SINO HUA-AN INTERNATIONAL BERHAD
(732227-T)

ANNUAL REPORT 2015

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NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting ("AGM") of the Company will be held at the Banquet Hall, 2nd Floor Kelab Perdana DiRaja Kuala Lumpur (Royal Lake Club), Taman Tasek Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 18 May 2016 at 9:00 a.m. or any adjournment for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon. *[Please refer to Explanatory Note (i)]*

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2015. *(Resolution 1)*

3. To re-elect the following Directors who retire by rotation pursuant to Article 95 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr. Liu Guodong *(Resolution 2)*
   (b) Ms. Lim See Tow *(Resolution 3)*

4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 ("the Act"):- *(Resolution 4)*

   "THAT pursuant to Section 129(6) of the Act, 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 AGM."

5. To re-appoint Messrs. Morison Anuarul Azizan Chew as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. *(Resolution 5)*

6. **As Special Business**

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

   ORDINARY RESOLUTION 1
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 *(Resolution 6)*

   "**THAT** subject to Section 132D of the Act and approvals of the relevant governmental and/or 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 ("Bursa Securities");

   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 AGM of the Company."

ORDINARY RESOLUTION 2
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

(Resolution 7)

"**THAT** approval be and is hereby given to Sino Hua-An International Berhad Group ("the 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 Part A Section 1.4 of the Circular to Shareholders dated 22 April 2016, which are necessary for its day-to-day operations, to be entered into by the 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 Renewal of Shareholders' Mandate");

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

(a) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Renewal of 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 AGM after that date is required to be held pursuant to Section 143(1) of 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,

whichever is the earlier;

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

Notice of the Tenth Annual General Meeting (Cont'd)

ORDINARY RESOLUTION 3 *(Resolution 8)*

- PROPOSED RENEWAL OF AUTHORITY FOR 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 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 ten per centum (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 based on the latest audited financial statement and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); 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 Renewal of Share Buy-Back Authority 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."

ORDINARY RESOLUTION 4 *(Resolution 9)*
- RETENTION OF Y. BHG. DATO' MOHD SHAHAR BIN ABDUL HAMID AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** subject to the passing of Resolution No. 4, approval be and is hereby given to retain Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid who has served for more than nine (9) years as Independent Non-Executive Director of the Company in accordance with Malaysian Code on Corporate Governance 2012 ("MCCG 2012")."

ORDINARY RESOLUTION 5 *(Resolution 10)*
- RETENTION OF MS. LIM SEE TOW AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** subject to the passing of Resolution No. 3, approval be and is hereby given to retain Ms. Lim See Tow who has served for more than nine (9) years as Independent Non-Executive Director of the Company in accordance with MCCG 2012."

Notice of the Tenth Annual General Meeting (Cont'd)

SPECIAL RESOLUTION *(Resolution 11)*
- PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION OF THE COMPANY

"**THAT** approval be and is hereby given to the Company to carry out amendment to Article 149(ii) of the Company's Articles of Association by deleting the existing Article 149(ii) of the Company's Articles of Association and substituting with the following new Article 149(ii):-

Article No.	Amended Article
149(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. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a member requires a printed form of such documents, the Company shall send such documents to the member within four (4) Market Days from the date of receipt of the member's verbal or written request.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendment of Articles of Association with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

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

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
22 April 2016

EXPLANATORY NOTE TO ORDINARY AND SPECIAL BUSINESS:-

i) Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

ii) Authority to issue shares pursuant to Section 132D of the Act

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Act at the Tenth AGM of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate by its shareholders at the Ninth AGM of the Company held on 21 May 2015 (hereinafter referred to as the "Previous Mandate").

As at the date of this Notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without having to convene a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM.

The proceeds raised from the General Mandate will provide flexibility to the Company for purposes of funding any future investment project(s), working capital, acquisitions, expansion and/or diversification proposals.

iii) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

The Shareholders' Mandate under Ordinary Resolution No. 2 is intended to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

iv) Proposed Renewal of Authority for Share Buy-Back of up to 10% of the issued and paid-up share capital of Sino Hua-An International Berhad

The proposed adoption of Ordinary Resolution No. 3 is to renew the authority granted by the shareholders of the Company at the Ninth AGM held on 21 May 2015. The proposed renewal will allow the Directors to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Securities.

v) Proposed Amendment to Articles of Association of the Company

The Proposed Amendment to Articles of Association of the Company is to streamline the Company's Articles of Association with the Main Market Listing Requirements of Bursa Securities.

Notice of the Tenth Annual General Meeting (Cont'd)

EXPLANATORY NOTE TO ORDINARY AND SPECIAL BUSINESS:- (CONT'D)

vi) Retention of Independent Non-Executive Director

(a) Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid was appointed as Independent Non-Executive Director of the Company on 21 March 2007 and has, therefore served for more than nine (9) years. In accordance with the MCCG 2012, the Board of Directors of the Company after having assessed the independence of Dato' Mohd Shahar Bin Abdul Hamid, regarded him to be independent, based amongst others, the following justifications and recommends that Dato' Mohd Shahar Bin Abdul Hamid be retained as Independent Non-Executive Director of the Company:-

(i) He has met the independence guidelines as set out in Chapter 1 of the Bursa Securities Main Market Listing Requirements;
(ii) He does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
(iii) The Board of Directors is of the opinion that Dato' Mohd Shahar Bin Abdul Hamid is an important Independent Non-Executive Director of the Board in view of his incumbent knowledge of the Company and familiarity with the Group's activities and corporate history. He has been providing invaluable contributions to the Board in his role as an Independent Non-Executive Director.

(b) Ms. Lim See Tow was appointed as Independent Non-Executive Director of the Company on 18 January 2008 and her tenure as an Independent Non-Executive Director of the Company would reach a cumulative term of nine (9) years before the 2017 AGM. In accordance with the MCCG 2012, the Board of Directors of the Company after having assessed the independence of Ms. Lim See Tow, regarded her to be independent, based amongst others, the following justifications and recommends that Ms. Lim See Tow be retained as Independent Non-Executive Director of the Company:-

(i) She has met the independence guidelines as set out in Chapter 1 of the Bursa Securities Main Market Listing Requirements;
(ii) She does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
(iii) The Board of Directors is of the opinion that Ms. Lim See Tow is an important Independent Non-Executive Director of the Board in view of her incumbent knowledge of the Company and familiarity with the Group's activities and corporate history. She has been providing invaluable contributions to the Board in her role as an Independent Non-Executive Director.

Notes:

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 12 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *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.*
4. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *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 c/o Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.*

ADMINISTRATIVE GUIDE
FOR TENTH ANNUAL GENERAL MEETING ("AGM")

DAY & DATE	:	Wednesday, 18 May 2016
TIME	:	9:00 a.m.
VENUE	:	Banquet Hall, 2nd Floor Kelab Perdana DiRaja Kuala Lumpur (Royal Lake Club), Taman Tasek Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur.

REGISTRATION

1. Registration will start at 8:30 a.m. and will end at such time as may be determined by the Chairman of the meeting.
2. Registration will take place at the registration booths located at the entrance to the Banquet Hall. You are required to queue accordingly.
3. Please produce your original Identity Card (IC) or Passport for verification by the Share Registrar. Please ensure that you collect your IC or Passport thereafter.
4. After verification, you are required to write your name and sign on the Attendance List provided by the Share Registrar. Thereafter, you will be given an identification wristband.
5. No individual will be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
6. You are not allowed to register on behalf of another person even with the original IC or Passport of that other person.
7. The registration counter is solely for verification of identity and registration purposes. If you have any enquires on other matters, please refer to our staff who will be at hand to provide assistance.

PARKING

You may park your vehicle at the allocated visitors parking bays.

RECORD OF DEPOSITORS FOR ATTENDANCE AT AGM

Only depositors whose names appear on the Record of Depositors as at 12 May 2016 shall be entitled to attend, speak and vote at the AGM or appoint maximum of two (2) proxies to attend, speak and vote on his/her behalf in respect of the number of shares registered in his/her name at that mentioned date.

PROXY

1. If you are a member of the Company as at 12 May 2016, you are entitled to appoint maximum two (2) proxies to attend and vote at the AGM. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.

2. If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting that you wish to attend. You will not be allowed to attend the meeting together with a proxy appointed by you. Only one of you is allowed to attend and enter the meeting hall.

3. If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please revoke the appointment of your proxy at the time of registration.

Administrative Guide for Tenth Annual General Meeting ("AGM") (Cont'd)

PROXY (CONT'D)

4. You may submit your Proxy Form by facsimile, post or email to the Registered Office of the Company as follows:-

   Securities Services (Holdings) Sdn Bhd
   Level 7, Menara Milenium, Jalan Damanlela,
   Pusat Bandar Damansara, Damansara Heights,
   50490 Kuala Lumpur, Wilayah Persekutuan

   Telephone No. +603-2084 9000
   Fax No. +603-2094 9940 / 2095 0292

   not less than 48 hours before the time allocated for the convening of the AGM, or any adjournment thereof.

   Any proxy forms received via facsimile and/or deposited after 48 hours would not be entertained and the said appointment of proxy shall be deemed invalid.

CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting or to the registration staff on the meeting day for the Company's records.

ANNUAL REPORT 2015

1. The Annual Report 2015 is available on Hua-An's website at http://www.sinohuaan.com under "Investor Relations – Download Library" and also on Bursa Malaysia's website at www.bursamalaysia.com under "Company Announcements".

2. If you wish to request for a printed copy of the Annual Report 2015, please forward your request by completing the Request Form provided. A copy will be sent to you by ordinary post within four (4) market days from the date of receipt of the written request. You may also collect the same at the AGM.

DOOR GIFTS

There will be NO door gifts this year.

IF YOU NEED TO CONTACT US

If you have general queries prior to the meeting, please contact the **Share Registrar** at Tel: +603-2084 9000 and/or Fax: +603-2094 9940 during office hours:

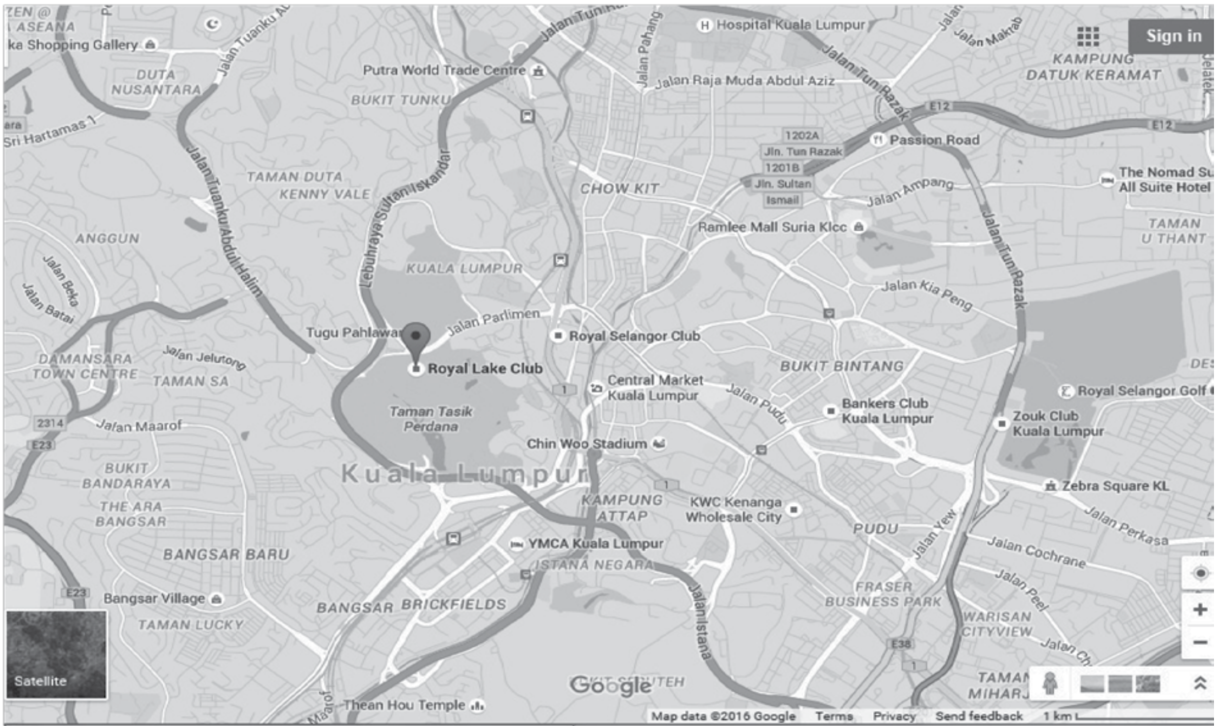
1) Mr Wong Piang Yoong (email: piang.yoong.wong@sshsb.com.my)
2) Pn Nurhayati Ang (email: nurhayati.ang@sshsb.com.my)

Alternatively, you may contact the **Corporate Communication of Hua-An** at Tel: +603-7733 7180 during office hours:

1) Mr Bernard Tan (email: bernard@sinohuaan.com)
2) Pn Halimah Hashim (email: halimah@sinohuaan.com)

Administrative Guide for Tenth Annual General Meeting ("AGM") (Cont'd)

MAP to Royal Lake Club



Search "Royal Lake Club" in Waze

GPS Coordinates:
N 3' 8' 48.962" E 101' 41' 0.24"

CORPORATE INFORMATION

1. **Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar**
   (DK, DKYR, SPNS, SPMP, PPT)
   Executive Chairman
2. **Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid**
   (DPTJ, KMN, DSN, PJK) Senior Director
   Independent Non-Executive Director
3. **Liu Guodong**
   Managing Director
4. **Cedric Choo Sia Teik**
   Executive Director
5. **Liu Xueqiang**
   Executive Director
6. **Fu Qiang**
   Independent Non-Executive Director
7. **Lim See Tow**
   Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

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

Fu Qiang
Independent Non-Executive Director

Lim See Tow
Independent Non-Executive Director

REMUNERATION COMMITTEE

Lim See Tow
Chairperson
Independent Non-Executive Director

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

Fu Qiang
Independent Non-Executive Director

Liu Guodong
Managing Director

NOMINATION COMMITTEE

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

Fu Qiang
Independent Non-Executive Director

Lim See Tow
Independent Non-Executive Director

Corporate Information (Cont'd)

COMPANY SECRETARIES

Chua Siew Chuan
(MAICSA 0777689)
Chin Mun Yee
(MAICSA 7019243)

AUDITORS

Messrs. Morison Anuarul Azizan Chew *(AF001977)*
(an independent member of Morison International)
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) 2094 9940

PRINCIPAL BANKERS

RHB Bank Berhad
(Kuala Lumpur, Malaysia)

The Hongkong and Shanghai Banking Corporation Limited
(Hong Kong)

HuaXia Bank
(Linyi City, Shandong Province, People's Republic of China)

Agricultural Bank of China
(Linyi City, Shandong Province, People's Republic of China)

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) 2094 9940

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Market)

STOCK NAME AND CODE

HUAAN (2739)

PROFILE OF DIRECTORS

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 69, was appointed to the Board of Sino Hua-An on 21 March 2007. He is currently the Executive Chairman of Sino Hua-An. He attended all five (5) Board Meetings held in the financial year.

He has a Bachelor of Science in Economics (Honours) degree from the University of Wales, Aberystwyth, United Kingdom. He was a Diplomat for five years and served as Second Secretary in Paris, France from 1972 to 1975. He was proclaimed Regent of Negeri Sembilan from 1994 until 1999. On 11 August 2006, he was appointed as Director of PIPO Overseas Ltd. He is currently on the boards of several public listed companies including Kian Joo Can Factory Berhad, Ann Joo Resources Berhad and Olympia Industries Berhad as well as Global Gold Holdings Limited which is listed in Australia. He was previously also the Chairman of Antah Holdings Berhad ("Antah") and served on board of Sime Darby Berhad, Tractors (Malaysia) Berhad and Consolidated Plantations Berhad.

Y.A.M. Tunku Naquiyuddin is a keen environmentalist and was a Committee Member of the World Wide Fund for Nature (Malaysia) and a Council Member of the Business Council for Sustainable Development in Geneva. As an active and conscientious businessman, Y.A.M. Tunku Naquiyuddin contributed to the business fraternity through his appointment as founding Chairman of the Federation of Public Listed Companies Berhad ("FPLC"), heading the initiatives to bridge bilateral business boundaries through the Malaysia-France Economic and Trade Association for eight (8) years and striving for Asia-Pacific co-operation through the Canada-ASEAN Centre of which he was a Council Member. He was nominated by the Minister of Finance to serve on the Committee of the Kuala Lumpur Stock Exchange from 1989 to 1994.

Y.A.M. Tunku Naquiyuddin is a major shareholder of Sino Hua-An and he has no family relationship with any Director and/or major shareholder nor any conflict of interest with the Company.

Y. BHG DATO' MOHD SHAHAR BIN ABDUL HAMID

(DPTJ, KMN, DSN, PJK)
Senior Director
Independent Non-Executive Director

Y.Bhg Dato' Mohd Shahar Bin Abdul Hamid, a Malaysian aged 80, has served on the Board of the Sino Hua-An since 21 March 2007. He is the Chairman of the Audit and Risk Management Committee and Nomination Committee as well as a key member of the Remuneration Committee. He attended all five (5) Board Meetings held in the financial year.

He was a Shell scholar in engineering (1954-1960) and 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 since 1 June 1984 until the reverse takeover exercise by Sino Hua-An in which he was duly appointed as a director. He is also currently a Director in Ho Wah Genting Berhad and one of the founding 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 nor any conflict of interest with the Company.

LIU GUODONG

Managing Director

Mr. Liu Guodong, a Chinese People's Republic of China ("PRC") national aged 45, was appointed to the Board of Sino Hua-An on 22 March 2007. He is currently the Managing Director of Sino Hua-An. He is also a member of the Remuneration Committee. He attended all five (5) Board Meetings held in the financial year.

He was the Managing Director of Linyi Yehua Coking Co., Ltd ("Yehua") since 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 the dealing of iron ore, coal and electrolysis aluminite powder. On 21 June 2005, he was appointed as a Director of PIPO Overseas Ltd, a wholly-owned subsidiary of Sino Hua-An. Overall, Mr. Liu has over ten (10) years of working experience in the related industry.

Mr. Liu is a major shareholder of Sino Hua-An and has no family relationship with any Director and/or major shareholder nor any conflict of interest with the Company except as disclosed in the financial statements.

CEDRIC CHOO SIA TEIK

Executive Director

Mr. Cedric Choo Sia Teik, a Malaysian aged 43, was appointed to the Board of Sino Hua-An on 21 March 2007. He is currently the Executive Director of Sino Hua-An. He attended all five (5) Board Meetings held in the financial year.

He holds a B.A. Economics (Honours) majoring in Accounting and Finance degree from the University of Manchester, United Kingdom. He is also a Chartered Accountant and a fellow member of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom and the Malaysian Institute of Accountants ("MIA"). 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 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 a Director of PIPO Overseas Ltd, a wholly-owned subsidiary of Sino Hua-An.

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 nor any conflict of interest with the Company.

Profile of Directors
(Cont'd)

LIU XUEQIANG

Executive Director

Mr. Liu Xueqiang, a Chinese PRC national aged 43, was appointed to the Board of Sino Hua-An on 27 February 2014. He is currently the Executive Director of Sino Hua-An and a Director of Yehua. He attended four (4) out of five (5) Board Meetings held in the financial year.

He graduated with a degree in Marketing from the Qingdao Technology University, Shandong Province in 1998. Mr. Liu joined the military from 1992 to 1994 and was in-charge of the Shanxi Taiyuan Artillery Troops prior to building his career in the Huasheng Jiangquan Group in 1999. He worked in Sales and was later appointed to the level of a Supervisor of the Jiangquan Tiandi Ceramic Tile Company (2nd Factory). In February 2005, Mr. Liu joined Yehua and was subsequently promoted to Deputy General Manager of Yehua in 2011. Overall, Mr. Liu has over ten (10) years of working experience in the related industry.

He has no family relationship with any Director and/or major shareholder nor any conflict of interest with the Company.

LIM SEE TOW

Independent Non-Executive Director

Ms. Lim See Tow, a Malaysian aged 41, has served on the Board of Sino Hua-An since 18 January 2008. She is a member of the Audit and Risk Management Committee, Nomination Committee and Chairperson of the Remuneration Committee. She attended all five (5) Board Meetings held in the financial year.

Ms. Lim is a member of the ACCA and MIA. She was with Messrs. Deloitte & Touche from 1999 to 2003. From 2005 to 2007, she was the Head of Finance & Special Project in Antah. Currently she is a Director in Clearwater Developments Sdn Bhd.

She has no family relationship with any Director and/or major shareholder nor any conflict of interest with the Company.

FU QIANG

Independent Non-Executive Director

Mr. Fu Qiang, a Chinese PRC national aged 64, was appointed to the Board of Sino Hua-An on 16 August 2010. He is a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. He attended four (4) out of five (5) Board Meetings held in the financial year.

From 1987 to 1998, Mr. Fu was involved with the Linyi City Restructuring Committee, focussing principally on corporate restructuring works for local organisations in Linyi city. He held the position as a Senior Economist of the Shandong Employment Office in 1998. Since then, Mr. Fu has continued to assume an advisory role, monitoring and directing restructuring related matters, which include assisting numerous local organisations in their respective corporate, financial and operational restructuring exercises.

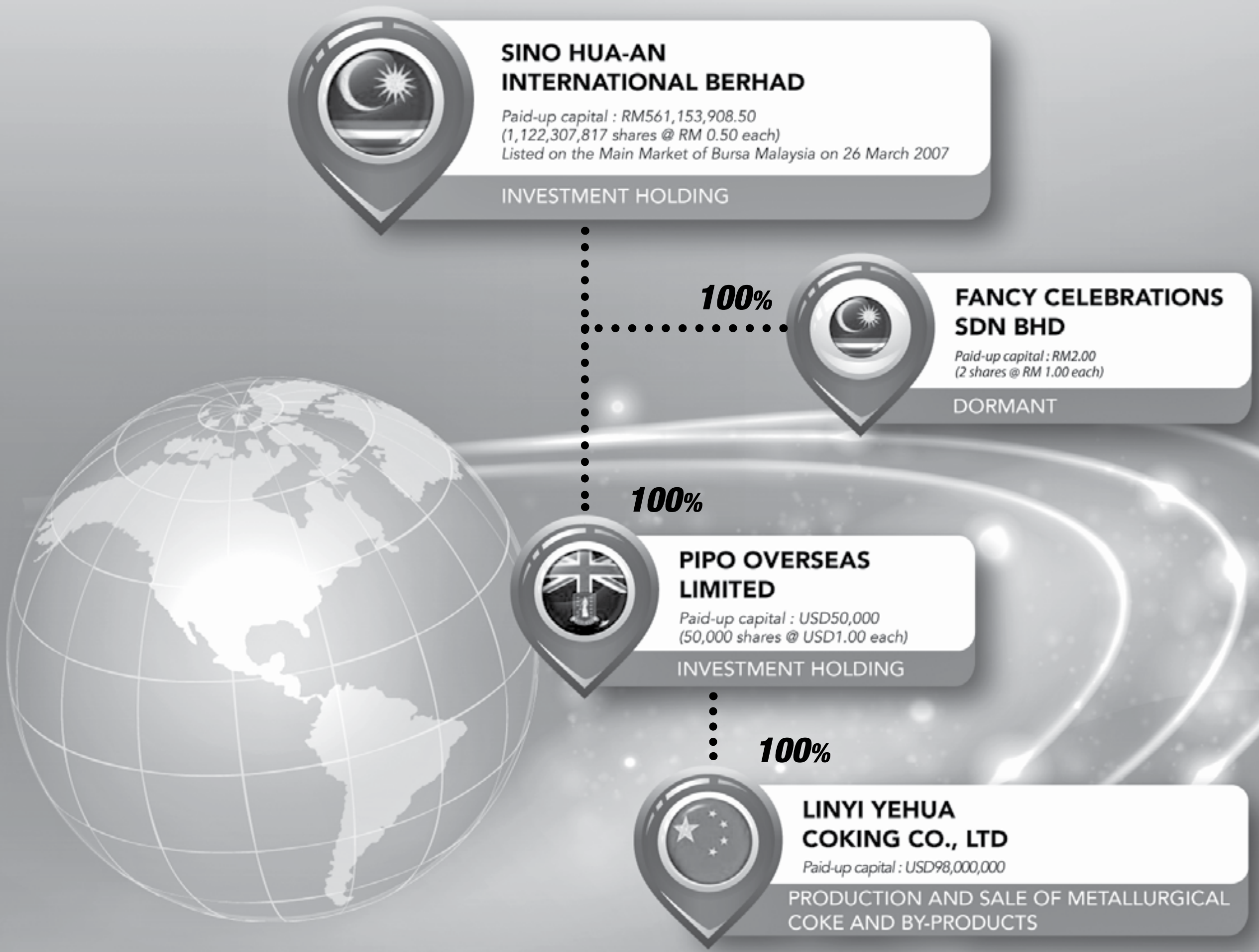
Mr. Fu has since published several articles in various financial magazines on subject matter relating to the securities market and corporate/share restructuring areas.

In 2002, Mr. Fu completed his post-graduate research in Business Administration from the China Technology University.

He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

- *Please refer to page 103 of the Analysis of Shareholdings - Director's Shareholdings of this Annual Report on the director's shareholdings in the Company.*
- *None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.*

THE SINO HUA-AN GROUP



STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance ("MCCG 2012") sets out broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture. Sino Hua-An International Berhad group of companies ("the Group") fully supports and is committed to maintaining an effective and high standard of corporate governance and the development of best practices in its pursuit of business integrity and professionalism to enhance shareholders' value and financial performance of the Group.

The Board of Directors ("Board") of the Group regards corporate governance as vitally important to the success of the Group's business and is committed to applying the following principles, necessary to ensure that good governance is practised 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 manner, 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 is pleased to provide this statement, which outlines and describes how the Group has applied the main principles set out in the MCCG 2012 that has been in place throughout the financial year ended 31 December 2015, except otherwise stated.

The Board endeavors to comply with all the Principles and Recommendations of the MCCG 2012 in its effort to observe high standards of transparency, accountability and integrity for long term sustainability of business growth and to the best interest of the shareholders of the Company.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

A. BOARD OF DIRECTORS

Board Charter

The Board Charter approved by the Board sets out explicitly the responsibilities assumed by the Board in the following areas:-

- retain full and effective control over the Group, and monitor management in implementing Board plans and strategies;
- ensure that a comprehensive system of policies and procedures is operative;
- identify and monitor non-financial aspects relevant to the business;
- ensure ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, as well as the Group's own governing documents and code of conduct;
- strive to comply and where possible exceed the minimum stipulations of the international best practices;
- define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary and appropriate written authority to the management;
- act responsibly towards the Group's relevant stakeholders; and
- be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Board Charter (Cont'd)

Having regard to its role, the Board takes cognisance of the key elements of the governance processes underpinning the operation of the Group with particular attention to the following:-

- review the strategic direction of the Group and adopt business plans proposed by Management which have been vigorously deliberated for the achievement thereof;
- approve specific financial and non-financial objectives and policies proposed by Management;
- review processes for the identification and management of business risk and processes for compliance with key regulatory and legal frameworks, policies and best practices;
- delegate relevant authority to Management for capital expenditure and review investments, capital and funding proposals vide Board deliberation and approval;
- review succession planning for the Management team and endorse senior executive appointments, organisational changes and high level remuneration issues;
- provide oversight of the performance of the Management against targets and objectives; and
- provide oversight of reporting to shareholders on the direction, governance and performance of the Group as well as other processes that needed reporting or other disclosure requirements to the same.

The Board has via the Board Charter established a formal schedule of matters reserved for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands.

The Board Charter is to be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter was reviewed by the Board on 24 March 2016.

A copy of the Board Charter is published in the Company's website at www.sinohuaan.com.

Ethical Standards Through Code of Conduct

The Board has adopted the Code of Ethics and Business Conduct for all Board members, management, suppliers and clients, competitors as well as all employees of the Group, to always conduct oneself with integrity, accountability, transparency and professionalism when dealing with matters pertaining to the Group. A copy of the Code of Ethics and Business Conduct is published in the Company's website at www.sinohuaan.com.

Whistle-Blowing Policy

The Group has implemented a whistle-blowing policy, the objectives of which is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with procedures as provided under the policy and to provide protection for employees and members of the public who report such allegation. A copy of the Whistle-Blowing Policy is published in the Company's website at www.sinohuaan.com.

Strategies to Promote Sustainability

The Group is committed to promote sustainability in its business as well as the environment in which it is operating in. Accordingly, the Group endeavors to practise, inter-alia, the following:-

- fair and just business conduct with all its business partners;
- ensuring employees welfare is adequately taken care of; and
- protection of the environment through conscientious efforts and investments made on technologies and facilities to ensure pollution level is sufficiently managed and kept to a minimum.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Access to Information and External Advice

The Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs as well as to the advice and services of the Senior Management of the Group to enable them to discharge their duties. The Directors may request additional information or clarification, particularly in respect of complex and technical issues tabled to the Board.

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. The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Securities.

Senior Management and external advisers may be invited to attend Board meetings when necessary, to report on matters relating to their areas of responsibility, and to furnish the Board with explanations and comments or to provide clarification on issue(s) that may be raised by any Director.

The Chairman of the respective Board Committees are also required to report the outcome of the Committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

Where any accounts, minute books or other records required to be kept by the Act are not kept in Bahasa Malaysia or the English Language, the Directors shall cause a true translation of such accounts, minute books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original accounts, minute book and other records for so long as the original accounts, minute books and other records are required by the Act to be kept.

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

Company Secretaries

All members of the Board have direct access to the advice and services of the Company Secretaries. The Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

The Company Secretaries have regularly updated the Board on any regulations and guidelines, as well as any amendments as and when issued by Bursa Securities, Securities Commission, the Companies Commission of Malaysia and other relevant regulatory authorities.

The Company Secretaries also ensure that deliberations at the Board meetings and the respective Board Committee meetings are properly recorded and minuted, and subsequently be communicated to the Management for their action.

Thus far, the Board is satisfied with the performance and support rendered by the Company Secretaries in the discharge of their functions and responsibilities.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION

Board Composition and Balance

The Company's Articles of Association provides that the Board shall comprise a maximum of twelve (12) Directors. Currently, the Board has seven (7) members comprising one (1) Executive Chairman, one (1) Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors (one of whom is a Senior Director).

The present composition of the Board complies with Paragraph 15.02 (1) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities whereby at least one-third (1/3) of the Board must be made up of Independent Directors.

The profiles of individual Directors are set out on Pages 14 to 16 of this Annual Report.

The Board collectively has wide and varied technical, financial, legal, management and commercial experience and is of persons of high caliber and integrity. The composition of the Board not only reflects the broad range of experiences, skills and knowledge required to successfully direct and supervise the Group's business activities, but also the importance of independence in decision making at the Board level.

All the Non-Executive Directors are independent from the Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment and act in the best interests of the Group and its shareholders. 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, authorities and the many communities in which the Group conducts its businesses.

The Board continues to believe that even with the presence of representatives of major shareholders on the Board, its existing three (3) Independent Non-Executive Directors, with their extensive knowledge, experience and expertise would still be able to provide the necessary check and balance to the Board's decision-making process.

The Board takes cognisance of Recommendation 3.5 of the MCCG 2012 stating that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. However, given the fact that the Board is currently functioning well and able to discharge the duties expected of it in an effective and proper manner, the Board's composition shall remain until such time where it is deemed absolutely necessary and fitting to restructure the Board to fully adopt the abovementioned Recommendation.

Board Committees

The Board has established a number of Board Committees to assist the Board in the execution of its duties and responsibilities. Each committee operates under their respective approved term of reference and has the authority to examine particular issues and report to the Board with their recommendations. The final decisions on all matters are determined by the Board as a whole.

(a) Audit and Risk Management Committee ("ARMC")

The membership and Terms of Reference of the ARMC are as stated in the ARMC Report of this Annual Report. A summary of the activities of the ARMC during the year, including an evaluation of the independent audit process, is set out in the ARMC Report on Pages 37 to 42 of this Annual Report.

The ARMC met a total of five (5) times during the financial year ended 31 December 2015.

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

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(b) Nomination Committee ("NC")

The NC comprises exclusively of Independent Non-Executive Directors and the members of NC are as follows:-

Chairman : **Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid**
(Senior Director; Independent Non-Executive Director)

Members : **Lim See Tow**
(Independent Non-Executive Director)

: **Fu Qiang**
(Independent Non-Executive Director)

The NC is also responsible for evaluating and nominating suitable candidates to the Board to ensure the proper Board balance and size as well as to fill vacant seats on Board Committees. The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the NC with due consideration given to the mix of expertise and experience required for an effective Board. The key criteria used in the selection process include, the person's character, experience, competency, integrity and time commitment to effectively discharge his/her role as Director, including willingness to devote time in performing his/her role, apart from attending Board meetings. There was no new Board member being appointed to the Board during the financial year under review.

The NC may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 December 2015, the NC had two (2) meetings and reviewed amongst others, the following matters:-

- the effectiveness of the Board as a whole and of the committees of the Board and the contribution and performance of each individual Director;
- the independence of the Independent Directors; and
- the Directors who are subject to retirement, either by rotation or by virtue of being over the age of 70, at the forthcoming AGM and are offering themselves for re-election.

On annual basis, the NC assist the Board in reviewing the required diversity of skillset and experiences as well as other attributes, including core competencies of Non-Executive Directors. A formal performance assessment of the Board, Board Committees and individual Directors enables the Board to assess its performance and identify areas for improvement. The following key elements are taken into consideration for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- effectiveness of the Board and Board Committees in carrying out their roles and responsibilities as stipulated in the Board Charter and/or Terms of Reference;
- sufficiency and relevance of knowledge and expertise of individual Directors in their respective capacity as members of the Board and Board Committees; and
- Directors' character, experience, competency, integrity, and time commitment to effectively discharge their roles as Directors, including willingness to devote time in performing their roles, apart from attending Board meetings.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(b) Nomination Committee ("NC") (Cont'd)

Diversity

In line with the recommendations of the MCCG 2012, the Board takes cognizance of gender diversity in the boardroom as recommended by the MCCG 2012 to promote the representation of women in the composition of the Board. Presently, there is one (1) female Director on the Board of the Company. The Company has adopted a formalized Diversity Policy in which its Board endeavors to ensuring diversity and inclusiveness regardless of gender in its composition and deliberations. In this respect, should there be any person(s) the Board deems fit and appropriate and possesses the necessary and relevant attributes, caliber and capabilities to contribute effectively to the Group, such person(s) may be considered to participate in governing the Group, either by way of Board member or otherwise.

Re-Election / Re-Appointment of Directors

The Articles of Association provide that at least one-third (1/3) or the number nearest to one-third shall retire from office once at least in every three (3) years but shall be eligible for re-election. In accordance with the Company's Articles of Association, two (2) of the Directors, namely Mr. Liu Guodong and Ms. Lim See Tow are due to retire at this forthcoming AGM and being eligible, would be standing for re-election.

Article 101 of the Company's Articles of Association provides that any director so appointed shall hold office only until the next AGM where he shall retire and accordingly be available to offer himself/herself for re-election. He/she however shall not be accounted in determining the Directors who are to retire by rotation at that meeting pursuant to the abovementioned Articles of Association. The Company did not have any new appointment of directors following the conclusion of last year's AGM.

Meanwhile, Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid, a Director who is over the age of 70 years will be retiring at the forthcoming AGM pursuant to Section 129(6) of the Act and is seeking for re-appointment.

The performance of the Directors who are subject to re-election and re-appointment and at the forthcoming AGM has been assessed by the NC who had submitted the recommendations to the Board for deliberations and approval.

The Board has determined that the performance of the above Directors who are subject to re-election and re-appointment respectively at the forthcoming AGM, have continue to demonstrate the necessary commitment to be fully effective members of the Board. Hence, the Board unanimously recommends that the shareholders vote in favour of the re-election and re-appointment of the above Directors at the forthcoming AGM.

(c) Remuneration Committee ("RC")

The RC comprises the following members and majority of them are Non-Executive Directors as recommended by the MCCG 2012:-

Chairperson	:	**Lim See Tow** *(Independent Non-Executive Director)*
Members	:	**Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid** *(Senior Director; Independent Non-Executive Director)*
	:	**Fu Qiang** *(Independent Non-Executive Director)*
	:	**Liu Guodong** *(Managing Director)*

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(c) Remuneration Committee ("RC") (Cont'd)

The RC may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 December 2015, the Committee had three (3) meetings.

The key functions of the RC include to review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice and to recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of Executive Directors.

Remuneration of Directors

The RC has carried out the annual review of the overall remuneration policy for the Executive Directors and recommendations have been submitted to the Board for approval.

The remuneration of the respective Directors is benchmarked against that of various companies in the industry as well as other companies if deemed relevant. Additionally, the remuneration is determined to ensure it commensurate with the level of experience, responsibility and contribution made to the Group by the respective Directors.

None of the Executive Directors participated in any way in determining their individual remuneration. The Directors' fee for the Non-Executive Directors is determined by the Board as a whole with individual Directors abstaining from decisions in respect of their individual remuneration.

There were no formal remuneration policies and procedures in place yet but the Board Charter provides that:-

- Non-executive members receive no share options nor significant benefits from Sino Hua-An, other than their directors' fees;
- The MD/CEO's remuneration will depend on the achievement of the goals set at the beginning of each year. The goals are divided between quantified organisational achievement and personal achievement; and
- Executive members will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.

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

Category	Fees RM'000	Salary & Other Emoluments RM'000	Benefits-in-Kind RM'000	Allowances RM'000
Non-Executive Directors	105	–	–	14
Executive Directors	–	1,115	–	–

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(c) Remuneration Committee ("RC") (Cont'd)

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

Executive Directors	**Number**
Below RM200,000	1
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1
RM300,001 – RM350,000	–
RM350,001 – RM400,000	–
RM400,001 – RM450,000	1
Non-Executive Directors	
Below RM50,000	3

PRINCIPLE 3 : REINFORCING INDEPENDENCE

In line with the Recommendation 3.1 of the MCCG 2012, the NC and Board had performed an annual review on the independence of independent directors and the independent directors had declared their independence in writing.

The Recommendation 3.2 of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) year terms, an independent director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains the Director who has served in that capacity for more than nine (9) years as an independent director. The independent director whose tenure exceeded a cumulative term of nine (9) years in the Company at the forthcoming AGM is Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid. As for Ms. Lim See Tow, her tenure as an Independent Non-Executive Director of the Company would reach a cumulative term of nine (9) years before the following 2017 AGM.

Both the NC and the Board have assessed the independence of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow and are satisfied with the skills, contribution and independent judgment they bring to the Board in facilitating decision making processes of the Company. The Board is of the view therefore that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's business and affairs.

Key justifications for retaining them as Independent Non-Executive Directors are as follows:-

(i) Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow have met the independence guidelines as set out in Chapter 1 of the Bursa Securities Main Market Listing Requirements;

(ii) They do not have any conflict of interest with the Company and has not been entering nor is expected to enter into contract(s), especially material contract(s) with the Company and/or its subsidiary companies; and

(iii) They are familiar with the Group's activities and corporate history and have been providing invaluable contributions to the Board in their role as Independent Non-Executive Directors.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 3 : REINFORCING INDEPENDENCE (CONT'D)

The Group is controlled and led by a Board which is primarily entrusted with the responsibility of charting the direction of the Group. The Board delegates certain responsibilities to the Board Committees, all of which operate within their defined terms of reference to assist the Board in the execution of its duties and responsibilities.

Other than matters which are deemed material, significant or sensitive in nature, all of which call for the Board's attention, deliberation and approval, the responsibility for managing the Group's business activities are delegated to the Managing Director ("MD") of the Company, who is accountable to the Board.

The Executive Chairman is responsible for ensuring Board effectiveness and ensures that conduct and working of the Board are in an orderly and effective manner. The Executive Chairman is also responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board meetings and shareholders are properly informed of the subject matters which require their approval.

The Board, through the MD, is fully assisted by the Management in the day-to-day management of the financial and operational matters in accordance with the strategic direction established by the Board. The Board outlines the policies and objectives of the Group, which are carried out by the Management through the close supervision of the MD. The Board is mindful to include sustainable practices and procedures in the Company's business strategies that drive long term corporate growth, profitability and sustainability.

There is a clear division of responsibility between the Executive Chairman and MD. The Board has established the roles and responsibilities of the Executive Chairman which are distinct and separate from the roles and responsibilities of the MD. The segregation between the duties and responsibilities of the Executive Chairman and MD ensures an appropriate balance of roles, responsibilities and accountability at Board level. The Board has taken note of Recommendation 3.4 of the MCCG 2012 which states that the positions of the Chairman and CEO should be held by different individuals and the Chairman must be a non-executive member of the board. The Group complies with the requirement to have the position of the Chairman and CEO (the position of which is assumed by the MD) held by two separate and distinct individuals from the outset. Due to strategic reasons and work exigency, the Chairman currently assumes an executive position within the Group. However, the Group had taken proactive steps to check the perceived ascendency and influence of the Executive Chairman with the presence of a Senior Director which is independent and non-executive.

PRINCIPLE 4 : FOSTERING COMMITMENT

Board Meetings

The Board meets regularly to ensure that the Group is managed effectively, with a formal schedule of matters reserved for its deliberation. The agenda and Board papers for each item as well as the minutes of previous meetings are circulated in advance to the Board to give all Directors sufficient time to deliberate on the issues to be raised at the Board meetings.

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 (2) Directors are competent to vote on the proposal. In this respect, no individual or group of individuals dominates the Board's decision making.

Where a potential conflict of interest arises, the Director concerned will declare his or her interest and abstain from the decision making process.

In discharging its duties, the Board met a total of five (5) times throughout the financial year ended 31 December 2015.

PRINCIPLE 4 : FOSTERING COMMITMENT (CONT'D)

Board Meetings (Cont'd)

The record of attendance at the meetings of the Board of Directors for the financial year ended 31 December 2015 is as follows:-

Directors	No. of Board Meetings Attended	Percentage
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	5/5	100%
Liu Guodong	5/5	100%
Cedric Choo Sia Teik	5/5	100%
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	5/5	100%
Fu Qiang	4/5	80%
Lim See Tow	5/5	100%
Liu Xueqiang	4/5	80%

The above record of attendance shows that all the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the Listing Requirements of Bursa Securities.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

All proceedings of the Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Act and all minutes are properly filed and kept by the Company Secretaries at the registered office.

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") and Bursatra Sdn Bhd, the training arm of Bursa Securities.

All the Directors of the Company are encouraged to attend training programs to equip themselves with the relevant knowledge and to keep abreast of industry developments and trends to discharge their duties effectively.

During the financial year, the Directors had on several and separate occasions independently attended various relevant trainings, seminars and dialogues to keep themselves abreast with the latest updates and developments within the industry. Amongst others, the training programmes/seminars/forums attended by the Directors during the financial year are as follows:

Title	Mode	Organiser
• Global Transformation Forum	Forum	Government of Malaysia
• The Interplay Between CG, NFI and Investment Decision – What Boards of Listed Companies Need to Know	Workshop	Bursa Malaysia
• Board Chairman Series Part 2: Leadership Excellence from the Chair	Summit	The ICLIF Leadership & Governance Centre
• Corporate Governance: Balancing Rules & Practices	Forum	ACCA, KPMG & MSWG
• The 12th ASEAN Leadership Forum – Forward ASEAN: One Community, One Vision, One People	Forum	Asian Strategy & Leadership Institute (ASLI)
• National Affordable Housing Summit 2015 – Spearheading the Affordability Housing Supply in Malaysia for Future Inclusive Nation	Summit	ASLI

PRINCIPLE 4 : FOSTERING COMMITMENT (CONT'D)

Directors' Training (Cont'd)

Title	Mode	Organiser
• 2015 Outlook: A Year To W.I.D.E.N. Investment Horizon with Mr. Steve Brice, Chief Investment Strategist, The Standard Chartered Bank	Luncheon Talk	The Standard Chartered Bank
• Technical briefing on computation of percentage ratio	Training	Bursa Malaysia
• Advocacy session on Management Discussion & Analysis for CEO and CFO	Seminar	Bursa Malaysia
• Directors Corporate Governance Series: Building Effective Finance Function - from Reporting to Analytics to Strategic Input	Seminar	Institute of Chartered Accountants in England and Wales (ICAEW) in collaboration with Bursa Malaysia
• Sustainability Symposium: Cap10 ASEAN Sustainability Series	Symposium	Bursa Malaysia
• Forum for Directors: Board Rewards and Recognition	Forum	Bursa Malaysia

Moving forward, the Board, with the assistance of the NC will assess the training needs of the Board and ensure that the Directors will continue to undergo relevant training programmes, as and when they deem fit and appropriate, to further enhance their skills, knowledge and experience in order to fulfill their duties as Directors.

Time Commitment and Protocol for accepting new directorships

On the appointment of a new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board.

Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. Any Board member, shall not hold more than five (5) directorships in listed companies at any one time.

PRINCIPLE 5 : UPHOLDING INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is responsible to ensure that the financial statements are prepared in accordance with the Act and the applicable approved accounting standards in Malaysia. With assistance from the ARMC, the Board scrutinised the financial aspects of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements to ensure that the reports present a true and fair view of the financial position of the Group.

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 ARMC has drawn reference from the "Corporate Governance Guide – 2nd edition" issued by Bursa Malaysia in its evaluation of the performance and independence of the Group's External Auditors. Additionally, the Group had also obtained confirmation from the External Auditors that they are independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The Statement on Directors' Responsibility in respect of the preparation of the Audited Financial Statements of the Group is set out on Page 36 of this Annual Report.

PRINCIPLE 5 : UPHOLDING INTEGRITY IN FINANCIAL REPORTING (CONT'D)

Relationship with External Auditors

The Board via the ARMC maintains a formal and transparent professional relationship with the Group's External Auditors. The External Auditors regularly are invited to attend all scheduled meetings of the ARMC during the period and attended the AGM of the Company.

The ARMC also had private meetings discussions with the External Auditors at least twice in a year, without the presence of the Executive Directors and the Management.

Independence of External Auditors

The ARMC has reviewed the independence of the External Auditors via, amongst others, an analysis of the non-audit services provided by the External Auditors and its affiliated parties, and the fees dependency on the services provided to the Group. The ARMC had also obtained a written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Messrs. Morison Anuarul Azizan Chew have been the Company's Auditors since 2008.

The ARMC, after due deliberations have recommended the reappointment of Messrs. Morison Anuarul Azizan Chew as External Auditors for the financial year ending 31 December 2016. The Board at its meeting held on 24 March 2016 approved the ARMC's recommendation. The re-appointment of Messrs. Morison Anuarul Azizan Chew will be presented for shareholders' approval at the forthcoming AGM.

PRINCIPLE 6 : RECOGNISING AND MANAGING RISK

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. Through the assistance of the ARMC, 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.

The Group has an internal audit department, which reports to the ARMC and assists the Board in monitoring and managing risks and internal controls. The Internal Auditors have conducted regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes of the Group during the financial year under review.

The Statement on Risk Management and Internal Control for the Group is presented on Pages 33 to 34 of this Annual Report.

PRINCIPLE 7 : ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Group has adopted a Corporate Disclosure Policy, the objectives of which are as follows:-

- To raise awareness and provide guidance to the Board, Management, Officers and Employees on the Group's disclosure requirements and practices;
- To provide guidelines and policies in disseminating corporate information to, and in dealing with, shareholders, stakeholders, analysts, media, regulators and the investing public;
- To ensure compliance with all applicable legal and regulatory requirements on disclosures of material information; and
- To build good investor relations with the investing public that inspires trust and confidence.

The Board is ultimately responsible for ensuring that the Corporate Disclosure Policy is implemented effectively and the disclosure requirements as set out are duly fulfilled. A copy of the Corporate Disclosure Policy is published in the Company's website at www.sinohuaan.com.

PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

Investor Relations and Shareholders' Communication

The Group appreciates feedback from its 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 AGM;
- The various disclosures and announcements made to Bursa Securities;
- Newspaper articles and published interviews with business journalists;
- Regular updates, dialogues, meeting, presentations with institutional shareholders as well as ad-hoc responses to enquiries from stakeholders; and
- The Group website, namely www.sinohuaan.com

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

The AGM is a crucial mechanism and 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 Chairman and the Board will respond to queries and undertake to provide sufficient explanation and clarification on issues and concerns raised by the shareholders.

PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS (CONT'D)

Poll Voting

The Board noted the Recommendation 8.2 of the MCCG 2012 which states that the Board should encourage poll voting. During the last AGM held on 21 May 2015, the Chairman informed the shareholders of their right to demand a poll vote at the commencement of the meeting. Nonetheless, no request for poll voting was received during the AGM.

The Board would consider employing electronic means for poll votes in the future general meeting.

Leverage on Information Technology for Effective Dissemination of Information

The Group has an existing website, namely www.sinohuaan.com which is updated regularly, for shareholders and the public to gain access to corporate information, news and events relating to the Group. Investors and members of the public who wish to contact the Group on any matters pertaining to their shareholdings, investments and/or the Group's business undertakings can channel their enquiries through e-mail via the said Group's website.

This statement is made in respect of the financial year ended 31 December 2015 and in accordance with a resolution passed at the Board of Directors' Meeting held on 24 March 2016.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad:-

1. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Share Buy-Back

There was no share buy-back by the Company during the financial year.

3. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

4. Depository Receipt (DR) Programme

The Company did not sponsor any DR Programme during the financial year.

5. Sanctions and/or Penalty

There were no sanctions and/or penalty imposed on the Company, its subsidiaries, Directors or Management by the relevant regulatory bodies for the financial year.

6. Variation in Results

There was no variation between the audited financial results in the Audited Financial Statements 2015 and the unaudited financial results for the year ended 31 December 2015 announced by the Company.

7. Profit Guarantee

There was no profit guarantee for the financial year.

8. 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 2015 is RM7,844.

9. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2015.

10. 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 23 to the Financial Statements on pages 90 to 91 of this Annual Report.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to present its Statement on Risk Management and Internal Control, which has been prepared pursuant to Paragraph 15.26 of the Main Market Listing Requirements ("Main LR") of Bursa Securities and guidance provided to the Directors as set out in the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Task Force on Internal Control with the support and endorsement of the Bursa Securities. The Statement below outlines the nature and scope of risk management and internal control of the Group during the financial year under review.

THE BOARD'S RESPONSIBILITIES

The Board acknowledges its responsibility to maintain a system of risk management and 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 financial losses.

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 and Risk Management Committee ("ARMC"), 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 ARMC and is in accordance with the guidance as contained in the "Statement on Risk Management and 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 organisation structure with defined lines of responsibility and appropriate reporting structure including proper approval and authorisation limit for approving capital expenditure and expenses within the Group;

- Internal policies and procedures are documented and regularly reviewed and updated from time to time through a series of manuals and guidelines for all major operations of the Group;

- Strategic planning and annual budgeting are undertaken for the key business unit, which relate to the manufacturing and sales of metallurgical coke and other by-products. Senior Management closely monitors the key performance indicators and financial and operating results to identify and where appropriate, to address significant variances;

- The Internal Audit Department performs regular and systematic reviews throughout the financial year on the internal controls to assess and provide sufficient assurance on the effectiveness of the systems of internal control and highlights significant risks impacting the Group with recommendations for improvement; and

- The ARMC reviews reports issued by the Internal Audit Department on a quarterly basis and annually reviews the adequacy of the Internal Audit Department's scope of work and resources.

The Group continues to take measures to enhance and strengthen the internal control environment and systems of risk management.

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

THE INTERNAL CONTROL PROCESS (CONT'D)

As required by Paragraph 15.23 of the Main LR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountant. RPG 5 (Revised 2015) does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

The Board is pleased to report that the Managing Director and Financial Controller are satisfied that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. There was no material control failure that would have any material adverse effect on the financial results of the Group for the year under review and up to the date of approval of this statement.

The Board is of the view that the existing system of risk management and internal controls in place throughout the Group is sufficient to safeguard the Group's interest. Moving forward, the Group endeavors to continue to enhance the existing systems of risk management and internal controls, taking into consideration the changing business environment.

This statement is made in respect of the financial year ended 31 December 2015 and in accordance with a resolution passed at the Board of Directors' Meeting held on 24 March 2016.

STATEMENT ON
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. The Group had in all of its prior years either participated actively or embarked on a variety of initiatives during the year. It is indeed unfortunate that this year the Group had to hesitantly make an exception to the norm and temporarily put on hold its monetary contribution and support in view of the challenging business and economic environment in which it had to contend with. When situation improves, the Group is committed to resurrect all of its benevolent and altruistic endeavors to the society.

Notwithstanding the above, the Group through its subsidiary, namely Linyi Yehua Coking Co., Ltd. ("Yehua") continues to adopt a policy of ensuring recruitment priority is given to the citizens, regardless of gender, ethnicity or age, of Linyi City, the area in which our plant is situated. As a result thereof, a substantial majority of our workforce are people from the Linyi area. Additionally, since 2009, Yehua had established collaboration with the Linyi Teachers' College to provide job attachments programme for technical training to the students in the chemistry faculty of the said college.

We endeavor to be an environmentally conscious Group. We take cognisance of the emissions from our 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, the Group has a waste water treatment plant within the vicinity to control the discharge of water pollutants and manage the water pollution level.

STATEMENT ON
DIRECTORS' RESPONSIBILITY

In accordance with the provisions of the Act, the Main Market LR of Bursa Securities and the applicable Malaysian Accounting Standards Board ("MASB") 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 end 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 MASB Approved Accounting Standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records which enable them to ensure that the financial statements comply with the provisions of the Act, the Main Market LR of Bursa Securities and the applicable MASB 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.

This statement is made in accordance with a resolution passed at the Board of Directors' meeting held on 24 March 2016.

AUDIT AND RISK MANAGEMENT
COMMITTEE REPORT

The Board is pleased to present the report of Audit and Risk Management Committee of the Company for the financial year ended 31 December 2015.

The members of the Audit and Risk Management Committee are as follows:-

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

Members : **Ms. Lim See Tow**
Independent Non-Executive Director

Mr. Fu Qiang
Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition

The Board shall appoint the Audit and Risk Management 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 Securities.

All members of the Audit and Risk Management 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 Securities.

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

Retirement and resignation

If a member of the Audit and Risk Management Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated 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 and Risk Management Committee shall elect a Chairman from amongst their member who shall be an Independent Non-Executive Director.

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

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

3. Secretary

The Secretary of the Audit and Risk Management Committee shall be the Company Secretary.

4. Terms of Office

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

5. Meetings

The Audit and Risk Management Committee shall meet 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 Auditors, the Chairman of the Audit and Risk Management Committee shall convene a meeting of the Audit and Risk Management Committee to consider any matter the External Auditors believe should be brought to the attention of the directors or shareholders.

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

The Chairman of the Audit and Risk Management Committee shall engage on a continuous basis with Senior Management, such as the Chairman, Managing Director, Financial Controller, Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group.

The Financial Controller, the Head of Internal Audit and a representative of the External Auditors should normally attend the Audit and Risk Management Committee meetings. Other Board members and employees may attend Audit and Risk Management Committee meetings upon the invitation of the Audit and Risk Management Committee. However, the Audit and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management Committee and also to the other members of the Board. The Audit and Risk Management Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit and Risk Management 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.

7. Quorum

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

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

8. Reporting

The Audit and Risk Management Committee shall report to the Board, 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 and Risk Management Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

9. Circular Resolutions

A resolution in writing signed by a majority of the Audit and Risk Management Committee members shall be deemed valid and effectual as if it had been passed at a duly called and constituted meeting of the same. Any such resolution may be signed in counterparts by one (1) or more of its members, each of which shall be deemed to be an original, and such resolution shall be accepted as sufficiently signed by the member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message.

10. Objectives

The principal objectives of the Audit and Risk Management Committee is to assist the Board 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 and Risk Management Committee shall:-

- assess the risks inherent in the business and industry;
- ascertain the adequacy and effectiveness of the Group's control mechanism and risk mitigating strategies;
- oversee financial reporting;
- evaluate the internal and external audit process; and
- review conflict of interest situations and related party transactions.

11. Authority

The Audit and Risk Management Committee shall, in accordance with a procedure to be determined by the Board 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 and Risk Management 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); and

(e) where the Audit and Risk Management 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 and Risk Management Committee shall promptly report such matter to Bursa Securities.

Audit and Risk Management Committee Report (Cont'd)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

12. Duties and Responsibilities

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

(a) To review the quarterly and year-end financial statements of the Group, 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.

(b) To discuss issues and/or reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management), if any;

(c) To review the External Auditor's management letter and management's response;

(d) 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 the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
- 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 cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(e) To monitor the integrity of the Company's financial statements;

(f) To report its findings on the financial and management performance, and other material matters to the Board;

(g) To consider the major findings of internal investigations and management's response;

(h) To identify principal risks and ensure the implementation of appropriate systems to manage these risks;

(i) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(j) To consider the appointment of the External Auditors, the audit fee and any question of resignation or dismissal;

(k) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the External Auditors;

(l) To assess and monitor the independence and qualification of the Company's independent auditor;

(m) To review with the External Auditors his evaluation of the system of internal controls and his audit report;

(n) To monitor the performance of the Company's internal audit function;

(o) To determine the remit of the internal audit function;

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

12. Duties and Responsibilities (Cont'd)

(p) To review the adequacy and effectiveness of risk management, internal control and governance systems;

(q) 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;

(r) 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;

(s) To monitor the Company's compliance with relevant laws, regulations and code of conduct;

(t) To consider other topics as defined by the Board; and

(u) To consider and examine such other matters as the Audit and Risk Management Committee considers appropriate.

AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS

The Audit and Risk Management Committee held five (5) meetings during the financial year ended 31 December 2015. The record of attendance of the Audit and Risk Management Committee meetings is as follows:-

Details of attendance of Audit and Risk Management Committee Members

	Date of Audit and Risk Management Committee Meetings				
Name of Members	**26.02.15**	**26.03.15**	**21.05.15**	**05.08.15**	**26.11.15**
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	√	√	√	√	√
Ms. Lim See Tow	√	√	√	√	√
Mr. Fu Qiang	√	–	√	√	√

SUMMARY OF ACTIVITIES

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

(i) Reviewed the quarterly unaudited financial statements of the Group and 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 for their approval. The review was, inter-alia, to ensure compliance with:-

- Provision of the Companies Act, 1965;
- Listing Requirements of Bursa Securities;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit and Risk Management 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 and Risk Management Committee Report (Cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

(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;

(v) Reviewed the Circular to Shareholders in relation to Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of Authority for Share Buy-Back of up to 10% of the issued and paid-up capital of the Company;

(vi) Reviewed the recurrent related party transactions entered into between the Company and related parties;

(vii) Reviewed the quarterly Internal Auditor's Report;

(viii) Reviewed the effectiveness of the External Auditors and re-appointment of External Auditors for the ensuing year; and

(ix) Met with the External Auditors without the presence of the Executive Directors and Management.

INTERNAL AUDIT FUNCTION

The Audit and Risk Management 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 Group's 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.

The Group's internal audit function consists of providing independent assurance on the adequacy and effectiveness of the risk management, internal control and governance processes and reports to the Audit and Risk Management Committee on a quarterly basis.

A structured risk assessment approach is used to examine all of the Group's activities and its inherent risks. Audits are prioritised according to an assessment of the potential risk exposures.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits ensure that the instituted controls are appropriate, effectively applied and achieve acceptable risk exposures.

Internal audit function endeavors to monitor the risk governance framework and the risk management processes of the Group to ensure their adequacy and effectiveness. The total costs incurred for the internal audit function of the Group for the financial year 2015 amounted to RM65,008.

In conclusion, the Audit and Risk Management Committee is sufficiently supported by the internal audit function in the discharge of its duties and responsibilities. Further details on the internal audit function of the Group can be found in the Statement on Risk Management and Internal Control on page 33 to 34.

CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF SINO HUA-AN INTERNATIONAL BERHAD, I AM PLEASED TO PRESENT THE ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

Emerging from the aftermath of a rather bumpy ride in the preceding year, 2015 presented itself as yet another turbulent year for the Group. The Group was assailed on numerous fronts with domestic trials and tribulations besetting the industry as well as impeding external headwinds.

A dominant story in 2015 was the slowdown of the China economy, oversupply of steel and other commodities and the abruptly plummeting oil prices. These affliction had provided an impetus for the festering of numerous impediments towards the coke industry, the business environment in which the Group is operating in.

Based on the various economic and analysts reports/ publications, it is undeniable that the China economy has slowed down considerably in 2015. From an annual growth rate of 7.4% in 2014, the Chinese economy managed to register only an overall 6.9% growth in 2015, the slowest rate of growth since 1990. Such predicament was brought about primarily by the fact that persistent internal challenges and external headwinds continue to assail the China economy. From the domestic front, there is the softening of the property market, oversupply in hard commodities which resulted in unviable pricing mechanism, weaker than expected domestic demand and the government's continued pursuit to reform its economic structure into one that can produce more reliable growth led by domestic consumer demand rather than the overheated exports and state investment funded by low cost debt of the past. Even though such move is seen to have negative impact on its economy, the pains of such "low growth" repercussion is tolerated and continually upheld by the China government for the sake of long term sustainability. On the external front, the fragility and unevenness of the global economic health remains a concern. The global economy is still languid with the exception of the US and certain parts of Europe, thus resulting in continuously lackluster export figures for China.

Chairman's Statement (Cont'd)

As evidence to the abovementioned slowdown in the China economy, a closely watched gauge of China's manufacturing activity in December 2015 contracted for the 10th consecutive month to 48.2 according to China Purchasing Manager Index (PMI). A figure below the 50.0 threshold level indicates a contraction to the manufacturing activities and such weak numbers have been registered consistently by China since August 2015. Additionally, the most reliable indicator of China's economic activity remains the consumption of electricity, and for the first 11 months of the year, electricity consumption increased by only 0.7%, according to China's National Energy Administration. Other statistics further confirm the considerably slow economic growth. For instance, imports, a sign of both manufacturing and consumption trends, fell 8.7% in November in dollar terms, marking a record thirteen straight months of decline. Exports were down 6.8%, the fifth straight month in the red. The six reductions in benchmark interest rates attempted in less than a year and five reductions of the bank reserve requirement ratio since February 2015 seemed to have no noticeable effect to lift the economy, *according to Willem Buiter, Citigroup's chief economist on 29 December 2015*.

Whilst the steel and coke industries were reeling from the ramifications of the domestic economic downturn and oversupply situation as well as the need to face head-on with external headwinds as described above, the landscape of the steel and coke industry were further rattled by the somewhat vehement manner engaged by the China government in its pursuit of confronting the environmental pollution issue, a perennial problem faced by China for generations. As a result thereof, the China government through its Ministry of Environmental Pollution ("MoEP") had issued an "across-the-board" directive in March 2015 to all heavy industries which are perceived to be polluting and having excess capacity to temporarily shutdown their operations in identified hot-spot areas which included amongst others, those in the Shandong and Hebei provinces. The affected plants included steel manufacturers, coke production plants, cement plants, aluminum smelters, glass panel plants, chemical/fertilizer plants, etc. As a consequence of the abovementioned shutdown which was abruptly ordered to be carried out by the MoEP, the Group's coke ovens had suffered certain degree of damage (an unprecedented and unavoidable situation as experienced by all other coke manufacturing plants as well). This quagmire had rendered our coke manufacturing plant to be non-operational for approximately eight months. The Group has since recommenced its coke manufacturing operations in October 2015, albeit in phases, given the prevailing sluggish coke industry.

Premised on the above, it is evident that Group's journey in 2015 has not been a smooth one as it was forced to navigate through various impediments as mentioned above, all of which were beyond its control. As a consequence, the Group's financial performance for the financial year 2015 took a rather severe beating.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

For the financial year 2015, the Group registered a consolidated revenue of RM270.8 million. This however represents a significant decrease of 75% from RM1.1 billion recorded in the preceding financial year. Such a severe decline in revenue was primarily attributed to the temporary suspension of the Group's production plant from March to October 2015 as mentioned above. Additionally, as a result of the steel and coke industry being fraught with continually weak sentiment precipitating from excess capacity and oversupply situation in the market thus driving down prices of these commodities, the Group had made a strategic decision to run only part of its production capacity when it resumed its operations in October 2015. This endeavor was undertaken by the Group in its effort to mitigate the extent of the negative margin and losses anticipated under such an unfavourable business environment at that prevailing period of time.

Besides the deliberate scaling down of its production capacity and thus the ensuing sales volume, the decline in the consolidated revenue of the Group had also caused a 28% drop in the average price of metallurgical coke from RMB1,099/tonne recorded in the financial year 2014 to RMB795/tonne this financial year. Concurrently, the fall in the overall prices of the by-products experienced in this financial year further depressed the Group's revenue. With the only exception of the price of ammonium sulphate which saw an increase of 19%, the rest of the by-products suffered a decline in their average prices compared to those of the preceding year, with tar oil, crude benzene and coal gas registering a pricing decline of 34%, 47% and 2% respectively.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW (CONT'D)

In tandem with the decrease in the average price of metallurgical coke mentioned above, the average prices of coking coal, being the primary raw material for the production of metallurgical coke, had also declined during the financial year ended 31 December 2015. With a decrease of about 52% in the average price of coking coal, the cost of sales recorded by the Group dropped accordingly to RM306.7 million in this financial year under review, representing a slump of 75% from RM1.08 billion recorded in the preceding financial year.

Based on the foregoing, the Group turned in a gross loss of RM35.8 million for this financial year ended 31 December 2015. With the inclusion of the Group's other income, operating expenses and finance costs, the Group recorded a loss for the year amounting to RM279.2 million. This translated to a loss per share of 14.6 sen.

Notwithstanding the dismal financial results as described above, the Group still possess a relatively robust financial position during this financial year. Total assets of the Group stood at RM645.2 million while its total liabilities accounted for only RM99.6 million. The Group's shareholders' fund saw a decline of 25.5% from RM732.4 million to RM545.6 million in the financial year ended 31 December 2015. This was primarily attributed to the extensive loss the Group registered during the year which could not be adequately covered by the foreign exchange gain derived from the strengthening of the Yuan against the Ringgit during the year.

Despite a challenging business environment besetting the Group in the financial year 31 December 2015, the Group continues to be in a healthy net cash position with no external borrowings. The net assets per share of the Group stood at RM0.49 per share as at 31 December 2015.

INDUSTRY OVERVIEW AND FUTURE OUTLOOK

Consensus amongst economists still appear to point towards the continued presence of strong headwinds in the horizon for the year ahead. These will continue to impact adversely the health and growth of the China economy as well as further aggravating the already dire situation besetting the steel and coke industries. While still being submerged in a slew of China domestic socioeconomic quandaries and governmental policy issues such as the housing market adjustment, decelerating credit growth and advancement of difficult economic structural reforms as described earlier, the China economy will still need to contend with the persistent external impediments. The global markets continue to be roiled by languid demand and the freefall in crude oil and commodity prices. Concerns are mounting whether tremors from plunging oil prices will turn into something more systemic.

A gloomy global outlook appears to be the main take-away from the IMF/World Bank Annual meeting in Lima, Peru in October 2015. Not surprisingly, it highlighted a downgrade in growth forecast, with grim warnings of financial risks overhanging the world economy. Global growth has settled at 3.1% in 2015, the lowest since the 2007/08 crisis and the recession that followed. The IMF has yet again cut the world economic growth by a further 0.2% of its last projection to 3.4% on concerns over a slowdown in economic growth in China. The downbeat view reflects new signs of anemic US economic activity, amid falling exports and industrial production in Germany – dragged down by a significant growth downturn in emerging market economies, especially China. Japan is on the verge of recession and Europe faces the spectre of deflation, with renewed declines in prices in the face of barely any growth.

The devaluation of the Yuan as guided by the People's Bank of China (China's Central Bank) in the first week of January 2016 had caused economists to worry that the economy is weakening faster than previously expected. In an annual Central Economic Work Conference held in December 2015, near-term policies were laid out to which the government is committed to address the ills that have dragged down China's growth for the last four years. A senior official however described the policies as "supply-side" remedies and said the government realistically expected an "L-shaped" recovery, rather than a "V-shaped" rebound. Given the above challenges besetting its economy and the economic difficulties ahead for China, the China government has recently set a modest growth target for 2016 at 6.5%, a level which would be the slowest pace in 25 years, *according to The Wall Street Journal on 8 January 2016*.

Chairman's Statement
(Cont'd)

INDUSTRY OVERVIEW AND FUTURE OUTLOOK (CONT'D)

Given the above seemingly gloomy economic outlook, the steel and metallurgical coke industries are not expected to rebound to a lively mood, plodding along at best. In the absence of any fiscal impetus from the China government to stimulate the industries and/or positive catalysts emanating from the external environment, crude steel production in China is expected to collapse by 23 million tonnes in 2016, according to nation's leading industry group. That is equivalent to more than a quarter of annual output from the US. Supply from the top producer may drop by 2.9% to about 783 million tonnes from 806 million tonnes in 2015, according to the China Iron & Steel Association ("CISA"). The slump would be driven by a deepening downturn in local demand and as mills encounter stiffer opposition to exports. Property developments used to enjoy annual growth of 20% and now at best it is 5%. Infrastructure investments have not taken off due to lack of funds despite of all the planned numbers of projects. Manufacturing investments have also dropped as well, according to *Li Xinchuang - Deputy Secretary General of CISA and president of the China Metallurgical Industry Planning & Research Institute*.

China's mills, which produce about half of the world's output, are battling against losses. Oversupply and sinking prices as local consumption shrinks for the first time in a generation. The fallout from the steelmakers' struggles is hurting iron ore prices and boosting trade tensions as mills seek to sell their surplus overseas. Shanghai Baosteel Group Corp. has forecast that China's steel production may eventually shrink 20%. Steel demand in China is expected to slump to about 654 million tonnes in 2016 from 668 million tonnes consumed in 2015. Accordingly, iron ore imports is expected to drop to 920 million tonnes in 2016 from about 930 million tonnes, according to *Li Xinchuang - Deputy Secretary General of CISA and president of the China Metallurgical Industry Planning & Research Institute*.

It is believed that the oversupply of steel in China is so acute that China would have to take a drastic step in shutting down and demolish unneeded and inefficient mills. Currently there is about 300 million tonnes of surplus capacity in China that needs to be wiped-out to address the supply overhang situation, according to *David Humphreys, a former chief economist at mining company Rio Tinto Group.* Owing to the said oversupply situation, steel prices continue to slide under downward pressure. Futures for reinforcement bar, a benchmark product that is used in construction, fell as much as 1.1% to 1,733 yuan per tonne in Shanghai, a record low. On the same score, iron ore with 62% Fe content delivered to Qingdao lost 4.5% to USD45.58 per dry tonne, a four-month low. Premised on these pricing structures, producers in China are making losses of about USD50 on every tonne, thus forcing these companies into negative margin territory. For the month of October 2015, 101 members of the CISA (the peak industry body representing large and medium-sized steel producers) made a staggering loss of 14.8 billion yuan in the month, down 27.8% from the previous year. The cumulative loss recorded by these producers for ten months from January to October 2015 amounted to approximately 72 billion yuan. The problem is the mounting gap between supply and demand. During the first ten months of the year, the consumption of crude steel was 590 million tonnes, down 4.55% from last year. During the same period, Chinese steel mills produced 675 million tonnes of steel. So the industry created 85 million tonnes of excess supply. To put that into perspective, in 2014 the US produced 88.2 million tonnes of steel, Germany produced 42.9 million tonnes and Australia 4.6 million tonnes. The Chinese property sector, one of the most important consumers of steel, is struggling despite a recovery in prices in large cities. The sector is dealing with excess inventory, and it will take years for developers to burn off the supply glut, especially in third and fourth-tier cities. As a result, the price for steel construction material has dropped 33.9% this year. Apart from the housing sector, many other consumers of steel, namely the automobile, shipbuilding, machinery and whitegoods sector, are also facing strong headwinds. Orders at Chinese shipyards (the country is now world's third largest shipbuilder) have fallen 77% in the first quarter from a year ago.

According to *Shen Wenrong, Chairman of the Shagang Group*, the country's largest private steel mill, steel production is expected to fall further by at least 10%. Current production stands at an average of about 830 million tonnes a year. *The Chairman of Shagang Group* believes the country's steel production should be in the range of between 600 million and 700 million tonnes. However, even at that reduced level of production, he believes the price will remain depressed for a sustained period of time due to continued subdued demand.

INDUSTRY OVERVIEW AND FUTURE OUTLOOK (CONT'D)

Notwithstanding the above predicaments, it is not all gloom and doom for the China economy. There are still some positive attributes within the economy that might just provide a glimmer of hope. There were proponents that argue that so far, the labour market has remained resilient because of the shift towards a more labour-intensive service sector. Household consumption has remained fairly firm, whilst inflation has been flat, helped by lower commodity and energy prices. Unlike advance countries, China's fiscal policy has much more room to manoeuvre, because total government debt was still less than 60% of GDP at the end of 2015. By allowing more interest rate and exchange rate flexibility, the room to use monetary policy by the People's Bank of China has been strengthened. Despite concerns about the rising level of non-performing loans, the large state-owned China banking system has adequate capital to absorb these, and those of the shadow banks, which are slowly but surely being brought within the regulatory network. Up to the latest available data, credit and total social financing has decelerated, but there are no signs of abnormal illiquidity or debt deflation, since the property market has shown some signs of uptick in first-tier cities. On the external front, the balance of payments current account remained a surplus at 2.1% of GDP, which offset the capital outflows as indicated by the loss in foreign exchange reserves.

Because the economy is so large, looking at China requires a longer term perspective than normal. The "new normal" is that the China economy is slowing naturally as the economy grows larger and the median age increases. Under the 13th Five Year Plan, the economy is being re-tooled to become a domestic consumption driven, innovation and service driven, open economy that aspires for social inclusivity and environmental sustainability. The mantra on the supply-side adjustment is all about getting rid of excess manufacturing capacity moving to energy and resource efficiency. The AIIB, yuan joining SDR and Chinese aid to Africa and global climate change initiatives also imply that China will contribute towards global public goods. All these aspirations must be achieved within the context of social and financial stability. No economy in the world has attempted all these ambitious goals simultaneously without some trade-offs. In such a massive transformation in scale and short time frame, some economic, financial and political pain is inevitable.

MOVING FORWARD

Based on the foregoing and in adopting a strategic and prudent approach to address the anticipation of a worse-case scenario, the Board has taken timely and proactive steps to mitigate the extent of the negative financial impact to the Group moving forward for the benefit of our shareholders. Accordingly, the Group had explored opportunities to address the anticipated malaise by leasing out some of its coke ovens (ovens #1, #2 and #3) with a total production capacity of 900,000 tonnes to a third party for a period of one year. The remaining coke ovens (ovens #4 and #5) with a total production capacity of 900,000 tonnes shall continue to be retained within the Group's stable to enable the Group to recommence production quickly should the situation warrants.

A NOTE OF APPRECIATION

Based on the foregoing and barring any unforeseen turn of events, the Board is looking forward to a more sustained and robust business environment in the metallurgical coke industry for the ensuing financial years. With the support from my fellow Board members and management team, we are optimistic that the Group will be able to continuously create value for our shareholders.

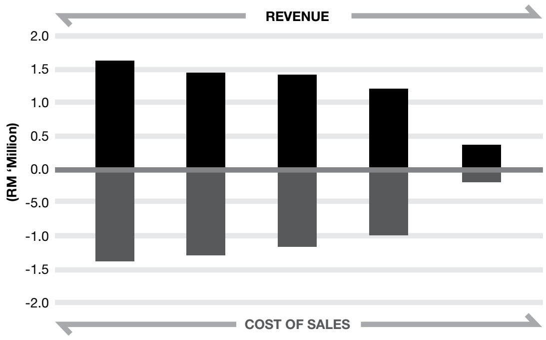
Towards this end, on behalf of the Board of Directors, I would like to record my gratitude to our loyal customers, suppliers, business partners and shareholders for their continuous support and confidence in the Group.

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

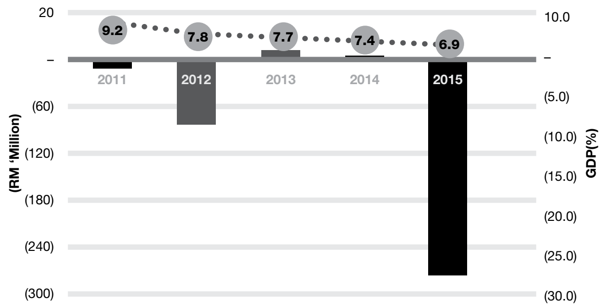
Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR
(DK, DKYR, SPNS, SPMP, PPT)
Executive Chairman

HISTORICAL FINANCIAL RESULTS

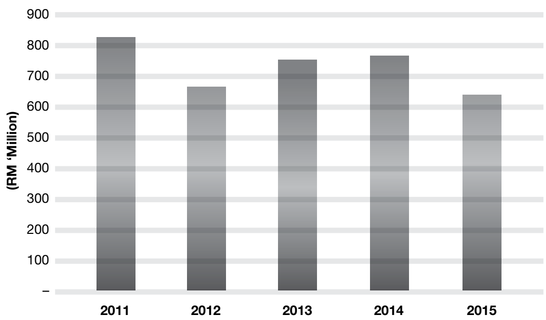
REVENUE



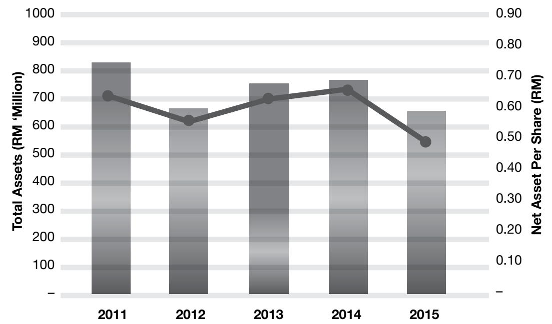
PROFIT AFTER TAX VS CHINA ECONOMIC GROWTH (GDP)



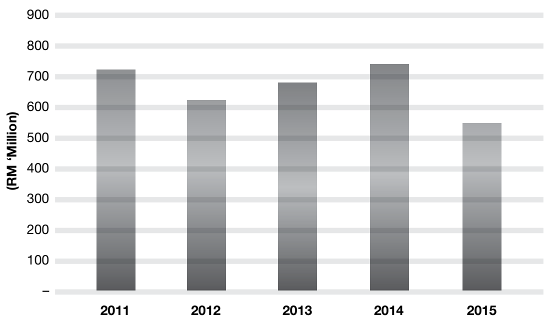
TOTAL ASSETS



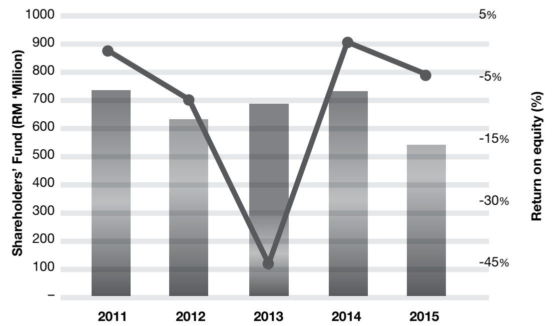
TOTAL ASSETS VS NET ASSET PER SHARE



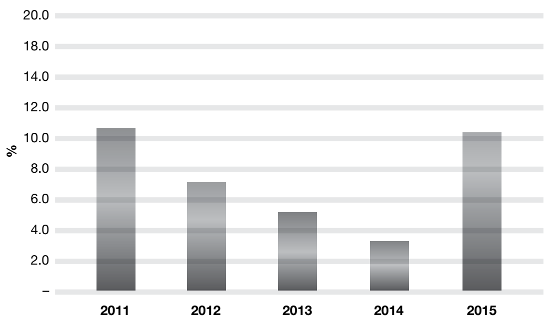
TOTAL SHAREHOLDERS' FUNDS



SHAREHOLDERS' FUND VS RETURN ON EQUITY



NET GEARING RATIO



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(279,249)	(702,404)

DIVIDENDS

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

The Board of Directors does not recommend any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year under review.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who served in office since the date of the last report and at the date of this report are as follows:

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar
Liu Guodong
Cedric Choo Sia Teik
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid
Lim See Tow
Fu Qiang
Liu Xueqiang

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2015	**Acquired**	**Disposed**	**At 31.12.2015**
Sino Hua-An International Berhad				
Direct interest				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	12,073,700	–	–	12,073,700
Liu Guodong	178,000,057	–	–	178,000,057
Indirect interest				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (1)	304,492,259	–	–	304,492,259

(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.

By virtue of their interests in the shares of the Company, Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar and Liu Guodong are deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, the other Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Group and of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

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

  (i) 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

(iii) 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

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liabilities have become enforceable, or are 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 Company or its subsidiary companies to meet their obligations as and when they fall due.

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

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

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

(e) In the opinion of the Directors:

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

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

SIGNIFICANT EVENT

Details of the significant event is disclosed in Note 29 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event is disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Messrs. Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

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

LIU GUODONG

KUALA LUMPUR
24 March 2016

STATEMENT
BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR** and **LIU GUODONG**, being two of the Directors of **SINO HUA-AN INTERNATIONAL BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 57 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and the cash flows for the financial year then ended.

The information set out in page 101 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

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

LIU GUODONG

KUALA LUMPUR
24 March 2016

STATUTORY
DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **FOONG CHONG THONG**, being the officer primarily responsible for the financial management of **SINO HUA-AN INTERNATIONAL BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 57 to 100 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **FOONG CHONG THONG** at)
KUALA LUMPUR in the Federal Territory)
this 24 March 2016)

FOONG CHONG THONG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF SINO HUA-AN INTERNATIONAL BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sino Hua-An International Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 100.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and by its subsidiary of which we acted as auditors have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 101 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
No.: 1729/05/16(J/PH)
Chartered Accountant

KUALA LUMPUR
24 March 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-Current Assets					
Property, plant and equipment	3	405,287	355,593	83	93
Prepaid lease payments	4	34,925	31,013	–	–
Investment in subsidiary companies	5	–	–	150,584	904,908
Goodwill on consolidation	6	–	107,985	–	–
		440,212	494,591	150,667	905,001
Current Assets					
Inventories	7	42,722	72,530	–	–
Trade receivables	8	22,818	36,427	–	–
Other receivables	9	20,116	13,380	16	71
Tax recoverable		20,520	17,638	–	–
Amount owing by related parties	10	72,258	127,316	–	–
Amount owing by a subsidiary company	11	–	–	299,459	243,463
Cash and cash equivalents	12	27,830	26,313	1,042	1,001
		206,264	293,604	300,517	244,535
Current Liabilities					
Trade payables	13	62,732	35,288	–	–
Other payables	14	34,185	20,483	94	133
Amount owing to a related party	10	3,925	–	–	–
Amount owing to a director		8	7	–	–
Amount owing to a subsidiary company	11	–	–	16,640	12,549
		100,850	55,778	16,734	12,682
Net current assets		105,414	237,826	283,783	231,853
		545,626	732,417	434,450	1,136,854
Financed By:					
Share capital	15	561,154	561,154	561,154	561,154
Reserves	16	38,433	(54,025)	553,891	553,891
(Accumulated losses)/Retained profits		(53,961)	225,288	(680,595)	21,809
Total equity		545,626	732,417	434,450	1,136,854

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

STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	17	270,849	1,101,252	–	–
Cost of sales		(306,709)	(1,082,870)	–	–
Gross (loss)/profit		(35,860)	18,382	–	–
Other income		1,660	595	53,814	13,676
Administration and operating expenses		(245,049)	(16,951)	(756,218)	(1,997)
Finance cost	18	–	(28)	–	–
(Loss)/Profit before taxation	19	(279,249)	1,998	(702,404)	11,679
Taxation	20	–	–	–	–
(Loss)/Profit for the financial year		(279,249)	1,998	(702,404)	11,679
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		92,458	33,915	–	–
Total comprehensive (expense)/ income for the financial year		(186,791)	35,913	(702,404)	11,679
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(279,249)	1,998	(702,404)	11,679
Total comprehensive (expense)/ income for the financial year attributable to:					
Owners of the Company		(186,791)	35,913	(702,404)	11,679
(Loss)/Earnings per share attributable to Owners of the Company (sen):					
Basic and diluted	21	(24.88)	0.178		

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

STATENENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Attributable to Owners of the Company						
	Non-Distributable						
	Share Capital RM'000	Share Premium RM'000	Reverse Acquisition Reserve RM'000	Foreign Currency Translation Reserve RM'000	Statutory Common Reserve Fund RM'000	Retained Profits/ (Accumulated losses) RM'000	Total Equity RM'000
At 1 January 2014	561,154	553,891	(799,823)	108,634	49,358	223,290	696,504
Profit for the financial year	–	–	–	–	–	1,998	1,998
Other comprehensive income:							
- Exchange differences arising from translation of foreign operations	–	–	–	33,915	–	–	33,915
Total comprehensive income for the financial year	–	–	–	33,915	–	1,998	35,913
At 31 December 2014	561,154	553,891	(799,823)	142,549	49,358	225,288	732,417
At 1 January 2015	561,154	553,891	(799,823)	142,549	49,358	225,288	732,417
Loss for the financial year	–	–	–	–	–	(279,249)	(279,249)
Other comprehensive income:							
- Exchange differences arising from translation of foreign operations	–	–	–	92,458	–	–	92,458
Total comprehensive expense for the financial year	–	–	–	92,458	–	(279,249)	(186,791)
At 31 December 2015	561,154	553,891	(799,823)	235,007	49,358	(53,961)	545,626

Statements of Changes in Equity (Cont'd)

	← Non-Distributable →			
	Share Capital RM'000	Share Premium RM'000	Retained profits/ (Accumulated losses) RM'000	Total RM'000
Company				
At 1 January 2014	561,154	553,891	10,130	1,125,175
Profit for the financial year	–	–	11,679	11,679
At 31 December 2014	561,154	553,891	21,809	1,136,854
At 1 January 2015	561,154	553,891	21,809	1,136,854
Loss for the financial year	–	–	(702,404)	(702,404)
At 31 December 2015	561,154	553,891	(680,595)	434,450

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		(279,249)	1,998	(702,404)	11,679
Adjustments for:					
Depreciation of property, plant and equipment	3	44,102	40,729	22	7
Amortisation of prepaid lease payments		1,095	929	–	–
Impairment of goodwill	6	108,343	–	–	–
Impairment of investment in subsidiaries company	5	–	–	754,324	–
Property, plant and equipment written off		853	1,347	–	–
Impairment of amount due from related parties	10	88,495	–	–	–
Unrealised exchange gain		–	–	(53,789)	(13,656)
Finance income		(236)	(195)	(25)	(20)
Finance expense		–	28	–	–
Operating (loss)/profit before working capital changes		(36,597)	44,836	(1,872)	(1,990)
(Increase)/Decrease in working capital:					
Inventories		29,808	32,387	–	–
Trade receivables		13,609	25,728	–	–
Other receivables		(6,736)	3,470	55	(7)
Amount owing by/to related parties		(29,512)	(92,365)	–	–
Amount owing by/to a subsidiary company		–	–	1,883	2,156
Amount due to a director		1	5	–	–
Trade payables		27,444	(18,461)	–	–
Other payables		13,702	1,784	(38)	33
Net cash generated from/(used in) operating activities		11,719	(2,616)	28	192
Cash flows from investing activities					
Purchase of property, plant and equipment		(36,994)	(13,814)	(12)	(92)
Interest received		236	195	25	20
Net cash (used in)/generated from investing activities		(36,758)	(13,619)	13	(72)

Statements of Cash Flows (Cont'd)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from financing activity				
Repayment of finance lease liabilities	–	(311)	–	–
Net cash used in financing activity	–	(311)	–	–
Net (decrease)/ increase in cash and cash equivalents	(25,039)	(16,546)	41	120
Effects of foreign exchange rate changes	26,556	10,661	–	–
Cash and cash equivalents at the beginning of the financial year	26,313	32,198	1,001	881
Cash and cash equivalents at the end of the financial year	27,830	26,313	1,042	1,001
Cash and cash equivalents at the end of the financial year comprises:				
- Deposits placed with licensed banks	1,035	994	1,035	994
- Cash and bank balances	26,795	25,319	7	7
	27,830	26,313	1,042	1,001

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The principal place of business of the Company is located at Unit 18-3A, Oval Damansara, 685 Jalan Damansara, 60000 Kuala Lumpur.

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors dated 24 March 2016.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

Amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, "Share-based Payment" (Annual-Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, "Business Combinations" (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, "Operating Segments" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, "Fair Value Measurement" (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, "Property, Plant and Equipment" and MFRS 138, "Intangible Assets" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, "Defined Benefit Plans Employee Contribution"
- Amendments to MFRS 124, "Related Party Disclosures" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, "Investment Property" (Annual Improvements 2011-2013 Cycle)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (Cont'd)

The above amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company.

Accounting standards and amendments to accounting standards that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2016

Amendments to MFRS 5 Non Current Assets Held for Sale and Discontinued Operations

The Amendments introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

The Amendments provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7. The Amendments also clarify the applicability of Amendments to MFRS 7, Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

Amendments to MFRS 11 Joint Arrangements

These Amendments clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses.

Amendments to MFRS 101 Presentation of Financial Statements

The Amendments aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgement in determining the information (including where and in what order) to be disclosed in the financial statements.

Amendments to MFRS 116 Property, plant and equipment

These Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

The Amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The Amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

The Amendments allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (Cont'd)

Annual periods beginning on/after 1 January 2016 (Cont'd)

Amendments to MFRS 134 Interim Financial Reporting

The Amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The Amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

Amendments to MFRS 138 Intangible assets

These Amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. This presumption can be overcome only in the limited circumstances:

- in which the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Annual periods beginning on/after 1 January 2018

MFRS 15 Revenue from Contracts with Customers

The Standard provides clarity on revenue recognition especially on areas where existing requirements unintentionally created diversity in practice. Under MFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts.

MFRS 9 Financial Instruments

This Standard addresses the classification, measurement and recognition of financial assets and financial liabilities.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The Standard introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. If a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the balance sheet, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the balance sheet.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (Cont'd)

Annual periods beginning on/after 1 January 2018 (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

The Standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

In addition, the Standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. As a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

Effective date yet to be determined by the Malaysian Accounting Standards Board

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

The Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is in the process of assessing the impact of MFRS 9 and MFRS 15 in the year of initial application. Aside from the above mentioned, the adoption of the accounting standards and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Group and the Company.

Accounting standards and amendments to accounting standards that are not relevant and not yet effective for the Group and the Company are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 128, "Investment Entities: Applying the Consolidation Exception"
- MFRS 14, "Regulatory Deferral Accounts"
- Amendments to MFRS 116 and MFRS 141, "Agriculture: Bearer Plants"

(b) Functional and presentation currency

Items included in the financial statements the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Objective evidence of impairment is determined based on the evaluation of collectability and aged analysis of accounts. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness and the past collection history of each loan and receivable. If the financial conditions of loans and receivables with which the Group deals were to deteriorate, resulting in an impairment of the ability to make payments, additional impairment may be required.

(ii) Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy disclosed in Note 2(i) to the financial statements. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Estimation of the volume of inventory

The Group estimates the quantity of its inventory based on the estimated volume and density of the inventory pile. The volume of the inventory pile is measured by taking into consideration the shape and size of the inventory pile calculated based on mathematical formulas. Density of the inventory pile is estmated based on tests performed on each type of inventory. Significant judgments are required in measuring the size, shape and density of the Group's inventory piles. Changes in these estimations could signficantly affect the quantity of inventory at the end of each reporting period.

(iv) Income and deferred taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(v) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 2(f) to the financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could have impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(vi) Impairment of investment in subsidiaries

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. Significant assumptions and judgements are required in the estimation of the present value of future cash flows generated by the subsidiaries regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

(d) Basis of consolidation for subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in the profit or loss as incurred.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation for subsidiaries (Cont'd)

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

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

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

(e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Depreciation and impairment

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Other property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives as follows:

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

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2(j) to the financial statements.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(h) Prepaid lease payments

Leasehold land of the Group represents two land use rights granted by the government of the People's Republic of China ("PRC").

Leasehold land that normally has an indefinite economic life and its risk and rewards incidental to ownership is not transferred to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that is amortised over the lease term.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Goodwill arising on consolidation

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Inventories comprising raw material, work-in-progress and finished goods are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the weighted average cost method. The cost of work-in-progress and finished goods comprise cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three month or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(n) Foreign currencies

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currencies (Cont'd)

(ii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income through the translation reserve.

(o) Financial assets

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

<u>Financial assets at fair value through profit or loss</u>

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial assets (Cont'd)

(i) Classification (Cont'd)

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial assets (Cont'd)

(iii) Subsequent measurement (Cont'd)

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Fair value though profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(r) Revenue and income recognition

Sale of goods

The Group is engaged in manufacturing and sale of metallurgical coke and other related by-products. Sales of goods is recognised when significant risk and rewards have been transferred to the buyer at the fair value of consideration received or receivable, net of discounts, returns and rebates, if any.

Interest income

Interest income is recognised as it accrues using effective interest method in profit or loss.

Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(s) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income taxes (Cont'd)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. The Group contributes to the statutory pension schemes as defined by the laws of the countries in which it has operations.

(u) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Notes to the Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Building RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Construction work-in-progress RM'000	Total RM'000
2015						
Cost						
At 1 January 2015	371,431	315,304	1,490	4,725	12,170	705,120
Additions	–	–	12	–	36,982	36,994
Transfers	5,300	43,706	31	–	(49,037)	–
Written off	-	(4,550)	–	–	–	(4,550)
Exchange differences	61,011	53,757	222	772	1,305	117,067
At 31 December 2015	437,742	408,217	1,755	5,497	1,420	854,631
Accumulated depreciation						
At 1 January 2015	138,136	206,843	1,016	3,532	–	349,527
Charge for the financial year	18,646	25,058	134	264	–	44,102
Written off	–	(3,697)	–	–	–	(3,697)
Exchange differences	23,636	35,019	165	592	–	59,412
At 31 December 2015	180,418	263,223	1,315	4,388	–	449,344
Carrying amount						
At 31 December 2015	257,324	144,994	440	1,109	1,420	405,287
2014						
Cost						
At 1 January 2014	351,743	303,992	1,389	4,353	416	661,893
Additions	–	368	96	115	13,235	13,814
Transfers	–	2,235	37	–	(2,272)	–
Written off	(427)	(8,303)	(105)	–	–	(8,835)
Exchange differences	20,115	17,012	73	257	791	38,248
At 31 December 2014	371,431	315,304	1,490	4,725	12,170	705,120
Accumulated depreciation						
At 1 January 2014	114,830	178,102	929	3,095	–	296,956
Charge for the financial year	15,835	24,513	139	242	–	40,729
Written off	(198)	(7,185)	(105)	–	–	(7,488)
Exchange differences	7,669	11,413	53	195	–	19,330
At 31 December 2014	138,136	206,843	1,016	3,532	–	349,527
Carrying amount						
At 31 December 2014	233,295	108,461	474	1,193	12,170	355,593

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

	Company	
	2015 RM'000	2014 RM'000
Office furniture and equipment		
Cost		
At 1 January	147	160
Additions	12	92
Written Off	–	(105)
At 31 December	159	147
Accumulated depreciation		
At 1 January	54	152
Charge for the financial year	22	7
Written off	–	(105)
At 31 December	76	54
Carrying amount		
At 31 December	83	93

4. PREPAID LEASE PAYMENTS

	Group	
	2015 RM'000	2014 RM'000
Cost		
At 1 January	39,341	37,210
Exchange differences	6,430	2,131
At 31 December	45,771	39,341
Accumulated amortisation		
At 1 January	8,328	6,936
Amortisation for the financial year	1,095	929
Exchange differences	1,423	463
At 31 December	10,846	8,328
Carrying amount		
At 31 December	34,925	31,013

Leasehold land of the Group represents 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 rights is for a term of 29 years commencing from 4 December 2005 to 4 December 2034 and another for a term of 50 years commencing from 12 February 2007 to 12 February 2057 respectively.

Notes to the Financial Statements (Cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2015 RM'000	2014 RM'000
Unquoted shares, at cost		
- In Malaysia	– *	– *
- Outside Malaysia	904,908	904,908
	904,908	904,908
Less: Impairment loss	(754,324)	–
	150,584	904,908

* Represents RM2

Movement in impairment during the financial year is as follows:

	Company 2015 RM'000	2014 RM'000
At 1 January	–	–
Impairment loss	(754,324)	–
At 31 December	(754,324)	–

During the financial year, the Company recognised an impairment loss amounting to RM754,324,000 (2014: Nil). This impairment is primarily related to the gross loss and challenging operating environment faced by the subsidiary. Please refer to Note 6 for more details on the impairment assessment to the financial statements.

(b) The subsidiary companies and shareholdings therein are as follows:

Name of companies	Country of incorporation and principal place of business	Effective ownership and voting interest 2015 %	2014 %	Principal activities
Fancy Celebrations Sdn. Bhd.	Malaysia	100	100	Dormant
PIPO Overseas Limited #	British Virgin Islands	100	100	Investment holding
<u>Subsidiary company of PIPO Overseas Limited:</u>				
Linyi Yehua Coking Co. Ltd. #	People's Republic of China	100	100	Manufacturing and sales of metallurgical coke and other related by-products

\# Audited by another member firm of Morison International which is a separate and independent legal entity from Messrs. Morison Anuarul Azizan Chew.

6. GOODWILL ON CONSOLIDATION

	Group	
	2015	**2014**
	RM'000	**RM'000**
Cost		
At 1 January	107,985	107,818
Less: impairment loss	(108,343)	–
Exchange differences	358	167
At 31 December	–	107,985

(a) Impairment test for goodwill on consolidation

The Group undertakes an annual impairment assessment on its cash-generating units ("CGUs") identified based on its trading and manufacturing operating segment, being the lowest level of asset for which the management monitors the goodwill of the Group.

Arising from the challenging operating environment and gross loss sustained by the CGU, based on the impairment assessment on the recoverable amount of the CGU, the Group recognised an impairment loss amounting to RM108,343,000 (2014: Nil) which has been charged to administration and operating expenses.

(b) Key assumptions used to determine recoverable amount

The recoverable amount of the Group's CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

The key assumptions used for the value-in-use calculations are as follows:

	2015	**2014**
Revenue growth rate over 5 years	9.5% per annum	4.0% per annum
Terminal growth rate	0.0%	0.0%
Pre-tax discount rate	10.5%	9.8%

Management determined the revenue growth rates, selling prices and direct costs during the budget period based on future expectations of changes in the market. 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 Group's review includes an impact assessment of changes in key assumptions. The following key assumptions are particularly sensitive:

- A 0.5% increase in the pre-tax discount rate will increase the impairment loss recognised on the CGU by RM40,982,000; and
- A 0.1% decrease in the revenue growth rate will increase the impairment loss recognized on the CGU by RM35,979,000.

Notes to the Financial Statements (Cont'd)

7. INVENTORIES

	Group 2015 RM'000	Group 2014 RM'000
Raw materials	34,635	61,818
Work-in-progress	1,045	2,129
Finished goods	7,042	8,583
	42,722	72,530

8. TRADE RECEIVABLES

	Group 2015 RM'000	Group 2014 RM'000
Trade receivables	22,818	36,427
Less: Impairment losses	–	–
	22,818	36,427

The normal credit period granted by the Group to the trade customers ranges from 30 to 90 days (2014: 30 to 90 days).

The ageing analysis is as follows:

	Group 2015 RM'000	Group 2014 RM'000
Neither past due nor impaired	20,946	36,427
1 to 30 days past due but not impaired	917	–
Over 90 days past due but not impaired	955	–
	1,872	–
Individually impaired	–	–
Collectively impaired	–	–
	22,818	36,427

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments.

The Group trade receivables of RM1,872,000 (2014: Nil) was past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

9. OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables	17,473	13,094	–	–
Trade deposits	2,618	208	–	–
Deposits	20	73	11	66
Prepayment	5	5	5	5
	20,116	13,380	16	71

Trade deposits represent deposits paid to suppliers for raw material purchased at the reporting date.

10. AMOUNT OWING BY RELATED PARTIES / AMOUNT OWING TO A RELATED PARTY

Amount owing by related parties

	Group	
	2015 RM'000	2014 RM'000
Amount owing by related parties	160,753	127,316
Less: Impairment losses	(88,495)	–
	72,258	127,316

Movement in impairment during the financial year is as follows:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	–	–
Impairment loss	(88,495)	–
At 31 December	(88,495)	–

This represents trade transactions with the normal credit period granted by the Group to trade customers. The amount is denominated in Chinese Renminbi.

Amount owing to a related party

This represents trade transactions with the normal credit period granted by the Group to trade customers. The amount is denominated in Chinese Renminbi.

Notes to the Financial Statements (Cont'd)

11. AMOUNT OWING BY/(TO) A SUBSIDIARY COMPANY

These amounts are unsecured, interest-free and are repayable on demand. The currency profiles of the balances are disclosed in Note 25 to the financial statements.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	26,795	25,319	7	7
Deposits placed with licensed banks	1,035	994	1,035	994
	27,830	26,313	1,042	1,001

Interest rates on deposits placed with licensed banks range from 2.87% to 3.32% (2014: 2.38% to 3.15%) per annum and have an average maturity period of 1 to 7 days (2014: 1 to 7 days).

13. TRADE PAYABLES

The normal credit period granted to the Group from the trade purchasers ranges from 30 to 90 days (2014: 30 to 90 days).

14. OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables	23,126	2,985	29	29
Accruals	7,821	12,906	65	104
Deposits	3,238	4,592	–	–
	34,185	20,483	94	133

15. SHARE CAPITAL

	Group/Company			
	2015		2014	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary shares of RM0.50 each:				
Authorised				
At 1 January/31 December	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid				
At 1 January/31 December	1,122,308	561,154	1,122,308	561,154

16. RESERVES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-distributable				
Share premium	553,891	553,891	553,891	553,891
Reverse acquisition reserve	(799,823)	(799,823)	–	–
Foreign currency translation reserve	235,007	142,549	–	–
Statutory common reserve fund	49,358	49,358	–	–
	38,433	(54,025)	553,891	553,891

(a) Share premium

The share premium is not distributable by way of cash dividends but may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(b) Reverse acquisition reserve

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 26 March 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-up 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.

MFRS 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 MFRS 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;

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is the sum of:

- the issued and paid-up share capital of PIPO immediately before the reverse acquisition; and
- 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.

Notes to the Financial Statements (Cont'd)

16. RESERVES (CONT'D)

(c) Foreign currency translation reserve

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

(d) Statutory common reserve

In accordance with the relevant People's Republic of China ("PRC") regulations and the subsidiary company's Articles of Association, the subsidiary company in PRC is required to allocate its profit after tax to the statutory common reserve fund.

The subsidiary company in PRC is required each year to transfer 10% of its 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 company. 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.

17. REVENUE

	Group	
	2015	**2014**
	RM'000	**RM'000**
Sales of goods		
Metallurgical coke	204,253	809,346
By-products	66,596	291,906
	270,849	1,101,252

18. FINANCE COST

	Group	
	2015	**2014**
	RM'000	**RM'000**
Interest on finance lease liabilities	–	28

19. PROFIT BEFORE TAXATION

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Auditors' remuneration:				
- statutory	505	418	60	60
- others	5	5	5	5
Depreciation of property, plant and equipment	44,102	40,729	22	7
Amortisation of prepaid lease payments	1,095	929	–	–
Impairment of goodwill	108,343	–	–	–
Impairment of investment in subsidiary company	–	–	754,324	–
Impairment of amount owing by related parties	88,495	–	–	–
Directors of the Company:				
- fees	105	98	60	60
- salaries and other emoluments	1,050	989	674	674
- Employee provident fund	79	79	79	79
Rental of premises	38	124	38	124
Rental of office equipment	5	6	5	6
Property, plant and equipment written off	853	1,347	–	–
Unrealised exchange gain	–	–	(53,789)	(13,656)
Finance income	(236)	(195)	(25)	(20)

Depreciation of property, plant and equipment of the Group charged to costs of sales and administration and operating expenses amounting to RM43,879,000 and RM223,000 (2014: RM40,524,000 and RM205,000) respectively.

Notes to the Financial Statements (Cont'd)

20. TAXATION

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) on chargeable income of the estimated assessable profit for the financial year. The Malaysian statutory rate will be reduced to 24% for the current rate of 25% effective from year assessment 2016. The corporate tax rate applicable to the People's Republic of China ("PRC") subsidiary of the Group is at 25% (2014: 25%).

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
(Loss)/Profit before taxation	(279,249)	1,998	(702,404)	11,679
Taxation at statutory tax rate of 25% (2014: 25%)	(69,812)	499	(175,601)	2,920
Expenses not deductible for tax purposes	26,701	500	189,055	500
Income not subject to tax	(6)	(5)	(13,454)	(3,420)
Utilisation of previously unrecognised deferred tax assets	–	(994)	–	–
Deferred tax not recognised	43,117	–	–	–
Taxation for the financial year	–	–	–	–

Deferred tax assets have not been recognised for the following items:

	Group	
	2015 RM'000	**2014 RM'000**
Unutilised tax losses	271,084	89,525
Deferred tax assets not recognised	67,771	22,381

As at 31 December 2015, the unutilised tax losses of the Group relate to the PRC subsidiary and is denominated in Chinese Renminbi ("RMB") amounting to RMB432,208,000 (2014: RMB157,226,000).

21. EARNINGS PER SHARE

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2015	2014
(Loss)/Profit for the financial year attributable to the owners of the Company (RM'000)	(279,249)	1,998
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Basic (loss)/earnings per share (sen)	(24.88)	0.178

(b) Diluted earnings per share

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares during the financial year.

22. STAFF COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salary, bonus and other emoluments (excluding directors)	20,952	37,359	375	375
Employees provident fund	4,585	5,293	45	45
	25,537	42,652	420	420

Included in the total staff costs of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM21,9130,000 and RM3,604,000 (2014: RM38,265,000 and RM4,387,000) respectively.

23. RELATED PARTY DISCLOSURES

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.

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	Group	
	2015 RM'000	2014 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	177,845	375,635
Shandong Jiangquan Industrial Co., Ltd. Thermoelectricity *	16,323	70,978
Shandong Jiangquan Industrial Co., Ltd. Jiangxin Construction Use Ceramic Factory *	135	12,661
Purchase of electricity		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	15,882	39,401
Rental of storage		
Shandong Jiangquan Industrial Co., Ltd. Railroad *	901	3,696

* Shandong Jiangquan Industrial Co., Ltd. Thermoelectricity, Shandong Jiangquan Industrial Co., Ltd. Jiangxin Construction Use Ceramic Factory and Shandong Jiangquan Industrial Co., Ltd. Railroad ceased to be related parties since 1 July 2015 due to changes in the shareholders and significant influence of these companies. Consequently, the transactions of these companies disclosed above for the financial year ended 31 December 2015 covered the period from 1 January 2015 to 30 June 2015.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
Salaries and allowances	1,334	1,228	734	734
Statutory pension scheme contributions	79	79	79	79

23. RELATED PARTY DISCLOSURES (CONT'D)

Outstanding related party balances

(i) Amount owing by related parties

	Group	
	2015 RM'000	2014 RM'000
Linyi Jiangxin Steel Co., Ltd.	72,258	90,980
Shandong Jiangquan Industrial Co., Ltd. Jiangxin Construction Use Ceramic Factory	–	9,552
Shandong Jiangquan Industrial Co., Ltd. Thermoelectricity	–	25,139
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	–	1,645
	72,258	127,316

(ii) Amount owing to a related party

	Group	
	2015 RM'000	2014 RM'000
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	3,925	–

24. SEGMENT INFORMATION

Segment information is primarily presented in respect of the Group's business segment which is based on the reports reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business segment separately for the purposes of making decision about resource allocation and performance assessment.

The Group reportable segment is manufacturing and trading which relate to the manufacturing and sales of metallurgical coke and other related by-products.

Other non-reportable segments comprise operations related to investment holding.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenue is eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the Financial Statements (Cont'd)

24. SEGMENT INFORMATION (CONT'D)

2015	Note	Manufacturing and trading RM'000	Others RM'000	Total RM'000
Revenue				
Sales		270,849	–	270,849
Less: Inter-segment revenue		–	–	–
		270,849	–	270,849
Results				
Depreciation and amortisation		45,175	22	45,197
Other significant non-cash expenses	(a)	853	–	853
Segment profit/(loss)		(277,380)	(1,869)	(279,249)
Assets				
Additions to non-current assets	(b)	36,982	12	36,994
Segment assets		645,335	1,141	646,476
Liabilities				
Segment liabilities		100,756	94	100,850
2014				
Revenue				
Sales		1,101,252	–	1,101,252
Less: Inter-segment revenue		–	–	–
		1,101,252	–	1,101,252
Results				
Depreciation and amortisation		41,651	7	41,658
Other significant non-cash expenses	(a)	1,347	–	1,347
Segment profit/(loss)		3,978	(1,980)	1,998
Assets				
Additions to non-current assets	(b)	13,722	92	13,814
Segment assets		682,122	106,073	788,195
Liabilities				
Segment liabilities		55,645	133	55,778

24. SEGMENT INFORMATION (CONT'D)

(a) Other significant non-cash expenses consist of the following:

	Group 2015 RM'000	Group 2014 RM'000
Property, plant and equipment written off	853	1,347

(b) Additions to non-current assets consist of additions of property, plant and equipment.

Geographical information

(i) Revenue by geographical location of customers are as follows:

	Group 2015 RM'000	Group 2014 RM'000
People's Republic of China	270,849	1,101,252
Malaysia	–	–
	270,849	1,101,252

(ii) Non-current assets by geographical location of assets are as follows:

	Group 2015 RM'000	Group 2014 RM'000
People's Republic of China	440,129	494,498
Malaysia	83	93
	440,212	494,591

Information about major customers

Revenue from 2 (2014: 3) major customers amounting to RM207,774,000 (2014: RM640,934,000) arises from the manufacturing and trading segment.

Notes to the Financial Statements (Cont'd)

25. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments and their categories:

	2015		2014	
	Loans and receivables/ other financial liabilities RM'000	**Total RM'000**	**Loans and receivables/ other financial liabilities RM'000**	**Total RM'000**
Group				
Financial assets				
Trade receivables	22,818	22,818	36,427	36,427
Other receivables	20,111	20,111	13,375	13,375
Amount owing by related parties	72,258	72,258	127,316	127,316
Cash and cash equivalents	27,830	27,830	26,313	26,313
	143,017	143,017	203,431	203,431
Financial liabilities				
Trade payables	62,732	62,732	35,288	35,288
Other payables	26,364	26,364	7,577	7,577
Amount owing to related parties	3,925	3,925	–	–
Amount owing to a director	8	8	7	7
	93,029	93,029	42,872	42,872
Company				
Financial assets				
Other receivables	11	11	66	66
Amount owing by subsidiary company	299,459	299,459	243,463	243,463
Cash and cash equivalents	1,042	1,042	1,001	1,001
	300,512	300,512	244,530	244,530
Financial liabilities				
Other payables	29	29	29	29
Amount owing to a subsidiary company	16,640	16,640	12,549	12,549
	16,669	16,669	12,578	12,578

25. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

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

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from receivables from customers and related parties. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts. Appropriate approval limits are set at different levels of credit limits and terms. In order to further minimise its exposure to credit risk, the Group, in some instances, requires deposits from the customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of receivables ageing. At reporting date, the Group's concentration of the top 2 (2014: 3) trade customers of the Group represents 93% (2014: 87.9%) of the total trade receivables and amount owing by related parties.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

The table below summarises the maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Below 1 year RM'000
2015				
Group				
Trade payables	62,732	–	62,732	62,732
Other payables	26,364	–	26,364	26,364
Amount owing to related parties	3,925	–	3,925	3,925
Amount owing to a director	8	–	8	8
	93,029		93,029	93,029
Company				
Other payables	29	–	29	29
Amount owing to a subsidiary company	16,640	–	16,640	16,640
	16,669		16,669	16,669

25. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Below 1 year RM'000
2014				
Group				
Trade payables	35,288	–	35,288	35,288
Other payables	7,577	–	7,577	7,577
Amount owing to a director	7	–	7	7
	42,872		42,872	42,872
Company				
Other payables	29	–	29	29
Amount owing to a subsidiary company	12,549	–	12,549	12,549
	12,578		12,578	12,578

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows.

(a) Foreign currency exchange risk

The Group's operations are primarily based in PRC where transactions are undertaken in Chinese Renminbi. The Group monitors the foreign currency risks on an ongoing basis.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	Financial assets/(liabilities) held in non-functional currency			
Functional Currency	**Hong Kong Dollar ("HKD") RM'000**	**United States Dollar ("USD") RM'000**	**Chinese Renminbi ("RMB") RM'000**	**Total RM'000**
Group				
2015				
Cash and bank balances				
Hong Kong Dollar	–	5	–	5
2014				
Cash and bank balances				
Hong Kong Dollar	–	4	–	4

25. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

Functional Currency	Financial assets/(liabilities) held in non-functional currency Hong Kong Dollar ("HKD") RM'000	United States Dollar ("USD") RM'000	Chinese Renminbi ("RMB") RM'000	Total RM'000
Company				
2015				
Amount owing by/(to) subsidiary company				
Ringgit Malaysia	299,459	–	(16,640)	282,819
2014				
Amount owing by/(to) subsidiary company				
Ringgit Malaysia	243,463	–	(12,549)	230,914

Currency risk sensitivity analysis

As at the reporting date, the impact of change in 5% on USD exchange rate against the functional currency of a subsidiary company, with all other variables remain constant, is immaterial to the Group's profit net of tax and equity.

The following table shows the sensitivity of the Company's profit net of tax to a reasonably possible change in the HKD and RMB exchange rates against the functional currency of the Company, with all other variables remain constant.

		Company Net of tax 2015 RM'000	2014 RM'000
RMB/RM	- strengthened 5%	(624)	(471)
	- weakened 5%	624	471
HKD/RM	- strengthened 5%	11,230	9,130
	- weakened 5%	(11,230)	(9,130)

Notes to the Financial Statements (Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(b) Interest rate risk

The Group and the Company finance its operation through operating cash flows. Interest rate exposure arises from the Group's deposits.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instrument, based on carrying amounts as at the end of the financial year is as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Fixed rate instruments		
Fixed deposits with licensed banks	1,034	994

Since the Group's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group's profit or loss.

(c) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, amount owing to related parties, amount owing to subsidiary company and current portion of lease payable approximated their fair values at the reporting date due to the relatively short term nature of these financial instruments. Therefore, the fair value hierarchy is not presented.

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the financial year.

As disclosed in Note 16(d), a subsidiary company of the Company is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary company.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 5% and 20%. The Group includes within net debt, trade and other payables, lease payable, less cash and bank balances. Capital includes the equity attributable to the owners of the Company less the abovementioned restricted statutory reserve fund.

26. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2015 RM'000	2014 RM'000
Trade and other payables	96,917	55,771
Amount owing to related parties	3,925	–
Amount owing to a director	8	7
Less: cash and cash equivalents	(27,830)	(26,313)
Net debt	73,020	29,465
Equity attributable to the owners of the Company	545,626	732,417
Less: statutory reserve fund	(49,358)	(49,358)
Total capital	496,268	683,059
Capital and net debt	569,288	712,524
Gearing ratio	12.8%	4.1%

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

27. CAPITAL COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Capital expenditure approved and contracted for:		
- property, plant and equipment	2,269	26,029

Notes to the Financial Statements (Cont'd)

28. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	Group/Company	
	2015	**2014**
	RM'000	**RM'000**
Less than one year	36	36
Between one and five years	27	63
	63	99

29. SIGNIFICANT EVENT

On 7 March 2015, the Group's significant subsidiary, Linyi Yehua Coking Co. Ltd. was notified to temporarily suspend its operations pending fulfillment of the newly revised environmental protection standards and subsequent inspection by the Ministry of Environmental Protection of the People's Republic of China ("MoEP").

However, during the financial year, relevant rectification works on the metallurgical coke plant and equipment required by the MoEP to comply with the newly revised environmental protection standards has been duly completed and the Group has accordingly resumed its operations.

30. SUBSEQUENT EVENT

On 29 January 2016, the Group had entered into a leasing agreement with a third party for the leasing of three (3) of its coke ovens representing 50% of the Group's total operating capacity to a third party for a period of one year commencing from 1 February 2016 till 31 January 2017.

REALISED AND UNREALISED
PROFITS/LOSSES (SUPPLEMENTARY INFORMATION)

The breakdown of the retained earnings of the Group and of the Company as at 31 December into realised and unrealised amounts is as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total (accumulated loss)/ retained earnings:				
- Realised	(689,722)	225,288	(725,667)	21,809
- Unrealised	44,483	4,940	45,072	4,940
	645,239	230,228	(680,595)	26,749
Less: consolidation adjustments	(591,278)	(4,940)	–	(4,940)
Consolidated (accumulated loss)/ retained earnings	(53,961)	225,288	(680,595)	21,809

The determination of realised and unrealised profits or losses is based on the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2016

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	: 16,207
Voting rights	
• On a show of hands	: One vote per shareholder/proxy
• 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	670	4.13	25,269	0.00
100 – 1,000	5,753	35.50	2,702,721	0.24
1,001 - 10,000	5,719	35.29	25,764,454	2.30
10,001 – 100,000	3,419	21.10	126,944,404	11.31
100,001 – 56,115,389	642	3.96	356,922,594	31.80
56,115,390 and above	4	0.02	609,948,375	54.35
Total	16,207	100.00	1,122,307,817	100.00

DIRECTORS' SHAREHOLDINGS

		No. of shares beneficially held			
Name of Directors	Nationality	Direct	%	Indirect	%
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 [1]	27.13
Liu Guodong	Chinese	178,000,057 [2]	15.86	–	–
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	Malaysian	–	–	–	–
Cedric Choo Sia Teik	Malaysian	–	–	–	–
Lim See Tow	Malaysian	–	–	–	–
Fu Qiang	Chinese	–	–	–	–
Liu Xueqiang	Chinese	–	–	–	–

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 him being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.

Deemed interested by virtue of him 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) 64,000,057 Hua-An shares are being held under the name of UOB Kay Hian Nominees (Asing) Sdn Bhd, Exempt AN for UOB Kay Hian (Hong Kong) Limited (A/C Clients).

Analysis of Shareholdings (Cont'd)

SUBSTANTIAL SHAREHOLDERS

		No. of shares beneficially held			
Name of Shareholders	**Nationality**	**Direct**	**%**	**Indirect**	**%**
Rock Point Alliance Pte. Ltd.	Singapore	285,000,080	25.39	0	0.00
Liu Guodong	Chinese	178,000,057 (1)	15.86	0	0.00
Rise Business Inc.	British Virgin Islands	102,000,038	9.09	0	0.00
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 (2)	27.13
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	Malaysian	1,221,500	0.11	315,342,959 (3)	28.10
Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar	Malaysian	1,166,500	0.10	315,397,959 (4)	28.10
Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar	Malaysian	1,176,500	0.10	315,387,959 (5)	28.10
Y.A.M. Tunku Irinah Binti Tuanku Ja'afar	Malaysian	1,154,250	0.10	315,410,209 (6)	28.10
Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar	Malaysian	1,076,550	0.10	315,487,909 (7)	28.11
Y.M. Tunku Nurul Hayati Binti Tunku Bahador	Malaysian	100,200	0.01	316,465,759 (8)	28.20
Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin	Malaysian	1,500	0.00	308,810,230 (9)	27.52
Zhu Qinghua	Chinese	0	0.00	102,000,038 (10)	9.09

Notes:-

(1) 64,000,057 Hua-An shares are being held under the name of UOB Kay Hian Nominees (Asing) Sdn Bhd, Exempt AN for UOB Kay Hian (Hong Kong) Limited (A/C 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 him being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.

Deemed interested by virtue of him 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 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 Tuanku 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 to Y.M. Tunku Nurul Hayati Binti Tunku Bahador.

Deemed interested by virtue of his direct interest of over 15% 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 him being the sibling to 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 him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

(4) Deemed interested by virtue of her 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 Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.

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

Deemed interested by virtue of her direct interest of over 15% in Syarikat Pesaka Antah Sdn. Bhd. 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 Syarikat Pesaka Radin 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 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 her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

Analysis of Shareholdings (Cont'd)

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:- (Cont'd)

(5) 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 Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.

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

Deemed interested by virtue of his direct interest of over 15% in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of his sibling's 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 him being the sibling to 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 him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

(6) 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 Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.

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

Deemed interested by virtue of her direct interest of over 15% in Syarikat Pesaka Antah Sdn. Bhd. 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 Syarikat Pesaka Radin 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 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 her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

(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 Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Irinah Binti Tuanku Ja'afar.

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

Deemed interested by virtue of her direct interest of over 15% in Syarikat Pesaka Antah Sdn. Bhd. 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 Syarikat Pesaka Radin 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 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 her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:- (Cont'd)

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

Deemed interested by virtue of her 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 her 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 Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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 her being the spouse 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 her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

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

Deemed interested by virtue of him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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 him 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 him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has 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.

(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 (Cont'd)

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
1.	HLIB NOMINEES (ASING) SDN BHD ROCK POINT ALLIANCE PTE. LTD.	285,000,080	25.39
2.	LIU GUODONG	114,000,000	10.16
3.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED (A/C CLIENTS)	108,948,257	9.71
4.	RISE BUSINESS INC.	102,000,038	9.09
5.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	34,154,050	3.04
6.	LEMBAGA TABUNG HAJI	15,000,000	1.34
7.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHUNG KIN CHUAN (CHU0226C)	13,080,700	1.17
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROCK POINT ALLIANCE SDN. BHD.	11,486,250	1.02
9.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR	10,979,700	0.98
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHOO MOK (E-JBU)	6,831,200	0.61
11.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	5,582,565	0.50
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA HIAN HOCK	5,461,800	0.49
13.	MACOTRADE SDN BHD	5,171,000	0.46
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	5,000,000	0.45
15.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KWEE ENG (TAN1125C)	4,091,800	0.36

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
16.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	3,915,850	0.35
17.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR PLATINUM BROKING COMPANY LIMITED (CLIENT A/C)	3,625,000	0.32
18.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	3,620,000	0.32
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KWEE KEE (BKT PASIR-CL)	3,046,400	0.27
20.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	3,041,150	0.27
21.	LEONG CHEOK LUNG	2,800,000	0.25
22.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI SIEW LOOI (STA 2)	2,784,050	0.25
23.	TAN SWEE HOCK	2,547,500	0.23
24.	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	2,484,700	0.22
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIN HUAN KWANG (E-TWU)	2,467,000	0.22
26.	LEE SIEW LIN	2,395,000	0.21
27.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)	2,340,000	0.21
28.	PLATINUM PARADE SDN BHD	2,295,500	0.20
29.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR TAN TEONG BENG	2,261,300	0.20
30.	CHONG SONG YEW	2,100,000	0.19

LIST OF PROPERTIES
AS AT 31 DECEMBER 2015

	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 People's Republic of China	Manufacturing plant	Leasehold 29 years	10,127	319,014.00	4 Dec 2005
2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luozhuang District, Linyi City, Shandong Province People's Republic of China	Coal storage area	Leasehold 50 years	24,798	85,453.76	12 Feb 2007

SINO HUA-AN INTERNATIONAL BERHAD

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

FORM OF PROXY

Number of shares held :
CDS Account No :

*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 Tenth Annual General Meeting of the Company to be held at the Banquet Hall, 2nd Floor Kelab Perdana DiRaja Kuala Lumpur (Royal Lake Club), Taman Tasek Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 18 May 2016 at 9:00 a.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.

Item.	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015.			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2015.	1		
3.	To re-elect Mr. Liu Guodong who retires pursuant to Article 95 of the Company's Articles of Association.	2		
4.	To re-elect Ms. Lim See Tow who retires pursuant to Article 95 of the Company's Articles of Association.	3		
5.	To re-appoint Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid who retires pursuant to Section 129(6) of the Companies Act, 1965.	4		
6.	To re-appoint Messrs. Morison Anuarul Azizan Chew as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.	5		
7.	**As Special Business** Ordinary Resolution 1 Authority to issue shares pursuant to Section 132D of the Companies Act 1965.	6		
8.	Ordinary Resolution 2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.	7		
9.	Ordinary Resolution 3 Proposed Renewal of Authority for Share Buy-Back of up to 10% of the issued and paid up share capital of Sino Hua-An International Berhad.	8		
10.	Ordinary Resolution 4 Retention of Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid as an Independent Non-Executive Director of the Company.	9		
11.	Ordinary Resolution 5 Retention of Ms. Lim See Tow as an Independent Non-Executive Director of the Company.	10		
12.	Special Resolution Proposed Amendment to the Articles of Association of the Company	11		

* 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.. , 2016

....
Signature of Member/Common Seal

Notes:

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 12 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *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.*
4. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *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 c/o Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.*

Please fold here

Affix
Stamp

To:

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

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SINO HUA-AN INTERNATIONAL BERHAD
(732227-T)

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Email: bernard@sinohuaan.com