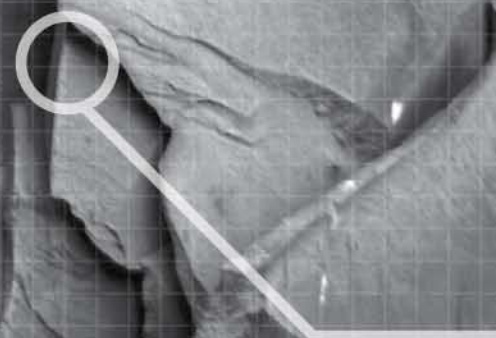




ANNUAL
REPORT
2016





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NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh 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 Monday, 22 May 2017 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 2016 together with the Reports of the Directors and the Auditors thereon. | [Please refer to Explanatory Note (a)] |
| 2. | To approve the payment of Directors’ Fees to the Non-Executive Directors for the financial year ended 31 December 2016. | (Resolution 1) |
| 3. | To approve the payment of Directors’ allowances and other benefits (excluding Directors’ fees) to the Non-Executive Directors up to an amount of RM100,000 from 1 January 2017 until the next AGM of the Company. | (Resolution 2) |
| 4. | 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 Cedric Choo Sia Teik | (Resolution 3) |
| | (b) Mr Liu Xueqiang | (Resolution 4) |
| 5. | To re-appoint Y. Bhg. Dato’ Mohd Shahar Bin Abdul Hamid, who is to vacate office upon the conclusion of this AGM, to continue in office until resolved otherwise, subject to the Companies Act 2016 (“Act”) Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) and the Company’s Articles of Association as may be amended from time to time. | (Resolution 5) |
| 6. | To re-appoint Messrs. Morison Anuarul Azizan Chew as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. | (Resolution 6) |

As Special Business

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

7. **ORDINARY RESOLUTION 1**

AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE ACT

(Resolution 7)

“THAT subject to Sections 75 and 76 of the Act and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued share of the Company for the time being;

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company.”

8. **ORDINARY RESOLUTION 2**

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

(Resolution 8)

“THAT approval be and is hereby given to Sino Hua-An International Berhad Group (“Group”) to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature and with the Related Parties as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favorable to the Related Parties 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 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders 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.”

9. **ORDINARY RESOLUTION 3**
RETENTION OF Y. BHG. DATO' MOHD SHAHAR BIN ABDUL HAMID AS AN
INDEPENDENT NON-EXECUTIVE DIRECTOR

(Resolution 9)

“**THAT** subject to the passing of Resolution No. 5, 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”).”

10. **ORDINARY RESOLUTION 4**
RETENTION OF MS. LIM SEE TOW AS AN INDEPENDENT NON-EXECUTIVE
DIRECTOR

(Resolution 10)

“**THAT** 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.”

11. 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
28 April 2017

Explanatory Note (a)

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) 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.

Explanatory Note to Ordinary and Special Business:

(i) Approval for the payment of Directors' allowances and other benefits (excluding Directors' fees) to the Non-Executive Directors

The Directors' allowances and other benefits (excluding Directors' fees) to the Non-Executive Directors envisaged to be payable from 1 January 2017 until the next AGM of the Company are as follows:

Description	Non-Executive Directors	Executive Chairman/ Managing Director/ Executive Director
Allowances	Up to RM100,000.00	nil
Other Benefits	nil	nil

(ii) Re-appointment of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid

This resolution is to re-appoint Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid who is above 70 years old and who is to vacate office under the term of appointment in the resolution passed at last year's AGM held on 18 May 2016 pursuant to Section 129(6) of the Companies Act 1965, which was then in force and which could only permit the re-appointment of the Director to hold office until this AGM. If passed, this agenda item will approve and authorise the continuation of the Director in office from this AGM onwards without limitation in tenure, subject to the prevailing applicable law, listing requirements, and the Company's constitution, as may be amended from time to time.

Upon re-appointment as a Director of the Company, Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid will remain as the Chairman of Audit and Risk Management Committee and Nomination Committee and a member of the Remuneration Committee.

(iii) Authority to Allot Shares pursuant to Section 75 and 76 of the Act

The Company had been granted a mandate by its shareholders at the Tenth AGM of the Company held on 18 May 2016 (hereinafter referred to as the "**Previous Mandate**").

As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and hence, no proceeds were raised therefrom.

The proposed resolution is primarily to give a renewal mandate to the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time consuming to organise a general meeting. The general mandate will provide flexibility and expediency to the Company for any possible fund raising activities involving the issuance or placement of shares to facilitate business expansion or strategic merger and acquisition opportunities involving equity deals or part equity or to fund future investment project(s) or working capital requirements, which the Directors of the Company consider to be in the best interest of the Company.

Explanatory Note to Ordinary and Special Business: (Cont'd)

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

This resolution 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.

(v) Retention of Independence 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 Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid, regarded him to be independent, based on amongst others, the following justifications and recommends that Y. Bhg. 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 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 Y. Bhg. 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 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 Ms. Lim See Tow, regarded her to be independent, based on 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 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 16 May 2017 ("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, an advocate, an approved company auditor or a person approved by the Registrar of Companies. 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.
8. The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this Meeting and convening the Meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/or processed in connection with the foregoing.

7.p

ADMINISTRATIVE GUIDE FOR ELEVENTH ANNUAL GENERAL MEETING (“AGM”)

DAY & DATE : Monday, 22 May 2017

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 16 May 2017 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 16 May 2017, 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.

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 2016

1. The Annual Report 2016 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 2016, 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

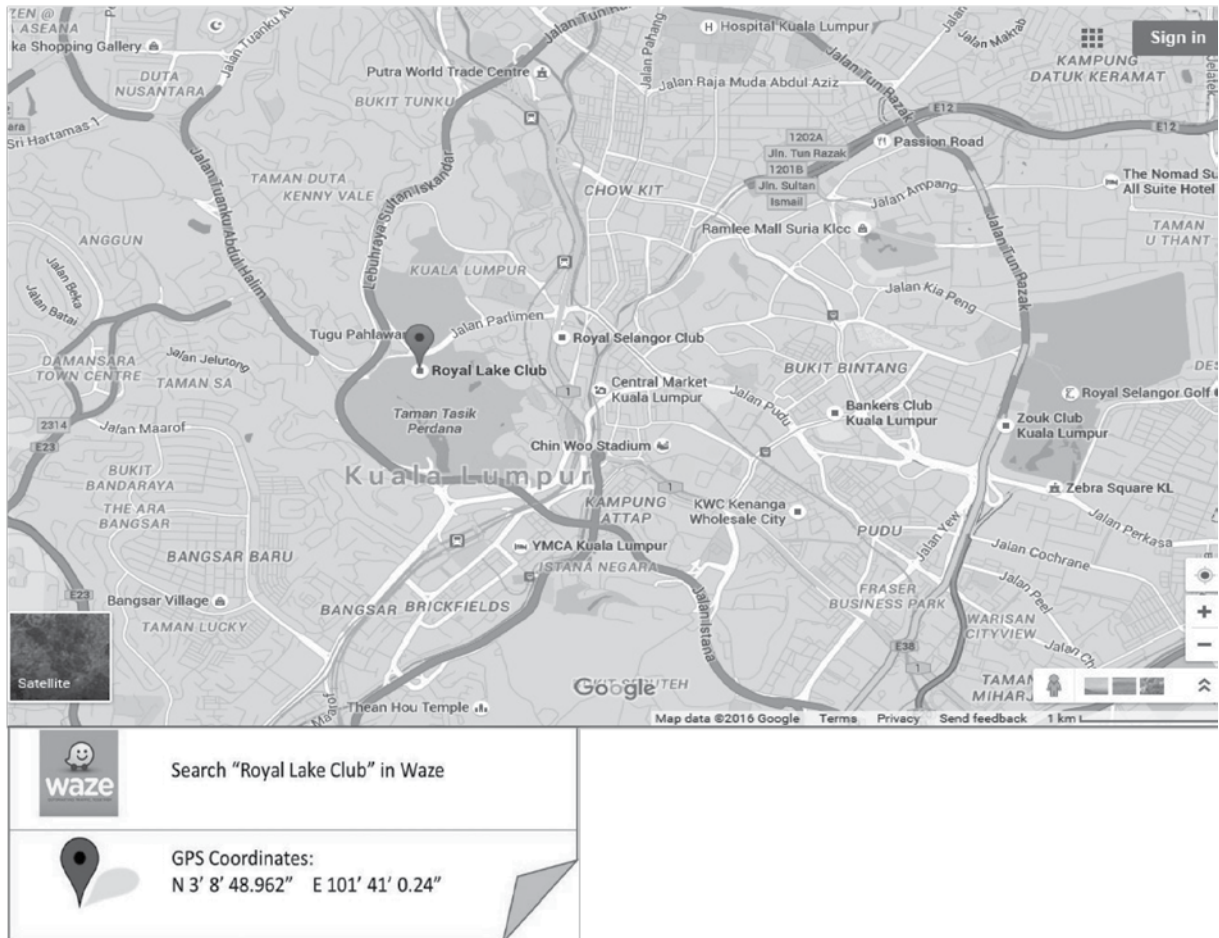
If you have general queries prior to the meeting, please contact the **Share Registrar** at Tel: +603-2084 9000 and/or Fax: +603-2094 9940 during office hours:

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

MAP to Royal Lake Club



CORPORATE INFORMATION

BOARD OF DIRECTORS Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (DK, DKYR, SPNS, SPMP, PPT) <i>Executive Chairman</i> Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (DPTJ, KMN, DSN, PJK) Senior Director <i>Independent Non-Executive Director</i> Liu Guodong <i>Managing Director</i> Cedric Choo Sia Teik <i>Executive Director</i> Liu Xueqiang <i>Non-Independent, Non-Executive Director (Re-designated on 15 July 2016)</i> Lim See Tow <i>Independent Non-Executive Director</i> Fu Qiang <i>Independent Non-Executive Director (Resigned on 25 May 2016)</i>	REMUNERATION COMMITTEE Lim See Tow <i>Chairperson Independent Non-Executive Director</i> Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (DPTJ, KMN, DSN, PJK) <i>Senior Director Independent Non-Executive Director</i> Fu Qiang <i>Independent Non-Executive Director (Resigned on 25 May 2016)</i> Liu Xueqiang <i>Non-Independent Non-Executive Director (Re-designated and appointed as a member of Remuneration Committee on 15 July 2016)</i> Liu Guodong <i>Managing Director</i>	PRINCIPAL BANKERS RHB Bank Berhad <i>(Kuala Lumpur, Malaysia)</i> The Hongkong and Shanghai Banking Corporation Limited <i>(Hong Kong)</i> Bank of China <i>(Linyi City, Shandong Province, People's Republic of China)</i>
AUDIT & RISK MANAGEMENT COMMITTEE Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (DPTJ, KMN, DSN, PJK) <i>Chairman Senior Director Independent Non-Executive Director</i> Liu Xueqiang <i>Non-Independent Non-Executive Director (Re-designated and appointed as a member of Audit & Risk Management Committee on 15 July 2016)</i> Fu Qiang <i>Independent Non-Executive Director (Resigned on 25 May 2016)</i> Lim See Tow <i>Independent Non-Executive Director</i>	NOMINATION COMMITTEE Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (DPTJ, KMN, DSN, PJK) <i>Chairman Senior Director Independent Non-Executive Director</i> Liu Xueqiang <i>Non-Independent Non-Executive Director (Re-designated and appointed as a member of Nomination Committee on 15 July 2016)</i> Fu Qiang <i>Independent Non-Executive Director (Resigned on 25 May 2016)</i> Lim See Tow <i>Independent Non-Executive Director</i>	AUDITORS Messrs. Morison Anuarul Azizan Chew (AF001977) <i>(an independent member of Morison KSi) Chartered Accountants</i>
	COMPANY SECRETARIES Chua Siew Chuan (MAICSA 0777689) Chin Mun Yee (MAICSA 7019243)	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 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 STOCK EXCHANGE Bursa Malaysia Securities Berhad (Main Market) STOCK NAME AND CODE HUAAN (2739)

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

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

(DK, DKYR, SPNS, SPMP, PPT)

Executive Chairman

Key Senior Management

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (male), a Malaysian aged 70, 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 six (6) 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 (5) 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.

Besides Sino Hua-An, he is currently also on the board of Ann Joo Resources Berhad and Olympia Industries Berhad. He also holds directorship in other non-listed public companies, namely ORIX Leasing Malaysia Berhad, Syarikat Pendidikan Staffield Berhad and Asia Plantation Capital 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 (male), a Malaysian aged 81, 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 six (6) Board meetings held in the financial year.

He was a Shell scholar in engineering (1954-1960) and he served Shell Malaysia Trading Sdn Bhd in various senior positions until 1971, when he was then invited to serve as Managing Director of Pernas Trading Sdn Bhd and Pernas Edar Sdn Bhd until 1977. In the years 1971 to 1974, he was appointed as 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**

✎ **Key Senior Management**

Mr. Liu Guodong (male), a Chinese People's Republic of China ("PRC") national aged 46, 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 five (5) out of six (6) Board meetings held in the financial year.

He is 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 2004, 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 he 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**

✎ **Key Senior Management**

Mr. Cedric Choo Sia Teik (male), a Malaysian aged 44, 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 six (6) 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. Cedric 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.

LIU XUEQIANG ♂

✎ **Non-Independent Non-Executive Director**

Mr. Liu Xueqiang (male), a Chinese PRC national aged 44, was appointed to the Board of Sino Hua-An on 27 February 2014 as an Executive Director. He was then re-designated as Non-Independent Non-Executive Director and appointed as a member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee on 15 July 2016. He attended all six (6) 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**

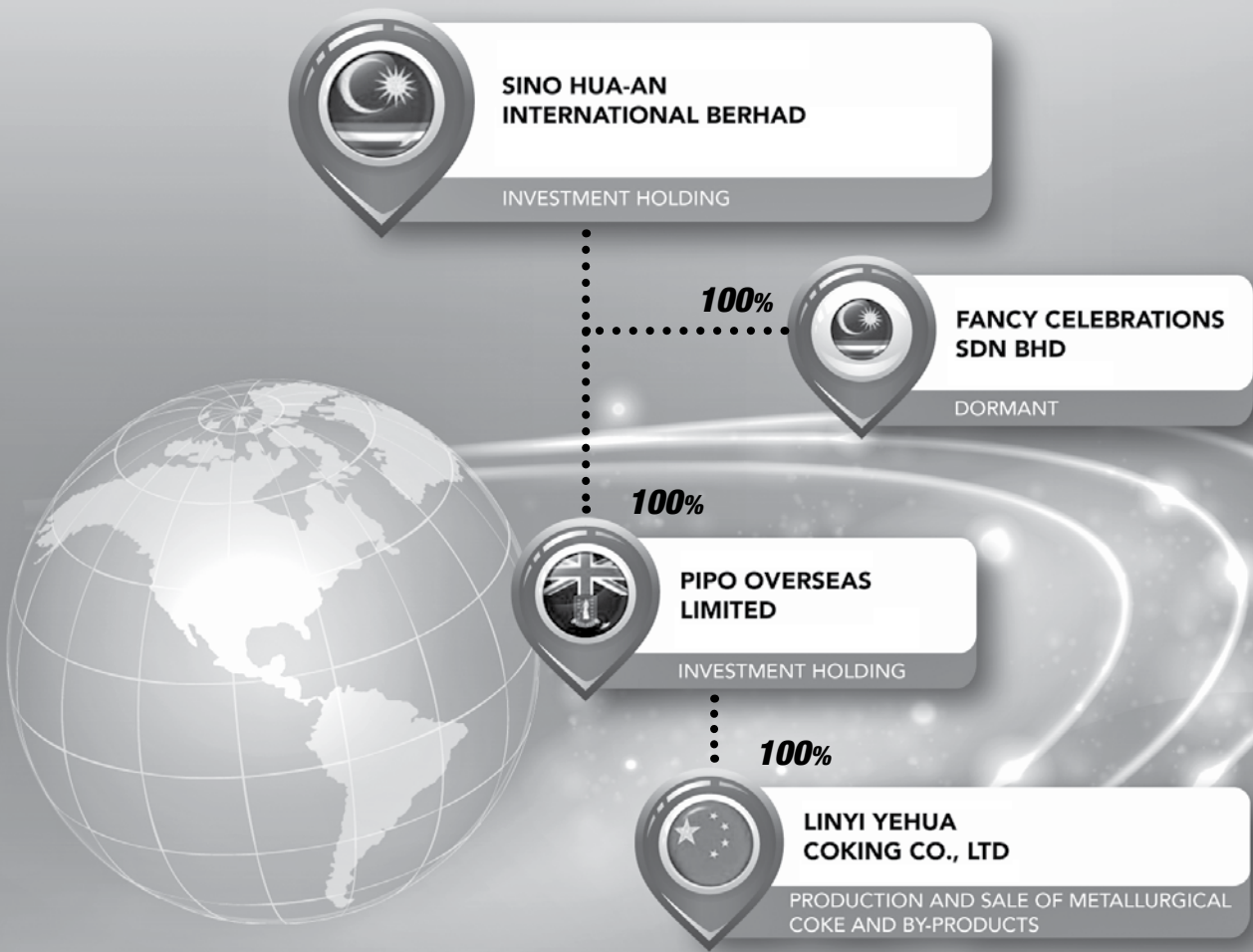
Ms. Lim See Tow (female), a Malaysian aged 42, has served on the Board of Sino Hua-An since 18 January 2008. She is a member of the Audit and Risk Management Committee, Nomination Committee and Chairperson of the Remuneration Committee. She attended all six (6) Board meetings held in the financial year.

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.

Other than traffic offences, none of the Directors and Key Senior Management have any conviction for offences within the past 5 years or any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year.

THE SINO HUA-AN GROUP



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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 (“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 practiced in all of its business dealings in respect of its shareholders and relevant stakeholders:

- The Board is the focal point of the Group’s corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the Group.
- All Board members are expected to act in a professional 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 2016, 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

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)

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.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (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 Malaysia Securities Berhad ("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 Companies Act 2016 ("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 six (6) members comprising one (1) Executive Chairman, one (1) Managing Director, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and two (2) 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 12 to 14 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 Independent 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 two (2) 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 Terms of Reference of the ARMC is available at the Company's website at www.sinohuaan.com.

The ARMC's composition, its function and summary of work during the financial year is set out in the ARMC Report on Pages 34 to 37 of this Annual Report.

The ARMC met a total of five (5) times during the financial year ended 31 December 2016.

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.

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

Board Committees (Cont'd)

(b) Nomination Committee ("NC")

The NC comprises exclusively Non-Executive Directors and majority are Independent Non-Executive Directors, 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)
- : **Liu Xueqiang**
(Non-Independent Non-Executive Director)
(Re-designated and appointed as a member of Nomination Committee on 15 July 2016)
- : **Fu Qiang**
(Independent Non-Executive Director)
(Resigned on 25 May 2016)

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 2016, the NC had one (1) meeting 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 independency of the Independent Directors;
- the re-election and re-appointment of Directors to the Board for recommendation to the shareholders for approval; and
- the retention of Independent Directors to the Board for recommendation to the shareholders for approval.

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.

Further information on the functions of the NC are set out in its Terms of Reference, which is available at the Company's website at www.sinohuaan.com.

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 cognisance 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 formalised 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

In accordance with the Listing Requirements of Bursa Securities and Article 95 of the Company's Article of Association, 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 this respect, two (2) of the Directors, namely Mr. Liu Xueqiang and Mr. Cedric Choo Sia Teik are due to retire at this forthcoming Annual General Meeting ("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.

In addition to the above, Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid, a Director who is to vacate office upon the conclusion of this AGM (by virtue of the stipulations of last year's Section 129(6) of the Act although it shall no longer be applicable from this AGM henceforth), is also seeking for re-appointment to continue in office until resolved otherwise, subject to the Act, Bursa Securities' Listing Requirements and the Company's Articles of Association as may be amended from time to time.

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 continued 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.

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

Board Committees (Cont'd)

(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)
- : **Liu Xueqiang**
(Non-Independent Non-Executive Director)
(Re-designated and appointed as a member of Remuneration Committee on 15 July 2016)
- : **Liu Guodong**
(Managing Director)
- : **Fu Qiang**
(Independent Non-Executive Director)
(Resigned on 25 May 2016)

The RC may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 December 2016 the RC had one (1) meeting.

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 commensurates 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 Managing Director ("MD")/ Chief Executive Officer's ("CEO") 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.

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

Board Committees (Cont'd)

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

Remuneration of Directors (Cont'd)

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

	Fees RM'000	Salary & Other Emoluments RM'000	Benefits -in-Kind RM'000	Allowances RM'000
GROUP				
Non-Executive Directors	79	–	–	14
Executive Directors	–	1,380	–	–

COMPANY

Non-Executive Directors	79	–	–	14
Executive Directors	–	1,085	–	–

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:

	GROUP		COMPANY	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	1 *	4 *	1 *	4 *
RM250,001 – RM300,000	3	–	2	–
RM300,001 – RM350,000	–	–	–	–
RM350,001 – RM400,000	–	–	–	–
RM400,001 – RM450,000	1	–	1	–

* Mr Fu Qiang, an Independent Non-Executive Director has resigned on 25 May 2016 and Mr Liu Xueqiang was re-designated from Executive Director to Non-Independent Non-Executive Director on 15 July 2016.

PRINCIPLE 3: REINFORCING INDEPENDENCE

In line the Recommendation 3.1 of the MCCG 2012, the NC and Board had performed an annual review on the independency of independent directors and the independent directors had declared their independency 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-designations as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years. The independent directors, whose tenure exceeded a cumulative term of nine (9) years in the Company at the forthcoming AGM are Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow.

PRINCIPLE 3: REINFORCING INDEPENDENCE (CONT'D)

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 Listing Requirements;
- (ii) They do not have any conflict of interest with the Company and have not been entering nor are 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.

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 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 ascendancy 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 six (6) times throughout the financial year ended 31 December 2016.

The record of attendance at the meetings of the Board of Directors for the financial year ended 31 December 2016 is as follows:

Directors	No. of Board Meetings Attended	Percentage
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	6/6	100%
Liu Guodong	5/6	83%
Cedric Choo Sia Teik	6/6	100%
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	6/6	100%
Fu Qiang (Resigned on 25 May 2016)	4/4 *	100%
Lim See Tow	6/6	100%
Liu Xueqiang	6/6	100%

* Out of the total six (6) Board of Directors meetings held during the financial year, there were four (4) which were convened prior to the date of resignation of Mr. Fu Qiang, to which he had attended all of them.

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.

PRINCIPLE 4: FOSTERING COMMITMENT (CONT'D)

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	Organiser
• <i>The Essence of Independence</i>	<i>Bursa Malaysia / The Iclif Leadership and Governance Centre</i>
• <i>12th Conference on Status and Outlook of the Malaysian Iron and Steel Industry – Towards Competitive and Sustainable Steel Industry in Malaysia</i>	<i>The Malaysian Iron & Steel Industry Federation (MISIF)</i>
• <i>From Corporate to Government: What's Next?</i>	<i>The Kuala Lumpur Business Club</i>
• <i>Corporate Governance Series: How to Leverage on AGMs for Better Engagement with Shareholders</i>	<i>The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Bursa Malaysia</i>
• <i>Corporate Governance Session: The Cybersecurity Threat and How Boards Should Mitigate the Risks</i>	<i>Malaysian Directors Academy (MINDA) in collaboration with Bursa Malaysia</i>
• <i>Workshop on Enhanced Understanding of Risk Management and Internal Control for CFO, Internal Auditors and Risk Officers</i>	<i>AxcelAsia Columbus in collaboration with Bursa Malaysia</i>
• <i>Risk Management Programme for Audit and Risk Committee - I Am Ready to Manage Risk!</i>	<i>Bursa Malaysia in collaboration with PwC</i>
• <i>Corporate Governance Statement Workshop for directors of public listed companies - The Interplay between CG, Non-Financial Information and Investment Decision</i>	<i>Bursa Malaysia</i>
• <i>Corporate Governance Breakfast Series with Directors - The Strategy, the Leadership, the Stakeholders and the Board</i>	<i>Bursa Malaysia in collaboration with Malaysian Directors Academy and INSEAD</i>
• <i>Ring The Bell for Gender Equality</i>	<i>Bursa Malaysia in collaboration with United Nations Global Compact and its Malaysian Network</i>
• <i>Corporate Governance Breakfast Series: Future of Auditor Reporting - The Game Changer for Boardroom</i>	<i>Bursa Malaysia in collaboration with MIA-MICPA Joint Working Group</i>

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 33 of this Annual Report.

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 re-appointment of Messrs. Morison Anuarul Azizan Chew as External Auditors for the financial year ending 31 December 2017. The Board at its meeting held on 24 March 2017 approved the ARMC's recommendation. The 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 30 to 31 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 confident.

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 avenue 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.

Poll Voting

Pursuant to the Listing Requirement of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

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 2016 and in accordance with a resolution passed at the Board of Directors' Meeting held on 24 March 2017.

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. AUDIT AND NON-AUDIT FEES

During the financial year, the amount of audit and non-audit fees paid by the Company and the Group to the External Auditors and/or its affiliates are as follows:

	Company RM	Group RM
Audit fees	43,200	310,282
Non-audit fees	7,844	7,844

3. 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 2016.

4. 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 22 to the Financial Statements on pages 53 to 95 of this Annual Report.

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STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of Sino Hua-An International Berhad 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 Malaysia Securities Berhad (“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” (“Guidelines”) 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 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 Listed Issuers”.

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 regularly 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.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

In accordance to Paragraph 15.23 of the Main LR of Bursa Securities, the External Auditors have reviewed this Statement for inclusion in this Annual Report. The External Auditors reported that nothing has come to their attention that caused them to believe that the Statement intended to be included in this Annual Report was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

CONCLUSION

The Board is pleased to report that the Managing Director and Financial Controller are satisfied that the Group's internal control systems are operating adequately and effectively, in all material aspects, based on the 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 issuance of the financial statements.

The Board is of the view that the existing systems of 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 internal controls, taking into consideration the changing business environment.

The above statement is made in accordance with a resolution passed at the Board of Directors' Meeting held on 24 March 2017.

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 again 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 the Group's financial situation improves, the Group is committed to resume its previous benevolent endeavors in giving back to the society.

Notwithstanding the above, the Group through its subsidiary, namely Linyi Yehua Coking Co., Ltd. ("Yehua") continues to maintain 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.

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 Companies Act, 1965, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("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 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 Companies Act, 1965, the Listing Requirements 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Sino Hua-An is pleased to present the report of Audit and Risk Management Committee (“ARMC”) of the Company for the financial year ended 31 December 2016.

COMPOSITION

The members of the ARMC 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
- Liu Xueqiang**
Non-Independent Non-Executive Director
(Re-designated and appointed as a member of ARMC on 15 July 2016)
- Fu Qiang**
Independent Non-Executive Director
(Resigned on 25 May 2016)

TERMS OF REFERENCE

The full terms of reference of the ARMC, outlining the ARMC’s composition, proceeding of meeting, authority and duties and responsibility, roles and rights, retirement and resignation, is available at the Company’s website at www.sinohuaan.com.

ARMC MEETINGS

The ARMC has convened five (5) meetings during the financial year ended 31 December 2016. The record of attendance of the ARMC meetings is as follows:

Name of Members	Date of ARMC Meetings				
	25.02.16	24.03.16	18.05.16	24.08.16	28.11.16
Y. Bhg. Dato’ Mohd Shahar Bin Abdul Hamid	√	√	√	√	√
Lim See Tow	√	√	√	√	√
Liu Xueqiang <i>(Re-designated and appointed as a member of ARMC on 15 July 2016)</i>	–	–	–	√	√
Fu Qiang <i>(Resigned on 25 May 2016)</i>	√	√	√	–	–

SUMMARY OF WORK OF THE ARMC

During the financial year, the ARMC carried out the following activities:

Financial Reporting

- (i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations to the Board. Key areas of focus are as follows:
 - Any change in accounting policies and practices;
 - Significant adjustments, if any, arising from the audit;
 - Going concern assumptions;
 - Compliance and accounting standards and other legal requirements;
 - Significant matters highlighted in the financial statements, if any; and
 - Significant judgements, if any, made by the Management.
- (ii) Reviewed and recommended the Statement on Corporate Governance, Audit and Risk Management Committee Report, and the Statement on Risk Management and Internal Control to the Board for consideration and approval for inclusion in the Annual Report.
- (iii) Reviewed and recommended to the Board for approval on any material related party transactions and recurrent related party transactions arising during the financial year.
- (iv) The dates on which the meeting of the ARMC were convened during the financial year to deliberate on financial reporting matters are detailed below:

Date of Meetings	Financial Reporting Statements Reviewed
25 February 2016	Unaudited quarterly report on consolidated results of the Company and Group for the Fourth quarter ended 31 December 2015
24 March 2016	Statement on Corporate Governance, ARMC Report and Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2015
18 May 2016	Unaudited quarterly report on consolidated results of the Company and Group for the First quarter ended 31 March 2016
24 August 2016	Unaudited quarterly report on consolidated results of the Company and Group for the Second quarter ended 30 June 2016
28 November 2016	Unaudited quarterly report on consolidated results of the Company and Group for the Third quarter ended 30 September 2016

EXTERNAL AUDIT

- (i) Reviewed, discussed and approved the External Auditors' scope of works, key areas of audit emphasis, audit approach and timetable;
- (ii) Reviewed, discussed and assessed all significant matters highlighted by the Internal and External Auditors on financial reporting and operating issues;
- (iii) Reviewed all significant judgements made by the Management;
- (iv) Reviewed, discussed and assessed the External Auditor's management letter and the adequacy and effectiveness of management's response; and
- (v) Reviewed the performance, independence and effectiveness of the External Auditors and made recommendations to the Board on the re-appointment and remuneration of the External Auditors.

During the financial year, the ARMC had two (2) private dialogue sessions with the External Auditors on 24 March 2016 and 28 November 2016 respectively, without the presence of the Executive Directors and Management of the Group.

INTERNAL AUDIT FUNCTION

The Company has an Internal Audit function which reports directly to the ARMC and assist the ARMC in discharging its functions and duties. The Internal Audit function is independent of the Management and is not involved in operational activities of the Group. This is to ensure that the Internal Audit activities are performed with impartiality, proficiency and due professional care.

The cost incurred for the Internal Audit function in respect of the financial year ended 31 December 2016 amounted to RM66,667.

The scope of work of the Internal Audit is based on an agreed upon Internal Audit planning schedule over a two-year period cycle. The said Internal Audit programme covers the following areas:

- (i) Fund management
- (ii) Accounting functions
- (iii) Document management
- (iv) Procurement and logistics for trade and non-trade transactions
- (v) Sales cycle for trade and non-trade transactions
- (vi) Human resources
- (vii) Warehouse storage control
- (viii) Production cycle
- (ix) Asset and equipment management
- (x) Corporate management in the area of production safety, quality control, technique, etc
- (xi) Environmental issues

Every quarter, the ARMC will deliberate the report from the Internal Auditor and provide suggestions on the Internal Audit focus areas as well as enhancements to the Internal Audit processes, if required.

The above Internal Audit programme has been adhered to by the Group's Internal Audit function all these years. However, during the current financial year in which the Group's operations and assets were subjected to the lease arrangement, the Internal Audit scope of work has been limited. During the financial year, insofar as the area of Production Management is concerned, the Internal Audit covered raw material and product quality management, equipment management, production technology and safety matters. As for the scope on Environmental Issues, the Internal Audit performed checking on the management, adequacy and efficacy of the dust control measures, water treatment and gas purification and treatment systems to ensure compliance with the governmental policies.

SUMMARY OF ACTIVITIES

During the financial year, the ARMC has reviewed the following:

- (i) The external audit planning memorandum with the External Auditors;
- (ii) The quarterly unaudited results and the audited annual financial statements before submission to the Board for their consideration and approval for the purpose of announcement to Bursa Securities;
- (iii) The management letter from the External Auditors and the subsequent management's response thereto;
- (iv) The internal audit plan and findings of the Internal Audit process - in order to ensure appropriate actions are taken on the recommendations made by the Internal Auditor;
- (v) The reports prepared by the Internal Auditor on the state of internal control of the Group in respect of the financial year;
- (vi) The related party transactions and those that may arise within the Group; and
- (vii) The effectiveness of the External Auditors and their re-appointment for the ensuing year.

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BOARD'S CONCLUSION

The Board is satisfied that the ARMC and its members have carried out their functions, duties and responsibilities in accordance with the terms of reference of the ARMC and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by the Management.

MANAGEMENT DISCUSSION AND ANALYSIS

It is that time of the year again for a bit of reflection, for looking back and then forward to what is to come. The last several years really have not been great, with each successive year going from bad to worse, culminating to a scene of carnage for the Group in the financial year 2016.

It has not been a year to look back upon with much fondness. The China economy continued to be heading in a downward path, closing at a relatively poor average rate of 6.7% in 2016, the lowest ever recorded since 1990. In addition to the general lackluster landscape besetting the China economy, there were also numerous socioeconomic obstacles weighing down on the steel and coke industry during the year.

Firstly is the continued deceleration of the China economy. The continuous slowdown of the economy was primarily precipitated by the long and ongoing structural reform endeavors instituted by the China central government to revamp its economy, an effort deemed necessary to urgently address the impending socioeconomic ills that are seen to be beginning to threaten the well-being of its USD11 trillion economy. An element of the overall structural reform as mentioned above involved China's attempt to shift away from an "old economy" anchored in heavy industry, manufacturing and investment-led growth to that of a "new economy" that is more efficient, light and service-based. Such change of economic direction and the inherent refocusing of engine of growth therefrom has led to an onslaught of predicaments hurled onto the steel industry (together with its supporting and peripheral industries such as that of coke) as well as that of other heavy industries, these of which have had been the key impetus to providing the double-digit growth the China economy enjoyed over the past three decades.

The abovementioned repositioning of the economy has inherently led to excess capacity in the various industries, particularly that of the steel and coke, following a decline in domestic demand stemming from a more restrained and selective public sector infrastructure spending and fixed asset investments as well as the burst of the real estate bubble and relatively slower construction activities. It is worth noting that presently China has built up a production capacity of about 1.2 billion tonnes of steel, of which more than 400 million tonnes are considered surplus. This led to steel manufacturers dumping their supply glut in foreign markets. As a result, global prices were seen falling and had been depressed in a significant part of 2016.

Following a symposium on steel organized by the Organisation for Economic Co-Operation and Development (OECD) in April 2016 where China recognized the fact of excess capacity in steel, it has proceeded to shut down a few factories and a global glut was temporarily averted. It also promised that in the Thirteenth Five-Year plan period from 2016 to 2020, China would further cut crude steel capacity by 100 million to 150 million tonnes.

Further to the developments within the China economy and circumstances plaguing the business dynamics of the steel and coke industry as described in the foregoing paragraphs, the steel and coke industry have to also contend with the sudden intensified enforcement by the Central Government in addressing its environmental problems. To put things in perspective, the annual average levels of PM2.5 in Beijing remains at 80 micrograms per cubic centimeter ($\mu\text{g}/\text{m}^3$), still a long way from both the World Health Organisation (WHO)'s target of $35\mu\text{g}/\text{m}^3$ and Beijing's own 2017 target of $60\mu\text{g}/\text{m}^3$. This is evidenced by the continuous smog and unhealthy air quality that ravaged China, particularly in its northern provinces and the much talked about "poison soil" in Changzhou early in the year.

Stemming from its present stronger resolve and tenacity in tackling the pollution issue in China, the government introduced in 2015 a new Environmental Protection standards which are considered by industrialist as the strictest ever and most stringent pollution and environmental protection standards, compared to the ones in place in the previous years.

In March 2015, during the sittings of China's two leading legislative assemblies, namely the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) (colloquially known in China as 两会 "Liang-Hui" or "Two Assemblies"), one of the key agenda deliberated was related to pollution and environmental protection. Following thereof, the Ministry of Environmental Protection of the People's Republic of China (MoEP) adopted a stringent stance and very swiftly enforced the newly introduced 2015 environmental protection standards. First to be targeted by MoEP are of course plants in industries which are perceived to be polluting situated at "hot-spot" areas such as the Hebei, Shandong, Liaoning, Jiangsu and Jiangxi provinces. Polluting industries identified comprises steel manufacturers, coke producers, cement plants, aluminum smelters, glass panel plants, chemical/fertilizer plants, etc. Given the unprecedented heightened level of environmental protection standards so imposed a substantial majority of the plants in these areas appear to be unable to fully satisfy such elevated requirements and thus had to stop production temporarily. Our subsidiary, Linyi Yehua Coking Co. Ltd. (Yehua) which is situated in Linyi city, Shandong province was no exception and had to abide by the local government's directive to temporarily cease production.

Notwithstanding the above, Yehua has since completed all the relevant and necessary rectification and improvement works and accordingly had recommenced operations in October 2015, albeit on a staggered basis. Given the fact that the steel and coke industry were fraught with excess capacity and cagey market sentiment due to the still unsettling oversupply situation, Yehua had made a strategic decision then to apply for approval from MoEP to run only half of its production capacity (ie oven #1, #2 and #3 with a total capacity of 900,000 tonnes). It was indeed unfortunate that the steel and coke industry continued to be in the doldrums over a protracted period of time, whereby prices of these commodities were faced with significant downward pressure rendering it unviable at that prevailing period of time. Such detrimental pricing dynamics were seen to continue into FY2016 and given that there were still many uncertainties and headwinds plaguing the industry, the Group has taken proactive steps to explore alternative avenues to mitigate the extent of the anticipated losses moving forward for the benefit of the shareholders. One such feasible opportunity that was available to the Group was to lease out some of the coke ovens (i.e. the already operationalized ovens #1, #2 and #3). This has not only substantially reduced the anticipated operational losses emanating from negative margin, it also gave the Group a fixed stream of income and relieved it of the burden of incurring costs and expenses directly attributed to the coke production operations. The lease arrangement was intended to be a temporary measure and that Yehua will take back the said ovens once a sustainable turnaround in the industry becomes visible. The tenure of the lease arrangement ended in January 2017 and accordingly Yehua has assumed back the coke manufacturing operations since February 2017 onwards.

In the meantime, Yehua had also attempted to commission the recommencement of commercial operations for its remaining coke ovens (ie ovens #4 and #5 with a production capacity of 900,000 tonnes). However up to this juncture, the MoEP has yet to have granted approval for it to do so as it is putting all such applications in abeyance following the advent of some policy developments within the industry under the general aspirations of the provincial government, albeit unofficial, which contemplates the reduction and/or relocation of some of the existing facilities of various industries away from highly populated zones. This appears to be an attempt on the part of the provincial government to address the continued excess capacity in the various industries as well as environmental pollution concerns. Notwithstanding the above however, the Group has not received any official written directive from any authorities on this matter nor has the local government produced any detailed specifics and logistics on how such plans are to be realised.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

For the financial year 2016, the Group registered a consolidated Revenue of RM40.6 million. This represents a decrease of approximately 85% from RM270.8 million recorded in the preceding financial year. Such a large decline in revenue was primarily attributed to the temporary cessation of production and leasing out of some of its coke ovens, commencing 1 February 2016 over a period of one year. The rationale for entering into such a leasing arrangement at that material point of time was a strategically deliberate move undertaken by the management as explained in detailed in the foregoing paragraphs. In respect thereof, the Group therefore was only able to earn transactional revenue for one month period throughout the financial year in question.

In addition to the deliberate scaling down of production capacity and thus the ensuing relatively lower sales volume, the decline in consolidated *Revenue* of the Group was also caused by a 15% fall in the average price of coke from RMB795/tonne to RMB679/tonne recorded by the Group during the relevant month in the financial year under review. Concurrently, the dip in the net prices of the by-products experienced in this financial year further depressed the Group's *Revenue*. With the exception of the price of ammonium sulfate and coal gas which saw an increase of 6% and 0.2% respectively, the other by-products namely tar oil and crude benzene suffered a decline of 15% and 5% respectively in their average prices during the relevant month in this financial year compared to those registered in the preceding year.

In tandem with the decrease in the average prices 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 relevant month in the financial year ended 31 December 2016. With a decrease of about 17% in the average price of coking coal, the *Cost of Sales* recorded by the Group dropped accordingly to RM45.4 million in this financial year under review, representing a decrease of 85% from RM306.7 million recorded in the preceding financial year.

Based on the foregoing, the Group turned in a *Gross Loss* of RM4.8 million for this financial year ended 31 December 2016.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW (CONT'D)

During the current financial year, the Group earned approximately RM15.2 million in Other Income compared to only approximately RM1.7 million acquired in the preceding year. Such an extensive increase in Other Income was primarily due to the lease rental received for those coke ovens that were leased out during the year.

The relatively high *Operating Expenses* of RM237.8 million incurred by the Group during the financial year was mainly due to an impairment made on some of the *Trade Receivables* which have been outstanding for a protracted period of time amounting to RM33.3 million, as well as the consequence of impairing the carrying value of the Group's *Property, Plant and Equipment (PPE)* amounting to RM152.6 million to reflect the lower value of the said assets due to low utilization arising from a lack of demand precipitated by the continued challenging and unfavourable environment besetting the coke industry. The diminution in value of the PPE was further substantiated by an independent valuation commissioned on the said asset in an effort to ascertain its "*Fair Value less Cost of Disposal*" according to the prevailing adopted accounting policy.

Premised on the above, with the inclusion of the Group's *Other Income*, *Operating Expenses* and *Finance Costs*, the Group recorded a *Loss for the Year* amounting to RM227.5 million. This translated to a *Loss per Share* of 20.27 sen.

Notwithstanding the dismal financial results as described above, the Group's financial position is still intact during this financial year. *Total Assets* of the Group stood at RM359.9 million while its *Total Liabilities* accounted for only RM65.0 million. Accordingly, as at the financial year under review, the Group's *Shareholders' Fund* stood at RM294.9 million.

In comparison with the Group's financial position in the preceding year, admittedly its *Shareholders' Fund* had fallen by approximately 45.9% from RM545.6 million. This was mainly attributed to the impairment exercises made on some of the *Trade Receivables* and *PPE* as described above in addition to the *Foreign Exchange Translation Loss*.

Despite a challenging business environment during the financial year, the Group continues to maintain a surplus *Cash* position of RM21.2 million and has no external borrowings. The *Net Assets per Share* of the Group stood at RM0.26 per share as at 31 December 2016.

MOVING FORWARD

China economy continued its tepid growth at 6.8% in the fourth quarter of 2016 following its three consecutive prior quarters of 6.7%. Although prima-facie such growth rate appears to indicate that the China economy is slowly stabilizing, it is believed that such engine of growth were still heavily dependent on intermittent government spending and that private sector investment and exports still appear to remain weak. However, the International Monetary Fund (IMF) in its World Economic Outlook (WEO) update in January 2017 appeared to paint a relatively lesser than cheerful picture of the China economy, with a 6.3% growth in 2016 and a further deceleration to 6.0% in 2017. The general health of the economy and the direction in which the economy is heading in the foreseeable future can provide a good reference point in surmising the prospects of the steel and coke industry, moving forward.

On a micro level specific to the steel and coke industry in China, its steel mills which produce about half of the world's output, are still battling against losses. Oversupply and sinking prices as local consumption shrinks as well as the slow recovery of the world economy is expected to cause continued sluggish demand for steel and by extension, in the coke industry as well. Steel demand in China is expected to slump to about 626 million tonnes in 2017 from 645 million tonnes consumed in 2016. According to a stipulation in the Thirteenth Five-Year Plan, the Chinese Government will start to reduce its domestic capacity by 100-150 million tonnes of crude steel in 5 year time. Strict prohibition of additional capacity and encouraged self-capacity reduction by steel mills, reduced capacity through various avenues such as amalgamation, mergers, transformation or relocation are amongst the various initiatives contemplated by the Chinese Government to address the issue on hand. This may be seen as China's attempt to assuage the mounting pressure from the world for urgent action to address global steel overcapacity issue as well as its commitment in tackling its perennial environmental pollution problems.

Admittedly, these initiatives had brought about disruptions to the industries concerned in general and stifled economic growth at large as evidenced by the debacle in the steel and coke industry and the continued downward slide in its economy in the recent past years. The Chinese Government deems such temporary short-term "pains" as circumstantial outcomes that are unavoidable during its economic reform phase in the pursuit of restructuring its economic structure into one that is more sustainable and robust, moving forward.

MOVING FORWARD (CONT'D)

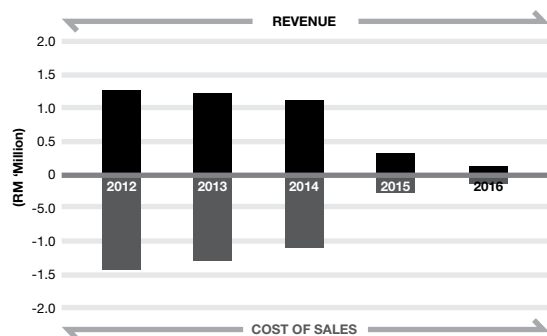
The abovementioned contemplated reduction of capacity in the steel industry will inherently necessitate capacity reduction in the coke industry as well. Consolidation in the coke industry and capacity reduction through natural attrition and closure of small, inefficient and indiscriminately polluting coke manufacturers are already taking place and will continue to do so until the industry-wide demand-supply equilibrium is achieved. Such a situation will be a boon to the coke industry and those coke manufacturers that have the financial tenacity to ride out these ensuing trying periods, however long it may be.

Further to the above, the fervor seen in recent times on the handling of environmental pollution policies by the Chinese Government is expected to further accentuate the reduction in capacity of the various industries. Going forward, state directives and environmental inspections may force some firms to improve efficiency, buck up or exit. So far this year, thousands of workers have been laid off, and there are many more to go. In addition, environmental inspections of the steel and coke industry will be on-going whereby requirements to improve energy efficiency will not only reduce carbon emissions and pollution but also improve business viability and thus profitability. Still, it is expected to take some time to really see robust and sustainable profits in this industry. Therefore, for China's coke industry to have a more resolute manifestation of promising growth and sustainability, one needs to embrace a longer term horizon.

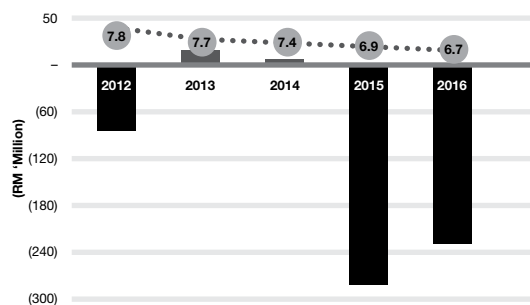
Further to the abovementioned developments contrived in addressing the overall environmental conservation front and on a more personal level, the Group's business advancement may be faced with some speedbumps ahead. This is pursuant to the general aspirations of the Shandong provincial government in its efforts to address the continued excess capacity and environmental pollution concerns whereby it is contemplating a plan to reduce and/or relocate some of the existing facilities of the various industries away from highly populated areas. Be that as it may however, as of this juncture the Group has not received any official written directive from any authorities on this matter nor has the local government issued any detailed specifics and logistics on how such plans are to be realized.

HISTORICAL FINANCIAL RESULTS

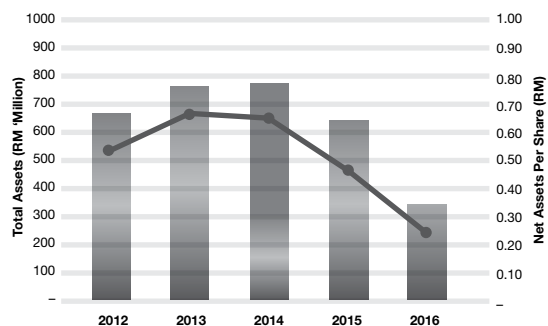
Revenue vs Cost of Sales



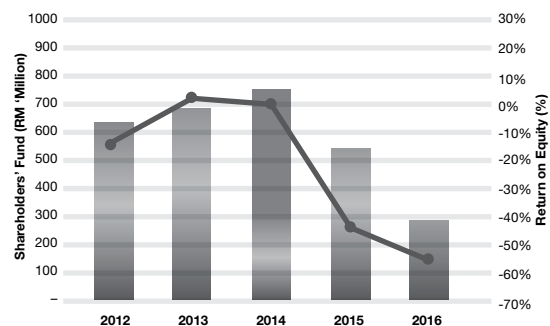
Profit After Tax vs China Economic Growth (GDP)



Total Assets Vs Net Asset Per Share



Shareholders' Fund vs Return on Equity





financial statements...

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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 2016.

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)/Profit for the financial year	(227,459)	10,826

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 in office during the financial year and during the period from the end of the financial year to the date of this report are:

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
Liu Xueqiang
Fu Qiang (*Resigned on 25 May 2016*)

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 or debentures in the Company and its subsidiaries are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
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
Cedric Choo Sia Teik	–	1,300,000	–	1,300,000
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, Liu Guodong and Cedric Choo Sia Teik 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 or debentures in the Company and its subsidiaries 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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are disclosed in Note 18 to the financial statements.

SUBSIDIARY COMPANIES

Details of the subsidiary companies are disclosed in Note 5 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 18 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the provision 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 28 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event is disclosed in Note 29 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 2017

STATEMENT BY DIRECTORS

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

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 53 to 94 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 2016 and of their financial performance and the cash flows for the financial year then ended.

The information set out in page 95 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 2017

STATUTORY DECLARATION

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

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 and supplementary information set out on pages 53 to 94 and page 95 respectively 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 2017)

FOONG CHONG THONG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of SINO HUA-AN INTERNATIONAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sino Hua-An International Berhad which comprise the Statements of Financial Position as at 31 December 2016 of the Group and of the Company, 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 year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 94.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment (Refer to Note 2(c)(iii) and Note 3 to the financial statements)	
During the financial year, the Group had leased out half of its production capacity due to the continued unfavourable market condition and challenging business environment besetting the industry. Additionally, the operationalisation of the remaining 50% of its production capacity was still kept in abeyance, pending confirmation and approval from the relevant local authorities.	We assessed the appropriateness of the external assets valuer's scope of work and evaluated whether they had sufficient expertise, capabilities and objectivity to competently perform the valuation of the Group's property, plant and equipment.
In view of the impairment indicators identified and the significant balances in the property, plant and equipment as disclosed in Note 3 to the financial statements, there is a risk that the carrying amount of the Group's property, plant and equipment is stated above its recoverable amount.	In addition, we obtained the valuation report and evaluated the valuation methodology, data relating to comparisons of the recent transactions involving similar assets and estimates used by the external asset valuer.
During the financial year, the Group had engaged an external assets valuer to determine the recoverable amount of the property, plant and equipment.	Based on the valuation report, there was a deficit between the carrying amount and the recoverable amount of the assessed property, plant and equipment. Accordingly, the Group has recognised an impairment loss amounting to RM152,562,000 as disclosed in Note 3 to the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Valuation of amount owing by related parties (Refer to Note 2(c)(i) and Note 9 to the financial statements)	
<p>The Group carries material balances arising from amount owing by related parties. As at the end of the reporting period, there are material balances which were past due and may have a risk of non-recoverability.</p> <p>We focused on this area due to the inherent subjectivity in making judgements in relation to credit risk exposures in determining the recoverability of amount owing by related parties.</p>	<p>Our procedures to assess the accuracy and completeness of the impairment loss allowance account included the following:</p> <ul style="list-style-type: none">• Scrutinised the amount owing by related party ageing and investigate unusual trends and conditions• Reviewed long outstanding receivables with consideration of subsequent collections after the end of the reporting period• For exceptions noted, we evaluated and challenged management's judgements on its credit risk and impairment assessment, taking into account specific known customer circumstances <p>During the financial year, an impairment loss amounting to RM33,259,000 had been recognised as disclosed in the Note 9 to the financial statements.</p>

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 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 be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated 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 required by us for those purposes.
- (d) The auditors' 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 95 is disclosed to meet the requirement 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 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 266 of the Companies Act, 2016 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
Approved Number: 1729/05/18 (J/PH)
Chartered Accountant

KUALA LUMPUR
24 March 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current Assets					
Property, plant and equipment	3	194,735	405,287	60	83
Prepaid lease payments	4	32,878	34,925	–	–
Investment in subsidiary companies	5	–	–	150,584	150,584
		227,613	440,212	150,644	150,667
Current Assets					
Inventories	6	17,181	42,722	–	–
Trade receivables	7	6,085	22,818	–	–
Other receivables	8	8,235	20,116	16	16
Tax recoverable		19,981	20,520	–	–
Amount owing by related parties	9	59,538	72,258	–	–
Amount owing by a subsidiary company	10	–	–	311,842	299,459
Cash and cash equivalents	11	21,254	27,830	1,446	1,042
		132,274	206,264	313,304	300,517
Current Liabilities					
Trade payables	12	35,842	62,732	–	–
Other payables	13	29,129	34,185	100	94
Amount owing to a related party	9	–	3,925	–	–
Amount owing to a director	14	9	8	–	–
Amount owing to a subsidiary company	10	–	–	18,572	16,640
		64,980	100,850	18,672	16,734
Net current assets		67,294	105,414	294,632	283,783
		294,907	545,626	445,276	434,450
Financed By:					
Share capital	15	561,154	561,154	561,154	561,154
Reserves	16	15,173	38,433	553,891	553,891
Accumulated losses		(281,420)	(53,961)	(669,769)	(680,595)
Total equity		294,907	545,626	445,276	434,450

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

53 .p

SINO HUA-AN INTERNATIONAL BERHAD

2016 ANNUAL REPORT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	17	40,575	270,849	–	–
Cost of sales		(45,417)	(306,709)	–	–
Gross loss		(4,842)	(35,860)	–	–
Other income		15,180	1,660	12,732	53,814
Administration and operating expenses		(237,797)	(245,049)	(1,906)	(756,218)
(Loss)/Profit before taxation	18	(227,459)	(279,249)	10,826	(702,404)
Taxation	19	–	–	–	–
(Loss)/Profit for the financial year		(227,459)	(279,249)	10,826	(702,404)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(23,260)	92,458	–	–
Total comprehensive (expense)/income for the financial year		(250,719)	(186,791)	10,826	(702,404)
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(227,459)	(279,249)	10,826	(702,404)
Total comprehensive (expense)/income for the financial year attributable to:					
Owners of the Company		(250,719)	(186,791)	10,826	(702,404)
Loss per share attributable to Owners of the Company (sen):					
Basic and diluted	20	(20.27)	(24.88)		

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

Attributable to Owners of the Company

Group	Non-Distributable						Total Equity RM'000
	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/ losses) RM'000	
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 income/(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
At 1 January 2016	561,154	553,891	(799,823)	235,007	49,358	(53,961)	545,626
Loss for the financial year	-	-	-	-	-	(227,459)	(227,459)
Other comprehensive income: - Exchange differences arising from translation of foreign operations	-	-	-	(23,260)	-	-	(23,260)
Total comprehensive expense for the financial year	-	-	-	(23,260)	-	(227,459)	(250,719)
At 31 December 2016	561,154	553,891	(799,823)	211,747	49,358	(281,420)	294,907

Statements of Changes in Equity
(Cont'd)

	Non-Distributable		Retained profits/ (Accumulated losses) RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000		
Company				
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
At 1 January 2016	561,154	553,891	(680,595)	434,450
Profit for the financial year	–	–	10,826	10,826
At 31 December 2016	561,154	553,891	(669,769)	445,276

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		(227,459)	(279,249)	10,826	(702,404)
Adjustments for:					
Depreciation of property, plant and equipment	3	43,018	44,102	23	22
Amortisation of prepaid lease payments		1,084	1,095	–	–
Impairment of goodwill		–	108,343	–	–
Impairment of investment in subsidiaries company	5	–	–	–	754,324
Impairment of property, plant and equipment	3	152,562	–	–	–
Property, plant and equipment written off		28	853	–	–
Impairment loss on amount due from related parties	9	33,259	88,495	–	–
Unrealised exchange gain		–	–	(12,695)	(53,789)
Finance income		(88)	(236)	(37)	(25)
Operating profit/(loss) before working capital changes		2,404	(36,597)	(1,883)	(1,872)
Changes in working capital:					
Inventories		25,541	29,808	–	–
Trade receivables		16,733	13,609	–	–
Other receivables		11,881	(6,736)	–	55
Amount owing by/(to) related parties		(24,464)	(29,512)	–	–
Amount owing by/(to) a subsidiary company		–	–	2,244	1,883
Amount due to a director		1	1	–	–
Trade payables		(26,890)	27,444	–	–
Other payables		(5,056)	13,702	6	(38)
Net cash generated from operating activities		150	11,719	367	28
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,228)	(36,994)	–	(12)
Interest received		88	236	37	25
Net cash (used in)/generated from investing activities		(3,140)	(36,758)	37	13

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Statements of Cash Flows
(Cont'd)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net (decrease)/ increase in cash and cash equivalents		(2,990)	(25,039)	404	41
Effects of foreign exchange rate changes		(3,586)	26,556	–	–
Cash and cash equivalents at the beginning of the financial year		27,830	26,313	1,042	1,001
Cash and cash equivalents at the end of the financial year		21,254	27,830	1,446	1,042
Cash and cash equivalents at the end of the financial year comprises:					
- Deposits placed with licensed banks	11	1,406	1,035	1,406	1,035
- Cash and bank balances	11	19,848	26,795	40	7
		21,254	27,830	1,446	1,042

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 2016 were authorised for issue in accordance with a resolution of the Board of Directors dated 24 March 2017.

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).

Accounting standard and amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2016 are as follows:

- MFRS 14, "Regulatory Deferral Accounts"
- Amendment to MFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, "Financial Instruments: Disclosures" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128, "Investment Entities: Applying the Consolidation Exception"
- Amendments to MFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to MFRS 101, "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 116 and MFRS 141, "Agriculture: Bearer Plants"
- Amendment to MFRS 119, "Employee Benefits" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, "Equity Method in Separate Financial Statements"
- Amendment to MFRS 134, "Interim Financial Reporting" (Annual Improvements 2012-2014 Cycle)

The above accounting standard and 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.

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

(a) Basis of Preparation (Cont'd)

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 2017

Amendments to MFRS 107 Disclosure Initiative

The Amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments clarify that decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this. An example is when an entity holds a fixed-rate debt instrument (measured at fair value) and expects to collect all the contractual cash flows.

The Amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 2 Classification and Measurement of Share-Based Payment Transactions

The Amendments provides specific guidance on how to account for the following situations:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

(a) Basis of Preparation (Cont'd)

Annual periods beginning on/after 1 January 2018

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.

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.

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.

Annual periods beginning on/after 1 January 2019

MFRS 16 Leases

The Standard eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions.

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

(a) Basis of Preparation (Cont'd)

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.

(b) Functional and presentation currency

Items included in the financial statements of 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.

(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.

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

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

(iii) Impairment of non financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators exist, recoverable amounts of the cash-generating unit are determined based on the fair value less cost to disposal. The fair value is determined using cost approach which include comparisons with recent transactions involving similar assets and quotation from manufacturers. Changes to the assumptions used would affect the recoverable amount of these assets at the end of the reporting period.

(iv) 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 estimated 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 significantly affect the quantity of inventory at the end of each reporting period.

(v) Income 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.

(vi) 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.

(vii) 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.

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

(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.

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.

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

(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.

(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

Operating leases accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight line basis over the lease period.

Operating lease accounting by lessor

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term for the lease on a straight line basis.

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

(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.

(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 statements 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.

(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.

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

(n) Foreign currencies (Cont'd)

(ii) Foreign operations (Cont'd)

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:

Financial assets at fair value through profit or loss

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.

Loans and receivables

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

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

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.

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

(o) Financial assets (Cont'd)

(i) Classification (Cont'd)

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.

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 decline 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.

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

(o) Financial assets (Cont'd)

(iii) Subsequent measurement (Cont'd)

Impairment of financial assets (Cont'd)

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.

(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 through 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.

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

(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.

Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(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.

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.

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

(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.

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
2016						
Cost						
At 1 January 2016	437,742	408,217	1,755	5,497	1,420	854,631
Additions	1,343	501	–	–	1,384	3,228
Transfers	576	–	–	–	(576)	–
Reclassification	(762)	762	–	–	–	–
Written off	–	–	–	(282)	–	(282)
Exchange differences	(11,486)	(10,705)	(42)	(156)	(5)	(22,394)
At 31 December 2016	427,413	398,775	1,713	5,059	2,223	835,183
Accumulated depreciation						
At 1 January 2016	180,418	263,223	1,315	4,388	–	449,344
Charge for the financial year	18,280	24,338	139	261	–	43,018
Written off	–	–	–	(254)	–	(254)
Exchange differences	(4,039)	(5,984)	(29)	(116)	–	(10,168)
At 31 December 2016	194,659	281,577	1,425	4,279	–	481,940
Accumulated impairment						
At 1 January 2016	–	–	–	–	–	–
Charge for the financial year	115,828	36,734	–	–	–	152,562
Exchange differences	4,514	1,432	–	–	–	5,946
At 31 December 2016	120,342	38,166	–	–	–	158,508
Carrying amount						
At 31 December 2016	112,412	79,032	288	780	2,223	194,735
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

3. PROPERTY, PLANT AND EQUIPMENT

(a) Impairment on property, plant and equipment assessment

During the financial year, the Group had temporarily ceased its operations after leasing out 50% of the operational capacity of its coke ovens due to the Group's challenging operational environment. In addition, there are regulatory restrictions on the commencement of the remaining 50% operational capacity of its coke ovens pending approval from the local authorities. Hence, the Group has undertaken an impairment assessment on its property, plant and equipment.

The Group had estimated the recoverable amount of the property, plant and equipment based on the fair value less cost of disposal ("FVLCD") method. The Group has determined the fair value of the property, plant and equipment based on valuations performed by an external assets valuer using the cost approach which include comparisons with recent transactions and current replacement costs involving similar assets and quotation from manufacturers.

Based on the impairment review, the Group had recognised an impairment loss amounting to RM152,562,000 (2015: Nil) which has been charged to administration and operating expenses.

	Company	
	2016 RM'000	2015 RM'000
Office furniture and equipment		
Cost		
At 1 January	159	147
Additions	–	12
At 31 December	159	159
Accumulated depreciation		
At 1 January	76	54
Charge for the financial year	23	22
At 31 December	99	76
Carrying amount	60	83

4. PREPAID LEASE PAYMENTS

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	45,771	39,341
Exchange differences	(1,206)	6,430
At 31 December	44,565	45,771
Accumulated amortisation		
At 1 January	10,846	8,328
Amortisation for the financial year	1,084	1,095
Exchange differences	(243)	1,423
At 31 December	11,687	10,846
Carrying amount	32,878	34,925

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.

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
- In Malaysia	—*	—*
- Outside Malaysia	904,908	904,908
	904,908	904,908
Less: Impairment loss	(754,324)	(754,324)
	150,584	150,584

* Represents RM2

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Investment in subsidiary companies (Cont'd)

Movement in impairment during the financial year is as follows:

	Company	
	2016 RM'000	2015 RM'000
At 1 January	(754,324)	–
Impairment loss	–	(754,324)
At 31 December	(754,324)	(754,324)

The impairment loss recognised in the previous financial year is primarily related to the gross loss and challenging operating environment faced by the subsidiary.

(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		Principal activities
		2016 %	2015 %	
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. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Raw materials and consumables	17,181	34,635
Work-in-progress	–	1,045
Finished goods	–	7,042
	17,181	42,722

7. TRADE RECEIVABLES

The normal credit period granted by the Group to the trade customers ranges from 30 to 90 days (2015: 30 to 90 days).

The ageing analysis is as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	–	20,946
1 to 30 days past due but not impaired	–	917
Over 90 days past due but not impaired	6,085	955
	6,085	1,872
	6,085	22,818

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 RM6,085,000 (2015: RM1,872,000) was past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

8. OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	8,210	17,473	–	–
Trade deposits	–	2,618	–	–
Deposits	20	20	11	11
Prepayment	5	5	5	5
	8,235	20,116	16	16

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

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

Amount owing by related parties

	2016 RM'000	Group 2015 RM'000
Amount owing by related parties	181,292	160,753
Less: Impairment losses	(121,754)	(88,495)
	59,538	72,258

Movement in impairment during the financial year is as follows:

	2016 RM'000	Group 2015 RM'000
At 1 January	(88,495)	–
Impairment loss	(33,259)	(88,495)
At 31 December	(121,754)	(88,495)

This represents trade transactions with the normal credit period granted by the Group to its trade customers.

Amount owing to a related party

This represents trade transactions with the normal credit period granted by the Group to trade customers.

10. 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 24 to the financial statements.

11. CASH AND CASH EQUIVALENTS

	2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	2015 RM'000
Cash and bank balances	19,848	26,795	40	7
Deposits placed with licensed banks	1,406	1,035	1,406	1,035
	21,254	27,830	1,446	1,042

Interest rates on deposits placed with licensed banks range from 2.34% to 3.25% (2015: 2.87% to 3.32%) per annum and have an average maturity period of 1 day to 7 days (2015: 1 to 7 days).

12. TRADE PAYABLES

The normal credit period granted to the Group from the trade purchasers ranges from 30 to 90 days (2015: 30 to 90 days).

13. OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	22,856	23,126	29	29
Accruals	5,534	7,821	71	65
Deposits	739	3,238	–	–
	29,129	34,185	100	94

14. AMOUNT OWING TO A DIRECTOR

This represents non-trade transactions, unsecured, interest free and repayable on demand.

15. SHARE CAPITAL

	Group/Company			
	2016 Number of shares '000	2016 Amount RM'000	2015 Number of shares '000	2015 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-distributable</u>				
Share premium	553,891	553,891	553,891	553,891
Reverse acquisition reserve	(799,823)	(799,823)	–	–
Foreign currency translation reserve	211,747	235,007	–	–
Statutory common reserve fund	49,358	49,358	–	–
	15,173	38,433	553,891	553,891

16. RESERVES (CONT'D)

(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.

(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
	2016 RM'000
	2015 RM'000
Sales of goods	
Metallurgical coke	30,864
By-products	9,711
	40,575
	270,849

18. PROFIT BEFORE TAXATION

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

	Group	Company
	2016 RM'000	2015 RM'000
	2016 RM'000	2015 RM'000
Auditors' remuneration:		
- statutory	310	505
- others	5	5
Depreciation of property, plant and equipment	43,018	44,102
Amortisation of prepaid lease payments	1,084	1,095
Impairment of goodwill	-	108,343
Impairment of investment in subsidiary company	-	-
Impairment of property, plant and equipment	152,562	-
Impairment loss on amount owing by related parties	33,259	88,495
Directors of the company:		
- fees	79	105
- salaries and other emoluments	1,021	1,050
- Employee Provident Fund	79	79
Rental of premises	38	38
Rental of office equipment	5	5
Property, plant and equipment written off	28	853
Lease rental income	(11,387)	-
Unrealised exchange gain	-	-
Finance income	(88)	(236)
	(88)	(236)

Depreciation of property, plant and equipment of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM42,793,000 and RM225,000 (2015: RM43,879,000 and RM223,000) respectively.

19. TAXATION

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) on chargeable income of the estimated assessable loss for the financial year. The corporate tax rate applicable to the People's Republic of China ("PRC") subsidiary of the Group is at 25% (2015: 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before taxation	(227,459)	(279,249)	10,826	(702,404)
Taxation at statutory tax rate of 24% (2015: 25%)	(54,590)	(69,812)	2,598	(175,601)
Expenses not deductible for tax purposes	459	26,701	457	189,055
Income not subject to tax	(9)	(6)	(3,055)	(13,454)
Deferred tax not recognised	54,140	43,117	–	–
Taxation for the financial year	–	–	–	–

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

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	516,688	271,084
Deferred tax assets not recognised	124,005	67,771

As at 31 December 2016, the unutilised tax losses of the Group relate to the PRC subsidiary and is denominated in Chinese Renminbi ("RMB") amounting to RMB795,394,000 (2015: RMB432,208,000).

20. LOSS PER SHARE

(a) Basic loss per share

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

	2016	Group 2015
Loss for the financial year attributable to the owners of the Company (RM'000)	(227,459)	(279,249)
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Basic loss per share (sen)	(20.27)	(24.88)

(b) Diluted loss per share

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

21. STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salary, bonus and other emoluments (excluding Directors)	3,455	20,952	375	375
Employees Provident Fund	834	4,585	45	45
	4,289	25,537	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 RM3,363,000 and RM926,000 (2015: RM21,933,000 and RM3,604,000) respectively.

22. 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:

	2016 RM'000	Group 2015 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	(8,995)	(177,845)
Shandong Jiangquan Industrial Co., Ltd Thermoelectricity *	–	(16,323)
Shandong Jiangquan Industrial Co., Ltd. Jiangxin Construction Use Ceramic Factory *	–	(135)
Purchase of electricity		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	1,568	15,882
Rental of storage		
Shandong Jiangquan Industrial Co., Ltd. Railroad *	–	901

* 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 effective 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:

	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Salaries and allowances	1,301	1,334	735	734
Statutory pension scheme contributions	79	79	79	79
	1,380	1,413	814	813

22. RELATED PARTY DISCLOSURES (CONT'D)

Outstanding related party balances

(i) Amount Owing by Related Parties

	2016 RM'000	Group 2015 RM'000
Linyi Jiangxin Steel Co., Ltd.	33,827	72,258
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	25,711	–
	59,538	72,258

(ii) Amount Owing to a Related Party

	2016 RM'000	Group 2015 RM'000
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	–	3,925

23. 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.

23. SEGMENT INFORMATION (CONT'D)

2016	Note	Manufacturing and trading RM'000	Others RM'000	Total RM'000
Revenue				
Sales		40,575	–	40,575
Less: Inter-segment revenue		–	–	–
		40,575	–	40,575
Results				
Depreciation and amortisation		44,079	23	44,102
Other significant non-cash expenses	(a)	185,849	–	185,849
Segment loss		(225,583)	(1,876)	(227,459)
Assets				
Additions to non-current assets	(b)	3,228	–	3,228
Segment assets		358,365	1,522	359,887
Liabilities				
Segment liabilities		64,880	100	64,980
2015				
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)	197,691	–	197,691
Segment 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

23. SEGMENT INFORMATION (CONT'D)

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

	2016 RM'000	Group 2015 RM'000
Property, plant and equipment written off	28	853
Impairment of amount owing by related parties	33,259	88,495
Impairment of property, plant and equipment	152,562	–
Impairment of goodwill	–	108,343
	185,849	197,691

- (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:

	2016 RM'000	Group 2015 RM'000
People's Republic of China	40,575	270,849
Malaysia	–	–
	40,575	270,849

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

	2016 RM'000	Group 2015 RM'000
People's Republic of China	227,553	440,129
Malaysia	60	83
	227,613	440,212

Information about major customers

Revenue from 1 (2015: 2) major customer amounting to RM11,614,000 (2015: RM207,774,000) arises from the manufacturing and trading segment.

24. FINANCIAL INSTRUMENTS

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

	2016		2015	
	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	6,085	6,085	22,818	22,818
Other receivables	8,230	8,230	20,111	20,111
Amount owing by related parties	59,538	59,538	72,258	72,258
Cash and cash equivalents	21,254	21,254	27,830	27,830
	95,107	95,107	143,017	143,017
Financial liabilities				
Trade payables	35,842	35,842	62,732	62,732
Other payables	23,595	23,595	26,364	26,364
Amount owing to related parties	–	–	3,925	3,925
Amount owing to a director	9	9	8	8
	59,446	59,446	93,029	93,029
Company				
Financial assets				
Other receivables	11	11	11	11
Amount owing by subsidiary company	311,842	311,842	299,459	299,459
Cash and cash equivalents	1,446	1,446	1,042	1,042
	313,299	313,299	300,512	300,512
Financial liabilities				
Other payables	29	29	29	29
Amount owing to a subsidiary company	18,572	18,572	16,640	16,640
	18,601	18,601	16,669	16,669

24. 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 risk 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 1 (2015: 2) trade customers of the Group represents 99% (2015: 93%) 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
2016				
Group				
Trade payables	35,842	–	35,842	35,842
Other payables	23,595	–	23,595	23,595
Amount owing to a director	9	–	9	9
	59,446		59,446	59,446
Company				
Other payables	29	–	29	29
Amount owing to a subsidiary company	18,572	–	18,572	18,572
	18,601		18,601	18,601

24. 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
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

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:

Functional Currency	Financial assets/(liabilities) held in non-functional currency			Total RM'000
	Hong Kong Dollar ("HKD") RM'000	United States Dollar ("USD") RM'000	Chinese Renminbi ("RMB") RM'000	
Group				
2016				
Cash and bank balances				
Hong Kong Dollar	–	5	–	5
2015				
Cash and bank balances				
Hong Kong Dollar	–	5	–	5

24. 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			Total RM'000
	Hong Kong Dollar ("HKD") RM'000	United States Dollar ("USD") RM'000	Chinese Renminbi ("RMB") RM'000	
Company				
2016				
Amount owing by/(to)				
subsidiary company				
Ringgit Malaysia	311,842	–	(18,572)	293,270
2015				
Amount owing by/(to)				
subsidiary company				
Ringgit Malaysia	299,459	–	(16,640)	282,819

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 insignificant 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	
	2016 RM'000	2015 RM'000
RMB/RM - strengthened 5%	(706)	(624)
- weakened 5%	706	624
HKD/RM - strengthened 5%	11,850	11,230
- weakened 5%	(11,850)	(11,230)

24. 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/Company	
	2016	2015
	RM'000	RM'000
Fixed rate instruments		
Fixed deposits with licensed banks	1,406	1,035

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.

25. 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.

25. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2016 RM'000	2015 RM'000
Trade and other payables	64,971	96,917
Amount owing to related parties	–	3,925
Amount owing to a director	9	8
Less: Cash and cash equivalents	(21,254)	(27,830)
Net debt	43,726	73,020
Equity attributable to the owners of the Company	294,907	545,626
Less: statutory reserve fund	(49,358)	(49,358)
Total capital	245,549	496,268
Capital and net debt	289,275	569,288
Gearing ratio	15.1%	12.8%

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

26. CAPITAL COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
Capital expenditure approved and contracted for:		
- property, plant and equipment	–	2,269

27. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	Group/Company	
	2016 RM'000	2015 RM'000
Less than one year	27	36
Between one and five years	–	27
	27	63

28. SIGNIFICANT EVENT

The Group's significant subsidiary, Linyi Yehua Coking Co., Ltd., operates in Shandong Province, People's Republic of China. During the financial year, the Provincial Government had contemplated a cursory outline to potentially reduce and relocate some of the existing facilities of various perceived polluting industries away from the vicinity of highly populated areas, in its effort to address the continued excess capacity in various industries and environmental pollution concerns.

Notwithstanding the above, the Group however has not received any communication or official written directive from the relevant authorities on any detailed specifics, logistics and timeline on how such contemplated plans are to be carried out.

29. SUBSEQUENT EVENT

On 31 January 2017, the leasing arrangement for three of its ovens representing 50% of the Group's total operating capacity has lapsed and the Group had taken back the operations of the coke ovens effective 1 February 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total (accumulated loss)/retained earnings:				
- Realised	(930,836)	(689,722)	(741,192)	(725,667)
- Unrealised	70,834	44,483	71,423	45,072
	(860,002)	(645,239)	669,769	(680,595)
Less: consolidation adjustments	578,582	591,278	–	–
Consolidated retained earnings /(accumulated loss)	281,420	(53,961)	669,769	(680,595)

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.

LIST OF PROPERTIES

As at 31 December 2016

	LOCATION	DESCRIPTION	TENURE	NET BOOK VALUE (RM'000)	AREA (sq. m.)	DATE OF ACQUISITION
1)	Lot no. 201/23/96 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province People's Republic of China	Manufacturing plant	Leasehold 29 years	9,335	319,014.00	4 Dec 2005
2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province People's Republic of China	Coal storage area	Leasehold 50 years	23,543	85,453.76	12 Feb 2007

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

SHARE CAPITAL

Issued share capital : 1,122,307,817
Class of shares : Ordinary shares
Voting rights : One vote for each ordinary share

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1 - 99	670	4.25	25,074	0.00
100 - 1,000	5,699	36.12	2,670,340	0.24
1,001 - 10,000	5,534	35.07	24,785,779	2.21
10,001 - 100,000	3,223	20.43	118,386,279	10.55
100,001 - 56,115,389	649	4.11	366,491,970	32.66
56,115,390 and above	4	0.02	609,948,375	54.34
Total	15,779	100.00	1,122,307,817	100.00

DIRECTORS' SHAREHOLDINGS

Name of Directors	Nationality	Direct	No. of shares beneficially held		%
			%	Indirect	
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 ⁽¹⁾	27.13
Liu GuoDong	Chinese	178,000,057 ⁽²⁾	15.86	—	—
Y. Bhg. Dato' Mohd Shahr Bin Abdul Hamid	Malaysian	—	—	—	—
Cedric Choo Sia Teik	Malaysian	1,300,000	0.12	—	—
Lim See Tow	Malaysian	—	—	—	—
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 pursuant to Section 8 of the Companies Act 2016 ("Act") by virtue of his substantial shareholdings 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 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Note:- (Cont'd)

Deemed interested by virtue of his direct interest of over 20% 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 20% 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).

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Nationality	Direct	No. of shares beneficially held		%
			%	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

Note:-

- (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 pursuant to Section 8 of the Companies Act 2016 ("Act") by virtue of his substantial shareholdings 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 20% 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 20% 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 20% 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 pursuant to Section 8 of the Act by virtue of his substantial shareholdings 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 20% 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 20% 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 20% 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 pursuant to Section 8 of the Act by virtue of her substantial shareholdings 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 20% 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 20% 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 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

Note:- (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 pursuant to Section 8 of the Act by virtue of his substantial shareholdings 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 20% 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 20% 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 20% 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 pursuant to Section 8 of the Act by virtue of her substantial shareholdings 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 20% 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 20% 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 20% 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 pursuant to Section 8 of the Act by virtue of her substantial shareholdings 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 20% 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 20% 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 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

Note:- (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 being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has substantial shareholdings 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 20% 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 20% 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 20% 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 20% 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 20% 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 20% 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 20% equity interest in Rise Business Inc. which in turn holds shares in Sino Hua-An International Berhad.*

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.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHOO MOK (E-JBU)	13,688,600	1.22
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.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	6,175,350	0.55
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA HIAN HOCK	5,201,800	0.46
12.	MACOTRADE SDN BHD	5,171,000	0.46
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHOO MOK (E-JBU)	4,210,500	0.38
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAM SENG (IPH)	4,100,000	0.37
15.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KWEE ENG (TAN1125C)	4,091,800	0.36

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)	3,863,850	0.34
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 NG GEOK WAH (B BRKLANG-CL)	3,500,000	0.31
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KWEE KEE (BKT PASIR-CL)	3,046,400	0.27
21.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	3,017,150	0.27
22.	OOI TEE KIONG	2,927,600	0.26
23.	LEONG CHEOK LUNG	2,800,000	0.25
24.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI SIEW LOOI (STA 2)	2,784,050	0.25
25.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR TAN TEONG BENG	2,693,800	0.24
26.	LEE SIEW LIN	2,600,000	0.23
27.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)	2,571,500	0.23
28.	TAN SWEE HOCK	2,547,500	0.23
29.	CHONG SONG YEW	2,500,000	0.22
30.	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOH WONG YEN @ SIOH KWANG HWA	2,484,700	0.22

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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)**
NRIC No./ Company Noof **(full address)**

being a *member/members of **SINO HUA-AN INTERNATIONAL BERHAD** ("the Company"), hereby appoint **(full name in capital letters)**

NRIC No./ Company Noof **(full address)**

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

NRIC No./ Company Noof **(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 Eleventh 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 Monday, 22 May 2017 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	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016.			
2.	To approve the payment of Directors' Fees to the Non-Executive Directors for the financial year ended 31 December 2016.	1		
3.	To approve the payment of Directors' allowances and other benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM100,000 from 1 January 2017 until the next Annual General Meeting of the Company.	2		
4.	To re-elect Mr. Cedric Choo Sia Teik who retires pursuant to Article 95 of the Company's Articles of Association.	3		
5.	To re-elect Mr. Liu Xueqiang who retires pursuant to Article 95 of the Company's Articles of Association.	4		
6.	To re-appoint Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid as Director of the Company.	5		
7.	To re-appoint Messrs. Morison Anuarul Azizan Chew as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	6		
8.	As Special Business Ordinary Resolution 1 Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
9.	Ordinary Resolution 2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.	8		
10.	Ordinary Resolution 3 Retention of Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid as an Independent Non-Executive Director of the Company.	9		
11.	Ordinary Resolution 4 Retention of Ms. Lim See Tow as an Independent Non-Executive Director of the Company.	10		

* 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 , 2017

Signature of Member/Common Seal

Notes:

- In respect of deposited security, only members whose names appear in the Record of Depositors on 16 May 2017 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this Meeting and convening the Meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/or processed in connection with the foregoing.



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Affix
Stamp

To:

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

Please fold here

SINO HUA-AN INTERNATIONAL BERHAD (732227-T)

Registered Office : Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur, Malaysia

Corporate Office : Unit 18-3A, Oval Damansara, 685 Jalan Damansara, 60000 Kuala Lumpur, Malaysia

Tel : +603-7733 7180 Fax : +603-7733 7170

Metallurgical coke is made from low sulphur bituminous coal. Our production process involves taking the pre-washed coal in an oven for more than 42 hours with temperature exceeding 1,000 degree celsius to drive out the residue which includes smoke-producing constituent. This produces metallurgical coke, our end product which is a fusion of fixed carbon and residual ash. The key characteristic of metallurgical coke is its low or no smoke with relatively stable burning temperature. Metallurgical coke is used as the critical raw material as reducing agent in smelting iron ore in order to produce pig iron. Therefore, metallurgical coke is a key ingredient for the steel manufacturing industry in China.

Cool gas: Coal gas is a mixture of caloric gases consists of small amounts of noncaloric gases carbon dioxide and nitrogen. It is a source for coking, industrial boilers, electricity generation and as fuel.

Tar (light oil): Tar is a viscous black liquid derived from the decomposition of coal. It is a byproduct of coke metallurgical production but it can also be produced from coal as a byproduct of chemical production of chemicals, plastics, pharmaceutical products and dyes.

Crude Benzene: Crude benzene is a chemical by-product resulting from the decomposition of coal. It is used mainly for production of chemicals, plastics, pharmaceutical products and dyes.

Ammonium sulfate: Is an inorganic chemical compound commonly used as a fertilizer. It contains 11% nitrogen as ammonia and 24% sulfur as sulfate. Its molecular formula is closely related to Mohr's salt an ammonium sulfate analogue with an iron atom within the compound. Ammonium sulfate is used largely as artificial fertilizer for alkaline soils.

Coal slime: Coal slime is a new by-product resultant from coal washing process. Coal slime is sold to power plant as it serves as raw material for energy source.