share consolidation undertaken by Antah.



NOTES TO THE FINANCIAL STATEMENTS

(d) Scheme of Arrangement with Antah's Creditors

The issuance of 20,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share to creditors of Antah ("the Scheme Creditors") as full and final settlement of the amounts owing to the Scheme Creditors (including liabilities that are actual and contingent) aggregating approximately RM419.2 million as of December 31, 2005.

(e) Public Issue

The public issue of 200,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share.

(f) Disposal of Antah

The disposal of the entire issued and paid-up share capital of Antah comprising 169,815,233 Antah Shares to Vital Meridian Sdn Bhd for a nominal cash consideration of RM1.00.

On November 16, 2007, the Company disposed of its entire equity interest in Extra Charm Sdn. Bhd. ("ECSB"), comprising 2 ordinary shares of RM1.00 each of the issued and paid up share capital of ECSB, to Work @ Clearwater Sdn. Bhd. (formerly known as Brilliant Objectives Sdn. Bhd.), for a cash consideration of RM18,000,000. The disposal resulted in a net loss of RM65,000 and net gain of RM600,000 for the Group and the Company, respectively.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

(a) Reverse Acquisitions

As mentioned in Note 2 (a), the Company completed the acquisition of the entire equity interest in PIPO and its subsidiary ("PIPO Group") via the issuance of 800,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share on March 26, 2007.

Upon completion of the acquisition of PIPO, the Company became the legal holding company of PIPO. Due to the relative values of PIPO and the Company, the former shareholders of PIPO became the majority shareholders through the issuance of 800,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share in the Company, controlling about 88% of the issued and paid-share capital of the Company. Further, the Company's continuing operations and key executive management are those of PIPO. Accordingly, the substance of the business combination is that PIPO acquired the Company in a reverse acquisition.

FRS 3 requires that the consolidated financial statements are issued under the name of the legal holding company, though they are a continuation of the financial statements of the legal subsidiary. In order to comply with FRS 3, the following have been reflected in the consolidated financial statements:

- (i) the assets and liabilities of the Company and PIPO Group have been recognised at their book values immediately prior to the reverse acquisition;
- (ii) the pre-acquisition retained earnings recognised in the consolidated financial statements are those of PIPO Group;

NOTES TO THE FINANCIAL STATEMENTS

- (iii) the amount recognised as issued equity instruments in the consolidated financial statements is the sum of:
 - (a) the issued and paid-up share capital of PIPO immediately before the reserve acquisition; and
 - (b) the cost of achieving the combination;
- (iv) the equity structure appearing in these consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the Company.
- (v) the comparative information presented in these consolidated financial statements is that of PIPO Group.

(b) Changes in Accounting Policies

On January 1, 2007, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and amendments to FRS issued by MASB that are relevant to their operations and effective for financial periods beginning on or after January 1, 2007 as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures
Amendments to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of these new and revised FRSs and amendments to FRS did not result in significant changes in the accounting policies of the Group and of the Company and has no significant financial effect on the financial statements of the Group and of the Company in the current and prior years.

(c) Accounting Standards, Amendment to FRSs and IC Interpretations Issued But Not Yet Effective

At the date of authorisation of the financial statements, the following new and revised FRSs, amendment to FRS and IC Interpretations were in issue but not yet effective until future periods:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefits Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration And Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2 - Share-based Payment



NOTES TO THE FINANCIAL STATEMENTS

The above FRSs, amendment to FRS and IC Interpretations shall apply to annual periods beginning on or after July 1, 2007 except for the following renamed FRSs which have the same effective dates as their original Standards, i.e., annual periods beginning on or after January 1, 2003:

- (i) FRS 119 Employee Benefits, which supersedes FRS 119₂₀₀₄ Employee Benefits and Amendment to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures;
- (ii) FRS 126 Accounting and Reporting by Retirement Benefit Plans, which supersedes FRS 126₂₀₀₄ Accounting and Reporting by Retirement Benefit Plans; and
- (iii) FRS 129 Financial Reporting in Hyperinflationary Economies, which supersedes FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies.

The effective adoption date in respect of FRS 139: Financial Instruments: Recognition and Measurement is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard when it becomes effective.

The directors anticipate that the adoption of these new and revised FRSs, amendment to FRS and IC Interpretations in future periods will have no material financial effect on the financial statements of the Group and of the Company for the financial year ending December 31, 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5, Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales tax, trade discounts and allowances and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and to the Company, upon satisfying the conditions of the Group's and of the Company's activities as set out below:

(i) Sale of Goods

Revenue from sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Dividend Income

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

Foreign Currency Conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are translated to Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in income statements in the year in which the foreign operation is disposed of.



NOTES TO THE FINANCIAL STATEMENTS

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Employee Benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Sick leaves are recognised when the absences occur.

The Group and the Company make statutory contributions to approved provident funds and contributions are charged to the income statements. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are defined contribution plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet “liability” method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the income statements, except when they relate to items credited or debited from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of Assets Excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group or to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to income statements in the period in which they are incurred.

Construction work-in-progress is not depreciated until they have been completed and ready for commercial operation. Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost or valuation over their estimated useful lives. The principal annual rates are as follows:

Building	5%
Plant and machinery	10%-20%
Office furniture and equipment	20%
Motor vehicles	20%

Where significant parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each balance sheet date, the property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and the effect of any changes are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Prepaid Lease Payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease represents prepaid lease payments and are amortised on a straight-line basis over the remaining terms of the relevant lease.



NOTES TO THE FINANCIAL STATEMENTS

Investments

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any impairment losses.

Goodwill

Goodwill arising from the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units which are business units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Inventories

Inventories comprising raw material, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course business, less the cost of completion and selling expenses.

The cost of raw material comprises the original cost of purchase plus the incidental cost incurred in bringing the raw material to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw material, direct labour and an appropriate allocation of manufacturing overheads.

Cost is determined on a weighted average basis and includes cost of direct materials, direct labours, direct charges, fixed and variable production overheads. Net realisable value is the estimate of the selling price in the ordinary course business, less the cost of completion and selling expenses.

In arriving at the net realisable value, due allowance is made for slow-moving and obsolete items.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

NOTES TO THE FINANCIAL STATEMENTS

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

At each balance sheet date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to a known amount of cash with insignificant risk of changes in value.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements and consolidated financial statements except for the following:

(i) *Allowance for inventories*

The policy for allowance for slow-moving and obsolete inventories is based on the review of inventories on a product-by-product and on an aging basis. A considerable amount of judgement is required in assessing the ultimate realisation of these inventories.

(ii) *Allowance for doubtful debts*

The policy for allowance for doubtful debts of the Group is based on the evaluation of collectibility and aged analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual lives of the property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down obsolete and non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS

(ii) *Estimated Impairment of Goodwill*

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was RM107,114,000 (2006: RM2,351,000).

6. SEGMENT REPORTING

No segment information is presented in respect of the Group's business and geographical segments as the Group is principally engaged in one business segment which is the manufacturing and sales of metallurgical coke and other related by-products and operates predominantly in the People's Republic of China.

However, as mentioned in Note 2, in conjunction with the restructuring scheme undertaken by Antah, the Company completed the acquisition of Wisma Antah, which was subsequently disposed of during the current financial year via the disposal of Extra Charm Sdn. Bhd.

The effects of the disposal on the financial results and position of the Group are disclosed in Note 13 (ii).

7. REVENUE

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Sales of goods:				
Metallurgical coke	640,892	577,985	–	–
By-products	210,515	152,669	–	–
Dividend receivable from subsidiary	–	–	43,888	–
	851,407	730,654	43,888	–
Discontinued operation:				
Rental income	1,326	–	–	–
	852,733	730,654	43,888	–

NOTES TO THE FINANCIAL STATEMENTS

8. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Changes in inventories of work-in-progress and finished goods	960	(3,776)	–	–
Interest income	817	290	266	–
Purchase of finished goods	(628,953)	(550,126)	–	–
Cost of inventories sold	(628,166)	(555,171)	–	–
Depreciation of property, plant and equipment	(22,118)	(14,395)	–	–
Staff costs:				
Salaries and other emoluments	(9,775)	(11,600)	(278)	–
Retirement benefits scheme contributions	(3,752)	(1,568)	(33)	–
Audit fee:				
Statutory	(1,077)	–	(85)	(1)
Others	(245)	–	–	–
Amortisation of prepaid lease payments	(780)	(371)	–	–
Bad debts written off	(132)	(20)	–	–
Directors' remuneration:				
Fee:				
Company	(68)	–	(68)	(5)
Salary and other emoluments:				
Company	(639)	–	(639)	–
Subsidiaries	(546)	(171)	–	–
Rental of premises	(108)	(115)	–	–
Gain/(Loss) on disposal of investment in subsidiary	(65)	–	600	–
Unrealised loss on foreign exchange	–	–	7,529	–
Waiver of debts by a third party	–	–	–	10

9. INCOME TAX EXPENSE

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable - foreign	24,425	–	–	–

A foreign subsidiary registered in the People's Republic of China ("PRC") is entitled to exemption from PRC income tax for the two years commencing from its profit making year of operation which commenced in 2005 and thereafter, the said subsidiary is entitled to a 50% relief from PRC income tax for the following three years.

NOTES TO THE FINANCIAL STATEMENTS

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	151,947	114,984	27,019	–
Tax at applicable Malaysian statutory income tax rate of 27% (2006 : 28%)	41,026	32,196	7,295	–
Effect of different tax rate of foreign subsidiaries	9,061	5,749	–	–
Effect of difference tax rate of 25% used in calculation of deferred tax	(540)	–	(540)	–
Effect of tax exemption granted	(28,381)	(38,256)	–	–
Tax effects of:				
Expenses not deductible for tax purposes	3,200	314	2,244	–
Income not taxable	(182)	(3)	(11,122)	–
Deferred tax assets not recognised	241	–	2,123	–
	24,425	–	–	–

As mentioned in Note 4, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2007, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Tax effects of:				
Temporary differences arising from amount owing by subsidiary company	–	–	1,882	–
Unutilised tax losses	241	–	241	–
Profit/(Loss) before tax	241	–	2,123	–

The unused tax losses are subject to the agreement of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of shares in issue during the financial year.

	The Group	
	2007 RM'000	2006 RM'000
Profit from continuing operations	126,857	114,984
Profit from discontinued operations	665	–
Profit for the year attributable to equity holders of the Company	127,522	114,984

	The Group	
	2007 '000	2006 '000
Number of shares in issue as of January 1*	800,000	800,000
Effects of:		
Acquisition of Wisma Antah	13,682	–
Scheme of Arrangement with Antah's Shareholders	66,763	–
Scheme of Arrangement with Antah's Creditors	15,726	–
Public Issue	157,260	–
Weighted average number of shares of RM0.50 each	1,053,431	800,000

Basic earnings per share attributable to equity holders of the Company (sen):

Profit from continuing operations	12.04	14.37
Profit from discontinued operations	0.07	–
Profit for the year	12.11	14.37

* The number of shares in issued for the Group in 2006 is calculated based on the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary in the reverse acquisition in accordance with FRS 3, Business Combination.

Diluted

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

The Group	Building RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At January 1, 2006	46,721	133,529	316	219	–	180,785
Additions	15	14,218	4	–	49,600	63,837
Reclassifications	13,154	–	–	–	(13,154)	–
Foreign currency exchange differences	1,020	2,917	7	5	–	3,949
At December 31, 2006/ January 1, 2007	60,910	150,664	327	224	36,446	248,571
Additions	–	9,110	18	–	216,606	225,734
Reclassifications	69,412	24,632	–	–	(94,044)	–
Foreign currency exchange differences	524	1,059	(3)	2	2,974	4,556
At December 31, 2007	130,846	185,465	342	226	161,982	478,861
Accumulated Depreciation						
At January 1, 2006	2,540	11,025	67	48	–	13,680
Charge for the year	2,718	11,556	71	50	–	14,395
Foreign currency exchange differences	4	21	–	–	–	25
At December 31, 2006/ January 1, 2007	5,262	22,602	138	98	–	28,100
Charge for the year	7,617	14,382	70	49	–	22,118
Foreign currency exchange differences	48	172	–	–	–	220
At December 31, 2007	12,927	37,156	208	147	–	50,438
Net Book Value						
At December 31, 2007	117,919	148,309	134	79	161,982	428,423
At December 31, 2006	55,648	128,062	189	126	36,446	220,471

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

The Company	Office Equipment	
	2007 RM'000	2006 RM'000
Cost		
Balance as of January 1, 2007/ January 1, 2006	–	–
Addition	17	–
Balance as of December 31, 2007/ December 31, 2006	17	–
Accumulated Depreciation		
Balance as of January 1, 2007/ January 1, 2006	–	–
Charge for the year	–	–
Balance as of December 31, 2007/ December 31, 2006	–	–
Net Book Value		
Balance as of December 31, 2007/ December 31, 2006	17	–

12. PREPAID LEASE PAYMENTS

	The Group	
	2007 RM'000	2006 RM'000
Cost:		
At beginning of year	10,567	10,179
Additions	20,756	–
Foreign currency translation differences	820	388
At end of year	32,143	10,567
Cumulative amortisation:		
At beginning of year	(364)	–
Amortisation for the year	(746)	(371)
Foreign currency translation differences	(3)	7
At end of year	(1,113)	(364)
Net:		
At end of year	31,030	10,203

Prepaid lease payments of the Group represent two land use rights granted by the government of the People's Republic of China ("PRC") to a subsidiary for industrial usage. One of the land use right is for a term of 29 years commencing from December 4, 2006 to December 4, 2034 and another for a term of 50 years commencing from February 12, 2007 to February 12, 2057, respectively.

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2007	2006
	RM'000	RM'000
Unquoted shares - At cost	904,908	–

Amount owing by/(to) subsidiary, which arose mainly from dividend receivable, unsecured advances and payments made on behalf, is unsecured, interest-free and has no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Percentage of Ownership		Principal Activities
		2007 %	2006 %	
Direct subsidiaries				
Fancy Celebrations Sdn. Bhd.	Malaysia	100	100	Dormant
PIPO Overseas Limited*	British Virgin Islands	100	–	Investment holding
Extra Charm Sdn. Bhd.	Malaysia	–	100	Investment property holding
Indirect subsidiary				
Linyi Yehua Coking Co, Ltd*	People's Republic of China	100	–	Manufacturing and sales of metallurgical coke and other related by-products

* The financial statements of these subsidiaries for the financial year ended December 31, 2007 are examined by a member firm of Deloitte & Touche for the purpose of the audit of the Group's consolidated financial statements while the financial statements of these subsidiaries for the previous financial year ended December 31, 2006 were examined by another firm of auditors.

(i) Acquisition of Subsidiaries in 2007

As mentioned in Note 2, in conjunction with the restructuring scheme undertaken by Antah, the Company completed the acquisition of 50,000 PIPO Shares representing the entire issued and paid-up share capital of PIPO for a purchase consideration of RM800,000,000 satisfied entirely by the issuance of 800,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share.

As mentioned in Note 3, the substance of the business combination between the Company and PIPO is that PIPO acquired the Company in a reverse acquisition. The cost of this business combination is determined in accordance with FRS 3, Business Combination, on the basis of the fair value of the Company as of March 26, 2007 and the number of shares that PIPO would have had to issue to the shareholders of the Company to provide the same percentage of the combined entity. As the shareholders of PIPO held an interest in the combined entity of approximately 100%, PIPO would not have issued any share to the shareholders of the Company. Thus, the cost of the business combination is RMNil.

The fair value of the Company at the date of acquisition was a net assets of RM100 and as such, the acquisition does not have any material effect on the financial position and results and cash flows of the Group for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Disposal of Subsidiaries in 2007

Also, as mentioned in Note 2 and in conjunction with the restructuring scheme undertaken by Antah, the Company completed the disposal of the entire issued and paid-up share capital of Antah comprising 169,815,233 Antah Shares to Vital Meridian Sdn Bhd for a nominal cash consideration of RM1.

On November 16, 2007, the Company also disposed of its entire equity interest in Extra Charm Sdn. Bhd. ("ECSB"), comprising 2 ordinary shares of RM1 each of the issued and paid up share capital of ECSB, to Work @ Clearwater Sdn. Bhd. (formerly known as Brilliant Objectives Sdn. Bhd.), for a cash consideration of RM18,000,000.

The effect of the disposals on the financial results of the Group is as follows:

	The Group 2007 RM'000
Revenue	1,326
Cost of sales	–
Gross profit	1,326
Administrative expenses	(415)
Other operating expenses	(246)
Profit before tax	665
Income tax expense	–
Profit for the year	665

The effect of the disposals on the financial position of the Group is as follows:

	The Group 2007 RM'000
Book value of net assets disposed of:	
Investment property	17,400
Trade receivables	247
Other receivables and prepaid expenses	86
Cash and bank balances	851
Trade payables	(78)
Other payables and accrued expenses	(441)
Net assets disposed off	18,065
Total disposal cash proceeds	(18,000)
Loss on disposal of subsidiaries to the Group	(65)
Cash inflow arising from disposal	
Cash consideration, representing cash inflow of the Company	18,000
Cash and bank balances of subsidiary disposed of	(851)
Net cash inflow of the Group	17,149

NOTES TO THE FINANCIAL STATEMENTS

The effect on the financial results of the Company is as follows:

	The Group 2007 RM'000
Disposal consideration	18,000
Less:	
Cost of investment in subsidiaries	—*
Amount owing by subsidiaries written off	(17,400)
Gain on disposal of subsidiaries to the Company	600

* Represents RM2.

14. GOODWILL

	The Group 2007 RM'000	2006 RM'000
At beginning of year	2,351	2,535
Arising from acquisition of subsidiary	104,908	—
Foreign currency translation differences	(145)	(184)
At end of year	107,114	2,351

Goodwill of the Group arose from the following:

	The Group 2007 RM'000	2006 RM'000
Acquisition of assets and liabilities, together with the business operation of a related party	2,206	2,351
Reverse acquisition of PIPO and its subsidiary, Yehua	104,908	—
At end of year	107,114	2,351

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The Group has only one business segment which is the manufacturing and sales of metallurgical coke and other related by-products.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

NOTES TO THE FINANCIAL STATEMENTS

15. INVENTORIES

	The Group	
	2007	2006
	RM'000	RM'000
Raw materials	70,438	39,244
Work-in-progress	1,769	1,218
Finished goods	2,675	2,266
	74,882	42,728

16. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group	
	2007	2006
	RM'000	RM'000
Trade receivables	40,097	24,439
Less: Allowance for doubtful debts	(335)	(223)
	39,762	24,216

Trade receivables comprise amounts receivable from the sales of goods. The credit period granted by the Group to its trade customers on these transactions ranges from 0 day to 45 days (2006: 0 days to 45 days).

Other receivables and prepaid expenses comprise:

	The Group	
	2007	2006
	RM'000	RM'000
Other receivables	22	2,961
Bill receivables	2,728	20,449
Trade deposits	21,985	19,216
	24,735	42,626

Trade deposits represents deposits paid to suppliers for raw material purchased at the balance sheet date.

The currency exposure profile of trade and other receivables is Chinese Renminbi.

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

	The Group	
	2007 RM'000	2006 RM'000
(i) Amount owing by related parties		
Linyi Jiangxin Steel Co., Ltd.	22,020	13,625
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	3,154	1,240
Shandong Jiangquan Industrial Co., Ltd.		
- Jiangxing Construction Use Ceramic Factory	267	1,111
	25,441	15,976
(ii) Amount owing to related parties		
Huasheng Jiangquan Group Co., Ltd Railroad Transportation Co.,	721	545
Linyi City Huasheng Group Construction Co., Ltd	–	655
	721	1,200

Companies which are classified as related parties are those affiliated to companies controlled directly or indirectly by Huasheng Jiangquan Group Co., Ltd. ("Jiangquan"). The said companies are related to the Group and the Company by virtue of Mr Liu Guodong, a director of the Company, being the son-in-law of Mr Wang Ting Jiang, a director and shareholder of Jiangquan.

Amount owing by related parties, which arose mainly from trade transactions, is interest-free and has no fixed terms of repayment. The said amount is denominated in Chinese Renminbi.

Amount owing to related parties, which arose mainly from storage expenses, purchase of property, plant and equipment and amount payable for construction cost, is interest-free and has no fixed terms of repayment. The said amount is denominated in Chinese Renminbi.

Significant transactions with related parties during the financial year are as follows:

	The Group	
	2007 RM'000	2006 RM'000
Sales of goods to related parties:		
Linyi Jiangxin Steel Co., Ltd.	284,911	239,328
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	44,618	31,609
Shandong Jiangquan Industrial Co., Ltd.		
- Jiangxing Construction Use Ceramic Factory	16,866	15,017
Shandong Jiangquan Industrial Co., Ltd.		
- Jiangfeng Ceramic Factory	–	1,744
Electricity expense paid to Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	14,180	12,884
Construction cost paid to Linyi City Huasheng Group Construction Co., Ltd	27,696	39,022
Storage expense paid to Huasheng Jiangquan Group Co., Ltd Railroad Transportation Co.,	5,218	5,464

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are mutually agreed between the said related parties.

NOTES TO THE FINANCIAL STATEMENTS

18. SHARE CAPITAL

	The Group and The Company	
	2007 RM'000	2006 RM'000
Authorised:		
Ordinary shares of RM0.50 each		
At beginning of year/date of incorporation	100	100
Created during the year	999,900	–
Balance at end of year/period	1,000,000	100
Issued and fully paid		
Ordinary shares of RM0.50 each		
At beginning of year/date of incorporation	–	– *
Issued during the year:		
Acquisition of PIPO and its subsidiary, Yehua	400,000	–
Acquisition of Wisma Antah	8,700	–
Scheme of Arrangement with Antah's Shareholders	10,000	–
Scheme of Arrangement with Antah's Creditors	42,454	–
Public Issue	100,000	–
Balance at end of year/period	561,154	– *

* Represents RM100.

In conjunction with the listing of the entire issued and paid-up share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad and the restructuring scheme undertaken by Antah:

- the authorised share capital of the Company was increased from RM100,000 to RM1,000,000,000 by the creation of an additional 1,999,800,000 new ordinary shares of RM0.50 each pursuant to a shareholders' resolution dated February 14, 2007; and
- the issued and paid-up share capital of the Company was increased from RM100 comprising 200 ordinary shares of RM0.50 each to RM561,153,909, comprising 1,122,307,817 ordinary shares of RM0.50 each as follows:

	The Group and the Company RM'000
(i) Acquisition of PIPO and its subsidiary, Yehua	400,000
(ii) Acquisition of Wisma Antah	8,700
(iii) Scheme of Arrangement with Antah's Shareholders	10,000
(iv) Scheme of Arrangement with Antah's Creditors	42,454
(v) Public Issue	100,000
	561,154

NOTES TO THE FINANCIAL STATEMENTS

19. RESERVES

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<i>Non-distributable:</i>				
Share premium	553,891	–	553,891	–
Reverse acquisition reserve	(799,823)	–	–	–
Foreign currency translation reserve	7,741	4,885	–	–
Foreign statutory reserves	49,312	28,420	–	–
	(188,879)	33,305	553,891	–

Share premium

Share premium arose from the following, net of shares issue expenses of RM7,263,366:

	The Group and the Company RM'000
(i) Acquisition of PIPO and its subsidiary, Yehua	400,000
(ii) Acquisition of Wisma Antah	8,700
(iii) Scheme of Arrangement with Antah's Shareholders	10,000
(iv) Scheme of Arrangement with Antah's Creditors	42,454
(v) Public Issue	100,000
	561,154
Less: Shares issue expenses	(7,263)
	553,891

Reverse acquisition reserve

Reverse acquisition reserve arose from the reverse acquisition of the Company by PIPO during the financial year as follows:

	The Group	
	2007	2006
	RM'000	RM'000
Paid-up share capital of the Company immediately before reverse acquisition	– *	–
Shares issued by the Company to acquire PIPO	800,000	–
Reversal of PIPO's paid-up share capital pursuant to reverse acquisition	(177)	–
Adjustment taken to reserve acquisition reserve	799,823	–

* Represents RM100.

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency translation reserve

Foreign currency translation differences arising from the translation of the financial statements of foreign subsidiaries are taken to the foreign currency translation reserve as described in the significant accounting policies.

Foreign statutory reserves

Foreign statutory reserves comprise following:

(i) Statutory common reserve funds

A foreign subsidiary in PRC is required each year to transfer 10% of the profit after tax as reported under PRC statutory financial statements to the statutory common reserve funds until the balance reaches 50% of the registered share capital of the said subsidiary. This reserve can be used to make up any loss incurred or to increase share capital. Except for the reduction of losses incurred, any other application should not result in this reserve balance falling below 25% of the registered capital.

(ii) Statutory public welfare funds

A foreign subsidiary is required each to transfer 5% of the profit after tax for each year to the statutory public welfare funds. This reserve is restricted to capital expenditure for employees' collective welfare facilities that are owned by the said foreign subsidiary. The statutory public welfare funds are not available for distribution to shareholders (except on liquidation). Once capital expenditure for staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare funds to the statutory common reserve funds.

In accordance with the notice issued by the Ministry of Finance of the PRC on the accounting issues relating to the implementation of the Company Law (Cai Qi [2006] No. 67), the said foreign subsidiary transferred the balance of the statutory public welfare funds as at December 31, 2005 to statutory common reserve funds. The balance as of December 31, 2007 and 2006 is RMNil.

20. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding from trade purchases and ongoing costs. The average credit period granted to the Group for trade purchases ranges from 30 to 90 days (2006: 30 to 90 days).

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	3,503	1,682	31	–
Deposits received	5,796	1,048	–	–
	9,299	2,730	31	–

The currency exposure profile of trade payables is Chinese Renminbi.

NOTES TO THE FINANCIAL STATEMENTS

21. SHORT-TERM BORROWINGS

	The Group	
	2007 RM'000	2006 RM'000
Bank overdraft	–	94
Bank loans	–	67,764
	–	67,858

The bank loans in 2006, which were denominated in Chinese Renminbi, were obtained from China Construction Bank, Linyi Luozhuang Branch for working capital, and bore interest at 0.558% per month. One of the bank loans amounting to RMB50 million (approximately RM22 million) was repaid on August 5, 2007 while the remaining amount of RMB100 million (approximately RM45 million) was repaid on March 31, 2007. The said loans were secured against a piece of land owned by Shandong Jiang Quan Real Estate Comprehensive Development Co. Ltd., a related party.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed deposits with licensed banks	1,046	–	1,046	–
Cash and bank balances	31,035	9,687	755	– *
	32,081	9,687	1,801	– *
Less:				
Bank overdraft	–	(94)	–	–
	32,081	9,593	1,801	– *

* Represents RM100.

Fixed deposits with licensed of the Group in 2007 banks earned interest at 3.1% per annum and have an average maturity period of 30 days.

The currency profile of cash and cash equivalents is as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Chinese Renminbi	29,226	9,233	–	–
Ringgit Malaysia	1,801	–	1,801	– *
Hong Kong Dollar	1,045	–	–	–
United States Dollar	9	454	–	–
	32,081	9,687	1,801	– *

* Represents RM100.

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) *Foreign currency risk*

The Group's operations are primarily based in PRC where transactions are undertaken in Chinese Renminbi. In additions, the Group also undertakes certain transactions in United States Dollar and Hong Kong dollars and therefore is exposed to foreign currency risks. Exposures to foreign currencies risks are monitored on an on-going basis.

(ii) *Interest rate risk*

The Group was exposed to interest rate risk through the impact of rate changes on interest bearing short-term borrowings and fixed deposits with licensed bank. The short-term borrowings were repaid during the current financial year while interest rates on fixed deposits are disclosed in Note 22.

(iii) *Credit risk*

The Group is exposed to credit risk mainly from trade receivables. The Company extends credit to its customers based on careful evaluation of the customers' financial condition and credit history.

(iv) *Liquidity risk*

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) *Cash flow risk*

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The principal financial assets of the Group are cash and bank balances, fixed deposits with licensed bank, trade and other receivables, and amount owing by related parties.

The principal financial assets of the Company also include amount owing by subsidiary.

The accounting policies applicable to the major financial instruments are as disclosed in Note 3.

Financial Liabilities

Debts and equity instruments are classified as liability or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, amount owing to related parties, amount owing to a former shareholder and bank overdraft, which are stated at their nominal values.

The principal financial liabilities of the Company also include amount owing to subsidiary.

Fair Values

The carrying amount of the financial assets and financial liabilities of the Group reported in the balance sheets approximate their fair values because of the immediate or short maturity term for these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

24. LEASE COMMITMENTS

As of December 31, 2007, the Group has the following lease commitments in respect of rental of office premises:

	Future Minimum Lease Payments The Group	
	2007 RM'000	2006 RM'000
Within one year	–	110

The operating lease payments represents rental payable by the Group for a office premises. The lease typically runs for an initial period of 2 years, with an option to renew the lease when all term are renegotiated.

25. CAPITAL COMMITMENTS

As of December 31, 2007, the Group has the following capital commitments:

	The Group	
	2007 RM'000	2006 RM'000
Contracted but not provided: Property, plant and equipment	9,084	42,556

26. COMPARATIVE FIGURES

The financial statements of the Company for the previous financial period was drawn up from the period May 3, 2006 (date of incorporation) to December 31, 2006 or a period of 7 months.

Under the reverse acquisition method of accounting as mentioned in Note 3, the comparative figures in the Group's financial statements are presented to reflect those of PIPO Overseas Ltd. and its subsidiaries.

STATEMENT BY DIRECTORS

The directors of **SINO HUA-AN INTERNATIONAL BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2007 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

Y.A.M. TUNKU NAQUIYUDDIN
IBNI TUANKU JA'AFAR

LIU GUODONG

Kuala Lumpur
April 28, 2008

DECLARATION

BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE
FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG KING CHUNG**, the officer primarily responsible for the financial management of **SINO HUA-AN INTERNATIONAL BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity are, in my opinion, 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.

WONG KING CHUNG

Subscribed and solemnly declared by the
abovenamed **WONG KING CHUNG** at
PETALING JAYA this 28th day of April, 2008.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

SHARE CAPITAL

Authorised share capital	:	RM1,000,000,000.00
Issued and paid up share capital	:	RM561,153,908.50
Class of share	:	Ordinary shares of RM0.50 each
Total number of shares issued	:	1,122,307,817
Number of shareholders	:	18,876
Voting rights		
• On a show of hands	:	One vote
• On a poll	:	One vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued Capital
1 - 99	351	1.86	14,673	0.00
100 - 1,000	7,439	39.41	3,680,503	0.33
1,001 - 10,000	8,246	43.69	32,861,755	2.93
10,001 - 100,000	2,463	13.05	78,286,082	6.97
100,001 - 11,249,999	372	1.97	312,629,254	27.86
11,250,000 and above	5	0.03	694,835,550	61.91
Total	18,876	100.00	1,122,307,817	100.00

DIRECTORS' SHAREHOLDINGS

Name of Directors	Nationality	Direct	No. of shares beneficially held		%
			%	Indirect	
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	13,952,700	1.24	305,753,459 ⁽¹⁾	27.24
Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid	Malaysian	—	—	—	—
Liu GuoDong	Chinese	178,000,057 ⁽²⁾	15.86	—	—
Abdul Kadir Md Kassim	Malaysian	—	—	—	—
Jaleeludeen Bin Abu Baker	Malaysian	—	—	—	—
Cedric Choo Sia Teik	Malaysian	—	—	—	—
Zhu QingHua	Chinese	—	—	102,000,038 ⁽³⁾	9.09
Zhang Tianran	Chinese	—	—	—	—
Lim See Tow	Malaysian	—	—	—	—

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

Note :-

- ⁽¹⁾ Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.
- Deemed interested by virtue of being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.
- Deemed interested by virtue of being the spouse of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.
- Deemed interested by virtue of his sibling's interest in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.
- ⁽²⁾ 114,000,000 Hua-An shares are being held under the name of HDM Nominees (Asing) Sdn Bhd, Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients).
- ⁽³⁾ Deemed interested by virtue of his direct interest of over 15% equity interest in Rise Business Inc. which in turn holds shares in Sino Hua-An International Berhad.

SUBSTANTIAL SHAREHOLDERS

Name of Directors	Nationality	Direct	No. of shares beneficially held		%
			%	Indirect	
Rock Point Alliance Pte. Ltd.	Singapore	285,000,080	25.39	0	0.00
Liu GuoDong	China	178,000,057 ⁽¹⁾	15.86	0	0.00
Rise Business Inc	Virgin Islands (British)	102,000,038	9.09	0	0.00
CIM VI Limited	Virgin Islands (British)	100,000,025	8.91	0	0.00
Y.A.M. Tunku Naquiyuddiin Ibni Tuanku Ja'afar	Malaysian	13,952,700	1.24	305,753,459 ⁽²⁾	27.24
Y.A.M. Tunku Dara Tunku Tan Sri Naquiah bte Tuanku Ja'afar	Malaysian	1,166,500	0.10	318,538,159 ⁽³⁾	28.38
Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar	Malaysian	1,176,500	0.10	318,528,159 ⁽⁴⁾	28.38
Y.A.M. Tunku Irinah Binti Tuanku Ja'afar	Malaysian	1,154,250	0.10	318,550,409 ⁽⁵⁾	28.38
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	Malaysian	1,221,500	0.11	318,483,159 ⁽⁶⁾	28.38
Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar	Malaysian	1,087,750	0.10	318,616,909 ⁽⁷⁾	28.39
Y.M. Tunku Nurul Hayati binti Tunku Bahador	Malaysian	100,200	0.01	319,605,959 ⁽⁸⁾	28.48
Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin	Malaysian	1,500	0.00	311,939,230 ⁽⁹⁾	27.79
Zhu QingHua	China	0	0.00	102,000,038 ⁽¹⁰⁾	9.09

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

Note :-

- (1) 114,000,000 Hua-An shares are being held under the name of HDM Nominees (Asing) Sdn Bhd, Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients).
- (2) Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.
- Deemed interested by virtue of being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.
- Deemed interested by virtue of being the spouse of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.
- Deemed interested by virtue of his sibling's interest in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of his direct interest of over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.
- (3) Deemed interested by virtue of being the sibling of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah binti Tuanku Ja'afar, Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar and Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar.
- Deemed interested by virtue of her being the sister-in-law of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.
- Deemed interested by virtue of her direct interest of over 15% equity interest in SPA which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of her sibling's interest of over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.
- Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.
- (4) Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah binti Tuanku Ja'afar, Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar.
- Deemed interested by virtue of him being the brother-in-law of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.
- Deemed interested by virtue of his direct interest of over 15% equity interest in SPA which in turn holds shares in Sino Hua-An International Berhad.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

Deemed interested by virtue of him sibling's interest of over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

- (5) *Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar and Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar.*

Deemed interested by virtue of her being the sister-in-law of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.

Deemed interested by virtue of her direct interest of over 15% equity interest in SPA which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her sibling's interest of over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

- (6) *Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.*

Deemed interested by virtue of him being the brother-in-law of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.

Deemed interested by virtue of his direct interest of over 15% equity interest in SPA which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of his direct interest of over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

⁽⁷⁾ Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Irinah binti Tuanku Ja'afar and Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar.

Deemed interested by virtue of her being the sister-in-law of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.

Deemed interested by virtue of her direct interest of over 15% equity interest in SPA which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her sibling's interest of over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

⁽⁸⁾ Deemed interested by virtue of being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar.

Deemed interested by virtue of being the sister-in-law to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.

Deemed interested by virtue of being the mother of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.

Deemed interested by virtue of her brother-in-laws' and sister-in-laws' interest in SPA which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the spouse to Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar who holds more than 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

⁽⁹⁾ Deemed interested by virtue of being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Nurul Hayati binti Tunku Bahador.

Deemed interested by virtue of being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 15% equity interest in SPR which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 15% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

⁽¹⁰⁾ Deemed interested by virtue of his direct interest of over 15% equity interest in Rise Business Inc. which in turn holds shares in Sino Hua-An International Berhad.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. of Shares beneficially held	%
1.	F.I.T NOMINEES (ASING) SDN BHD <i>ROCK POINT ALLIANCE PTE. LTD.</i>	285,000,080	25.39
2.	LIU GUODONG	114,000,000	10.16
3.	RISE BUSINESS INC	102,000,038	9.09
4.	CIM VI LIMITED	100,000,025	8.91
5.	HDM NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR OUB KAY HIAN (HONG KONG) LIMITED (CLIENTS)</i>	93,835,407	8.36
6.	LEMBAGA TABUNG HAJI <i>LEMBAGA TABUNG HAJI, BHG PEMEROSAN PELABURAN</i>	39,495,800	3.52
7.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (IPB CLIENT ACCT)</i>	31,349,400	2.79
8.	HLG NOMINEE (ASING) SDN BHD <i>EXEMPT AN FOR OUB KAY HIAN PTE LTD (A/C CLIENTS)</i>	14,196,600	1.26
9.	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAM TUNKU NAQUIYUDDIN IBNI TUANKU JAAFAR</i>	12,858,700	1.15
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ROCK POINT ALLIANCE SDN. BHD.</i>	12,736,250	1.13
11.	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR MIDF AMANAH ASSET NOMINEES (TEMPATAN) SDN BHD (ACCOUNT 1)</i>	12,482,500	1.11
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PLATINUM PARADE SDN. BHD.</i>	7,300,000	0.65
13.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (DENMARK)</i>	6,172,200	0.55
14.	HDM NOMINEES (ASING) SDN BHD <i>PHILLIP SECURITIES PTE LTD FOR LIM BOEY TEE @ LIM AH BAH</i>	5,200,000	0.46
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG SIEW ENG @ ONG CHAI (8040800)</i>	5,044,800	0.45
16.	UOBM NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)</i>	4,740,000	0.42
17.	HDM NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM BOEY TEE (LIM AH BAH) (M01)</i>	4,600,000	0.41
18.	CIMSEC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CIMB-GK SECURITIES PTE LTD (RETAIL CLIENTS)</i>	4,218,300	0.38
19.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RBS COUTTS BANK LTD (HK BRANCH)</i>	4,000,000	0.36
20.	CARTABAN NOMINEES (ASING) SDN BHD <i>SCBHK FOR PLATINUM BROKING COMPANY LIMITED-CLIENT A/C</i>	3,921,000	0.35

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MAY 2008

No.	Name	No. of Shares beneficially held	%
21.	AMSEC NOMINEES (ASING) SDN BHD <i>LIM & TAN SECURITIES PTE LTD FOR LOW CHECK KIAN</i>	3,000,000	0.27
22.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>AUTB PROGRESS FUND</i>	2,905,700	0.26
23.	HDM NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HENG TIN MENG (M02)</i>	2,650,000	0.24
24.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR SHENYIN WANGUO SECURITIES (H.K.) LIMITED (CLIENTS' ACCOUNT)</i>	2,635,000	0.23
25.	SPLENDID HORIZON SDN BHD	2,573,600	0.23
26.	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MIDF AMANAH ASSET NOMINEES (TEMPATAN) SDN BHD FOR LEMBAGA TABUNG HAJI (JG283)</i>	2,512,800	0.22
27.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389)</i>	2,450,000	0.22
28.	PLATINUM PARADE SDN BHD	2,399,000	0.21
29.	HLG NOMINEE (TEMPATAN) SDN BHD <i>HLG ASSET MANAGEMENT SDN BHD FOR HONG LEONG ASSURANCE BHD (GROWTH FUND)</i>	2,320,000	0.21
30.	GAN SEONG LIAM	2,250,000	0.20

LIST OF PROPERTIES

AS AT 31 DECEMBER 2007

	LOCATION	DESCRIPTION	TENURE	NET BOOK VALUE RM'000	AREA sq. m.	DATE OF ACQUISITION
1)	Lot no. 201/23/96 Shenquan Industrial Park, Luozhuang District, Linyi City, Shandong Province	Manufacturing plant	Leasehold 29 years	9,955	319,014.00	4 Dec 2006
2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luozhuang District, Linyi City, Shandong Province	Coal storage area	Leasehold 50 years	21,075	85453.76	2 Feb 2007

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SINO HUA-AN INTERNATIONAL BERHAD

(Company No. 732227-T)
(Incorporated in Malaysia)

FORM OF PROXY

Number of shares held :

*I/We, (full name in capital letters).....

of (full address) being a *member/members of

SINO HUA-AN INTERNATIONAL BERHAD ("the Company"), hereby appoint (full name in capital letters)

of (full address)

or failing *him/her, (full name in capital letters)

of (full address)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Second Annual General Meeting of the Company to be held at the Dillenia & Eugenia Room, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 30 June 2008 at 2:00 p.m. and at any adjournment thereof.

The Proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First Proxy (1) %

Second Proxy (2) %

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	AGENDA / RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Report of the Directors' and the Auditor's thereon.		
2.	To approve the declaration of the Final Dividend of 4.55% tax exempt for the financial year ended 31 December 2007.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 December 2007.		
4.	To re-elect Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
5.	To re-elect Liu GuoDong who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
6.	To re-elect Abdul Kadir Md Kassim who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
7.	To re-elect Cedric Choo Sia Teik who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		



NO.	AGENDA / RESOLUTIONS	FOR	AGAINST
8.	To re-elect Zhu QingHua who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
9.	To re-elect Lim See Tow who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
10.	To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 :- "That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid is over the age of 70 years, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."		
11.	To appoint Auditors and to authorise the Directors to fix their remuneration. "That Messrs. Anuarul Azizan Chew & Co. (an independent member of Morison International), be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs. Deloitte & Touche to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."		
12.	As Special Business <u>Ordinary Resolution 1</u> Authority to issue shares pursuant to Section 132D of the Company Act, 1965.		
13.	<u>Ordinary Resolution 2</u> Proposed Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
14.	<u>Ordinary Resolution 3</u> Proposed share buy-back of up to 10% of the issued and paid up share capital of Sino Hua-An International Berhad.		
15.	<u>Special Resolution 1</u> Proposed Amendments to Articles of Association.		

* *Strike out whichever not applicable (unless otherwise instructed, the proxy may vote as he/she thinks fit)*

As witness my/our hand(s) this day of, 2008

.....
Signature of Member/Common Seal



Notes:-

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 20 June 2008 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting. A proxy may but need not be a member of the Company and the provision of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.*
5. *To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of authority, must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.*



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Affix
Stamp

To:

SINO HUA-AN INTERNATIONAL BERHAD (732227-T)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

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