SINO HUA-AN INTERNATIONAL BERHAD
(732227-T)

ANNUAL
REPORT
2017

contents...

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting ("**AGM**") of the Company will be held at the Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Monday, 28 May 2018 at 10:00 a.m. or any adjournment for the following purposes:

A G E N D A

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 2017. *(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 29 May 2018 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) Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar; and *(Resolution 3)*
   (b) Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid. *(Resolution 4)*

5. 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 5)*

   As Special Business

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

6. **ORDINARY RESOLUTION 1**
   AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 *(Resolution 6)*

   "**THAT** subject always to the Companies Act 2016 ("**Act**"), the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this Resolution does not exceed ten percent (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 Securities; **AND FURTHER 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."

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

7. **ORDINARY RESOLUTION 2**
RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

(i) "**THAT** subject to the passing of Resolution No. 4, approval be and is hereby given to Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." *(Resolution 7)*

(ii) "**THAT** approval be and is hereby given to Ms. Lim See Tow who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." *(Resolution 8)*

8. 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
27 April 2018

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 29 May 2018 until the next AGM of the Company are as follows:

Description	Non-Executive Directors
Allowances	up to RM100,000
Other Benefits	nil

(ii) Authority to Issue Shares pursuant to the Act

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

The Company had been granted a general mandate by its shareholders at the Eleventh AGM of the Company held on 22 May 2017 ("**Previous Mandate**").

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

The 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 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.

(iii) Retention of Independent Non-Executive Director

The Nomination Committee had assessed the independence of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow, who have served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. The Board has recommended that the approval of the shareholders be sought to re-appoint Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow as Independent Non-Executive Directors based on the following justification:-

- had fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Securities;
- had ensured effective check and balance in the proceedings of the Board and the Board Committees;
- had actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- had devoted sufficient time and attention to their responsibilities as an Independent Non-Executive Director of the Company; and
- had exercised their due care in the interest of the Company and shareholders during their tenure as an Independent Non-Executive Director of the Company.

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

Notes:

1. In respect of deposited security, only members whose names appear in the Record of Depositors on 21 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A proxy need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
4. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of authority, must be deposited at the Company's Registered Office at 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.

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

DAY & DATE	:	Monday, 28 May 2018
TIME	:	10:00 a.m.
VENUE	:	Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur

REGISTRATION

1. Registration will start at 9:00 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 National Registration Identification Card ("**NRIC**") or Passport for verification by the Share Registrar. Please ensure that you collect your NRIC 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.

DRESS CODE

RSGC requires all guests to adhere to their dress code guidelines:

For men: Shirts of any type/design are permitted except those which are collarless/round neck or sleeveless are not allowed. All shirts are to be tucked in except for Batik shirts and Hawaiian shirts.

For ladies: Generally all types of ladies wear are permitted, except for tank tops, bare midriff and attire which over-exposes the body are not allowed.

For all: Slippers, clogs and flip-flops are not allowed.

PARKING

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

RECORD OF DEPOSITORS FOR ATTENDANCE AT AGM

Only depositors whose names appear in the Record of Depositors as at 21 May 2018 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.

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

PROXY

1. If you are a member of the Company as at 21 May 2018, 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.

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 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 2017

1. The Annual Report 2017 is available on Sino Hua-An International Berhad'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 2017, 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

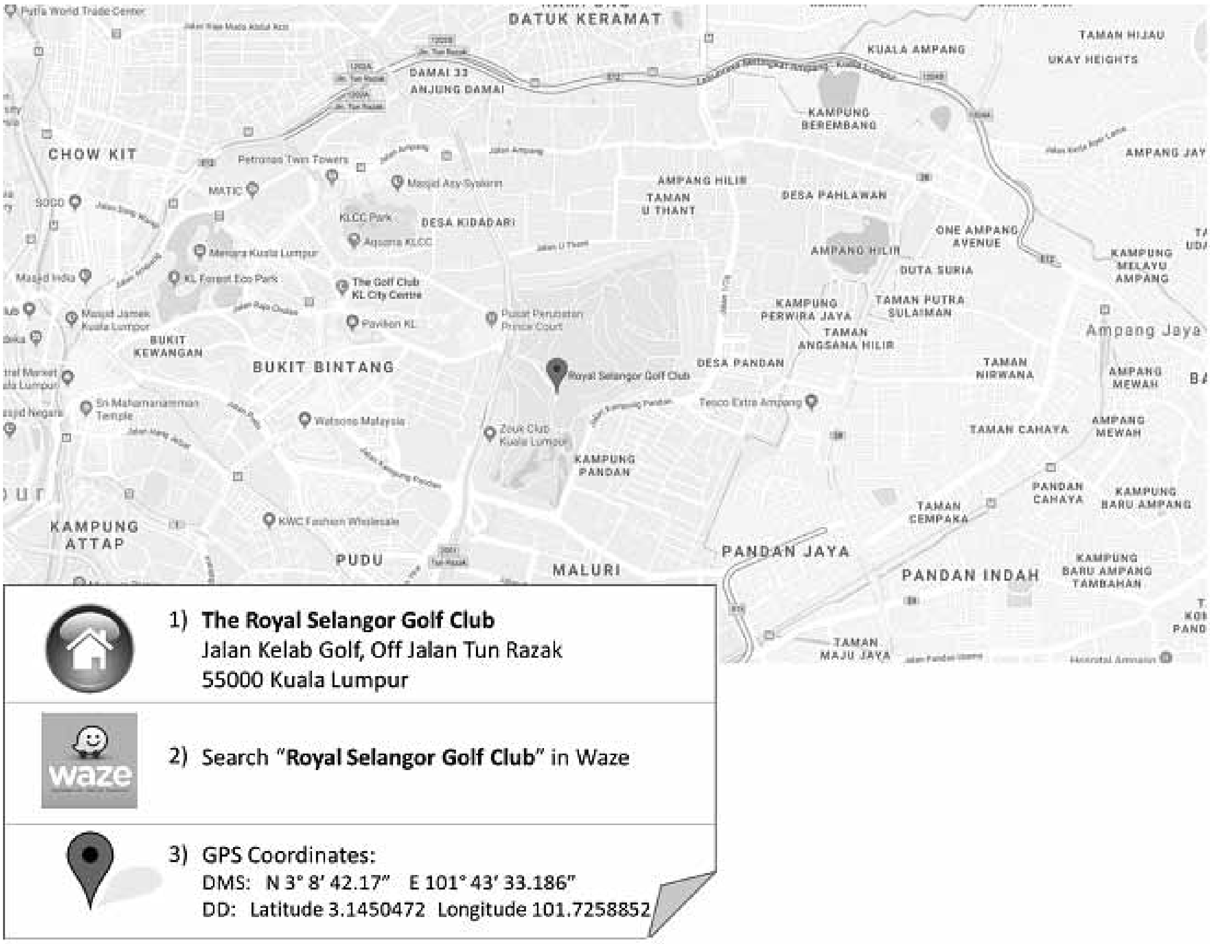
If you have general queries prior to the meeting, please contact the **Share Registrar** at Tel: +603-2084 9000 and/ or Fax: +603-2094 9940 / 2095 0292 during office hours:

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

Alternatively, you may contact the **Corporate Communication of Sino Hua-An International Berhad** 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 THE ROYAL SELANGOR GOLF CLUB



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Liu Guodong
Managing Director

Cedric Choo Sia Teik
Executive Director

Liu Xueqiang
Non-Independent
Non-Executive Director

Lim See Tow
Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

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

Liu Xueqiang
Non-Independent
Non-Executive Director

Lim See Tow
Independent Non-Executive Director

REMUNERATION COMMITTEE

Lim See Tow
Chairperson
Independent Non-Executive Director

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

Liu Xueqiang
Non-Independent
Non-Executive Director

Liu Guodong
Managing Director
(ceased as a member of Remuneration Committee on 27 February 2018)

NOMINATION COMMITTEE

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

Liu Xueqiang
Non-Independent
Non-Executive Director

Lim See Tow
Independent Non-Executive Director

PRINCIPAL BANKERS

RHB Bank Berhad
(Kuala Lumpur, Malaysia)

The Hongkong and Shanghai Banking Corporation Limited
(Hong Kong)

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

AUDITORS

Messrs. Morison Anuarul Azizan Chew *(AF001977)*
(an independent member of Morison KSi)
Chartered Accountants

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel : (603) 2084 9000
Fax : (603) 2094 9940

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Market)

STOCK NAME AND CODE

HUAAN (2739)

COMPANY SECRETARIES

Chua Siew Chuan
(MAICSA 0777689 PRACTITIONER)

Chin Mun Yee
(MAICSA 7019243 PRACTITIONER)

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

PROFILE OF DIRECTORS

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

He has a Bachelor of Science in Economics (Honours) degree from the University of Wales, Aberystwyth, United Kingdom. He was a Diplomat for five (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, a wholly owned subsidiary of Sino Hua-An.

Besides Sino Hua-An, he is currently also on the boards 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"), leading 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 five (5) 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.

Profile of Directors
(Cont'd)

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 attended all five (5) Board meetings held in the financial year.

He was the Managing Director of Linyi Yehua Coking Co., Ltd ("Yehua") since 15 December 2004 and was appointed as the legal representative of Yehua on 1 July 2005. He graduated from Linyi Teaching Institute with a Bachelor degree in Sports in 1995. Prior to joining Yehua, from 1994 to 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 five (5) Board meetings held in the financial year.

He holds a B.A. Economics (Honours) majoring in Accounting and Finance degree from the University of Manchester, United Kingdom. He is also a Chartered Accountant and a fellow member of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom and the Malaysian Institute of Accountants ("MIA"). In 1995, he began his career with Arthur Andersen & Co., in the Corporate Finance department and later with Ernst & Young in July 2002 upon the merger of the two firms in Malaysia. He left Ernst & Young in 2005 and joined Antah as an Executive Director on 16 June 2005. Upon conclusion of the Antah restructuring exercise, he joined Sino Hua-An as an Executive Director. On 11 August 2006, he was appointed as a Director of PIPO Overseas Ltd., a wholly-owned subsidiary of Sino Hua-An.

Overall, Mr. 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 five (5) Board meetings held in the financial year.

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

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

LIM SEE TOW ♀

- **Independent Non-Executive Director**

Ms. Lim See Tow (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 five (5) Board meetings held in the financial year.

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

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

- *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

SINO HUA-AN INTERNATIONAL BERHAD
Investment Holding

100% ***FANCY CELEBRATIONS SDN BHD***
Dormant

100% ***PIPO OVERSEAS LIMITED***
Investment Holding

100% ***LINYI YEHUA COKING CO., LTD***
Manufacturing and sales of metallurgical coke and other related by-products

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board recognises the importance of practicing high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group.

The Board is pleased to present this statement which outlines the key aspects of how the Company has applied the principle of the Malaysian Code on Corporate Governance ("Code") that came into effect on 26 April 2017 throughout the financial year ended 31 December 2017. The detailed explanation on the application of the corporate governance practices are reported under the Corporate Governance Report as published in the Company's Website at www.sinohuaan.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

(i) The Board consists of members from different backgrounds and diverse expertise in leading and directing the Group's business operation. The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to three main committees namely the Audit and Risk Management Committee ("ARMC"), Remuneration Committee ("RC") and Nomination Committee ("NC"). These committees operate within the defined Constitution or Terms of References that have been approved by the Board, in which these committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

(ii) The roles of the Chairman and the Managing Director as well as the Terms of Reference of the committees are mentioned in detail in the Board Charter which is made available in the Company's website www.sinohuaan.com ("Website").

(iii) The Group is led by an experienced and effective Board who provides oversight, strategic direction and entrepreneurial leadership. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business operations is delegated to the Managing Director and assisted by the Executive Director. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The positions of Chairman and Managing Director are held by two (2) separate and distinct individuals from the outset in order to maintain an effective segregation of duties. The division of responsibilities is defined in the Board Charter.

The Chairman, Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar plays an important leadership role within the Group and is responsible for:

- Representing the Board to the shareholders and indirectly to the general public for performance.
- Ensuring the integrity and effectiveness of the governance process of the Board.
- Ensuring the Board meetings are properly conducted and all Directors are properly briefed on issues arising at the board meetings.
- Maintaining on-going dialogue and relationship of trust with and between the Directors and Management.
- Maintaining an informal link between the Board and the Managing Director, expect to be kept informed by the Managing Director on all important matters.

The Managing Director, Mr. Liu Guodong is responsible for the management of the financial and operational matters in accordance with the strategic direction established by the Board. He is also responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the realisation of the Group's goals and objectives.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (Cont'd)

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (Cont'd)

(iv) The Board is supported by professionally-qualified and competent named Company Secretaries in carrying its roles and responsibility. The Company Secretaries play roles in ensuring the adherence to the Board, Board Committees and shareholders meeting procedures, corporate policies and procedures, Main Market Listing Requirements ("MMLR") of Bursa Securities and other regulatory requirements.

The Chairman and the Board look to the Company Secretaries for guidance on what their responsibilities are under the new Companies Act 2016 to which they are subject and on how these responsibilities should be discharged. In addition, all Directors of the Company have access to the advice and services of the Company Secretaries and recognised that the Chairman is entitled to strong support from the Company Secretaries in ensuring the effective functioning of the Board.

With the release of the new Code, the Companies Secretaries had carried out a comparison review of existing practice against the recommendations under the Code. The Board and Board Committees were also updated on the areas for improvements pursuant to the new Code.

(v) In addition to the mandatory quarterly Board meetings, the Board may also convene meetings as and when deemed required to deliberate important/material issues which require its attention, should there be any. All Directors are provided with an agenda and a set of board papers issued at least seven (7) days from the date of Board Meetings either by hand, courier service and/or electronic mails where specifically requested so as to ensure that the Directors can appreciate and assess the issues to be deliberated and to obtain further explanations beforehand, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, should there be any requirement for approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretaries and are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may also obtain independent professional advice from External Auditors and/or any other professional parties at the Company's expense in furtherance of their duties.

The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.

2.0 There is demarcation of responsibilities between the Board, board committees and management. There is clarity in the authority of the Board, its committees and individual directors.

The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. The Board will periodically review the Board Charter which is published on the Company's Website. The Board last reviewed the Board Charter on 27 February 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (Cont'd)

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

(i) The Board has formalised a code of conduct for its directors which is incorporated in the Code of Ethics and Business Conduct. This Code is published on the Company's Website. The Board would periodically review the said Code of Ethics and Business Conduct and the last review was done on 27 February 2018.

(ii) The Board encourages employees to report genuine concerns in relation to any breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment.

The Group has also established a whistleblowing policy underlining its objectives, scope of policy, policy statement, reporting procedures and action in the Whistleblowing Policy. This Policy, is attached for reference on the Company's Website and is reviewed on a periodic basis, the last being on 27 February 2018.

(iii) The Company also gives attention to the environment, social and governance ("ESG") aspects of doing business in the future to ensure long-term viability and sustainability of the Company's business.

Board Composition

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

(i) The Board currently consists of three (3) Executive members (namely, the Executive Chairman, Managing Director and Executive Director) and three (3) Non-Executive members (namely, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director). The composition of the Board complies with paragraph 15.02 of the MMLR.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Managing Director and assisted by the Executive Director. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The NC has reviewed the present composition of the Board and the three main existing committees, namely the ARMC, RC and NC and is satisfied that they have adequately carried out their functions within their scope of work.

The Board endeavours to take steps to ensure their compliance with the Code requirements to have at least half of the Board members comprising Independent Director. Strategies have been put in motion and full compliance in this respect is expected to be within two years.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

(ii) The Board is aware of the tenure of an Independent Director which should not exceed a cumulative term of nine (9) years and upon completion of the said nine years, the Independent Director concerned may continue to serve on the Board as Non-Independent Director.

However if the Board intends to retain the said Independent Director beyond nine years, it should justify and seek annual shareholders' approval. If the Board so wishes to continue to retain an Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process. For resolution(s) requiring 'two-tier voting' process, the effective date will be for resolution(s) to be tabled at general meetings after 1 January 2018.

Presently, two of the Company's Independent Directors namely, Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow have served more than nine (9) years (but less than twelve years) in their capacity as Independent Directors. As a result thereof, the Board had accordingly deliberated, without the presence of the abovementioned Independent Directors, on their continued suitability, competency and independency in a meeting held on 27 February 2018 and are fully satisfied that they are deemed fit to be retained as Independent Non-Executive Directors of the Company and would recommend the same to the shareholders in the forthcoming AGM, in accordance with Practice 4.2 of the Code.

(iii) The Board also recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the Independent Directors are capable to exercise independent judgment and act in the best interests of the Group.

The Independent Directors of the Company fulfil the criteria under the definition of Independent Director pursuant to the MMLR of Bursa Securities. They act independently of the Management and are not involved in any relationship with the Group, business or otherwise, that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he/she has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships. Should there be any, the Director concerned is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the said matters.

The NC and/or Board is guided by the Board Charter in assessing the independence of candidates, whether current or prospective, to assume the role as Independent Director of the Company. Each independent director had completed their own Independent Director checklist and the NC had carried out the relevant assessment of the Independent Directors at its meeting on 27 February 2018. Each independent director abstained from deliberation on his own assessment. Following therefrom, the NC was satisfied that all the Independent Directors are fit and still maintain their independence.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

(iv) The Board appoints its members through a formal and transparent selection process. New appointees will be considered and evaluated by the NC after taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism and integrity and women candidates shall be sought as part of its recruitment exercise in an effort to promote gender, ethnicity and age group diversity within the organisation.

For the position of Independent Non-executive Directors, the NC will evaluate the candidates' ability to discharge such responsibilities as expected from Independent Non-executive Directors. The NC shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder, as well as seeking references from outside the Group such as panel of independent directors or professional executive search firms, etc, if deemed appropriate.

Upon identifying and evaluating the prospective candidate(s) from the abovementioned source, the NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that all relevant legal and regulatory requirements in regards to the said appointment are satisfactorily met.

(v) The re-election of the Board is also done in accordance with the Company's Articles of Association, whereby one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed directors shall hold office only until the next AGM and shall be eligible for re-election. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election or re-election, as the case may be, are furnished in the Annual Report accompanying the Notice of AGM.

The NC is also responsible for recommending to the Board those relevant Directors who are eligible to stand for re-election/re-appointment. The NC had assessed and was satisfied and accordingly made recommendations to the Board for the re-election with regards to the two (2) directors, namely Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar and Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid, both of whom are due for retirement but shall be eligible for re-election pursuant to Article 95 of the Company's Articles of Association at the forthcoming AGM.

The profiles of these Directors are set out on pages 10 to 12 of the Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

(vi) The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the Code. The Board currently has one female director.

The Company has adopted a Gender-Ethnicity-Age Diversity Policy and the said document is attached on the Company's Website.

The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. These are done without regard to the candidate's gender, ethnicity nor age, as prescribed in the abovementioned Gender-Ethnicity-Age Diversity Policy, as recommended by the Code to promote the representation of women (as well as other segments of the society) in the composition of the Board.

(vii) All directors of the Company do not hold more than 5 directorships under Paragraph 15.06 of the MMLR.

The Directors have ensured their time commitment to discharge their duties effectively, as they do not hold more than five directorships in the public listed companies, detailed as below:

Name	No. of directorship in public listed companies
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	3
Y.Bhg. Dato' Mohd Shahar Bin Abdul Hamid	2
Liu Guodong	1
Cedric Choo Sia Teik	1
Lim See Tow	1
Liu Xueqiang	1

While there is no restriction on directorships in non-listed companies, Directors are aware that they should avoid over commitment in multiple directorships which may affect their performance in carrying out their role as Directors of the Company.

The annual calendar of at least four (4) Board meetings are tentatively set each year for the benefit of the Directors to enable them pre-plan their respective schedules. However the exact date(s) of the said meetings will be confirmed at least one (1) month before the convening of the meeting(s) and the notice(s) of meeting to the Directors will be despatched to the respective Directors at least seven (7) days prior to the convening of the said meeting(s).

In addition to the abovementioned four (4) Board meetings, additional Board meetings will be convened as and when necessary to deliberate on matters of importance that have not been deliberated or concluded in the earlier Board meetings.

Besides Board meetings, the Board is also disposed to the avenue of deliberating matters that require Board's approval through Circular Resolutions. However, the Board endeavours to avoid this alternative route for deliberation and only rely on it as an avenue of last resort for matters which are urgent/time-sensitive which arise in between the scheduled meetings and that the Directors are not able to meet in person. In accordance with the Articles of Association of the Company, a signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

During the financial year ended 31 December 2017, five (5) Board Meetings were held. The attendance record of each of the Directors is as follows:-

Board of Directors' Meeting		27 Feb 17'	24 Mar 17'	22 May 17'	29 Aug 17'	30 Oct 17'		
Directors	**Position**	**Attendance**					**Total**	**%**
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Executive Chairman	✓	✓	✓	✓	✓	5/5	100
Y.Bhg. Dato' Mohd Shahar Bin Abdul Hamid	Senior Director; Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100
Liu Guodong	Managing Director	✓	✓	✓	✓	✓	5/5	100
Cedric Choo Sia Teik	Executive Director	✓	✓	✓	✓	✓	5/5	100
Lim See Tow	Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100
Liu Xueqiang	Non-Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100

(viii) As required under the MMLR, all the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP"). The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 December 2017, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Title	Organiser
• *Corporate Governance Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) world*	*Bursa Malaysia in conjunction with the ICLIF Leadership and Governance Centre*
• *EY C-Suite Breakfast Talk: Human at Work*	*Ernst & Young*
• *Workshop: Sustainable Engagement Series for CFO / CSO*	*Bursa Malaysia*
• *Seminar: Corporate Reporting in Malaysia – MFRS and Non-Financial Disclosures*	*Malaysian Institute of Accountants*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

Title	Organiser
• *Seminar: A Comprehensive Review of Latest Development in Malaysian Financial Reporting Standards*	*Malaysian Institute of Accountants*
• *Breakfast Talk: Leading Change @ The Brain*	*Bursa Malaysia*
• *Director Risk Management Programme Training: I Am Ready To Manage Risk*	*Bursa Malaysia*
• *MICG Roundtable*	*Malaysian Institute of Corporate Governance*
• *Sustainability Reporting Awards*	*Bursa Malaysia*
• *Seminar – Corporate Disclosure*	*Bursa Malaysia*

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

The Company conducts an annual assessment to evaluate the effectiveness of the Board and the Board Committees as well as the performance of each individual Director through the NC.

The NC of the Company comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors. The composition of the 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)

The NC, in discharging its duties, is guided by the Terms of Reference, which is available on the Company's Website. The Terms of Reference of the NC was reviewed on 27 February 2018, and was enhanced to be in line with the Code.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide–Towards Boardroom Excellence.

The ARMC carried out its evaluation with the view to maximise the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 27 February 2018 and observed that the performance of the Board and Board Committees, in terms of its structure, operations, and roles and responsibilities was consistently strong.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (Cont'd)

During the financial year ended 31 December 2017, the NC held one (1) meeting to undertake the following activities:

(1) Reviewed the Performance Evaluation Forms for Directors and Board Committees;
(2) Reviewed the effectiveness of the Board as a whole and of the Board Committee;
(3) Reviewed the terms of office and performance of the ARMC and each of its members;
(4) Assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment;
(5) Recommended to the Board, directors who are retiring by rotation and to be put forward for re-election; and
(6) Reviewed and recommended to the Board to seek shareholders' approval at the forthcoming AGM for Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and are eligible and fit to continue to assume the role as Independent Non-Executive Director.

Remuneration

6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. The remuneration policies and decisions are made through a transparent and independent process.

(i) Remuneration Committee

The RC comprises the following members:

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)*
	:	**Liu Guodong** *(Managing Director)* ** (ceased as a member of Remuneration Committee on 27 February 2018)*

During the financial year ended 31 December 2017, the RC had one (1) meeting to carry out its function. The details on the functions of the RC are set out in the Terms of Reference, which is available in the Company's Website.

(ii) Remuneration Policy

The RC determines and agrees with the Board on the broad policy for remuneration of the Company's Executive Chairman, Managing Director, Executive Directors and senior members of the Company as the RC is directed to consider. The RC also determines and recommends to the Board any performance related pay schemes for Executive Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

(i) Directors' Remuneration

The aggregate remuneration of the Directors received from the Company and the Group for the financial year ended 31 December 2017 is set out below:-

A. Aggregate Remuneration

	Company		Group	
	Executive Directors RM	**Non-executive Directors RM**	**Executive Directors RM**	**Non-executive Directors RM**
Salary	660,000	–	994,537	–
Fees	–	60,000	–	90,000
Allowances	–	13,100	–	17,948
Other emoluments	80,029	–	80,029	–
Total	740,029	73,100	1,074,566	107,948

B. Individual Director Remuneration

	Salary RM	**Fee RM**	**Allowances RM**	**Emoluments RM**
Executive Directors				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	420,000	–	–	50,400
Liu Guodong	334,537	–	–	–
Cedric Choo Sia Teik	240,000	–	–	29,629
Non-Executive Directors				
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	–	30,000	6,550	–
Lim See Tow	–	30,000	6,550	–
Liu Xueqiang	–	30,000	4,848	–

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. (Cont'd)

(i) Directors' Remuneration (Cont'd)

C. Key Management Remuneration (by Band)

Key management personnel of the Group whose total remuneration during the financial year ended 31 December 2017 are as follows:

	Name				
	Yan Bindong	**Li Xianhong**	**Song Xiguo**	**Foong Chong Thong**	**Qiu Hong Guang**
	(General Manager)	(Operations Manager)	(Safety Manager)	(Group Financial Controller)	(Marketing Manager)
RM50,000 and below					✓
RM50,001 – RM100,000			✓		
RM100,001 – RM150,000		✓			
RM150,001 – RM200,000				✓	
RM200,001 – RM250,000					
RM250,001 – RM300,000	✓				

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

8.0 There is an effective and independent Audit and Risk Management Committee. The Board is able to objectively review the Audit and Risk Management Committee's findings and recommendations. The company's financial statement is a reliable source of information.

(i) The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reporting.

(ii) The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 2016 and the Listing Requirements of the Bursa Securities have been applied.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's financial position and business prospects in the Directors' Report and the Financial Statements of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Audit Committee (Cont'd)

8.0 There is an effective and independent Audit and Risk Management Committee. The Board is able to objectively review the Audit and Risk Management Committee's findings and recommendations. The company's financial statement is a reliable source of information. (Cont'd)

(iii) An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the MMLR. The Board through its ARMC, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.

(iv) The ARMC assesses the suitability and independence of the External Auditors on an annual basis. Areas of assessment includes amongst others, the External Auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who were in constant engagement with the external audit team throughout the year would also be referred to by the ARMC in its consideration of the suitability of the External Auditor.

The External Auditors, in supporting their independence, will provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Accordingly, the External Auditors have provided such declaration in their annual audit planning memorandum presented to the ARMC of the Company during the financial year.

The External Auditors of the Company fulfil an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

The External Auditors have an obligation to bring to the attention of the Board of Directors, the ARMC and Company management any significant shortcomings, if any, in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The External Auditors of the Company are invited to attend at least two (2) meetings with the ARMC a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the ARMC will also have private sessions with the External Auditors without the presence of the management to enable exchange of views on issues, if any, that are deemed to require attention.

During the financial year ended 31 December 2017, the amount of audit fee and non-audit fee paid to the External Auditors by the Company and the Group were as follows:-

	Group RM	**Company RM**
Audit fees	464,189	60,000
Non-Audit fees	43,823	43,823

The non-audit fees were in respect of review of the Statement of Risk Management and Internal Control, performance of limited review on the Group's financial statement for the six (6) months ended 30 September 2017 as well as the provision of professional taxation services.

In considering the nature and scope of non-audit fees, the ARMC was satisfied that they were not likely to create any conflict of interests or impair the independence and objectivity of the External Auditors.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Audit Committee (Cont'd)

8.0 There is an effective and independent Audit and Risk Management Committee. The Board is able to objectively review the Audit and Risk Management Committee's findings and recommendations. The company's financial statement is a reliable source of information. (Cont'd)

(iv) The ARMC and the Board are satisfied with the performance, competence and independence of the External Auditors and the Board had accordingly recommended their re-appointment as the Company's External Auditor for shareholders' approval at the forthcoming AGM.

The key features underlying the relationship of the ARMC with External Auditors are included in the Summary of Work of the ARMC as detailed in Audit and Risk Management Committee Report section of this Annual Report.

Risk Management and Internal Control Framework

9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

(i) The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

(ii) The Company has in place an on-going process for identifying, evaluating and managing key risks that may affect the achievement of the business objectives of the Group. Towards cultivating a sustainable risk management culture, risk management principles and practices are embedded into existing key processes across different functions within the Group.

10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

(i) The Group's internal audit function is carried out by an in-house Internal Audit Department which reports directly to the ARMC. The scope of the Internal Audit, among others include providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The information on the Group's Internal Control is presented in the Audit and Risk Management Committee Report section of this Annual Report.

(ii) The Board ensures that the disclosure of material information pertaining to the Group's performance and operations to the public is in accordance with the disclosure requirements under the MMLR of Bursa Securities and/or other applicable laws and regulations. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries, if any.

The Company has a Corporate Disclosure Policy that governs the dissemination of corporate information. The said Corporate Disclosure Policy can be found on the Company's Website.

(iii) The Board has established a dedicated section for corporate information on the Company's Website where information on the Company's announcements, financial information, share prices and analysts' reports can be accessed.

Shareholders and members of the public are invited to access the Company's Website and Bursa Securities website at www.bursamalaysia.com to obtain the latest information on the Group.

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

Communication with Stakeholders

11.0 There is continuous communication between the Company and Stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The Company keeps shareholders informed by way of announcements and timely release of quarterly financial results through Bursa Link, press releases, annual report and circular to shareholders, should it be necessary.

Any query and concern regarding the Group may be conveyed to the following person:-

Investor Relations	:	Mr. Bernard Tan Chin Teik
Telephone no.	:	03-7733 7180
Fax no.	:	03-7733 7170
Email	:	bernard@sinohuaan.com

Conduct of General Meetings

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

(i) The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 28 days before the said meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification, should it be required, on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Company will undertake to provide a written reply to the shareholder.

(ii) All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board makes an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings for shareholders' information.

This Statement was approved by the Board of Directors on 19 March 2018.

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:

	Group RM	**Company RM**
Audit fees	464,189	60,000
Non-audit fees	43,823	43,823

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 or concluded at the end of the financial year ended 31 December 2017.

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 24 to the Financial Statements on page 86 of this Annual Report.

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 ("MMLR") 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 Public Listed Companies".

THE INTERNAL CONTROL PROCESS

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

- An organisation structure with defined lines of responsibility and appropriate reporting structure including proper approval and authorisation limit for approving capital expenditure and expenses within the Group;

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

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

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

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

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

In accordance to Paragraph 15.23 of the MMLR, 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 system 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.

This above statement is made in accordance with a resolution passed at the Board of Directors' Meeting held on 19 March 2018.

STATEMENT ON SUSTAINABILITY

The Group has embraced the values of sustainability and corporate responsibility since the early days (albeit not formally articulated and documented then), given the fact that we have always recognized the production of metallurgical coke could be deemed polluting to the environment, if not properly managed and controlled.

The Group's approach to sustainability is based on the principle that its present needs should be met without compromising the well-being of the future generations. In this respect, the Group endeavours to uphold the following:

- Commit to protect and preserve the environment where it lives and operates in;
- Ensure the economic, social well-being and health of its employees as well as the wider communities are protected;
- Embed corporate sustainability as part of doing its business.

The Group recognizes the fact that the production of metallurgical coke is generally perceived to be a polluting industry and the potential impact it has on the environment. As such, initiatives have been taken to control and manage the emissions released into the atmosphere by putting in place environmentally protective measures and installing relatively advanced environmental protection equipment and mechanism in its production facilities. Accordingly, significant amount of investments and capital expenditures have been made over the years in its pursuit to be an environmentally friendly organization.

Amongst others, recent additions, upgrades and enhancements to its environmental protection equipment include the installation of de-sulphurisation facility, de-nitration facility, dust trap and cover facility, etc. In addition to the above, our coke manufacturing plant has also installed an advanced Management Information Systems which enabled direct link to the department of Ministry of Environmental Protection whereby the latter is feed with uninterrupted real-time emission data for their monitoring on the performance of our plant. Furthermore, the Group has a waste water treatment plant within the vicinity to control the discharge of water pollutants and manage the water pollution level.

The Group has also embarked on an alternative quenching process by installing the more environmentally friendly and efficient dry quenching facilities in its operations (in place of its traditional wet quenching process). The said dry quenching facilities are able to conserve and reduce the amount of water used in the quenching process, hence significantly reducing the amount of waste water and dust/ash emission. Additionally, heat released from the said quenching process is harnessed and recycled instead of indiscriminately releasing into the air.

Notwithstanding the above, insofar as its social responsibilities are concerned, the Group through its subsidiary Linyi Yehua Coking Co. Ltd. continues to maintain a policy of ensuring recruitment priority is given to the residents of Linyi (the locality in which our plant is located), regardless of gender, ethnicity or age. As a result thereof, a substantial majority of our workforce are people from the Linyi area.

STATEMENT ON DIRECTORS' RESPONSIBILITY

In accordance with the provisions of the Companies Act, 2016, the Main Market Listing Requirements ("MMLR") 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, 2016, the MMLR of Bursa Securities and the applicable MASB Approved Accounting Standards in Malaysia.

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

This statement is made in accordance with a resolution passed at the Board of Directors' meeting held on 19 March 2018.

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 2017.

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

Mr. Liu Xueqiang
Non-Independent Non-Executive Director

TERMS OF REFERENCE

The full Terms of Reference of the ARMC, outlining the ARMC's composition, proceedings 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 2017. The record of attendance of the ARMC meetings is as follows:

	Date of ARMC Meeting				
Name of Members	**27 Feb 2017**	**24 Mar 2017**	**22 May 2017**	**29 Aug 2017**	**30 Oct 2017**
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	✓	✓	✓	✓	✓
Ms. Lim See Tow	✓	✓	✓	✓	✓
Mr. Liu Xueqiang	✓	✓	✓	✓	✓

SUMMARY OF THE WORK OF THE ARMC

In discharging its functions and duties, the ARMC had carried out the following work during the financial year ended 31 December 2017:

Financial Reporting

(i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations made 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.

SUMMARY OF THE WORK OF THE ARMC (CONT'D)

Financial Reporting (Cont'd)

(i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations made to the Board. Key areas of focus are as follows: (Cont'd)

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	Activities
27 February 2017	• Unaudited quarterly report on consolidated results of the Company and Group for the Fourth quarter ended 31 December 2016
22 May 2017	• Unaudited quarterly report on consolidated results of the Company and Group for the First quarter ended 31 March 2017
29 August 2017	• Unaudited quarterly report on consolidated results of the Company and Group for the Second quarter ended 30 June 2017
30 October 2017	• Unaudited quarterly report on consolidated results of the Company and Group for the Third quarter ended 30 September 2017

(ii) Reviewed and recommended the Corporate Governance Overview Statement, 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.

External Audit

On 27 February 2017, the ARMC had reviewed the Audit Review Memorandum which had summarized the significant audit findings arising from the statutory audit of the Group and the Company for the financial year ended 31 December 2016, with the External Auditors, Messrs. Morison Anuarul Azizan Chew ("MAAC"). MAAC also confirmed that they have not noted any fraud related incidents that rendered reporting to the ARMC.

On 24 March 2017, the ARMC had reviewed the audited financial statements of the Company for the financial year ended 31 December 2016, issued in April 2017, and discussed with the External Auditors the results of the final audit conducted on the Company and Group prior to recommending the same to the Board for approval. There were no significant audit issues raised by the External Auditors.

On 30 October 2017, the ARMC had reviewed the Audit Planning Memorandum for the financial year ending 31 December 2017 prepared by MAAC, outlining the scope of works, key areas of audit emphasis, audit approach, fraud considerations, timetable, audit fees and the new and revised auditors reporting standards.

During the financial year, the ARMC had two (2) private dialogue sessions with the External Auditors on 27 February 2017 and 30 October 2017 respectively, without the presence of the Executive Directors and Management of the Group to enquire if MAAC had encountered issues during their audit that needed to be brought to the attention of the ARMC.

The ARMC reviewed the performance, independence and effectiveness of the MAAC and made recommendations to the Board on the re-appointment and remuneration of the External Auditors. MAAC confirmed that they have complied with the independence requirements and their objectivity has not been compromised under regulatory and professional requirements.

Internal Audit

The ARMC had reviewed the Internal Audit Report issued by the Internal Audit Department on a quarterly basis and ensured that action plans recommended by the Internal Auditors had been implemented by the Management on a timely basis.

SUMMARY OF THE WORK OF THE ARMC (CONT'D)

Related Party Transactions

The ARMC had reviewed on a quarterly basis, the recurrent related party transactions for compliance with both in-house procedures and the Main Market Listing Requirements of Bursa Securities.

Other Matters

The ARMC reviewed the ARMC report and Statement on Risk Management and Internal Control, prior to submission to the Board for consideration and inclusion in the Annual Report of the Company.

Summary of Work of the 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 2017 amounted to RM52,198.

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. 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.

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

2017 marks the turning point for Sino Hua-An Group. Admittedly the Group has gone through many trials and tribulations over the past years, chief amongst them include the prolonged challenging business and industry landscape which resulted in misaligned pricing dynamics for coke and coal thus rendering business undertakings unviable. Whilst the Group was navigating through the rough terrains of the industry landscape in an attempt to stay afloat, the Group has to contend with industry-wide punitive environmental policies by the government which then resulted in the temporary cessation of business operations for a period of more than six months in 2015 as well as a curb in production capacity. Following therefrom, as the coke industry then was still in the doldrums, the Group had made a strategic decision to lease out its operationalized coke ovens in 2016 in an attempt to mitigate the extent of anticipated losses expected to be incurred by the Group should it continue to operate the said coke ovens *(Note: The coke ovens, once fired-up and operationalized, must be kept running. Any attempt to shut them down, albeit temporarily to wait out the trying periods, will result in structural damages to those coke ovens, hence the decision to lease out the said ovens during that material period of time).* As a result of the above leasing arrangement, which for all intents and purposes, decidedly undertaken for the benefit of the shareholders, the Group was deemed to have insignificant business operations by Bursa Securities and had accordingly placed the Group under Paragraph 8.03A category of the Main Market Listing Requirement of Bursa Securities. All the above events had invariably bludgeoned the Group's listed share price to trade at around a paltry 3 sen a piece.

Notwithstanding the above, the landscape in which the Group is operating has changed for the better in 2017. All the abovementioned undesirable events hopefully will not be repeated and be relegated to mere memory. Moving forward, circumstances are appearing to point towards a more favourable and sustained business environment for the Group.

INDUSTRY OVERVIEW

China, being still the largest steel producer in the world *(according to the Organisation for Economic Co-operation and Development (OECD), global steel capacity stood at 2.38 billion tonnes, of which Chinese capacity alone accounted for 1.17 billion, while the rest of the world at 1.21 billion tonnes)* will to a large extent dictate the direction of the world steel industry and thus that of coke, considering the fact that the coke industry tracks closely and moves in tandem with the former. In recognition of the fact that the steel and coke industry was in the doldrums for the past five years, largely beleaguered from the oversupply situation, the China government has recently sought to adopt a much stricter stance in reducing its steel production capacity as a means to reduce the glut and reduce pollution. This was done through various means including clamping down on illegal steel and coke producers as well as those deemed to be inefficient and/or fail to meet the country's strict environmental and pollution standards, coupled with the concerted industry wide curbing of capacity output of existing players. These strategic move by the government has worked in restoring the supply and demand equilibrium in the steel and coke industry thus returning business viability in the industries, whilst also in effect addressing the perennial environmental and pollution issues of the country. To the existing industry players (such as the Sino Hua-An Group), the abovementioned capacity curb appears to be a boon and welcomed initiative by the government as the prices of coke has rebounded substantially to RMB2,293/tonne in September 2017 (averaging at RMB1,951/tonne throughout 2017) from a low of RMB650/tonne in December 2015 (averaging at RM825/tonne throughout 2015) and RMB616/tonne in February 2016 (averaging at RM1,212 throughout 2016), respectively. On hindside, should the capacity curb was not implemented and all existing plants were to be allowed indiscriminately to operate at full capacity, there would still be an overhang in the industry and inherently the prices of coke will continue to be languished and losses continued to be incurred.

With clear signs of a sustainable turnaround in the steel and coke industry seen in the horizon, the Group has taken back all of its leased coke ovens following the expiry of the leasing arrangement in February 2017 and had accordingly restored the coke operations within its fold. Following thereof, the Group has gradually ramped up its production output from its operationalized coke ovens to approximately 90% capacity and by virtue of that together with the significantly improved pricing dynamics in 2017, the Group managed to record consecutive operating profits from March 2017 onwards. Gross margins in 2017 has also improved from a low of 4% to a high of 21%, settling at an average of 11.3% throughout the entire year of 2017. This is a marked turnaround from 2015 and 2016 whereby negative margins of -13% and -12% were recorded in those preceding years respectively.

Premised on the fact that the coke industry has since turned around which then resulted in significant improvement in the financial results of the Group in 2017, coupled with the fact that the Group has restored its coke business operation within its fold following the expiry of the leasing arrangement, Bursa Securities have agreed on 19 December 2017 to remove the Group from being furthered classified as a Paragraph 8.03A company. Accordingly, Sino Hua-An has now restored its position as a normal listed entity on Bursa Securities.

Management Discussion and Analysis
(Cont'd)

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

For the financial year 2017, the Group registered a consolidated Revenue of RM891.7 million. This represents a significant increase of approximately 21.98 times from RM40.6 million recorded in the preceding financial year. Such an increase in revenue was primarily attributed to the fact that the Group has resumed its coke business operations in February 2017, following the expiry of its one-year leasing arrangement in respect of its operationalized coke ovens which covered a substantial part of the financial year 2016. As a consequence thereof, throughout financial year 2016 the Group was only able to earn transactional revenue from only a one-month period.

In addition to the above, given the fact that the steel and coke industry have substantially recovered in 2017, the Group saw a 191% increase in the average price of coke from RMB679/tonne to RMB1,981/tonne during the relevant month(s) in FY2016 and FY2017, respectively. The resurgence of the industry from its doldrums has also seen a 103% improvement in the price of tar oil which contributed approximately 6% of the total revenue of the Group. Such supplemented contribution was more than sufficient to negate the effects of a 28% decrease seen in the price of coal gas which represented approximately 7% of the total revenue.

In tandem with the substantial increase in the average price of coke mentioned above, the average prices of coking coal, being the primary raw material for the production of metallurgical coke, has also increased 119% from RMB561/tonne to RMB1,229/tonne during the relevant month(s) in FY2016 and FY2017, respectively. With such increase in the average price of coking coal, the *Cost of Sales* recorded by the Group has also increased 17.41 fold accordingly to RM790.8 million in this financial year under review from RM45.4 million recorded in the preceding financial year.

Based on the foregoing, the Group turned in a remarkable *Gross Profit* of approximately RM100.9 million for this financial year ended 31 December 2017 as compared to a loss of -RM4.8 million in the preceding financial year.

During the current financial year, the Group earned a relatively meager *Other Income* amounting to approximately RM2.0 million compared to approximately RM15.2 million derived in the preceding year. The seemingly exceptionally high *Other Income* recorded in the preceding year was primarily due to the lease rental received from the operationalized coke ovens that were leased out during that year in question. However, *Other Income* has normalized in the current financial year to only include the typical disposal of scrap metals, miscellaneous items and penalty imposed on staff for violation of any company policies.

Operating Expenses for the current financial year has also normalized to approximately RM21.9 million, a stark reduction from RM237.8 million incurred by the Group in the preceding financial year. The latter seemingly hefty *Operating Expenses* was primarily due to the impairment made on some of the *Trade Receivables* and *Property, Plant and Equipment (PPE)* during the said preceding financial year which was beleaguered by the then challenging business environment and unfavourable industry landscape.

Premised on the above, with the inclusion of the Group's *Other Income, Operating Expenses* and *Finance Costs*, the Group recorded a commendable *Profit for the Year* amounting to approximately RM80.8 million and an Earnings *per Share* of 7.20 sen during this current financial year ending 31 December 2017. In contrast, the Group suffered a substantial *Loss for the Year* amounting to approximately -RM227.5 million and a *Loss per Share* of -20.27 sen in the preceding financial year.

Concomitant to the healthy and restored financial results of the Group as described above, the Group's financial position remained robust in this financial year. *Total Assets* of the Group stood at RM450.1 million while its *Total Liabilities* accounted for only RM85.4 million.

Components of working capital, in particular *Inventories, Trade Receivables, Other Receivables, Deposits and Prepayments* have increased multiple folds in this financial year compared to those in the preceding year 2016. Such increases were consequential effects from the recommencement of the coke operations and the ramping up of its production level by the Group in this financial year after protracted periods of inactivity following the lease arrangement in the prior year. In addition to the above, the Group has also raised approximately RM25.0 million of short-term working capital facility during the financial year to further buttress and facilitate the rapid ramping up of the production level.

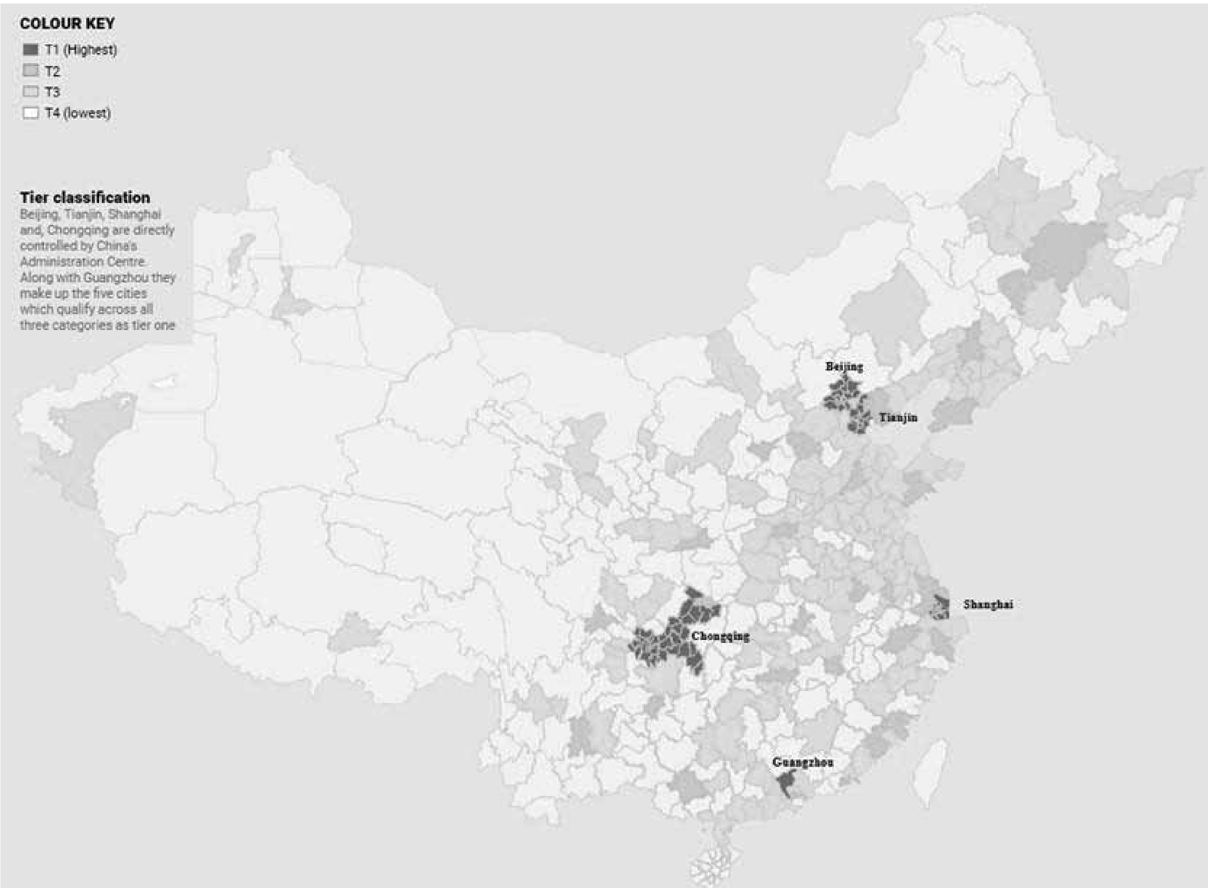
Premised on the above, the Group's *Shareholders' Fund* stood at RM364.7 million, representing an improvement of 24% over that recorded in the preceding year of RM295.0 million. The abovementioned increase was attributed to the improvements in the *Retained Earnings* as a result of the profits generated during the financial year 2017. Accordingly, the *Net Assets per Share* of the Group stood at RM0.32 per share as at 31 December 2017.

MOVING FORWARD

The Chinese economy has continued to beat expectations with the growth rate coming in slightly ahead of analysts' forecasts with an overall economic growth rate at 6.9% in 2017. Such economic growth are envisaged to be achieved through continued robust public and private sector infrastructure projects as well as real estate development pursuits particularly in the third tiered cities, all of which will provide an impetus to the steel and coke industry. According to a steel industry consensus, the domestic steel demand is expected to continue to be robust and sustainable through the rolling out of several socio-economic initiatives, more notably the expected RMB2 trillion steel consumption required to realise China's high-speed rail project from 2017 to 2030 as well as the spin-off effects of the massive One-Belt-One-Road (OBOR) initiative which will be spearheaded by China. All these may be seen as a catalyst to provide a compelling case on the prospect of the steel and coke industry, moving forward.

One of the objectives of the Chinese Government's structural economic reform endeavours is to narrow the socioeconomic disparities between its urban and rural populations and this is envisaged to be realised through its grand urbanisation initiatives. From approximately 26% in 1990, it has reached to approximately 56% in 2015 and the Government has set a target urbanisation rate of 60% to be achieved by 2020 and eventually to above 70% thereafter.

The diagram below attempts to put in perspective and illustrate the sheer size and scope of the urbanisation plan and the potential physical, socioeconomic developments should the targeted urbanisation rate is realised.



Source: SCMP – Urban legend: China's tiered system explained 2016

MOVING FORWARD (CONT'D)

As shown above, Tier-1 *(highly urbanised)* cities comprises only of Beijing, Shanghai, Tianjin, Chongqing and Guangzhou. Tier-2 *(urbanised)* and Tier-3 *(sub-urban; semi-rural)* cities comprises approximately over 50% of the populated land area whilst Tier-4 *(rural)* cities, which are mostly concentrated around the western parts of China still forming a majority of the land area.

By looking at the land area covering *Tier-3* and *Tier-4* cities which are targets for urbanisation, it becomes apparent that there are still vast opportunities and important role for the domestic steel industry to play in the future. This can be drawn from the fact that urbanisation of an area would involve massive public and private sector infrastructure investments, real estate developments, modernisation of public amenities including power plants and transportation facilities including rails, highways, roads and ports infrastructure for travel and trade connectivity, all of which are to improve the socio-economic and wealth position of the area concerned. Premised on these key ingredients of urbanisation, it is apparent that there still exist huge potential for the prospects of the steel industry (and thus the coke industry) within China itself.

Notwithstanding the above, cognisance is taken that whilst the Chinese Government is pushing ahead with its urbanisation aspirations, it has not lost sight of the other key pillars in its economic reform and the perennial environmental pollution concerns. The Chinese Government is fully aware of the need for a proper balance in managing and controlling pollution levels vis-à-vis maintaining a reasonable amount of overall economic growth to meet its urbanisation goals. In this respect, it can be seen that the Chinese Government will continue to carry out strict environmental regulation and its stringent approach in dealing with pollution concerns in the country. Local governments will continue to shut down illegal establishments as well as factories that fail to comply with the environment protection standards and policies. Besides addressing the perennial pollution issues besetting the nation, such initiatives also serve to stem any future oversupply situation in the steel industry by further cutting domestic capacity of steel with the aim at improving prices and industry-wide profitability, and to ensuring a more robust and stainable industry prospect. The above situation augurs well for those subsisting and compliant plants (such as Sino Hua-An) as operating environment has improved significantly and will become more favourable in the years to come.

Further to the above domestic support for the steel and coke industry moving forward, there is the ambitious OBOR initiative to be spearheaded by China as announced by President Xi Jinping at Davos in January 2017. The OBOR initiative is a large-scale strategy designed to drive bigger and faster trade and capital flows between the east and the west. Covering two trade routes – an overland connecting Europe and the Middle East to China by way of Central Asia, and a maritime route that connects China, South East Asia, India and Africa – the overall objective is to increase regional trade and encourage economic cooperation. Specifically, OBOR initiative will connect cities in more than 65 countries across Europe, Asia and Africa. This represents approximately 4.4 billion people, or about 63% of the world's population and 29% of global GDP. The OBOR initiative is expected to begin by building or improving the physical infrastructure along these routes including rail lines, ports, power grids and telecommunications networks. Estimates indicate that the OBOR infrastructure in Asia alone will cost USD1.7 trillion a year through 2030 and the recently established Asian Infrastructure Investment Bank (AIIB), Silk Road Fund and the New Development Bank have already committed approximately USD1.1 trillion of funding to the said OBOR initiative.

Source: (1) Why Belt and Road is more than the sum of its parts: HSBC – 29 August 2017; (2) Reshaping the Future World Economy: Stuart Gulliver Group CEO HSBC – 11 May 2017

Premised on the above, the rollout of the OBOR initiative will be a boon to the steel industry worldwide as real demand is expected to come from equipment manufacturers providing components for high-speed railways, ports, engineering machinery, high voltage power grids and nuclear power plants. In addition, construction companies involved in the varied developments along the OBOR corridor will require massive supply of steel as raw materials.

MOVING FORWARD (CONT'D)

In so far as the macroeconomic front is concerned, the world economy appears to be in the road of recovery. The pickup in growth projected in the April 2017 World Economic Outlook (WEO) is strengthening with the global growth forecast for 2017 and 2018 estimated at 3.6% and 3.7%, respectively. According to an IMF publication in October 2017, notable pickups in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, are supporting the recovery of the global economy. With growth outcomes in the first half of 2017 generally stronger than expected, upward revisions to growth are broad based, including for the Euro area, Japan, China, emerging Europe, and Russia. These more than offset downward revisions for the United States and the United Kingdom (which do still record growth but at a relatively slower pace). High-frequency indicators for the second quarter of 2017 provided signs of continued strengthening of global activity. Specifically, growth in global trade and industrial production remained well above 2015–16 rates despite retreating from the very strong pace registered in late 2016 and early 2017. Purchasing managers' indices (PMIs) signal sustained strength ahead in manufacturing and services.

According to a report by OECD on 20 September 2017, the picked up in momentum of the world economy is supported by industrial production and trade picking up and further acceleration in the rebound of technology spending. Although it is predicted that growth among major advanced economies remains on pace in 2018, emerging markets economies (EME) in Asia shall remain at the driver seat. China and India are expected to set the global pace with an expected growth rate of 6.5% and 7.4% in 2018, respectively. As a group, EME in Asia collectively are expected to perform the best, recorded a growth of 6.5% in 2017 and continuing at this pace into 2018.

Growth in the United States, now in its 9th year, is running at full capacity for the first time in a decade. GDP in the 4Q'17 was recorded at 2.5% and such growth-pace is expected to continue into 2018 together with corporate earnings improving at 10% compared to last year. These numbers are primarily supported by perceivably stronger consumer spending and business investment. Job creation has remained strong and the impending fiscal easing and regulatory reform may provide an additional boost in 2018.

In the Eurozone, current main indicators of growth and inflation point to an economy are now firing on all cylinders. The Euro area grew at a 2.1% in 2017 and projected to grow at 1.9% pace in 2018, an upward revision from previous projections driven by stronger growth in key European countries. Germany grew by 2.2% in 2017 and is forecasted to grow at 2.1% in 2018, France by 1.7% in 2017 and 1.6% in 2018, while Italy saw a 1.4% growth rate in 2017 and will see a 1.2% rate in 2018. The revised projections reflect stronger-than-expected performance in the first half of 2017, in the context of rising employment rates, accommodative monetary policy and reduced political uncertainty. The upswing is also driven by stronger consumption growth and investment, as well as healthy export growth.

Growth in Japan is supported by an upturn in public investment and stronger growth in Asian markets, and this produced an overall growth of 1.6% in 2017, slightly above the June 2017 Economic Outlook. Rising corporate profits should help strengthen business investment through 2018, but low wage growth and fiscal consolidation are likely to weigh on activity in 2018, when growth is expected at 1.2%.

Russia is rebounding from a recession with higher oil prices and lower interest rates providing a near-term boost to growth, which turned in a 2.0% growth in 2017 and expected to maintain such a momentum in 2018. In Brazil, monetary easing is helping the gradual recovery and the strong decline in inflation is supporting consumer confidence. Growth was recorded at 0.6% in 2017 and is projected at 1.6% in 2018, but medium-term growth prospects hinge on delivering reforms, including pension reforms, to ensure fiscal sustainability and enhanced productivity growth.

Source: (1) Global Prospect and Policies: International Monetary Fund (IMF) - October 2017; (2) OECD sees synchronised momentum for global economy: OECD - 20 September 2017; (3) Economic Outlook – a hint of spring is in the air: Atradius – May 2017; (4) Will markets in 2018 defy predictions again? – by Tan Sri Lin See-Yan, ex-deputy governor of Bank Negara Malaysia, Harvard educated economist and British Chartered Scientist.

MOVING FORWARD (CONT'D)

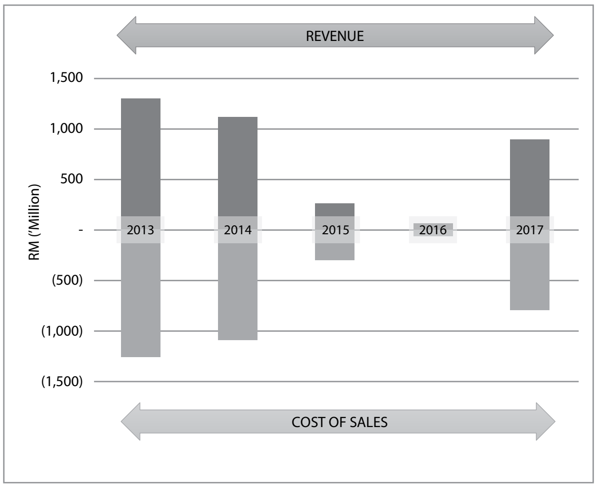
Judging from the positive projections for the global economic growth moving forward, made by the IMF, OECD (and other experts/authorities in this area), the continued humming of the world economy would also be able to cast support to the steel industry on a whole together with the other supporting industries in its ecosystem, such as that of coke.

Premised on the above, it is apparent that the industry landscape had turnaround, circumstances have changed compared to the trying periods in the prior years and that there are numerous catalysts driving the steel and coke industry, moving forward. Consequently, these favourable micro and macro level developments had enabled Sino Hua-An group to record commendable financial results for 2017, compared to that of the preceding years. Notwithstanding the above, cognisance must be taken to recognise the fact that the recovery in the steel and coke industry is still at its infancy stage and the existence of external headwinds such as geopolitical risks, political tensions, variations in governmental policies and directives, etc that may have an impact on the industry.

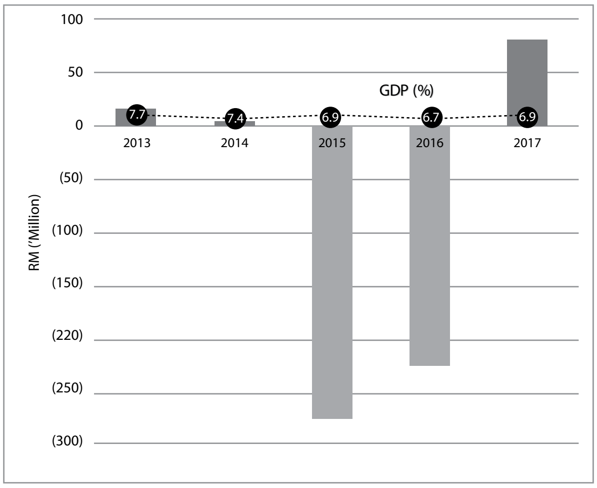
Moving forward, the Group shall endeavor to continuously explore opportunities and avenues to enhance and/or supplement its business operations and profitability.

HISTORICAL FINANCIAL RESULTS

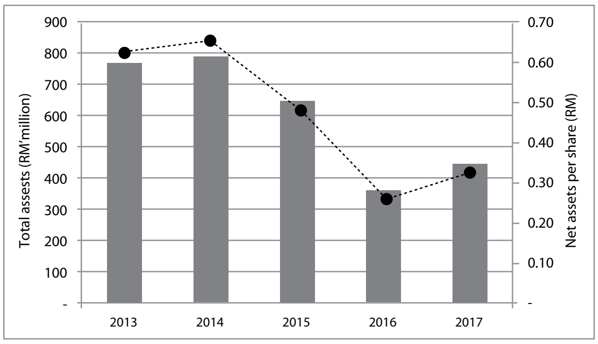
REVENUE vs COST OF SALES



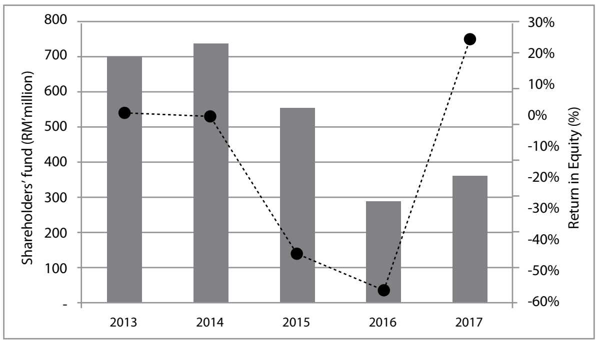
PROFIT/(LOSS) AFTER TAX vs CHINA ECONOMIC GROWTH (GDP)



TOTAL ASSETS vs NET ASSET PER SHARE



SHAREHOLDERS' FUND vs RETURN ON EQUITY



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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**
Profit/(Loss) for the financial year	80,807	(32,905)

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

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
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 20 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 20 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 31 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
19 MARCH 2018

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 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and the cash flows for the financial year then ended.

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
19 MARCH 2018

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 set out on pages 53 to 96 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)
on this date of)

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 2017 of the Group and of the Company and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 96.

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 2017, 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, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical 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. We have determined that there are no key audit matters to communicate in our report in the financial statements of the Company. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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
Assessment on recognition of deferred tax assets (Refer to Note 2(c)(ii) and Note 21 to the financial statements)	
As at 31 December 2017, the Group's significant subsidiary operating in Shandong Province, People's Republic of China, has unutilised tax losses amounting to RMB192,501,000 (approximately RM120,119,000). The assessment on the Group's recognition of deferred tax assets is a key area of judgement based on the probability that future taxable profits will be available against which temporary differences can be utilised.	We reviewed the Directors' assessment of the availability of future taxable profits generated by the subsidiary in which the deferred tax assets arose. We have discussed with the Directors over the operational challenges faced by the subsidiary that creates uncertainty in relation to the generation of future taxable profits and the subsequent utilisation of the tax losses of the subsidiary which includes the following: (i) Regulatory uncertainty; (ii) Uncertainty of pricing dynamics in the steel industry; and (iii) Expiry of the unutilised tax losses Additional information on items (i) to (iii) above is disclosed in Note 21 to the financial statements. In addition, we have corroborated such information with our understanding of the subsidiary's circumstances based on our physical sighting of the subsidiary's plant, external news articles and other references. Premised on the above, it is uncertain whether the subsidiary can generate sufficient future taxable profits prior to the expiry of the unutilised tax losses in the foreseeable future. Consequently, deferred tax assets are not recognised.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

Independent Auditors' Report
to the members of Sino Hua-An International Berhad
(Cont'd)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

CHEW LOONG JIN
Approved Number: 03279/03/2019 J
Chartered Accountant

KUALA LUMPUR
19 MARCH 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current Assets					
Property, plant and equipment	3	187,438	194,735	39	60
Prepaid lease payments	4	30,703	32,878	–	–
Investment in subsidiary companies	5	–	–	150,584	150,584
		218,141	227,613	150,623	150,644
Current Assets					
Inventories	6	70,515	17,181	–	–
Trade receivables	7	100,350	6,085	–	–
Other receivables	8	25,107	8,235	17	16
Tax recoverable		–	19,981	–	–
Amount owing by related parties	9	15,556	59,538	–	–
Amount owing by a subsidiary company	10	–	–	280,350	311,842
Cash and cash equivalents	11	20,472	21,254	1,796	1,446
		232,000	132,274	282,163	313,304
Current Liabilities					
Trade payables	12	31,328	35,842	–	–
Other payables	13	29,143	29,129	95	100
Amount owing to a Director	14	8	9	–	–
Amount owing to a subsidiary company	10	–	–	20,320	18,572
Borrowings	15	24,960	–	–	–
		85,439	64,980	20,415	18,672
Net current assets		146,561	67,294	261,748	294,632
		364,702	294,907	412,371	445,276
Financed By:					
Share capital	16	1,115,045	561,154	1,115,045	561,154
Reserves	17	(549,730)	15,173	–	553,891
Accumulated losses		(200,613)	(281,420)	(702,674)	(669,769)
Total equity		364,702	294,907	412,371	445,276

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	18	891,691	40,575	–	–
Cost of sales		(790,828)	(45,417)	–	–
Gross profit/(loss)		100,863	(4,842)	–	–
Other income		2,039	15,180	44	12,732
Administration and operating expenses		(21,869)	(237,797)	(32,949)	(1,906)
Finance cost	19	(226)	–	–	–
Profit/(Loss) before taxation	20	80,807	(227,459)	(32,905)	10,826
Taxation	21	–	–	–	–
Profit/(Loss) for the financial year		80,807	(227,459)	(32,905)	10,826
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(11,012)	(23,260)	–	–
Total comprehensive income/ (expense) for the financial year		69,795	(250,719)	(32,905)	10,826
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		80,807	(227,459)	(32,905)	10,826
Total comprehensive income/ (expense) for the financial year attributable to:					
Owners of the Company		69,795	(250,719)	(32,905)	10,826
Earnings/(Loss) per share attributable to Owners of the Company (sen):					
Basic and diluted	22	7.20	(20.27)		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

	Attributable to Owners of the Company						
	Non-Distributable						
Group	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	Accumulated losses RM'000	Total Equity RM'000
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 expense:							
- 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
At 1 January 2017	561,154	553,891	(799,823)	211,747	49,358	(281,420)	294,907
Profit for the financial year	–	–	–	–	–	80,807	80,807
Other comprehensive expenses:							
- Exchange differences arising from translation of foreign operations	–	–	–	(11,012)	–	–	(11,012)
Total comprehensive expense for the financial year	–	–	–	(11,012)	–	80,807	69,795
Transition to no par value regime (Note 16)	553,891	(553,891)	–	–	–	–	–
At 31 December 2017	1,115,045	–	(799,823)	200,735	49,358	(200,613)	364,702

Statements of Changes in Equity
for the financial year ended 31 December 2017
(Cont'd)

	Attribute to Owner of the Company			
	← Non-Distributable →			
	Share Capital RM'000	Share Premium RM'000	Accumulated losses RM'000	Total RM'000
Company				
At 1 January 2016	561,154	553,891	(680,595)	434,450
Profit/Total comprehensive income for the financial year	–	–	10,826	10,826
At 31 December 2016	561,154	553,891	(669,769)	445,276
At 1 January 2017	561,154	553,891	(669,769)	445,276
Loss/Total comprehensive expense for the financial year	–	–	(32,905)	(32,905)
Transition to no par value regime (Note 16)	553,891	(553,891)	–	–
At 31 December 2017	1,115,045	–	(702,674)	412,371

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation		80,807	(227,459)	(32,905)	10,826
Adjustments for:					
Depreciation of property, plant and equipment	3	13,161	43,018	21	23
Amortisation of prepaid lease payments		1,106	1,084	–	–
Impairment of property, plant and equipment	3	–	152,562	–	–
Property, plant and equipment written off		2	28	–	–
Impairment loss on amount due from related parties	9	–	33,259	–	–
Unrealised exchange loss/(gain)		–	–	30,933	(12,695)
Finance income		(87)	(88)	(44)	(37)
Finance cost		226	–	–	–
Operating profit/(loss) before working capital changes		95,215	2,404	(1,995)	(1,883)
Changes in working capital:					
Inventories		(53,334)	25,541	–	–
Trade receivables		(94,265)	16,733	–	–
Other receivables		(16,872)	11,881	(1)	–
Amount owing by/(to) related parties		43,982	(24,464)	–	–
Amount owing by/(to) a subsidiary Company		–	–	2,307	2,244
Amount due to a Director		(1)	1	–	–
Trade payables		(4,514)	(26,890)	–	–
Other payables		14	(5,056)	(5)	6
Cash (used in)/generated from operations		(29,775)	150	306	367
Interest paid		(226)	–	–	–
Tax refund		19,981	–	–	–
Net cash (used in)/generated from operating activities		(10,020)	150	306	367
Cash flows from investing activities					
Purchase of property, plant and equipment		(12,290)	(3,228)	–	–
Interest received		87	88	44	37
Net cash (used in)/generated from investing activities		(12,203)	(3,140)	44	37

Statements of Cash Flows
for the financial year ended 31 December 2017
(Cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from financing activity					
Drawdown of bank borrowing	25	24,960	–	–	–
Net cash generated from financing activity		24,960	–	–	–
Net increase/(decrease) in cash and cash equivalents		2,737	(2,990)	350	404
Effects of foreign exchange rate changes		(3,519)	(3,586)	–	–
Cash and cash equivalents at the beginning of the financial year		21,254	27,830	1,446	1,042
Cash and cash equivalents at the end of the financial year		20,472	21,254	1,796	1,446
Cash and cash equivalents at the end of the financial year comprises:					
- Deposits placed with licensed banks	11	1,792	1,406	1,792	1,406
- Cash and bank balances	11	18,680	19,848	4	40
		20,472	21,254	1,796	1,446

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

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

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

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

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors dated 19 March 2018.

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, 2016 in Malaysia.

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

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

Amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2017 are as follows:

- Amendments to MFRS 12, "Disclosure of Interest in Other Entities" (Annual Improvements 2014-2016 cycle)
- Amendments to MFRS 107, "Disclosure Initiative"
- Amendments to MFRS 112, "Recognition of Deferred Tax Assets for Unrealised Losses"

The above amendments to accounting standard 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, amendments to accounting standards and IC interpretation 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 2018

- MFRS 9, "Financial Instruments"
- MFRS 15, "Revenue from Contracts with Customers"
- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, "Classification and Measurement of Share-Based Payment Transactions"
- Amendments to MFRS 4, "Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts"
- Amendments to MFRS 128, "Investments in Associates and Joint Ventures" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, "Transfers of Investment Property"
- IC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"

Annual periods beginning on/after 1 January 2019

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combinations" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, "Income Taxes" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 123, "Borrowing Costs" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

Annual periods beginning on/after 1 January 2021

- MFRS 17, "Insurance Contracts"

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

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The above accounting standards, amendments to accounting standards and IC interpretations which may have a significant impact to the financial statements are as follows:

<u>MFRS 9 Financial Instruments</u>

MFRS 9 replaces the guidance in MFRS 139, "Financial Instruments: Recognition and Measurement" on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

Based on assessments to date, there are no changes in the measurement of the Group's and of the Company's financial assets and financial liabilities.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group and the Company has assessed the estimated impact that the initial application of ECL model will have on the financial statements as at 1 January 2018 and based on assessments undertaken to date, the ECL model do not have significant impact to Group.

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

(a) Basis of Preparation (Cont'd)

MFRS 15 Revenue from Contracts with Customers

In assessing the revenue recognition under MFRS 15, the principles currently applied by the Group is consistent with the requirements of MFRS 15. Other than the enhanced disclosures required, the estimated impact on initial application of MFRS 15 does not have significant impact to the Group.

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) Deferred tax assets

Deferred tax asset is recognised for unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing level of future taxable profits.

(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.

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

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

(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 estmated based on tests performed on each type of inventory. Significant judgments are required in measuring the size, shape and density of the Group's inventory piles. Changes in these estimations could signficantly affect the quantity of inventory at the end of each reporting period.

(v) Impairment of investment in subsidiaries

The Company 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 Company's tests for impairment of investment in subsidiaries.

(d) Basis of consolidation for subsidiaries

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

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

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

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

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

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

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.

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

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

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

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

(e) Investments in subsidiaries

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(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

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

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

(ii) Depreciation and impairment (Cont'd)

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.

(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.

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

(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.

(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.

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

(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.

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 foreign currency translation reserve.

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

(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.

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.

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

(o) Financial assets (Cont'd)

(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 declined in fair value below its cost is also considered objective evidence of impairment.

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

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

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

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

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

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

(o) Financial assets (Cont'd)

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

(q) Offsetting financial instruments

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

(r) Revenue and income recognition

<u>Sale of goods</u>

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.

<u>Interest income</u>

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

<u>Dividend income</u>

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.

<u>Rental income</u>

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

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

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

(t) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

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

(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

	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
2017						
Cost						
At 1 January 2017	427,413	398,775	1,713	5,059	2,223	835,183
Additions	–	272	64	–	11,954	12,290
Transfers	780	898	598	475	(2,751)	–
Written off	–	–	(4)	(14)	–	(18)
Exchange differences	(14,146)	(13,205)	(61)	(174)	(213)	(27,799)
At 31 December 2017	414,047	386,740	2,310	5,346	11,213	819,656
Accumulated depreciation						
At 1 January 2017	194,659	281,577	1,425	4,279	–	481,940
Charge for the financial year	7,152	5,565	166	278	–	13,161
Written off	–	–	(4)	(12)	–	(16)
Exchange differences	(6,546)	(9,396)	(46)	(146)	–	(16,134)
At 31 December 2017	195,265	277,746	1,541	4,399	–	478,951
Accumulated impairment losses						
At 1 January 2017	120,342	38,166	–	–	–	158,508
Exchange differences	(3,979)	(1,262)	–	–	–	(5,241)
At 31 December 2017	116,363	36,904	–	–	–	153,267
Carrying amount						
At 31 December 2017	102,419	72,090	769	947	11,213	187,438

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

	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 losses						
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

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

(a) Impairment on property, plant and equipment assessment

In prior 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 had 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 RM Nil (2016: RM152,562,000) which has been charged to administration and operating expenses.

	Company	
	2017 RM'000	**2016 RM'000**
Office furniture and equipment		
Cost		
At 1 January/31 December	159	159
Accumulated depreciation		
At 1 January	99	76
Charge for the financial year	21	23
At 31 December	120	99
Carrying amount	39	60

4. PREPAID LEASE PAYMENTS

	Group	
	2017 RM'000	2016 RM'000
Cost		
At 1 January	44,565	45,771
Exchange differences	(1,473)	(1,206)
At 31 December	43,092	44,565
Accumulated amortisation		
At 1 January	11,687	10,846
Amortisation for the financial year	1,106	1,084
Exchange differences	(404)	(243)
At 31 December	12,389	11,687
Carrying amount	30,703	32,878

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	
	2017 RM'000	2016 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

Movement in impairment during the financial year is as follows:

	Company	
	2017 RM'000	2016 RM'000
At 1 January/31 December	(754,324)	(754,324)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(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 2017 %	2016 %	Principal activities
Fancy Celebrations Sdn. Bhd.	Malaysia	100	100	Dormant
PIPO Overseas Limited #	British Virgin Islands	100	100	Investment holding
<u>Subsidiary company of PIPO Overseas Limited:</u>				
Linyi Yehua Coking Co. Ltd. #	People's Republic of China	100	100	Manufacturing and sales of metallurgical coke and other related by-products

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

6. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
Raw materials and consumables	59,714	17,181
Work-in-progress	2,167	–
Finished goods	8,634	–
	70,515	17,181

7. TRADE RECEIVABLES

The normal credit period granted by the Group to the trade customers ranges from 30 to 90 days (2016: 30 to 90 days).

The ageing analysis is as follows:

	Group	
	2017 **RM'000**	**2016** **RM'000**
Neither past due nor impaired	100,343	–
1 to 30 days past due but not impaired	–	–
Over 90 days past due but not impaired	7	6,085
	7	6,085
	100,350	6,085

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 RM7,000 (2016: RM6,085,000) 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	
	2017 **RM'000**	**2016** **RM'000**	**2017** **RM'000**	**2016** **RM'000**
Other receivables	25,082	8,210	–	–
Deposits	19	20	11	11
Prepayment	6	5	6	5
	25,107	8,235	17	16

9. AMOUNT OWING BY RELATED PARTIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Amount owing by related parties	137,310	181,292
Less: Impairment losses	(121,754)	(121,754)
	15,556	59,538

Movement in impairment during the financial year is as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	(121,754)	(88,495)
Impairment loss	–	(33,259)
At 31 December	(121,754)	(121,754)

This represents trade transactions with the normal credit period granted by the Group to its 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 27 to the financial statements.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	18,680	19,848	4	40
Deposits placed with licensed banks	1,792	1,406	1,792	1,406
	20,472	21,254	1,796	1,446

Interest rates on deposits placed with licensed banks average at 3.17% (2016: 2.34% to 3.25%) per annum and have an average maturity period of 7 days (2016: 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 (2016: 30 to 90 days).

13. OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	16,395	22,856	29	29
Accruals	12,095	5,534	66	71
Deposits	653	739	–	–
	29,143	29,129	95	100

14. AMOUNT OWING TO A DIRECTOR

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

15. BORROWINGS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Secured		
Term loan	24,960	–
Analysed as		
Repayable within twelve months	24,960	–

The above credit facility obtained from a licensed bank is guaranteed by Huasheng Jiangquan Group Co., Ltd. ("Jiangquan"). Jiangquan is related to the Group and the Company by virtue of Mr. Liu Guodong, a Director of the Company, being the brother-in-law of Mr. Wang Wen Tao, a director and shareholder of Jiangquan.

Maturity of borrowings is as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Within one year	24,960	–

Interest rate is charged at a rate of 3.92% (2016: Nil) per annum.

16. SHARE CAPITAL

	Group/Company			
	2017		2016	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary Shares				
Authorised				
At 1 January	2,000,000	1,000,000	2,000,000	1,000,000
Abolishment of authorised share capital*	(2,000,000)	(1,000,000)	–	–
At 31 December	–	–	2,000,000	1,000,000
Issued and fully paid				
At 1 January	1,122,308	561,154	1,122,308	561,154
Transition to no par value regime*	–	553,891	–	–
At 31 December	1,122,308	1,115,045	1,122,308	561,154

* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of the members as a result of this transition.

17. RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable				
Share premium				
At 1 January	553,891	553,891	553,891	553,891
Transition to no par value regime (Note 17(a))	(553,891)	–	(553,891)	–
At 31 December	–	553,891	–	553,891
Reserve acquisition reserve	(799,823)	(799,823)	–	–
Foreign currency translation reserve	200,735	211,747	–	–
Statutory common reserve fund	49,358	49,358	–	–
	(549,730)	15,173	–	553,891

17. RESERVES (CONT'D)

(a) Share premium

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of the members as a result of this transition.

(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.

17. RESERVES (CONT'D)

(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.

18. REVENUE

	Group	
	2017	**2016**
	RM'000	**RM'000**
Sales of goods		
Metallurgical coke	777,583	30,864
By products	114,108	9,711
	891,691	40,575

19. FINANCE COST

	Group	
	2017	**2016**
	RM'000	**RM'000**
Term loan interest	226	–

20. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Auditors' remuneration:				
- statutory	464	310	60	43
- others	33	5	33	5
Depreciation of property, plant and equipment	13,161	43,018	21	23
Amortisation of prepaid lease payments	1,106	1,084	–	–
Impairment of property, plant and equipment	–	152,562	–	–
Impairment loss on amount owing by related parties	–	33,259	–	–
Directors of the Company:				
- fees	90	79	60	60
- salaries and other emoluments	1,013	1,021	674	675
- Employee Provident Fund	79	79	79	79
Rental of premises	39	38	39	38
Rental of office equipment	5	5	5	5
Property, plant and equipment written off	2	28	–	–
Lease rental income	(1,056)	(11,387)	–	–
Unrealised exchange loss/(gain)	–	–	30,933	(12,695)
Finance income	(87)	(88)	(44)	(37)

Depreciation of property, plant and equipment of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM13,001,000 and RM160,000 (2016: RM42,793,000 and RM225,000) respectively.

21. TAXATION

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) on chargeable income of the estimated assessable profit/(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% (2016: 25%).

A reconciliation of income tax expense applicable to profit/(loss) 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**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit/(Loss) before taxation	80,807	(227,459)	(32,905)	10,826
Taxation at statutory tax rate of 24% (2016: 24%)	19,394	(54,590)	(7,897)	2,598
Effect of different tax rates in other countries	828	(2,255)	–	–
Expenses not deductible for tax purposes	484	459	7,908	457
Income not subject to tax	(11)	(9)	(11)	(3,055)
Utilisation of previously unrecognised deferred tax assets	(20,695)	–	–	–
Deferred tax assets not recognised	–	56,395	–	–
Taxation for the financial year	–	–	–	–

Assessment on recognition of deferred tax assets

The Directors assesses the recognition of deferred tax assets by considering the availability of future taxable profits generated by the subsidiary in which the deferred tax assets arose. As at the end of the reporting period, deferred tax assets have not been recognised for the following items:

	Group	
	2017 RM'000	**2016 RM'000**
Unutilised tax losses	120,119	217,223
Deferred tax asset not recognised	30,030	54,306

The unutilised tax losses of the Group relate to the PRC subsidiary and is denominated in Chinese Renminbi ("RMB") amounting to RMB192,501,000 (2016: RMB349,727,000) at the end of the reporting date.

21. TAXATION (CONT'D)

Assessment on recognition of deferred tax assets (Cont'd)

In making the assessment, the Directors have considered the following challenges in the operating environment faced by the subsidiary which creates uncertainty in relation to the generation of future taxable profits and the subsequent utilisation of the tax losses of the subsidiary:

(i) Regulatory uncertainty

On 7 March 2015, the subsidiary had suspended its operations as instructed by the Ministry of Environment Protection ("MoEP") until it fulfills the improvement requirements arising from the newly revised Environmental Protection Standards ("EPS"). As to date, the improvement requirements of the EPS had been fulfilled and 50% of the operational capacity of the subsidiary's operations have since commenced operations.

Despite having fulfilled the improvement requirements of the EPS, the MoEP has yet to allow the subsidiary to fully operationalise the remaining 50% of its operational capacity.

(ii) Uncertainty of pricing dynamics arising from the steel industry

In March 2018, the US government pushed forward plans to impose a 25% tariff on steel imports into the US. The move is expected to create excess steel supply outside the US.

Management expects that coke, being a key material in the steel manufacturing supply chain, would likely see more fluctuation in future coke prices that may bring further uncertainty to the subsidiary's operations and profitability.

(iii) Expiry of the unutilised tax losses

As per the PRC Corporate Tax Rules, unutilised tax losses are allowed to be carried forward for a period of up to five years. Any amounts remain to be unutilised beyond the five-year timeframe would expire thereafter.

There is uncertainty whether the generation of future taxable profits by the subsidiary will be within the five-year expiry timeframe to utilise these tax losses.

Premised on the matters outlined above, the Directors are of the view that it is uncertain that future taxable profits will be available against which the subsidiary can utilise the benefits therefrom.

Notes to the Financial Statements
(Cont'd)

22. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The earnings/(loss) per share has been calculated based on the consolidated profit/(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.

	Group	
	2017 RM'000	2016 RM'000
Profit/(Loss) for the financial year attributable to the owners of the Company (RM'000)	80,807	(227,459)
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Basic earnings/(loss) per share (sen)	7.20	(20.27)

(b) Diluted earnings/(loss) per share

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

23. STAFF COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salary, bonus and other emoluments (excluding Directors)	23,524	3,455	376	375
Defined contribution plan	4,655	834	45	45
	28,179	4,289	421	420

Included in the total staff costs of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM24,867,000 and RM3,312,000 (2016: RM3,363,000 and RM926,000) respectively.

24. 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 brother-in-law of Mr Wang Wen Tao, a director and shareholder of Jiangquan.

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

	Group	
	2017 RM'000	**2016 RM'000**
Sales of goods		
Lingyi Jiangxin Steel Co., Ltd.	–	(8,995)
Purchase of electricity		
Shandong Huasheng Jiangquan Thernoelectricity Co., Ltd	–	1,568

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

Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Salary and allowances	1,331	1,301	734	735
Statutory pension scheme contributions	79	79	79	79
	1,410	1,380	813	814

<u>Outstanding related party balances</u>

(i) Amount Owing by Related Parties

	Group	
	2017 RM'000	**2016 RM'000**
Linyi Jiangxin Steel Co., Ltd.	10,868	33,827
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	4,688	25,711
	15,556	59,538

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loans/ Total RM
At 1 January 2016/1 January 2017	–
Cash flows:	
- Drawdown of bank borrowings	24,960
At 31 December 2017	24,960

26. 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.

2017	**Note**	**Manufacturing and trading RM'000**	**Others RM'000**	**Total RM'000**
Revenue				
Sales		891,691	–	891,691
Less: Inter-segment revenue		–	–	–
		891,691	–	891,691
Results				
Depreciation and amortisation		14,246	21	14,267
Other significant non-cash expenses	(a)	2	–	2
Segment profit/(loss)		82,782	(1,975)	80,807
Assets				
Additions to non-current assets	(b)	12,290	–	12,290
Segment assets		448,289	1,852	450,141
Liabilities				
Segment liabilities		85,344	95	85,439

26. 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

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

	Group 2017 RM'000	Group 2016 RM'000
Property, plant and equipment written off	2	28
Impairment of amount owing by related parties	–	33,259
Impairment of property, plant and equipment	–	152,562
	2	185,849

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

26. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
People's Republic of China	891,691	40,575
Malaysia	–	–
	891,691	40,575

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
People's Republic of China	218,102	227,553
Malaysia	39	60
	218,141	227,613

Information about major customers

Revenue from 1 (2016: 4) major customer amounting to RM854,842,000 (2016: RM33,983,000) arises from the manufacturing and trading segment.

27. FINANCIAL INSTRUMENTS

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

	2017 Loans and receivables/ other financial liabilities RM'000	2017 Total RM'000	2016 Loans and receivables/ other financial liabilities RM'000	2016 Total RM'000
Group				
Financial assets				
Trade receivables	100,350	100,350	6,085	6,085
Other receivables	25,101	25,101	8,230	8,230
Amount owing by related parties	15,556	15,556	59,538	59,538
Cash and cash equivalents	20,472	20,472	21,254	21,254
	161,479	161,479	95,107	95,107
Financial liabilities				
Trade payables	31,328	31,328	35,842	35,842
Other payables	29,143	29,143	29,129	29,129
Amount owing to a Director	8	8	9	9
Borrowings	24,960	24,960	–	–
	85,439	85,439	64,980	64,980
Company				
Financial assets				
Other receivables	11	11	11	11
Amount owing by a subsidiary company	280,350	280,350	311,842	311,842
Cash and cash equivalents	1,796	1,796	1,446	1,446
	282,157	282,157	313,299	313,299
Financial liabilities				
Other payables	95	95	100	100
Amount owing to a subsidiary company	20,320	20,320	18,572	18,572
	20,415	20,415	18,672	18,672

27. 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 2 (2016: 2) trade customers of the Group represents 87% (2016: 91%) 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 and borrowings.

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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

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
2017				
Group				
Trade payables	31,328	–	31,328	31,328
Other payables	29,143	–	29,143	29,143
Amount owing to a Director	8	–	8	8
Borrowings	24,960	3.92	25,182	25,182
	85,439		85,661	85,661
Company				
Other payables	95	–	95	95
Amount owing to a subsidiary company	20,320	–	20,320	20,320
	20,415		20,415	20,415
2016				
Group				
Trade payables	35,842	–	35,842	35,842
Other payables	29,129	–	29,129	29,129
Amount owing to a Director	9	–	9	9
	64,980		64,980	64,980
Company				
Other payables	100	–	100	100
Amount owing to a subsidiary company	18,572	–	18,572	18,572
	18,672		18,672	18,672

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Market risk

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

(a) Foreign currency exchange risk

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

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

	Financial assets/(liabilities) held in non-functional currency			
Functional Currency	**Hong Kong Dollar ("HKD") RM'000**	**United States Dollar ("USD") RM'000**	**Chinese Renminbi ("RMB") RM'000**	**Total RM'000**
Group				
2017				
Cash and bank balances				
Hong Kong Dollar	–	1	–	1
2016				
Cash and bank balances				
Hong Kong Dollar	–	5	–	5
Company				
2017				
Amount owing by/(to) a subsidiary company				
Ringgit Malaysia	280,350	–	(20,320)	260,030
2016				
Amount owing by/(to) a subsidiary company				
Ringgit Malaysia	311,842	–	(18,572)	293,270

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

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

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.

		Group Net of tax	
		2017 RM'000	**2016 RM'000**
RMB/RM	- strengthened 5%	(772)	(706)
	- weakened 5%	772	706
HKD/RM	- strengthened 5%	10,653	11,850
	- weakened 5%	(10,653)	(11,850)

(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	
	2017 RM'000	**2016 RM'000**
Fixed rate instruments		
Fixed deposits with licensed banks	1,792	1,406

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 by related parties, amount owing by/(to) subsidiary company and borrowings 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.

28. 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 17(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.

	Group	
	2017 RM'000	**2016 RM'000**
Trade and other payables	60,471	64,971
Amount owing to a Director	8	9
Borrowings	24,960	–
Less: Cash and cash equivalents	(20,472)	(21,254)
Net debt	64,967	43,726
Equity attributable to the owners of the Company	364,702	294,907
Less: statutory reserve fund	(49,358)	(49,358)
Total capital	315,344	245,549
Capital and net debt	380,311	289,275
Gearing ratio	17.1%	15.1%

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

29. CAPITAL COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
Capital expenditure approved and contracted for:		
- property, plant and equipment	696	–

30. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	Group/Company	
	2017 RM'000	2016 RM'000
Less than one year	40	27
Between one and five years	69	–
	109	27

31. SIGNIFICANT 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.

LIST OF PROPERTIES

as at 31 December 2017

	LOCATION	DESCRIPTION	TENURE	NET BOOK VALUE (RM'000)	AREA (sq. m.)	DATE OF ACQUISITION
(1)	Lot no. 201/23/96 Shenquan Industrial Park, Luozhuang District, Linyi City, Shandong Province	Manufacturing plant	Leasehold 29 years	8,519	319,014.00	4 Dec 2005
(2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luozhuang District, Linyi City, Shandong Province	Coal storage area	Leasehold 50 years	22,184	85,453.76	12 Feb 2007

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

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	705	3.92	26,773	0.00
100 – 1,000	5,728	31.80	2,698,601	0.24
1,001 - 10,000	6,712	37.26	32,764,369	2.92
10,001 – 100,000	4,187	23.25	145,873,620	13.00
100,001 – 56,115,389	676	3.75	330,994,279	29.49
56,115,390 and above	4	0.02	609,950,175	54.35
Total	18,012	100.00	1,122,307,817	100.00

DIRECTORS' SHAREHOLDINGS

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

Analysis of Shareholdings
as at 30 March 2018
(Cont'd)

Note:- (Cont'd)

(1) 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.

(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

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

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.

Analysis of Shareholdings
as at 30 March 2018
(Cont'd)

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.

(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.

(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.

Analysis of Shareholdings
as at 30 March 2018
(Cont'd)

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
1.	HLIB NOMINEES (ASING) SDN BHD ROCK POINT ALLIANCE PTE. LTD.	285,000,080	25.39
2.	LIU GUODONG	114,000,000	10.16
3.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED (A/C CLIENTS)	108,950,057	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)	31,971,050	2.85
6.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROCK POINT ALLIANCE SDN. BHD.	11,486,250	1.02
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR	10,979,700	0.98
8.	GEORGES MOURAD	8,083,700	0.72
9.	LIEW SEE KIM	7,489,600	0.67
10.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	6,139,850	0.55
11.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA	5,497,300	0.49
12.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR PLATINUM BROKING COMPANY LIMITED (CLIENT A/C)	3,625,000	0.32
13.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	3,238,400	0.29
14.	KOH MIAU CHU	3,220,000	0.29
15.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG JUN	3,207,000	0.29

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

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
16.	KELLY LIEW CHEE KWONG	3,000,000	0.27
17.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NAZIMAH BINTI SYED MAJID (MARGIN)	3,000,000	0.27
18.	TAN SWEE HOCK	2,797,500	0.25
19.	GEE KOK SANG	2,450,000	0.22
20.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,423,700	0.22
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)	2,331,500	0.21
22.	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SEE KWAN (AL0089)	2,300,000	0.20
23.	PLATINUM PARADE SDN BHD	2,295,500	0.20
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN BOON PING (M51034)	2,250,000	0.20
25.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR OO PHAIK SEE	2,193,000	0.20
26.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	2,050,000	0.18
27.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	2,050,000	0.18
28.	ONG KIM WAH	2,033,600	0.18
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE (E-PPG)	2,015,000	0.18
30.	CHONG KIM FOO	2,000,000	0.18

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 No ....of ***(full address)***
....
being a *member/members of **SINO HUA-AN INTERNATIONAL BERHAD** ("the Company"), hereby appoint ***(full name in capital letters)***
....
NRIC No./ Company No ....of ***(full address)***
....
or failing *him/her, ***(full name in capital letters)*** ....
NRIC No./ Company No ....of ***(full address)***
....

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Monday, 28 May 2018 at 10:00 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 2017.			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' Fees to the Non-Executive Directors for the financial year ended 31 December 2017.	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 29 May 2018 until the next Annual General Meeting of the Company.	2		
4.	To re-elect Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who retires pursuant to Article 95 of the Company's Articles of Association.	3		
5.	To re-elect Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid who retires pursuant to Article 95 of the Company's Articles of Association.	4		
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.	5		
As Special Business				
7.	Authority to Issue Shares pursuant to the Companies Act 2016.	6		
8.	Retention of Y. Bhg. Dato' Mohd. Shahar Bin Abdul Hamid as an Independent Non-Executive Director of the Company.	7		
9.	Retention of Ms. Lim See Tow as an Independent Non-Executive Director of the Company.	8		

* 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.. , 2018

....
Signature of Member/Common Seal

Notes:

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 21 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A proxy need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.*
4. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting, except where Paragraphs (5) and (6) below apply. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of authority, must be deposited at the Company's Registered Office at 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.*

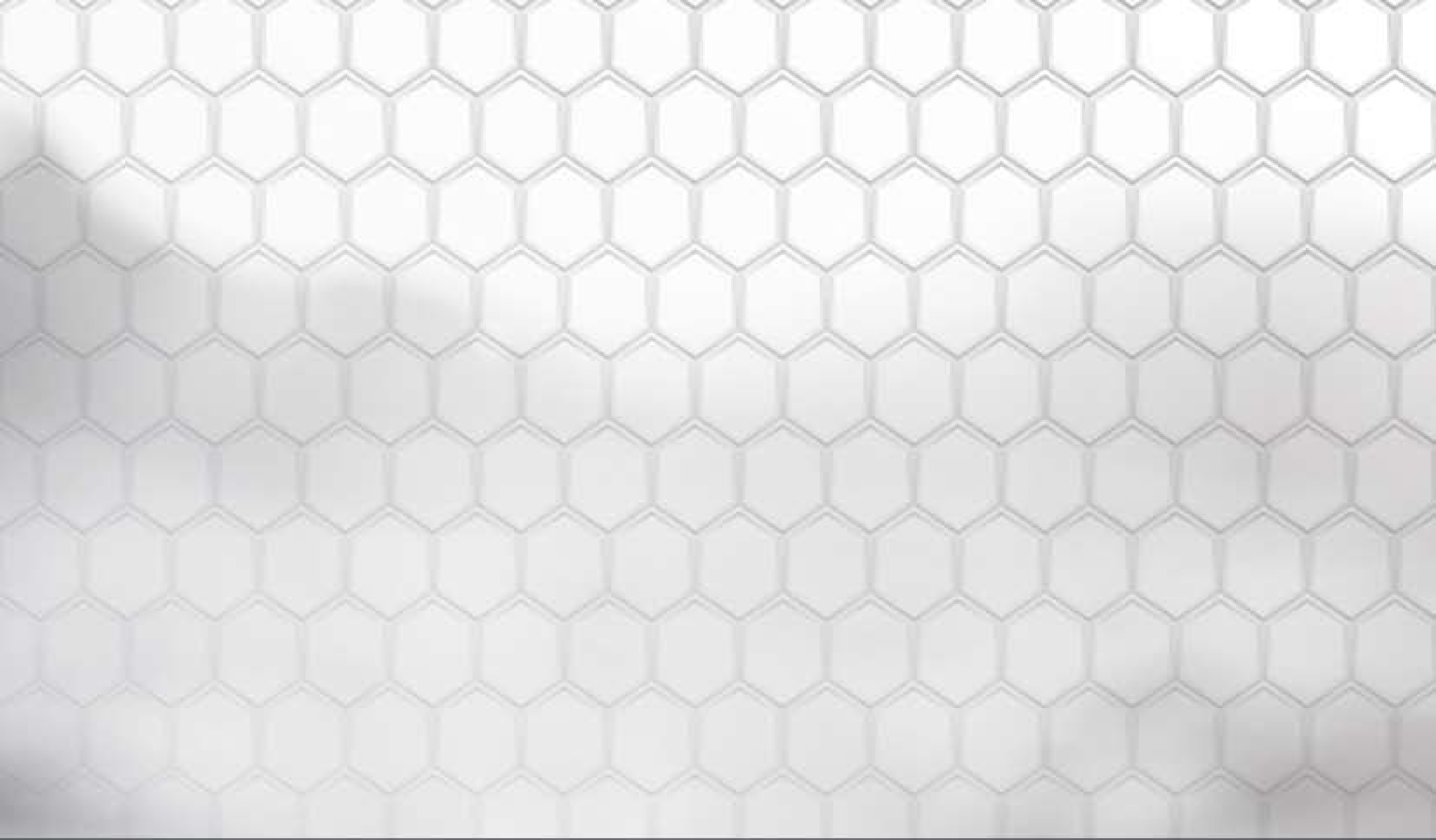
Please fold here

Affix
Stamp

To:

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

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