



**SINO HUA-AN**  
INTERNATIONAL BERHAD (732227-T)

# Annual Report 2018



# Contents

2		Notice of Thirteenth Annual General Meeting	31		Statement on Sustainability
6		Administrative Guide	34		Statement on Directors' Responsibility
9		Corporate Information	35		Audit and Risk Management Committee Report
10		Profile of Directors	40		Management Discussion and Analysis
12		The SINO HUA-AN Group	44		Historical Financial Results
13		Corporate Governance Overview Statement	45		Financial Statements
28		Additional Compliance Information	101		List of Properties
29		Statement on Risk Management and Internal Control	102		Analysis of Shareholdings Proxy Form Appendix A



# Notice of The Thirteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Thirteenth 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 Friday, 24 May 2019 at 10:00 a.m. for the following purposes:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 2018. *(Ordinary 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 25 May 2019 until the next AGM of the Company. *(Ordinary resolution 2)*
4. To re-elect the following Directors who retire by rotation pursuant to Article 95 of the Company’s Articles of Association and being eligible, have offered themselves for re-election:
  - (a) Mr. Liu Guodong; and *(Ordinary resolution 3)*
  - (b) Ms. Lim See Tow. *(Ordinary resolution 4)*
5. To re-elect Mr. Zhai Baoxing who retires pursuant to Article 101 of the Company’s Articles of Association, and being eligible, has offered himself for re-election. *(Ordinary resolution 5)*
6. To re-appoint Messrs. Morison Anuarul Azizan Chew as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. *(Ordinary resolution 6)*

## As Special Business

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

7. **ORDINARY RESOLUTION**  
**AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016** *(Ordinary resolution 7)*

“**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 Thirteenth Annual General Meeting  
(Cont'd)

8. **ORDINARY RESOLUTION  
RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

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“**THAT** subject to the passing of Resolution No. 4, 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 twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company.” *(Ordinary resolution 8)*

9. **SPECIAL RESOLUTION  
PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY  
("PROPOSED ADOPTION")**

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“**THAT** approval be and is hereby given to the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix A despatched together with the Company's Annual Report 2018, be and is hereby adopted as the Constitution of the Company; *(Special Resolution)*

**AND THAT** the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with the full power to assent to any conditions, modification, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption.”

10. 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  
24 April 2019



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

**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) Ordinary Resolution 2 - 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 25 May 2019 until the next AGM of the Company are as follows:

Description	Non-Executive Directors
Allowances	Up to RM100,000
Other Benefits	Nil

**(ii) Ordinary Resolution 7 - 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 Thirteenth AGM of the Company (hereinafter referred to as the "**General Mandate**").

The Company had been granted a general mandate by its shareholders at the Twelfth AGM of the Company held on 28 May 2018 ("**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 both time consuming to organise a general meeting. The General Mandate will provide flexibility and expediency to the Company for any possible fund raising activities involving the issuance or placement of shares to facilitate business expansion or strategic merger and acquisition opportunities involving equity deals or part equity or to fund future investment project(s) or working capital requirements, which the Directors of the Company consider to be in the best interest of the Company.

**(iii) Ordinary Resolution 8 - Retention of Independent Non-Executive Director**

The Nomination Committee had assessed the independence of Ms. Lim See Tow, who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years. The Board has recommended that the approval of the shareholders be sought through a two-tier voting process as described in the Guidance to Practice 4.2 of the Malaysian Code on Corporate Governance to re-appoint Ms. Lim See Tow as an Independent Non-Executive Director 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 her responsibilities as an Independent Non-Executive Director of the Company; and
- had exercised her due care in the interest of the Company and shareholders during her tenure as an Independent Non-Executive Director of the Company.

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

**(iv) Special Resolution – Proposed Adoption of a New Constitution of the Company (“Proposed Adoption”)**

The proposed Special Resolution, if passed, will primarily bring the Company’s Constitution in line with the Companies Act 2016 and the changes made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency.

In view of the substantial amendments to be made on the existing Memorandum and Articles of Association (“M&A”), the Board proposed that the existing Memorandum and Articles of Association be revoked in its entirety and by the replacement thereof with a new Constitution. Please refer to the new Constitution set out in Appendix A despatched together with the Company’s Annual Report 2018.

**Notes:**

1. In respect of deposited security, only members whose names appear in the Record of Depositors on 16 May 2019 (“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 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 Thirteenth Annual General Meeting (“AGM”)

**DAY & DATE** : Friday, 24 May 2019  
**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

The Royal Selangor Golf Club 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 16 May 2019 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 Thirteenth Annual General Meeting ("AGM")  
(Cont'd)

## PROXY

1. If you are a member of the Company as at 16 May 2019, you are entitled to appoint more than one (1) proxy 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 2018

1. The Annual Report 2018 is available on Hua-An's website at <http://www.sinohuaan.com> under "Investor Relations – Download Library" and also on Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under "Company Announcements".
2. If you wish to request for a printed copy of the Annual Report 2018, 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.





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

## CONTACT

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@sshbsb.com.my)
- 2) Pn Nurhayati Ang (email: nurhayati.ang@sshbsb.com.my)

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

- 1) Pn Halimah Hashim (email: halimah@sinohuan.com)

## MAP TO THE ROYAL SELANGOR GOLF CLUB



- 1)  **The Royal Selangor Golf Club**  
Jalan Kelab Golf, Off Jalan Tun Razak  
55000 Kuala Lumpur
- 2)  Search "Royal Selangor Golf Club" in Waze
- 3)  **GPS Coordinates:**  
DMS: N 3° 8' 42.17" E 101° 43' 33.186"  
DD: Latitude 3.1450472 Longitude 101.7258852

## Corporate Information

### BOARD OF DIRECTORS

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

**Liu Guodong**  
*Managing Director*

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

**Liu Xueqiang**  
*Non-Independent  
Non-Executive Director*

**Zhai Baoxing**  
*Independent Non-Executive  
Director*  
(Appointed w.e.f.  
12 November 2018)

**Y. Bhg. Dato' Mohd Shahar  
Bin Abdul Hamid**  
(DPTJ, KMN, DSN, PJK)  
*Senior Director*  
*Independent Non-Executive  
Director*  
(Demised on 25 January 2019)

**Cedric Choo Sia Teik**  
*Executive Director*  
(Resigned w.e.f. 18 October 2018)

### AUDIT & RISK MANAGEMENT COMMITTEE

**Lim See Tow**  
*Chairperson*  
*Independent Non-Executive  
Director*  
(re-designated w.e.f. 28 February  
2019 following the demise of Y.  
Bhg. Dato' Mohd Shahar Bin Abdul  
Hamid)

**Zhai Baoxing**  
*Independent Non-Executive  
Director*  
(appointed w.e.f. 28 February 2019)

**Liu Xueqiang**  
*Non-Independent Non-Executive  
Director*

### NOMINATION COMMITTEE

**Lim See Tow**  
*Chairperson*  
*Independent Non-Executive  
Director*  
(re-designated w.e.f. 28 February  
2019 following the demise of Y.  
Bhg. Dato' Mohd Shahar Bin Abdul  
Hamid)

**Zhai Baoxing**  
*Independent Non-Executive  
Director*  
(appointed w.e.f. 28 February 2019)

**Liu Xueqiang**  
*Non-Independent Non-Executive  
Director*

### REMUNERATION COMMITTEE

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

**Zhai Baoxing**  
*Independent Non-Executive  
Director*  
(appointed w.e.f. 28 February  
2019)

**Liu Xueqiang**  
*Non-Independent Non-Executive  
Director*

### PRINCIPAL BANKERS

**RHB Bank Berhad**  
(Kuala Lumpur, Malaysia)

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

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

### SHARE REGISTRAR

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

### AUDITORS

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

### COMPANY SECRETARIES

**Chua Siew Chuan**  
(MAICSA 0777689 PRACTITIONER)

**Chin Mun Yee**  
(MAICSA 7019243 PRACTITIONER)

### STOCK EXCHANGE

**Bursa Malaysia Securities  
Berhad**  
(Main Market)

### REGISTERED OFFICE

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

### STOCK NAME AND CODE

**HUAAN (2739)**



## Profile of Directors

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

Executive Chairman  
Key Senior Management

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (male), a Malaysian aged 72, was appointed to the Board of Sino Hua-An on 21 March 2007. He is currently the Executive Chairman of Sino Hua-An. He attended all six (6) Board meetings held in the financial year.

He has a Bachelor of Science in Economics (Honours) degree from the University of Wales, Aberystwyth, United Kingdom. He was a Diplomat for five (5) years and served as Second Secretary in Paris, France from 1972 to 1975. He was proclaimed Regent of Negeri Sembilan from 1994 until 1999. On 11 August 2006, he was appointed as Director of PIPO Overseas Ltd, 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, 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.

**LIU GUODONG (Male)**

Managing Director  
Key Senior Management

Mr. Liu Guodong (male), a Chinese People's Republic of China ("PRC") national aged 47, 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 six (6) Board meetings held in the financial year.

He is the Managing Director of Linyi Yehua Coking Co., Ltd ("Yehua") since 15 December 2004 and was appointed as the legal representative of Yehua on 1 July 2005. He graduated from Linyi Teaching Institute with a Bachelor degree in Sports in 1995. Prior to joining Yehua, from 1994 to 2004, he was a self-employed businessman involved in the dealing of iron ore, coal and electrolysis aluminite powder. On 21 June 2005, he was appointed as a Director of PIPO Overseas Ltd, a wholly-owned subsidiary of Sino Hua-An. Overall, Mr. Liu has over ten (10) years of working experience in the related industry.

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

Profile of Directors  
(Cont'd)

**LIU XUEQIANG (Male)**

**Non-Independent Non-Executive Director**

Mr. Liu Xueqiang (male), a Chinese PRC national aged 45, 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 five (5) out of six (6) Board meetings held in the financial year.

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

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

**LIM SEE TOW (Female)**

**Independent Non-Executive Director**

Ms. Lim See Tow (female), a Malaysian aged 43, has served on the Board of Sino Hua-An since 18 January 2008. She is the Chairperson of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. She attended all six (6) Board meetings held in the financial year.

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

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

**ZHAI BAOXING (Male)**

**Independent Non-Executive Director**

Mr. Zhai Baoxing (male), a Chinese PRC national aged 36, was appointed to the Board of Sino Hua-An on 12 November 2018 as an Independent Non-Executive Director. He is a Member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. He attended one (1) Board meeting out of six (6) held in the financial year as he was only appointed on 12 November 2018.

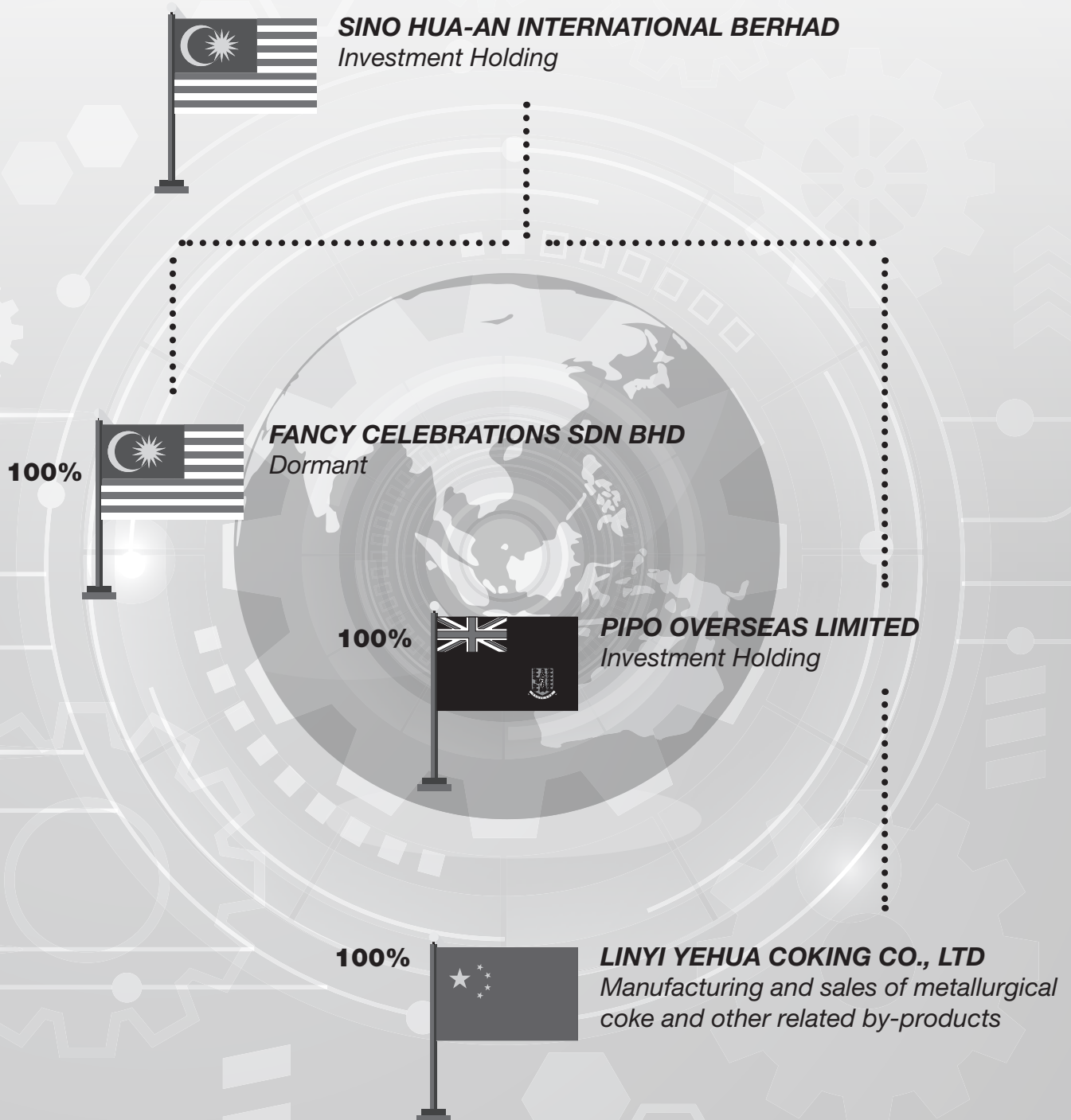
He graduated with a degree in Calculus from the University of Linyi in 2003. Mr. Zhai started his career as an office manager in Linyi Heng Chang Coal Co., Ltd., in 2003, after which he joined Linyi Jin Zheng Yang Pipe Co., Ltd. as Sales Manager in 2008. After spending about 4 years indulging in and honing his skills in sales, he wanted to expand his experience further by taking on the role as Operation Manager in Linyi Yuan Hang Engineering Machinery Co., Ltd. in 2012. In 2016, Mr. Zhai left to join Linyi Sheng Quan Grease Chemical Co., Ltd. taking on the role as Deputy General Manager therein.

He 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





## 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 principles of the Malaysian Code on Corporate Governance ("Code") throughout the financial year ended 31 December 2018. 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](http://www.sinohuaan.com) ("Company Website").

### 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.
- (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. 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 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:

- Providing the overall strategic directions to the Group and working closely with Board members to realise the agreed upon objectives and goals.
- Representing the Board on matters pertaining to the Group's affairs when engaging with shareholders and the general public.
- 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.
- Ensuring a close link between the Board and the Managing Director and working closely with the latter on all important matters pertaining to the Group.

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.



Corporate Governance Overview Statement  
(Cont'd)

**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 Company Secretaries when 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 stood guided by the Company Secretaries on what their responsibilities, duties and conduct are, as prescribed under the Companies Act, 2016 as well as how these affairs are expected to be discharged. In addition, all Board members of the Group have unrestricted access to procure the advice and services of the Company Secretaries, as and when required. The Company Secretaries will also work with the Chairman as and when required, to ensuring effective and efficient functioning of the Board.

With the release of the Code, the Companies Secretaries had carried out a comparative review of existing practices against those recommendations under the Code. The Board and respective Board Committees were also updated on the areas for improvements and/or revision in order to satisfy and meet the intent of the Code.

- (v) In addition to the mandatory quarterly Board meetings, the Board had also convened formal meetings as and when required to deliberate on important/material issues which require its attention. All Directors are provided with an agenda and the relevant board papers were issued at least seven (7) days from the date of the scheduled Board Meetings either by hand, courier service and/or electronic mails where specifically requested so as to ensure that the Directors have sufficient time to assess and consider 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 assets 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 28 February 2019.

## 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 28 February 2019.
- (ii) The Board encourages employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, dangers 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 28 February 2019.

- (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 two (2) Executive members (comprising, the Executive Chairman and Managing Director) and three (3) Non-Executive members (comprising, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director). Premised on the above, 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. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of other minority shareholders/stakeholders.

The Board considers that the current size and composition 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.

Following the unexpected demise of Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid (formerly assuming the position as an Independent Non-Executive Director) on 25 January 2019, the Group fell short of meeting the Code which requires at least half of the Board members to be made up of Independent Directors. Notwithstanding the above circumstance, the Board will make efforts to seek another member to fill the void left by the late Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid, as soon as practicable.





Corporate Governance Overview Statement  
(Cont'd)

**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.**

- (ii) The Board takes cognisance that the Practice 4.2 of the Code recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his/her re-designation as a non-independent non-executive director. In the event such director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12) year annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

Presently, one (1) of the Company's Independent Directors namely, Ms. Lim See Tow has served the Board for more than nine (9) years and would exceed a cumulative term of twelve (12) years prior to the next AGM in year 2020.

The Nomination Committee and Board had assessed the independence of Ms. Lim See Tow and recommended that she be re-appointed as an Independent Non-Executive Director as she continue to bring independent and objective judgement to board deliberations and continue to meet the following criteria for independence in discharging her roles and functions as Independent Non-Executive Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process:

- fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Securities;
  - ensured effective check and balance in the proceedings of the Board and the Board Committees;
  - 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;
  - devoted sufficient time and attention to her responsibilities as an Independent Non-Executive Director of the Company; and
  - exercised her due care in the interest of the Company and shareholders during her tenure as an Independent Non-Executive Director of the Company.
- (iii) The Board also recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensuring 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.

## 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)

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 28 February 2019. 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.

- (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 expected of a person assuming such a position. 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 necessary and 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 complied with.

- (v) The re-election of Board members are 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 for those Director standing for election or re-election, as the case may be, are furnished in the Annual Report accompanying the Notice of AGM.

During the financial year, Mr. Zhai Baoxing was nominated and appointed to the Board with effect from 12 November 2018. Accordingly, pursuant to Article 101 of the Company's Articles of Association, Mr. Zhai Baoxing's tenure on the Board shall deemed to end at the forthcoming AGM, and being eligible, he has offered himself for re-election.

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 Mr. Liu Guodong and Ms. Lim See Tow, 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 11 of the Annual Report.



Corporate Governance Overview Statement  
(Cont'd)

**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 (1) 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 determined 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) five directorships in public listed companies, pursuant to Paragraph 15.06 of the MMLR.

The Directors holding office during the financial year 2018 have ensured their time commitment to discharge their duties effectively, as they do not hold more than (5) 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 (demised on 25 Jan 2019)	1
Liu Guodong	1
Cedric Choo Sia Teik (resigned w.e.f. 18 Oct 2018)	1
Lim See Tow	1
Liu Xueqiang	1
Zhai Baoxing (appointed w.e.f. 12 Nov 2018)	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 prior to the convening of the respective 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).

Corporate Governance Overview Statement  
(Cont'd)

**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)**

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 option 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.

During the financial year ended 31 December 2018, a total of six (6) Board Meetings were held. The attendance record of each of the Directors is as follows:-

Board of Directors' Meeting		27 Feb 18'	19 Mar 18'	28 May 18'	27 Jul 18'	12 Nov 18'	13 Dec 18'		
Directors	Position	Attendance						Total	%
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Executive Chairman	✓	✓	✓	✓	✓	✓	6/6	100
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (demised on 25 Jan 2019)	Senior Director; Independent Non-Executive Director	✓	✓	✓	✓	✓	x	5/6	83
Liu Guodong	Managing Director	✓	✓	✓	✓	✓	✓	6/6	100
Cedric Choo Sia Teik (resigned w.e.f. 18 Oct 2018)	Executive Director	✓	✓	✓	✓	n/a	n/a	4/4	100
Lim See Tow	Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	6/6	100
Liu Xueqiang	Non-Independent Non-Executive Director	✓	✓	✓	✓	x	✓	5/6	83
Zhai Baoxing (appointed w.e.f. 12 Nov 2018)	Independent Non-Executive Director	n/a	n/a	n/a	n/a	n/a	✓	1/1	100



Corporate Governance Overview Statement  
(Cont'd)

**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)**

- (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 2018, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Title	Organiser
<ul style="list-style-type: none"> <li>Introduction to Corporate Liability Provision: "What it is, how will my company be affected, and what do I need to put in place by way of safeguards?"</li> </ul>	Malaysian Institute of Corporate Governance
<ul style="list-style-type: none"> <li>4<sup>th</sup> International Sustainable Energy Summit (ISES) 2018 - Sustainable Energy : The Future is Here</li> </ul>	Sustainable Energy Development Authority (SEDA)
<ul style="list-style-type: none"> <li>Training on Corporate Liability</li> </ul>	Skrine & Co
<ul style="list-style-type: none"> <li>Seminar – Gearing up for corporate liability</li> </ul>	Malaysia Anti-Corruption Agency
<ul style="list-style-type: none"> <li>Independent Directors Programme – The essence of Independence</li> </ul>	The Iclif Leadership and Governance Centre
<ul style="list-style-type: none"> <li>Training course on Malaysian Financial Reporting Standards (MFRS) – Practical Approach to Accounting for Financial Instruments: Applying MFRS 9 and MFRS 132</li> </ul>	Malaysian Institute of Accountants
<ul style="list-style-type: none"> <li>MIA Ethics Seminar</li> </ul>	Malaysian Institute of Accountants

**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:

- Chairperson : **Lim See Tow**  
Independent Non-Executive Director  
(re-designated on 28 February 2019 following the demise of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid)
- Members : **Zhai Baoxing**  
Independent Non-Executive Director  
(appointed w.e.f. 28 February 2019)
- : **Liu Xueqiang**  
Non-Independent Non-Executive Director

## 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)

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 28 February 2019.

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 28 February 2019 and observed that the performance of the Board and Board Committees, in terms of its structure, operations, and roles and responsibilities was consistently strong.

During the financial year ended 31 December 2018, 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;
- (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 years and are eligible and fit to continue to assume the role as Independent Non-Executive Director;
- (7) Reviewed the Terms of Reference of NC; and
- (8) Reviewed the independence, experience and skill set of a proposed candidate i.e. Mr. Zhai Baoxing and recommended to the Board on the appointment of the same for the position as Independent Non-Executive Director.



Corporate Governance Overview Statement  
(Cont'd)

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

**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 : **Zhai Baoxing**  
*Independent Non-Executive Director*  
*(appointed w.e.f. 28 February 2019)*
- : **Liu Xueqiang**  
*Non-Independent Non-Executive Director*

During the financial year ended 31 December 2018, 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 advises 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.

**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 2018 are set out below:-

A. Aggregate Remuneration

	Company		Group	
	Executive Directors RM	Non-executive Directors RM	Executive Directors RM	Non-executive Directors RM
Salary	650,000	–	969,710	–
Fees	–	60,000	–	90,000
Allowances	–	13,850	–	23,814
Other emoluments	78,770	–	78,770	–
<b>Total</b>	<b>728,770</b>	<b>73,850</b>	<b>1,048,480</b>	<b>113,814</b>

Corporate Governance Overview Statement  
(Cont'd)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Remuneration (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)

## B. Individual Director Remuneration

	Salary RM	Fee RM	Allowances RM	Emoluments RM
<b>Executive Directors</b>				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	420,000	–	–	50,400
Liu Guodong	319,710	–	–	–
Cedric Choo Sia Teik (resigned w.e.f. 18 Oct 2018)	230,000	–	–	28,370
<b>Non-Executive Directors</b>				
Y. Bhg. Dato' Mohd Shahr Bin Abdul Hamid (demised on 25 Jan 2019)	–	30,000	6,550	–
Lim See Tow	–	30,000	7,300	–
Liu Xueqiang	–	30,000	9,964	–
Zhai Baoxing (appointed w.e.f. 12 Nov 2018)	–	–	–	–

## C. Key Management Remuneration (by Band)

Key management personnel of the Group whose total remuneration during the financial year ended 31 December 2018 are as follows:

	NAME				
	Yan Bindong	Liu Meng Ming	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	✓				





Corporate Governance Overview Statement  
(Cont'd)

## 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 MMLR of Bursa Securities have been applied or complied with, as the case may be.

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 safe guard 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 Group's financial position and business prospects in the Directors' Report and the Financial Statements of this Annual Report.

- (iii) An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the MMLR. The ARMC reviews and reports to the Board for consideration of 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 the relevant Partner's involvement. The inputs and feedback from the management who engages directly with the external audit team throughout the financial 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.

## 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)**

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 2018, the amount of audit fee and non-audit fee paid to the External Auditors by the Company and the Group were as follows:-

	<b>Group RM</b>	<b>Company RM</b>
Audit fees	436,424	60,000
Non-Audit fees	30,000	30,000

The non-audit fees were in respect of review of the Statement of Risk Management and Internal Control, as well as the provision of other professional 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.

The ARMC and the Board are satisfied with the performance, competency 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 Works of the ARMC as detailed in Audit and Risk Management Committee Report section of this Annual Report.



Corporate Governance Overview Statement  
(Cont'd)

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

**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 an 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 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 at [www.sinohuaan.com](http://www.sinohuaan.com) and Bursa Securities website at [www.bursamalaysia.com](http://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 Company's at:-

Telephone no. : (603)-7733 7180  
Facsimile no. : (603)-7733 7170  
Email : info@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 at a later date.
- (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 casted for and against each resolution at general meetings for the shareholders' information.

This Statement was approved by the Board of Directors on 25 March 2019.



## Additional Compliance Information

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

### 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

### 2. AUDIT AND NON-AUDIT FEES

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

	Company RM	Group RM
Audit fees	60,000	436,424
Non-audit fees	30,000	30,000

### 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 2018.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There were no recurrent related party transactions of revenue or trading nature entered into by the Company and its subsidiary during the financial year.

# 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(b) of the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the requirements of the Malaysian Code on Corporate Governance and is guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (“Guidelines”). 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 Guidelines.

## THE INTERNAL CONTROL PROCESS

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

- An organisation structure with defined lines of responsibility and appropriate reporting structure including proper approval and authorisation limit for approving capital expenditure and expenses within the Group;
- Internal policies and procedures are documented and regularly reviewed and updated from time to time through a series of manuals and guidelines for all major operations of the Group;
- Strategic planning and annual budgeting are undertaken for the key business unit, which relate to the manufacturing and sales of metallurgical coke and other by-products. Senior Management closely monitors the key performance indicators and financial and operating results to identify and where appropriate, to address significant variances;
- The Internal Audit Department performs regular and systematic reviews throughout the financial year on the internal controls to assess and provide sufficient assurance on the effectiveness of the systems of internal control and highlights significant risks impacting the Group with recommendations for improvement; and
- The ARMC reviews reports issued by the Internal Audit Department on a quarterly basis and annually reviews the adequacy of the Internal Audit Department’s scope of work and resources.

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



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

## **REVIEW OF STATEMENT BY EXTERNAL AUDITORS**

In accordance to Paragraph 15.23 of the MMLR and the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (Revised) issued by the Malaysian Institute of Accountants, the External Auditors have reviewed this Statement for inclusion in this Annual Report.

AAPG 3 (Revised) does not require the External Auditors to consider whether this Statement covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is 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 25 March 2019.*

## 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 operate 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.

Notwithstanding the above, admittedly the Group has yet to establish a formal structure encompassing a separate Committee to spearhead and pursue the "Sustainability" endeavours of the Group. Pending the formal establishment of the above, the Board has mandated the Executive Chairman and Managing Director to oversee this function for the time being, as this strategy will set the tone from the top to spur a positive mindset change across the entire Group.

Generally, the manufacturing and production of metallurgical coke involves the burning of the coking coal under an extreme temperature environment over a protracted period of time, after which the incandescent coke mass are subjected to a thermal shock, i.e. rapid cooling process. In this respect, the combustion of coal will inherently produce the following emissions:

<b>Emission</b>	<b>Contributory factor</b>
• Sulphur dioxide (SO <sub>2</sub> )	: Acid rain and respiratory illnesses
• Nitrogen oxide (NO <sub>x</sub> )	: Smog and respiratory illnesses
• Particulates, dust, etc	: Smog, haze and respiratory and lung disease
• Carbon dioxide (CO <sub>2</sub> )	: Greenhouse gas
• Heavy metals	: Neurological and developmental damage in humans and other animals

Taking cognisance of the above, the Group has conscientiously taken relevant and effective initiatives to control and manage the emissions released into the atmosphere by and putting in place environmental preservation measures and installing advanced environmental protection equipment and mechanism in its production facilities. Accordingly, significant amount of investments and capital expenditures have been incurred 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 desulphurization facility, de-nitration facility, dust trap and cover facility, etc. 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 being indiscriminately released into the atmosphere.

In addition to the above, the Group has in place since the commencement of its operations, equipment and facilities to capture other relevant emissions and waste produces and convert them into something that can be monetized, i.e. to be reused/recycled or sold, namely coal gas, ammonium sulphate, benzene, tar oil, etc.





Statement on Sustainability  
(Cont'd)

Further elaboration of recent initiatives undertaken by the Company are as follows:

Initiatives subject matter	Outcome
<b>Particulate and dust control measures</b>	<ul style="list-style-type: none"> <li>With the completion of the upgrade of the coke oven dust removal equipment, the extent of particulate and dust pollution during loading and unloading of coal into the coking ovens have been substantially reduced.</li> <li>The said reduction of such pollution into the atmosphere has not only satisfactorily met with the government's environmental requirement standards, it also improved the working and living environment of the staff in the factory compound.</li> </ul>
<b>Water treatment and management</b>	<ul style="list-style-type: none"> <li>The company has a proper system in place for the segregation of rain water and waste water.</li> <li>All steam pipes, liquid pipes, water pipes and water points connected to the communal sewerage system have been sealed and diverted to a separate designated sewerage area for treatment and management.</li> <li>Mud, dirt and sediments accumulated in the said pipes are thoroughly cleaned on a regular basis to ensure compliance with the requirement of zero efflux of recycled water.</li> <li>Increased frequency of maintenance work on the designated sewerage system in the coal storage field in an effort to reduce the waste water being discharged externally. In the surrounding area of the plant, the drainage system have also been upgraded and improved whereby waste water therein is channeled, collected and filtered to be reused to spray onto the coal field for settling down the coal dust and particulates. This had not only complied with the zero efflux of waste water requirement policy, it also reduces the extent of airborne dust and particulate especially in the coal storage field.</li> <li>With the enhancement made to the water treatment plant, the Company has met the stringent requirements and standard of the Ministry of Environmental Protection.</li> </ul>
<b>Gas purification and treatment</b>	<ul style="list-style-type: none"> <li>The Company has heightened the frequency for inspection and maintenance of its gas pipelines and odor/gas containment facilities. These facilities enables the recycling of chemical by-products and reduction of hazardous gas emissions.</li> <li>Coal gas generated during the coking process is partly recycled through the purification process for internal use (to be reused as fuel source for the coke ovens) while the remaining of the said coal gas is sold to the power plant which is located within close proximity. This modus operandi not only enables the Company to reduce the emission of gas into the atmosphere, it also provides an income generating avenue. Similar to the above, the process of further extraction of tar oil and ammonia sulphate from the coal gas generated, in addition to the Company being able to reduce harmful emission to the environment, it also generates additional income generating avenue to the Company.</li> </ul>

The Group's coke manufacturing plant has also recently installed an advanced Management Information Systems which enabled direct link to the department of Ministry of Environmental Protection whereby the latter is fed with uninterrupted real-time emission data for their constant monitoring on the emission levels of our plant.

On the social responsibility front, 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 natives of Linyi.

Statement on Sustainability  
(Cont'd)

Additionally, the Group aims to avoid all incidences that will put its employees at risk and accordingly aspires to achieve zero accidents and fatalities. However, admittedly the Group could not eliminate entirely those risks and was saddened to report that a fire had occurred in its plant's crude benzene facility in 2015. This unfortunate event had resulted in four fatalities and three wounded victims, all of whom immediate and appropriate attention had been extended to. Following thereof, the Group had performed a thorough review of the cause and appropriate remedial actions had been undertaken to eliminate the factors involved and all reviews have been reinforced with continued efforts in training to ensure that all safety procedures are always strictly adhered to. Accordingly, there had been no such incidences since then.

Further to the above, the management is also strict in enforcing occupational safety and health policies and procedures. It is mandatory for all personnel walking inside the compound of the plant to always wear a safety helmet. Personnel performing tasks at the various section of the plant must also wear further protective equipment such as safety boots, gloves, goggles, etc. all of which are duly provided for by the Company. Additionally, first aid equipment and training were introduced to enable the personnel to render immediate appropriate first aid response in the event of injuries.



## 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.

In preparing the financial statements, the Directors have also:-

- adopted the appropriate and relevant accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- assessed the Group's and the Company's ability to continue as going concern, and confirmed that the annual financial statements are prepared using the going concern basis of accounting.

The Directors are also responsible for:

- ensuring that the Group and the Company keep proper accounting and other records to enable the explanation of transactions and preparation of financial statements; and
- taking the necessary steps to ensure appropriate systems and internal controls are in place to safeguard the assets of the Group and of the Company, as well as to prevent and detect fraud and any other irregularities.

*This statement is made in accordance with a resolution passed at the Board of Directors' meeting held on 25 March 2019.*

## 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 2018.

### COMPOSITION

The members of the ARMC are as follows:

- Chairperson : **Lim See Tow**  
*Independent Non-Executive Director*  
*(re-designated on 28 February 2019 following the demise of Y. Bhg. Dato’ Mohd Shahr Bin Abdul Hamid)*
- Members : **Zhai Baoxing**  
*Independent Non-Executive Director*  
*(appointed w.e.f. 28 February 2019)*
- 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](http://www.sinohuaan.com).

### ARMC MEETINGS

The ARMC has convened five (5) meetings during the financial year ended 31 December 2018. The record of attendance of the ARMC meetings is as follows:

Name of Members	Date of ARMC Meeting				
	27 Feb 2018	19 Mar 2018	28 May 2018	27 Jul 2018	12 Nov 2018
Y. Bhg. Dato’ Mohd Shahr Bin Abdul Hamid <i>(demised on 25 January 2019)</i>	✓	✓	✓	✓	✓
Ms. Lim See Tow	✓	✓	✓	✓	✓
Mr. Liu Xueqiang	✓	✓	✓	✓	x
Mr. Zhai Baoxing <i>(appointed w.e.f. 28 February 2019)</i>	n/a	n/a	n/a	n/a	n/a



Audit and Risk Management Committee Report  
(Cont'd)

## 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 2018:

### Financial Reporting

- (i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations to the Board. Key areas of focus include the following:
- 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.

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 2018	<ul style="list-style-type: none"> <li>• Unaudited quarterly report on consolidated results of the Company and Group for the Fourth quarter ended 31 December 2017.</li> </ul>
19 March 2018	<ul style="list-style-type: none"> <li>• Audited financial statements for the year ended 31 December 2017 and the review of relevant statements/contents for inclusion into the Annual Report 2017.</li> </ul>
28 May 2018	<ul style="list-style-type: none"> <li>• Unaudited quarterly report on consolidated results of the Company and Group for the First quarter ended 31 March 2018.</li> </ul>
27 July 2018	<ul style="list-style-type: none"> <li>• Unaudited quarterly report on consolidated results of the Company and Group for the Second quarter ended 30 June 2018.</li> </ul>
12 November 2018	<ul style="list-style-type: none"> <li>• Unaudited quarterly report on consolidated results of the Company and Group for the Third quarter ended 30 September 2018 and review of Audit Planning Memorandum for the financial year ending 31 December 2018 prepared by the External Auditor.</li> </ul>

### External Audit

On 27 February 2018, the ARMC had reviewed the Audit Review Memorandum which had summarised the significant audit findings arising from the statutory audit of the Group and the Company for the financial year ended 31 December 2017, 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 19 March 2018, the ARMC had reviewed the audited financial statements of the Company for the financial year ended 31 December 2017, issued at end-April 2018, 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 12 November 2018, the ARMC had reviewed the Audit Planning Memorandum for the financial year ending 31 December 2018 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.

Audit and Risk Management Committee Report  
(Cont'd)

### External Audit (Cont'd)

During the financial year, the ARMC had two (2) private dialogue sessions with the External Auditors on 27 February 2018 and 12 November 2018 respectively, without the presence of the Executive Directors and Management of the Company to enquire if MAAC had encountered issues during their audit that needed to be brought to the attention of the ARMC. All the reported issues have been properly addressed and resolved.

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 Auditor had been implemented by the Management on a timely basis.

### Related Party Transactions

The ARMC reviewed on a quarterly basis to determine whether there were any related party transactions, recurrent or otherwise, in order to ensure compliance with both in-house procedures and the MMLR 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 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 on the report from the Internal Auditor and provides suggestions on the internal audit focus areas as well as enhancements to the internal audit process, if required.



Audit and Risk Management Committee Report  
(Cont'd)

The above Internal Audit programme has been adhered to by the Group's Internal Audit department throughout the years and the activities performed by the internal audit function are summarized as follows:

- (a) In the first quarter of the financial year 2018, the Internal Audit covered areas relating to the human resources management, the scope of which included recruitment procedures flow, human resource management and survey on human resources and staff benefits. Based on the internal audit conducted, it was found that the established relevant standard operating procedures have been adhered to and are in sync with the needs of the Company's current operations and development. Notwithstanding the above, there were several minor audit suggestions and rectification proposed by the internal audit for the consideration of the Management in an effort to further improve and strengthen the human resource management of the company.
- (b) For the second quarter, the Internal Audit ventured into areas relating to warehouse storage control, production cycle and asset/equipment management. These include, amongst others, material inbound and outbound management, systems and procedures, production monitoring and equipment management. During the course of the internal audit which also included physical on-site observation, the procedures of weighing, checking and quality control of inbound and outbound materials and other internal control systems were found to be in order and no abnormal risks therein were noted. No large scale equipment procurement contracts were entered into during the second quarter. Nonetheless, the proposed upgrading of the water treatment plant and odor collection and treatment project with a total investment sum of approximately RMB6.95 million has been submitted to the ARMC for notation. These projects were then under review and no contracts on the same have been signed at that material point of time.
- (c) In the third quarter of 2018, the Internal Audit covered corporate management in the areas of production safety, quality control, technique, etc as well as on environmental issues. It was noted that the management has carried out a lot of work and increased capital investment from environmental protection perspective. All aspect of the work complied with the requirement of the Ministry of Environmental Protection in order to ensure that all relevant environmental standards are satisfactorily met to prevent any unwarranted disruptions to the Company's production operations. In addition to the above, the internal audit also highlighted its assessment of the prevailing situation of the coke industry with regards to the governmental policies and foreseeable developments within the industry that may impact the business of the Group.

With the advent of the increasingly stringent environmental protection policies, the Ministry of Environmental Protection had officially issued the "Announcement on the Implementation of Special Emission Limits for Air Pollutants in the Beijing-Tianjin-Hebei Air Pollution Transmission Corridor City". Under such policy, coking enterprises in the "26+2" cities are required to comply with the special emission limits for sulfur dioxide, nitrogen oxides, particulate matter and volatile organic compounds starting 1 October 2019. In order to standardize the evaluation of the level of compliance, the Shandong Provincial Environmental Protection Agency combined the "Environmental Protection Law of the People's Republic of China", "Provisional Regulations on Enterprise Information Disclosure" and other laws and administrative regulations, and then issued the "Shandong Province Corporates' compliance for the environmental work measures". Such policy will be applied for the evaluation of corporates' compliance for the environmental protection policy within the entire administrative region of the Province. It has since been rolled out from 1 July 2018 until 30 June 2023. In this respect, in order to ensure stable production and sustainable development of the Company, Yehua has been in full compliance with the national and local government environmental protection policy. The Internal Audit noted that there were no fines or penalties being imposed by the relevant authorities for any non-compliance of the prevailing environment protection policies.

Insofar as the quality control, improvement on the production technology, equipment management policies are concerned, the Internal Audit noted that the existing procedures and processes are largely in order and effective in meeting their intended objectives. As for the scope relating to production safety, it was found that the Company's safety inspection system, regular safety training system and the implementation of the system is adequate and satisfactory and that no unusual circumstances were noted. Additionally, it was also noted that the Company has in August 2018 conducted a complete review on the insurance coverage of the key and high-risk and critical equipment and noted that the scope of insurance coverage has been further increased.

Audit and Risk Management Committee Report  
(Cont'd)

- (d) During the fourth quarter, the Internal Audit performed work on fund management, accounting function and document management. It was noted that the Company has reasonable and proper segregation of duties across the accounting and finance personnel performing the various transactions and record keepings for adequate checks and balances. Additionally, the Company has in place the discipline of maintaining timely and good safe keeping of records and documents, as well as proper back-ups and storage areas for disaster/ crisis management.

The cost incurred for the Internal Audit function in respect of the financial year ended 31 December 2018 amounted to RM51,989.

## **BOARD'S CONCLUSION**

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





## Management Discussion and Analysis

It has been a roller coaster ride for Sino Hua-An Group (“Group”) in the recent few years. From the trough of the industry which saw a disarray amongst the steel and coke manufacturers in 2015 and 2016, the industry resurrected at a rapid pace towards the final months of 2016 and such a recovery momentum was carried across throughout the entire year of 2017. Unfortunately, such a meteoric recovery of the coke industry appeared to be short-lived and had accordingly backslid to ease off at a lesser euphoric level in 2018.

Five main issues have been weighing on the coke industry and the general economic sentiments in 2018, namely (i) the lingering uncertainties in the external economic environment such as the further tightening of the US interest rates and the US-China trade tensions, (ii) continuous decline of the China economic growth trajectory and subdued domestic demand stemming from the Government’s continuous efforts to rein in excess credit growth and to recalibrate its fiscal policies, (iii) weak global commodity prices, (iv) erratic movement of the global oil prices as well as (v) economic and geopolitical risks emanating from the UK-Brexit factor, Europe and the Middle East. The confluence of all of these events have had a direct impact on the domestic steel and coke industries as these industries are very closely tied to the general health of the economy and the direction it is expected to head towards.

In 2018, the Chinese economy grew at merely an overall 6.6%, the weakest since 1990. Admittedly, China is indeed slowing down (given the past several consecutive years of downward growth trend) and is expected to continue to do so in the near future. As a further testimony to the above phenomenon, China’s exports reportedly fell the most in two years in December, while imports also contracted, pointing to further weaknesses in the world’s second largest economy and deteriorating global demand.

This was largely accentuated by the consequential effects of the Chinese government’s reformation of the domestic economy which no longer tolerate low quality credit expansion to fund public sector investments and loose implementation of stimulus policies to support growth. Coupled with that, the Government is also heightening the level of environmental protection and pollution control by strictly enforcing capacity curbs for industries that are perceived to be polluting, steel and coke being unfortunately classified in that category.

In view of the Government’s stance to addressing the perennial pollution issues as mentioned above, the Group’s manufacturing plant had been unable to run its full capacity for a reasonable amount of time. Such production curbs have resulted in the Group being unable to realise the full potential of its coke business. In conjunction with the above, the management presupposed a parallel connection as to the reason why the Ministry of Environmental Protection (“MoEP”) and local provincial government have yet to grant approval to the Group’s manufacturing plant, namely Linyi Yehua Coking Co. Ltd. (“Yehua”), to enable the reactivation of its ovens #4 and #5 (which have a collective installed production capacity of 900,000 tonnes/year).

There are allusions within the industry suggesting that some governmental policies are developing in an effort to pursue the government’s contemplated aspiration to reduce production capacity and/or relocate some of the existing facilities of various heavy industries away from highly populated zones. However at this present juncture (as of the date of writing), Yehua has yet to receive any official written directives or instructions from the relevant authorities on this matter nor has the local government produced any detailed specifics and logistics on how such plans are to be realised. In this respect, the management will be cautiously monitoring the development of this matter and will take appropriate remedial actions should it materialises.

## FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

Notwithstanding the abovementioned seemingly unsettled and challenging environment for the coke industry in the financial year 2018, the Group still managed to churn out a decent profit for the year, albeit at a relatively lower level compared to that of the preceding financial year.

In the financial year 2018, the Group registered a consolidated Revenue of RM996.4 million. This represents an increase of approximately 11.7% from RM891.7 million recorded in the preceding financial year. Such increase in revenue can be attributed primarily to the fact that the Group did not have a complete 12-month revenue recognition in the preceding financial year 2017 (*recap: the Group resumed its coke business operations sometime in February 2017 following the expiry of the leasing arrangement in respect of its operationalised coke ovens*) compared to the operations in the current financial year. Notwithstanding the above consequential lowered overall sales volume in the preceding financial year 2017, the average coke price during the current financial year has declined by approximately 3.8% to RMB1,905/tonne from RMB1,981/tonne in 2017. The slack resulting from the aforesaid slide in average coke price was fortunately picked up to some extent by the overall increase in the prices of the by-products, i.e. tar oil at 14.3%, ammonium sulphate at 10.9% and coal gas at 21.2%, respectively.

The abovementioned “lack of a complete 12-month operation” phenomenon in the preceding financial year 2017 had inherently resulted in an overall reduced Cost of Sales during that year compared to what was registered in the current financial year 2018. Cost of Sales in the current financial year 2018 stood at RM950.3 million, representing an increase of approximately 20.2% from RM790.8 million recorded in the financial year of 2017. Such an increase was also supported by the hike in the average price of raw material, namely coking coal, which saw an increase of approximately 5.1% from RMB1,229/tonne in 2017 to RMB1,292/tonne in 2018.

Premised on the above, the Group turned in a Gross Profit of approximately RM46.1 million for the current financial year 2018. This was however significantly lower than that registered in the preceding financial year of RM100.9 million for the very reason that the bullish sentiments seen in the coke industry in 2017 was ephemeral and did not continue into the financial year 2018.

During the current financial year, the Group earned a relatively meagre Other Income amounting to approximately RM0.9 million compared to RM2.0 million derived in the preceding financial year. Other Income is derived mainly from the periodic disposal of scraps and miscellaneous items as well as penalties/fines imposed on staff for any violation of company policies and rules.

Administration and Operating Expenses for the current financial year was recorded at approximately RM22.6 million, representing a slight increase of 3.4% from approximately RM21.9 million in the preceding financial year. Administration and Operating Expenses constitute general administrative and sales expenses, social development contributions, etc.

Finance Cost is primarily attributed to the interest element of the RMB40.0 million short term loan facility procured by Yehua (the Group's wholly-owned subsidiary) sometime late-September 2017. As a result thereof, the Finance Cost recorded in the financial year 2017 amounting to approximately RM0.2 million was attributed to only about 3 months remaining period of the year compared to that in the financial year 2018 of approximately RM1.2 million whereby a full 12-month interest period was included.

Towards this end, with the inclusion of the Group's Other Income, Administration and Operating Expenses and Finance Cost, the Group still managed to turn in a relatively decent Profit Before Taxation of approximately RM23.2 million. The above Group's profit was further elevated with a credit of approximately RM6.4 million resulting from the recognition of previously unrecognised deferred tax asset (unutilised tax losses which are eligible to be carried forward for future utilisation) in the current financial year. As a result thereof, the Group registered a Profit for year of approximately RM29.6 million and an Earnings per Share of 2.64 sen during the current financial year, despite being beset with challenging business environment and headwinds during such period. This is in contrast to the Profit of approximately RM80.8 million and Earnings per Share of 7.20 sen recorded in the relatively fruitful and lucrative preceding financial year.



Management Discussion and Analysis  
(Cont'd)

## FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW (CONT'D)

The Group's financial position continued to remain robust in the current financial year, with its Total Assets standing at approximately RM476.3 million in comparison to its Total Liabilities which amounted to only approximately RM95.4 million.

Given the fact that there were no significant addition of Land or Property, Plant and Equipment during the current financial year, Non-Current Assets of the Group naturally declined by virtue of the effects of depreciation/amortisation, thus registering an amount of approximately RM197.4 million (excluding the deferred tax asset of RM6.3 million), compared to RM218.1 million in the preceding financial year. Components of working capital, in particular Inventories, Trade Receivables, Trade Payables, etc have shown an increase as a result of a relatively larger transactional volume accorded in this financial year compared to that of the preceding financial year (due to the abovementioned "lack of a complete 12-month operation" phenomenon).

The Borrowings is attributed to the short-term loan facility of RMB40.0 million (amounted to approximately RM24.1 million upon translation of foreign currency exchange between RMB and RM). It is worthwhile to note that the said short-term loan facility have since been fully settled and extinguished in February 2019 and the effect of which shall be reflected in the financial statements of the ensuing financial year 2019.

Premised on the above, the Group's Shareholders' Fund stood at approximately RM380.9 million, representing an increase of approximately 4.4% over that recorded in the preceding financial year of approximately RM364.7 million. The said increase was attributed to the net incremental effect emanating from improvements in the Retained Earnings and the exchange differences arising from translation of foreign currency wherein the Renminbi had devalued against the Ringgit in the current financial year. Accordingly, the Net Assets per Share of the Group stood at RM0.34 per share as at 31 December 2018, up from RM0.32 per share as at the preceding financial year.

## MOVING FORWARD

Markets and economies around the world have started to take the hit in 2018 and it is widely touted that the landscape for 2019 will take on a lacklustre outlook. As the world economy stumbles into 2019, China is expected to contemporaneously continue with its anaemic economic growth, with several analysts forecasting a lower still growth of 6.0 - 6.5% (the weakest expansion in nearly 30 years of China history), compared to what it had managed to achieve in 2018. Admittedly, economic reports, data and analysis abound appear to suggest that challenging times are looming and market sentiments are going to be sullen. This is primarily precipitated by the still unresolved US-China trade tension, the potential geopolitical risks out of Europe and the Middle East, the inconclusive deal for Britain's exit from the European Union and the slew of prospective negative implications on Britain ensuing that, the rate hike path that the US Federal Reserve is expected to pursue, the projected global GDP growth that is already beginning to taper off as seen in the weakness in some key economic indicators, the potential unwinding of major Central Banks' balance sheet as well as the negative impact of the continued weakened global commodity prices.

In acknowledging the intimate correlation between the health of the economy with that of the steel and coke industry, it is inevitable to expect the latter to also be faced with trying times ahead. By looking at China itself, industry experts are forecasting steel production to ease by 2.8% in 2019 and 2.2% in 2020, stemming from the abovementioned economic slowdown (as well as the determined removal of highly-polluting and inefficient obsolete capacity from the system). However, this is not expected to push up the steel and coke prices as China's domestic steel consumption is projected to correspondingly fall by 2.0% in 2019 and 2.3% in 2020 due to the very reasons above.

On a macro level, China's factory activities have already started to contract towards the end of 2018 and the said contraction is expected to continue in the foreseeable immediate future. The official PMI – the first snapshot of China's economy – had fallen below the 49.4 in December, below the 50-point mark that separates growth and contraction, a recent National Bureau of Statistics survey showed. This is the first contraction since July 2016 and the weakest reading since February 2016. The specific steel industry-PMI fell to 44.2 point. New factory orders, an indicator of future activity, continued to soften, reinforcing views that business conditions in China will likely get worse before they get better.

**MOVING FORWARD (CONT'D)**

In view of the malaise described above, the Chinese Government is expected to roll out more economic support measures in the immediate future on top of a raft of initiatives that have been earmarked for implementation this year. In the early months of 2019, China raised infrastructure spending with a USD34 billion (equivalent to approximately RMB230 billion) railway investment and its central bank loosened the screws on banks to encourage them to lend more. The amount of cash lenders must hold as reserves (Reserve Requirement Ratio – “RRR”) will be cut by a further one percentage point, its fifth such cut in the span of one year. The said RRR cut is expected to release approximately RMB800 billion of liquidity into the economy and will offset a funding squeeze in the economy. In mid-January 2019, the People’s Bank of China pumped a net RMB560 billion into the financial system, the biggest one-day addition on record. In addition, the Chinese Government also had announced a three-year package of tax cuts for small and micro-sized businesses – the backbone of the economy – and said that a new targeted funding tool would commence.

Notwithstanding the above, the management is inclined to believe that the phenomenon of a slowdown is temporary and merely a natural course of an economic cycle, coupled with the fact that the Chinese government has adequate capabilities to take the appropriate remedial steps, as mentioned above, to avert an economic meltdown. To view it under a positive perspective, a slowdown is just a correction of the imbalances and exuberance that have built up over the years. It may be painful, unpleasant but wholly natural and necessary. But like in any such phase, there are also opportunities that emerged. Therefore the Group will not sit on its laurels and is taking proactive steps to seize the opportunity to diversify into other areas of business that are available for sale under the current circumstances.

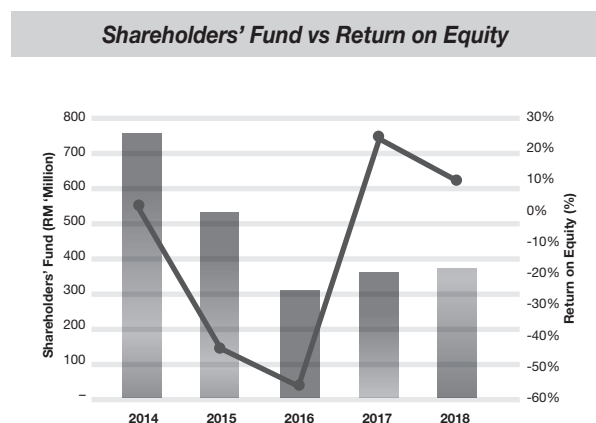
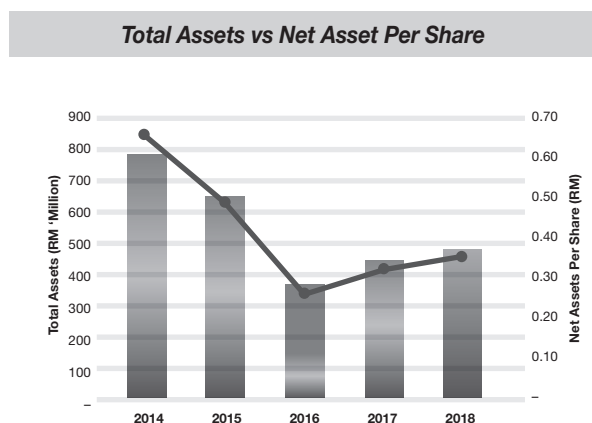
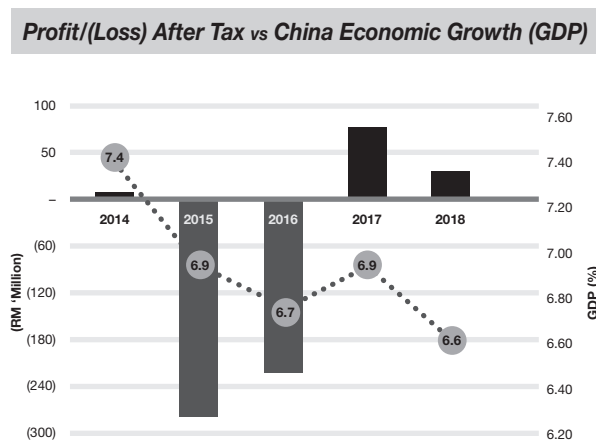
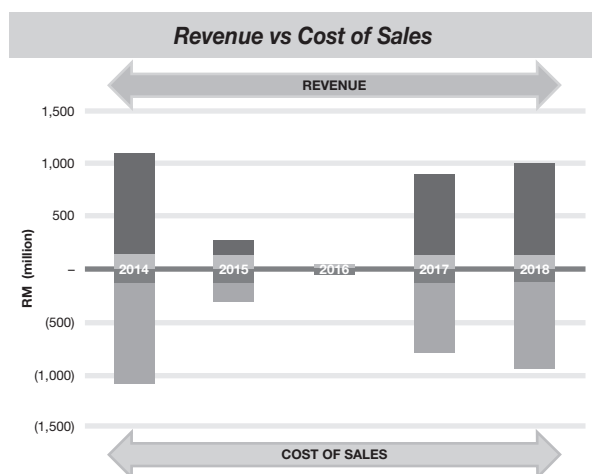
Since its incorporation, the Group has only been operating in China and relying on a single source of business, i.e. that of manufacturing and sale of metallurgical coke and its by-products. The strategy of sole reliance on a single business source which is highly dependent on the steel industry, has over the years caused the Group to operate in challenging business environment and industry landscape and such circumstances had accordingly resulted in uncontrollable volatility in the Group’s financial position. To a large extent, the Group’s financials were subjected to the vagaries of the market at large which dictates the dynamics of the commodity prices, in particular that of metallurgical coke (finished product) and coking coal (raw material), both of which prices cannot be controlled by the Group. Numerous past and painful experiences serve as testimonies as to how various geopolitical and economic turn of events can have a direct impact on the steel industry as a whole and by extension that of metallurgical coke.

Premised on the above, the management had conceived a sustainable business strategy for the Group moving forward by proposing to venture into other areas of business in an effort to mitigate the risks of solely relying on only one business source which in turn is heavily dependent on a single industry, i.e. the steel industry. Additionally, the said strategy is envisaged to provide the Group with a diversified income stream, from which it can derive alternative source of revenue and profits in the future to supplement that of its existing metallurgical coke business and hopefully to pick up the slack during periods of undesirable lull in the metallurgical coke business. Additionally, the Group had all this while been operating only in China and does not have any business presence in Malaysia, despite it being a listed entity in Malaysia. As such, the management sees these business diversification and repositioning strategy as also an opportunity to establish the Group’s footprint in Malaysia, so that its investors/shareholders can have a better appreciation of the Group, thereon after.

Towards this end, the management has proposed to gain a foothold into the tech-enabling business via the acquisition of a 51% stake in the “TouchPoint Group”. The “TouchPoint Group” has two main related businesses, being (i) Industrial Wireless Sensors and Internet of Things; and (ii) Enterprise Mobile Development Applications with the main objective of providing enabling technological solutions to drive intelligent automation and connecting communities through the use of technology via a common platform. A second acquisition is in relation to a more traditional brick and mortar consumer business in the Casual Dining industry via the initial acquisition of 100% of Bistromalones (PJ) Sdn Bhd *(with a Call Option granting up to 49% of equity interest in Bistromalones to the management of the same subject to the satisfaction of the level of profit guarantee and successful achievement of targeted business geographical milestones by the management of Bistromalones)*. The acquisition will form part of the anchor merchants for the abovementioned community platform by the TouchPoint Group and will also be the showcase for how traditional businesses can use technology to enable better access to market and operational efficiencies.



## Historical Financial Results



# Financial Statements

46		Directors' Report	56		Statements of Profit or Loss and Other Comprehensive Income
50		Statement by Directors	57		Statements of Changes in Equity
50		Statutory Declaration	59		Statements of Cash Flows
51		Independent Auditors' Report	61		Notes to the Financial Statements
55		Statements of Financial Position			



# 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 2018.

## 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 for the financial year	29,595	3,241

## 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  
Lim See Tow  
Liu Xueqiang  
Zhai Baoxing  
Cedric Choo Sia Teik  
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid

(Appointed on 12 November 2018)  
(Resigned on 18 October 2018)  
(Demised on 25 January 2019)

**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:

	At 1.1.2018	Number of ordinary shares		At 31.12.2018
		Bought	Sold	
<b>Sino Hua-An International Berhad</b>				
<b>Direct interest</b>				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar	12,073,700	–	–	12,073,700
Liu Guodong	178,000,057	–	(54,000,000)	124,000,057
<b>Indirect interest</b>				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar <sup>(1)</sup>	304,492,259	–	–	304,492,259

<sup>(1)</sup> Deemed interested by virtue of his interest in Rock Point Alliance Sdn. Bhd., Syarikat Pesaka Antah Sdn. Bhd. and Syarikat Pesaka Radin Sdn. Bhd. and deemed interested by virtue of his family relationship with the relevant persons.

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

Other than as disclosed above, the other Directors in office at the end of the financial year did not hold any interest in shares 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 21 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 21 to the financial statements.





Directors' Report  
(Cont'd)

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that 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.

Directors' Report  
(Cont'd)

## **SIGNIFICANT EVENT**

Details of the significant event is disclosed in Note 32 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  
25 MARCH 2019



## 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 55 to 100 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 2018 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  
25 MARCH 2019

## Statutory Declaration

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

I, **FOONG CHONG THONG** (MIA: 24158), 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 55 to 100 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed **FOONG CHONG THONG** )  
at KUALA LUMPUR in the Federal Territory )  
on this date of 25 March 2019 )

**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 2018 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 55 to 100.

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 2018, 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.



Independent Auditors' Report  
(Cont'd)

## 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
<b>Assessment on the recognition of deferred tax assets (Refer to Note 2(c)(iii), Note 2(s) and Note 6 to the financial statements)</b>	
As at 31 December 2018, the Group's significant subsidiary operating in People's Republic of China, had recognised deferred tax assets amounting to RM6,382,000.	We evaluated the Directors' three-year profit forecast and their assessment of the availability of future taxable profits generated by the significant subsidiary in which the deferred tax assets arose.
The Group's assessment to support the recognition of deferred tax assets involves inherent subjectivity in making assumptions in relation to the profit forecast used to determine the probability of the timing and amount of future taxable profit being available for which the unutilised tax losses and deductible temporary differences can be utilised.	We challenged assumptions used in the profit forecast which, amongst others, include projected selling price of coke and coal, cost of sales, administrative expenses and growth rates, with our expectations of those assumptions derived from our knowledge of the industry obtained.  In view of the uncertainty of the challenging operating environment besetting the coke industry, we have also assessed the reasonableness of management's adjustment factor used to reflect the estimation uncertainties associated with the forecast.

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Responsibilities of the Directors for the Financial Statements

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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



Independent Auditors' Report  
(Cont'd)

## **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: 03279/03/2021 J  
Chartered Accountant

KUALA LUMPUR  
25 MARCH 2019

# Statements of Financial Position

As at 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-Current Assets</b>					
Property, plant and equipment	3	168,877	187,438	18	39
Prepaid lease payments	4	28,540	30,703	–	–
Investment in subsidiary companies	5	–	–	435,495	150,584
Deferred tax assets	6	6,338	–	–	–
		203,755	218,141	435,513	150,623
<b>Current Assets</b>					
Inventories	7	97,114	70,515	–	–
Trade receivables	8	119,294	100,350	–	–
Other receivables	9	36,736	25,107	20	17
Amount owing by related parties	10	–	15,556	–	–
Amount owing by a subsidiary company	11	–	–	–	280,350
Cash and cash equivalents	12	19,366	20,472	1,999	1,796
		272,510	232,000	2,019	282,163
<b>Current Liabilities</b>					
Trade payables	13	54,887	31,328	–	–
Other payables	14	16,422	29,143	95	95
Amount owing to a Director	15	8	8	–	–
Amount owing to a subsidiary company	11	–	–	21,825	20,320
Borrowings	16	24,055	24,960	–	–
		95,372	85,439	21,920	20,415
Net current assets/(liabilities)		177,138	146,561	(19,901)	261,748
		380,893	364,702	415,612	412,371
<b>Financed By:</b>					
Share capital	17	1,115,045	1,115,045	1,115,045	1,115,045
Reserves	18	(563,134)	(549,730)	–	–
Accumulated losses		(171,018)	(200,613)	(699,433)	(702,674)
Total equity		380,893	364,702	415,612	412,371

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 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	19	996,388	891,691	–	–
Cost of sales		(950,324)	(790,828)	–	–
Gross profit		46,064	100,863	–	–
Other income		928	2,039	5,316	44
Administration and operating expenses		(22,622)	(21,869)	(2,075)	(32,949)
Finance cost	20	(1,157)	(226)	–	–
Profit/(Loss) before taxation	21	23,213	80,807	3,241	(32,905)
Taxation	22	6,382	–	–	–
<b>Profit/(Loss) for the financial year</b>		29,595	80,807	3,241	(32,905)
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising from translation of foreign operations		(13,404)	(11,012)	–	–
<b>Total comprehensive income/(expense) for the financial year</b>		16,191	69,795	3,241	(32,905)
Profit/(Loss) for the financial year attributable to: Owners of the Company		29,595	80,807	3,241	(32,905)
Total comprehensive income/ (expense) for the financial year attributable to: Owners of the Company		16,191	69,795	3,241	(32,905)
Earnings per share attributable to Owners of the Company (sen):					
Basic and diluted	23	2.64	7.20		

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

## Statements of Changes In Equity

For the Financial Year Ended 31 December 2018

### Attributable to Owners of the Company

Group	Non-Distributable						Statutory Common Reserve Fund RM'000	Accumulated losses RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reverse Acquisition Reserve RM'000	Foreign Currency Translation Reserve RM'000					
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 expense:									
- Exchange differences arising from translation of foreign operations	-	-	-	(11,012)	-	-	(11,012)		
Total comprehensive income for the financial year	-	-	-	(11,012)	-	80,807	69,795		
Transition to no par value regime (Note 17)	553,891	(553,891)	-	-	-	-	-		
At 31 December 2017	1,115,045	-	(799,823)	200,735	49,358	(200,613)	364,702		
At 1 January 2018	1,115,045	-	(799,823)	200,735	49,358	(200,613)	364,702		
Profit for the financial year	-	-	-	-	-	29,595	29,595		
Other comprehensive expense:									
- Exchange differences arising from translation of foreign operations	-	-	-	(13,404)	-	-	(13,404)		
Total comprehensive income for the financial year	-	-	-	(13,404)	-	29,595	16,191		
At 31 December 2018	1,115,045	-	(799,823)	187,331	49,358	(171,018)	380,893		



Statements of Changes In Equity  
(Cont'd)

<b>Company</b>	<b>← Non-Distributable →</b>		<b>Accumulated losses RM'000</b>	<b>Total RM'000</b>
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>		
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 17)	553,891	(553,891)	–	–
At 31 December 2017	1,115,045	–	(702,674)	412,371
At 1 January 2018	1,115,045	–	(702,674)	412,371
Profit/Total comprehensive income for the financial year	–	–	3,241	3,241
At 31 December 2018	1,115,045	–	(699,433)	415,612

## Statements of Cash Flows

For the Financial Year Ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>					
Profit/(Loss) before taxation		23,213	80,807	3,241	(32,905)
Adjustments for:					
Depreciation of property, plant and equipment	3	12,938	13,161	21	21
Amortisation of prepaid lease payments		1,057	1,106	–	–
Property, plant and equipment written off		334	2	–	–
Unrealised foreign exchange (gain)/loss		–	–	(5,256)	30,933
Finance income		(109)	(87)	(60)	(44)
Finance cost		1,157	226	–	–
Operating profit/(loss) before working capital changes		38,590	95,215	(2,054)	(1,995)
Changes in working capital:					
Inventories		(26,599)	(53,334)	–	–
Trade receivables		(18,944)	(94,265)	–	–
Other receivables		(11,629)	(16,872)	(3)	(1)
Amount owing by related parties		15,556	43,982	–	–
Amount owing by/(to) a subsidiary Company		–	–	2,200	2,307
Amount due to a Director		–	(1)	–	–
Trade payables		23,559	(4,514)	–	–
Other payables		(12,721)	14	–	(5)
Cash generated from/ (used in) operations		7,812	(29,775)	143	306
Interest paid		(1,157)	(226)	–	–
Tax refund		–	19,981	–	–
Net cash generated from/ (used in) operating activities		6,655	(10,020)	143	306
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,422)	(12,290)	–	–
Interest received		109	87	60	44
Net cash (used in)/generated from investing activities		(1,313)	(12,203)	60	44



Statements of Cash Flows  
(Cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from financing activity</b>					
Drawdown of bank borrowing	26	–	24,960	–	–
Net cash generated from financing activity		–	24,960	–	–
<b>Net increase in cash and cash equivalents</b>		5,342	2,737	203	350
<b>Effects of foreign exchange rate changes</b>		(6,448)	(3,519)	–	–
<b>Cash and cash equivalents at the beginning of the financial year</b>		20,472	21,254	1,796	1,446
<b>Cash and cash equivalents at the end of the financial year</b>		19,366	20,472	1,999	1,796
Cash and cash equivalents at the end of the financial year comprises:					
- Deposits placed with licensed banks	12	1,995	1,792	1,995	1,792
- Cash and bank balances	12	17,371	18,680	4	4
		19,366	20,472	1,999	1,796

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 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 25 March 2019.

### 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).

Accounting standards, amendments to accounting standards and IC interpretation that are effective for the Group and the Company's financial year beginning on or after 1 January 2018 are as follows:

- 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"

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company, except as follows:



Notes to the Financial Statements  
(Cont'd)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation (Cont'd)

#### Adoption of MFRS 9 "Financial Instruments"

The Group and the Company applied MFRS 9 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 were not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The changes in accounting policies and adjustments to the financial position as follows:

#### (i) Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("L&R"), held-to-maturity ("HTM"), and available-for-sale ("AFS") financial assets. Note 2(o)(A) sets out the details of accounting policies for classification and measurement of financial assets under MFRS 139.

From 1 January 2018, the new accounting policies for classification and measurement of financial assets under MFRS 9 are set out in Note 2(o)(B).

Classification of the Group's and of the Company's financial assets consisting of trade receivables, other receivables, amount owing by related parties, amount owing by a subsidiary company and cash and cash equivalents that have previously been classified as loans and receivables based on MFRS 139 are now classified as and continue to be measured at amortised cost after adoption of MFRS 9.

#### (ii) Impairment

Until 31 December 2017, impairment of loan and receivables and AFS financial assets is assessed based on the incurred loss model. Note 2(o)(A)(iii) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company apply the expected credit loss model to determine impairment on investment in debt instruments that are measured at amortised cost and at fair value through other comprehensive income ("FVOCI"). The new accounting policies for impairment under MFRS 9 are set out in Note 2(o)(B)(iv).

#### Adoption of MFRS 15 "Revenue from Contracts with Customers"

The Group and the Company applied MFRS 15 which is applied retrospectively from 1 January 2018. This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

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

### (a) Basis of Preparation (Cont'd)

Accounting standards, amendments to accounting standards, IC interpretation and amendments to IC interpretations 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 2019***

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combination" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 112, "Income taxes" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 119, "Employee Benefits" (Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, "Borrowing Costs" (Annual improvements to 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 2020***

Amendments to References to the Conceptual Framework in MFRS Standards:

- Amendments to MFRS 2, "Share Based Payments"
- Amendments to MFRS 3, "Business Combinations"
- Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
- Amendments to MFRS 14, "Regulatory Deferral Accounts"
- Amendments to MFRS 101, "Presentation of Financial Statements"
- Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 134, "Interim Financial Reporting"
- Amendment to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138, "Intangible Assets"
- Amendment to IC Interpretation 12, "Service Concession Arrangements"
- Amendment to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
- Amendment to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
- Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"

#### ***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, IC Interpretations and amendments to IC interpretations which may have a significant impact to the financial statements are as follows:





Notes to the Financial Statements  
(Cont'd)

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

### (a) Basis of Preparation (Cont'd)

#### MFRS 16 "Leases"

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its balance sheet are expected to increase substantially.

The impact of the above is still being assessed. Aside from the above mentioned, the adoption of the accounting standards, amendments to accounting standards, IC Interpretation and amendments to IC Interpretation 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 (*effective until 31 December 2017*)

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) Measurement of expected credit loss allowance for financial assets (*effective from 1 January 2018*)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

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

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

#### (iii) 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 and level of future taxable profits.

#### (iv) 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.

#### (v) Estimation of the volume of inventory

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

#### (vi) 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.



Notes to the Financial Statements  
(Cont'd)

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

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

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

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

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

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

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

### (e) Investments in subsidiaries

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

### (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.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Property, plant and equipment (Cont'd)****(ii) Depreciation and impairment**

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

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

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

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

**(g) Leases**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.



Notes to the Financial Statements  
(Cont'd)

## 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.

### (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.

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

### (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.



Notes to the Financial Statements  
(Cont'd)

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

### (o) Financial assets

#### (A) Accounting policies applied until 31 December 2017

##### (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.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current assets.

##### 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)

#### (A) Accounting policies applied until 31 December 2017 (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 decline in fair value below its cost is also considered objective evidence of impairment.

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

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.





Notes to the Financial Statements  
(Cont'd)

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

(o) Financial assets (Cont'd)

(A) *Accounting policies applied until 31 December 2017 (Cont'd)*

(iii) Subsequent measurement (Cont'd)

Impairment of financial assets (Cont'd)

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

(iv) De-recognition

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

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

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

(B) *Accounting policies applied from 1 January 2018*

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

### (o) Financial assets (Cont'd)

#### (B) Accounting policies applied from 1 January 2018 (Cont'd)

##### (iii) Subsequent measurement

##### Debt instruments

Debt instruments mainly comprise of trade receivables, other receivables, amount owing by related parties, amount owing by a subsidiary company and cash and cash equivalents.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

##### Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and Company's right to receive payments is established.



Notes to the Financial Statements  
(Cont'd)

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

(o) Financial assets (Cont'd)

(B) *Accounting policies applied from 1 January 2018 (Cont'd)*

(iv) Impairment

The Group and the Company assess expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

The Group and the Company define a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

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

### (p) Financial liabilities

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

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

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

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

### (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

#### (i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

#### Sale of metallurgical coke and other related by-products

Revenue from sale of metallurgical coke and other related by-products are recognised when the Group satisfies the performance obligation by transferring the promised goods to the customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.



Notes to the Financial Statements  
(Cont'd)

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

(r) Revenue and income recognition (Cont'd)

(ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Dividend income

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

Rental income

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

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(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.

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

### (t) Employee benefits

#### (i) Short term employee benefits

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

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

#### (ii) Defined contribution plans

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

### (u) Equity instruments

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

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

### (v) Segment reporting

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



Notes to the Financial Statements  
(Cont'd)

### 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
<b>Group 2018 Cost</b>						
At 1 January 2018	414,047	386,740	2,310	5,346	11,213	819,656
Additions	–	–	–	–	1,422	1,422
Transfers	9,339	–	516	316	(10,171)	–
Written off	–	(948)	(149)	(2,396)	–	(3,493)
Exchange differences	(15,068)	(14,008)	(80)	(180)	(347)	(29,683)
At 31 December 2018	408,318	371,784	2,597	3,086	2,117	787,902
<b>Accumulated depreciation</b>						
At 1 January 2018	195,265	277,746	1,541	4,399	–	478,951
Charge for the financial year	7,259	4,961	296	422	–	12,938
Written off	–	(832)	(141)	(2,159)	–	(3,132)
Exchange differences	(7,126)	(10,093)	(52)	(148)	–	(17,419)
At 31 December 2018	195,398	271,782	1,644	2,514	–	471,338
<b>Accumulated Impairment losses</b>						
At 1 January 2018	116,363	36,904	–	–	–	153,267
Written off	–	(27)	–	–	–	(27)
Exchange differences	(4,216)	(1,337)	–	–	–	(5,553)
At 31 December 2018	112,147	35,540	–	–	–	147,687
<b>Carrying amount</b>						
At 31 December 2018	100,773	64,462	953	572	2,117	168,877

Notes to the Financial Statements  
(Cont'd)**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
<b>Group 2017 Cost</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Accumulated impairment losses</b>						
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
<b>Carrying amount</b>						
At 31 December 2017	102,419	72,090	769	947	11,213	187,438

	<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
<b>Office furniture and equipment</b>		
<b>Cost</b>		
At 1 January/31 December	159	159
<b>Accumulated depreciation</b>		
At 1 January	120	99
Charge for the financial year	21	21
At 31 December	141	120
<b>Carrying amount</b>	18	39





Notes to the Financial Statements  
(Cont'd)

#### 4. PREPAID LEASE PAYMENTS

	Group	
	2018 RM'000	2017 RM'000
<b>Cost</b>		
At 1 January	43,092	44,565
Exchange differences	(1,562)	(1,473)
At 31 December	41,530	43,092
<b>Accumulated amortisation</b>		
At 1 January	12,389	11,687
Amortisation for the financial year	1,057	1,106
Exchange differences	(456)	(404)
At 31 December	12,990	12,389
<b>Carrying amount</b>	28,540	30,703

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	
	2018 RM'000	2017 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
Advances to a subsidiary company treated as quasi-investment	284,911	—
	435,495	150,584

\* Represents RM2

The advances to a subsidiary company are unsecured, non-interest bearing with no fixed terms of repayment. The Company does not anticipate repayment of the advances and they are determined to form part of the Company's net investment in the subsidiary company.

The currency profiles of the balances are disclosed in Note 28 to the financial statements.

Notes to the Financial Statements  
(Cont'd)**5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**

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

Movement in impairment during the financial year is as follows:

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January/31 December	(754,324)	(754,324)

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

<b>Name of companies</b>	<b>Country of incorporation and principal place of business</b>	<b>Effective ownership and voting interest</b>		<b>Principal activities</b>
		<b>2018</b>	<b>2017</b>	
		<b>%</b>	<b>%</b>	
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. DEFERRED TAX ASSETS**

The movement on the net deferred tax assets are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deductible temporary difference arising from unutilised tax losses</b>				
At 1 January	—	—	—	—
Recognised in profit or loss (Note 22)	6,382	—	—	—
Exchange differences	(44)	—	—	—
At 31 December	6,338	—	—	—



Notes to the Financial Statements  
(Cont'd)

## 6. DEFERRED TAX ASSETS (CONT'D)

### Assessment on recognition of deferred tax assets

The assessment on the Group's recognition of deferred tax assets is a key area of judgement based on the probability of future taxable profits that will be available against which the temporary differences can be utilised.

The Group assesses its recognition of deferred tax assets based on the future taxable profits generated by its significant subsidiary in which the deferred tax assets arose. The future taxable profits were projected based on management's estimate of a three-year profit forecast which includes projected selling price of coke and coal, cost of sales, administrative expenses and growth rates.

The management included an adjustment factor used to reflect the estimation uncertainties associated with the forecast, in view of the challenging operating environment besetting the coke industry.

Premised on the above, the management considered that it is probable that the taxable profits will be available against which the deferred tax assets can be utilised.

The Directors believe that no reasonably foreseeable changes in any of the above key assumptions would cause the recognition of the deferred tax assets of the Group to be inappropriate.

### Unrecognised deferred tax assets

As at the end of the reporting date, the Group's unutilised tax losses and deductible temporary differences that are available for offset against future taxable profits in which the unutilised tax losses and deductible temporary differences arose but deferred tax assets were not recognised due to uncertainty of their realisation are as follows:

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Unutilised tax losses	73,037	120,119
Deductible temporary differences	257,076	274,721
	<b>330,113</b>	<b>394,839</b>
Deferred tax asset not recognised	82,528	98,710

The unutilised tax losses and deductible temporary differences of the Group relate to the PRC subsidiary and is denominated in Chinese Renminbi ("RMB") amounting to RMB548,928,000 (2017: RMB632,766,000) at the end of the reporting date. The unutilised tax losses are eligible to be carried forward up to financial year 2020 and 2021.

## 7. INVENTORIES

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Consumables	16,396	19,729
Raw materials	76,778	39,985
Work-in-progress	1,245	2,167
Finished goods	2,695	8,634
	<b>97,114</b>	<b>70,515</b>

Notes to the Financial Statements  
(Cont'd)**8. TRADE RECEIVABLES**

The normal credit period granted by the Group to the trade customers ranges from 30 to 90 days (2017: 30 to 90 days).

**9. OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	36,708	25,082	–	–
Deposits	22	19	14	11
Prepayment	6	6	6	6
	<b>36,736</b>	<b>25,107</b>	<b>20</b>	<b>17</b>

**10. AMOUNT OWING BY RELATED PARTIES**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount owing by related parties	117,052	137,010
Less: Impairment losses	(117,052)	(121,454)
	<b>–</b>	<b>15,556</b>

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

Movement in impairment during the financial year is as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	(121,454)	(121,754)
Exchange difference	4,402	300
At 31 December	<b>(117,052)</b>	<b>(121,454)</b>
Represented by:		
Individually impaired	117,052	121,454

The above impairment was made in relation to Linyi Jiangxin Steel Co. Ltd. ("Jiangxin Steel"), following the challenging operating environment faced by Jiangxin Steel subsequent to the order by the Ministry of Environmental Protection of the People's Republic of China ("MoEP") to suspend Jiangxin Steel's operations.



Notes to the Financial Statements  
(Cont'd)

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

	<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Amount owing by a subsidiary company	–	280,350
Amount owing to a subsidiary company	21,825	20,320

These amounts are unsecured, interest-free and are repayable on demand. The currency profiles of the balances are disclosed in Note 28 to the financial statements.

**12. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Cash and bank balances	17,371	18,680	4	4
Deposits placed with licensed banks	1,995	1,792	1,995	1,792
	19,366	20,472	1,999	1,796

Interest rates on deposits placed with licensed banks average at 3.49% (2017: 3.17%) per annum and have an average maturity period of 7 days (2017: 7 days).

**13. TRADE PAYABLES**

The normal credit period granted to the Group from the trade purchasers ranges from 30 to 90 days (2017: 30 to 90 days).

**14. OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Other payables	11,368	16,395	29	29
Accruals	4,449	12,095	66	66
Deposits	605	653	–	–
	16,422	29,143	95	95

**15. AMOUNT OWING TO A DIRECTOR**

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

Notes to the Financial Statements  
(Cont'd)**16. BORROWINGS**

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
<b>Secured</b>		
Term loan	24,055	24,960
<b>Analysed as</b>		
Repayable within twelve months	24,055	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:

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Within one year	24,055	24,960

Interest rate is charged at a rate range from 0.60% to 3.92% (2017: 3.92%) per annum.

**17. SHARE CAPITAL**

	<b>Group/Company</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Number of shares 000</b>	<b>Amount RM'000</b>	<b>Number of shares 000</b>	<b>Amount RM'000</b>
Ordinary Shares				
Authorised				
At 1 January	–	–	2,000,000	1,000,000
Abolishment of authorised share capital*	–	–	(2,000,000)	(1,000,000)
At 31 December	–	–	–	–
Issued and fully paid				
At 1 January	1,122,308	1,115,045	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	1,115,045



Notes to the Financial Statements  
(Cont'd)

## 17. SHARE CAPITAL (CONT'D)

- \* 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.

## 18. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable Share premium				
At 1 January	–	553,891	–	553,891
Transition to no par value regime (Note 18(a))	–	(553,891)	–	(553,891)
At 31 December	–	–	–	–
Reserve acquisition reserve	(799,823)	(799,823)	–	–
Foreign currency translation reserve	187,331	200,735	–	–
Statutory common reserve fund	49,358	49,358	–	–
	(563,134)	(549,730)	–	–

(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.

## 18. RESERVES (CONT'D)

### (b) Reverse acquisition reserve (Cont'd)

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;

the pre-acquisition retained earnings recognised in the consolidated financial statements are those of PIPO Group;

- (ii) 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;

- (iii) the equity structure appearing in these consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the Company.

### (c) Foreign currency translation reserve

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

### (d) Statutory common reserve

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

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





Notes to the Financial Statements  
(Cont'd)

## 19. REVENUE

	2018 RM'000	Group 2017 RM'000
Revenue recognised from contracts with customers:		
- Manufacturing and trading	996,388	891,691

Breakdown of revenue recognised from contracts with customers is as follows:

	2018 RM'000	Group 2017 RM'000
<b>Major goods and services</b>		
- Manufacturing and sale of metallurgical coke	836,008	777,583
- By products	160,380	114,108
	996,388	891,691
<b>Geographical market</b>		
People's Republic of China	996,388	891,691
Malaysia	-	-
	996,388	891,691
<b>Timing of revenue recognition</b>		
At a point in time	996,388	891,691

## 20. FINANCE COST

	2018 RM'000	Group 2017 RM'000
Term loan interest	1,157	226

Notes to the Financial Statements  
(Cont'd)**21. PROFIT/(LOSS) BEFORE TAXATION**

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration:				
- statutory	436	464	60	60
- others	30	33	30	33
Depreciation of property, plant and equipment	12,938	13,161	21	21
Amortisation of prepaid lease payments	1,057	1,106	–	–
Directors of the Company:				
- fees	90	90	60	60
- salaries and other emoluments	994	1,013	665	674
- Employee Provident Fund	78	79	78	79
Rental of premises	41	39	41	39
Rental of office equipment	4	5	4	5
Property, plant and equipment written off	334	2	–	–
Lease rental income	–	(1,056)	–	–
Unrealised foreign exchange (gain)/loss	–	–	(5,256)	30,933
Finance income	(109)	(87)	(60)	(44)

Depreciation of property, plant and equipment of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM12,793,000 and RM145,000 (2017: RM13,001,000 and RM160,000) respectively.

**22. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred taxation:				
- Origination and reversal of temporary differences	6,382	–	–	–

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 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% (2017: 25%).



Notes to the Financial Statements  
(Cont'd)

## 22. TAXATION (CONT'D)

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:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit/(Loss) before taxation	23,213	80,807	3,241	(32,905)
Taxation at statutory tax rate of 24% (2017: 24%)	5,571	19,394	778	(7,897)
Effect of different tax rates in other countries	253	828	–	–
Expenses not deductible for tax purposes	500	484	498	7,908
Income not subject to tax	(14)	(11)	(1,276)	(11)
Utilisation of previously unrecognised deferred tax assets	(6,310)	(20,695)	–	–
Recognition of previously unrecognised deferred tax assets	6,382	–	–	–
Taxation for the financial year	6,382	–	–	–

## 23. EARNINGS PER SHARE

### (a) Basic earnings per share

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Profit for the financial year attributable to the owners of the Company (RM'000)	29,595	80,807
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Basic earnings per share (sen)	2.64	7.20

### (b) Diluted earnings per share

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

Notes to the Financial Statements  
(Cont'd)**24. STAFF COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Salary, bonus and other emoluments (excluding Directors)	30,007	23,524	458	376
Defined contribution plan	6,043	4,655	55	45
	36,050	28,179	513	421

Included in the total staff costs of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM31,003,000 and RM5,047,000 (2017: RM 24,867,000 and RM 3,312,000) respectively.

**25. RELATED PARTY DISCLOSURES**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Salary, and allowances	1,887	2,022	941	914
Statutory pension scheme contributions	104	101	104	101
	1,991	2,123	1,045	1,015

Outstanding related party balances

## (i) Amount Owing by Related Parties

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Linyi Jiangxin Steel Co., Ltd.	–	10,868
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	–	4,688
	–	15,556



Notes to the Financial Statements  
(Cont'd)

**26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Term loans/ Total	2017 RM'000
	2018 RM'000	2017 RM'000
At 1 January	24,960	–
Cash flows:		
– Drawdown of bank borrowings	–	24,960
– Exchange difference	(905)	–
At 31 December	24,055	24,960

**27. 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.

2018	Note	Manufacturing and trading RM'000	Others RM'000	Total RM'000
<b>Revenue</b>				
Sales		996,388	–	996,388
Less: Inter-segment revenue		–	–	–
		996,388	–	996,388
<b>Results</b>				
Depreciation and amortisation		(13,974)	(21)	(13,995)
Other significant non-cash expenses	(a)	(334)	–	(334)
Taxation		6,382	–	6,382
Segment profit/(loss)		31,610	(2,015)	29,595
<b>Assets</b>				
Additions to non-current assets	(b)	1,422	–	1,422
Segment assets		474,228	2,037	476,265
<b>Liabilities</b>				
Segment liabilities		95,277	95	95,372

Notes to the Financial Statements  
(Cont'd)**27. SEGMENT INFORMATION (CONT'D)**

2017	Note	Manufacturing and trading RM'000	Others RM'000	Total RM'000
<b>Revenue</b>				
Sales		891,691	–	891,691
Less: Inter-segment revenue		–	–	–
		891,691	–	891,691
<b>Results</b>				
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
<b>Assets</b>				
Additions to non-current assets	(b)	12,290	–	12,290
Segment assets		448,289	1,852	450,141
<b>Liabilities</b>				
Segment liabilities		85,344	95	85,439

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

	Group 2018 RM'000	2017 RM'000
Property, plant and equipment written off	334	2

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

Geographical information

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

	Group 2018 RM'000	2017 RM'000
People's Republic of China	996,388	891,691
Malaysia	–	–
	996,388	891,691



Notes to the Financial Statements  
(Cont'd)

## 27. SEGMENT INFORMATION (CONT'D)

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

	Group	
	2018 RM'000	2017 RM'000
People's Republic of China	203,737	218,102
Malaysia	18	39
	203,755	218,141

### Information about major customers

The major customer arises from the manufacturing and trading segment of the Group revenue is as follows:

	Group	
	2018 RM'000	2017 RM'000
Customer A	884,929	854,842
Customer B	74,931	–
	959,860	854,842

## 28. FINANCIAL INSTRUMENTS

The following table analyses the financial assets and financial liabilities of the Group and of the Company by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	2018		2017	
	Financial asset and liabilities at amortised cost RM'000	Total RM'000	Loans and receivables/ other financial liabilities RM'000	Total RM'000
<b>Group</b>				
<b>Financial assets</b>				
Trade receivables	119,294	119,294	100,350	100,350
Other receivables	36,730	36,730	25,101	25,101
Amount owing by related parties	–	–	15,556	15,556
Cash and cash equivalents	19,366	19,366	20,472	20,472
	175,390	175,390	161,479	161,479
<b>Financial liabilities</b>				
Trade payables	54,887	54,887	31,328	31,328
Other payables	16,422	16,422	29,143	29,143
Amount owing to a Director	8	8	8	8
Borrowings	24,055	24,055	24,960	24,960
	95,372	95,372	85,439	85,439

Notes to the Financial Statements  
(Cont'd)**28. FINANCIAL INSTRUMENTS (CONT'D)**

	2018		2017	
	Financial asset and liabilities at amortised cost RM'000	Total RM'000	Loans and receivables/ other financial liabilities RM'000	Total RM'000
<b>Company</b>				
<b>Financial assets</b>				
Other receivables	14	14	11	11
Amount owing by a subsidiary company	–	–	280,350	280,350
Cash and cash equivalents	1,999	1,999	1,796	1,796
	2,013	2,013	282,157	282,157
<b>Financial liabilities</b>				
Other payables	95	95	95	95
Amount owing to a subsidiary company	21,825	21,825	20,320	20,320
	21,920	21,920	20,415	20,415

**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 trade receivables.

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables ageing.

The ageing analysis of the Group's trade receivables and is as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor individually impaired	119,294	100,343
Past due but not individually impaired:		
- Between 1 to 180 days	–	7
- Between 181 to 365 days	–	–
- More than 365 days	–	–
	–	7
	119,294	100,350





Notes to the Financial Statements  
(Cont'd)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

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

#### Credit risk (Cont'd)

The Group's trade receivables of Nil (2017: RM7,000) was past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

At reporting date, the Group's concentration of the top 2 (2017: 1) trade customers of the Group represents 99% (2017: 99%) of the total trade receivables.

#### 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.

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
<b>2018</b>				
<b>Group</b>				
Trade payables	54,887	–	54,887	54,887
Other payables	16,422	–	16,422	16,422
Amount owing to a Director	8	–	8	8
Borrowings	24,055	0.60	24,079	24,079
	95,372		95,396	95,396
<b>Company</b>				
Other payables	95	–	95	95
Amount owing to a subsidiary company	21,825	–	21,825	21,825
	21,920		21,920	21,920
<b>2017</b>				
<b>Group</b>				
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
<b>Company</b>				
Other payables	95	–	95	95
Amount owing to a subsidiary company	20,320	–	20,320	20,320
	20,415		20,415	20,415

Notes to the Financial Statements  
(Cont'd)**28. FINANCIAL INSTRUMENTS (CONTD)****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:

	<b>Financial assets/(liabilities) held in non-functional currency Functional Currency</b>			
	<b>Hong Kong Dollar ("HKD") RM'000</b>	<b>United States Dollar ("USD") RM'000</b>	<b>Chinese Renminbi ("RMB") RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>2018</b>				
Cash and bank balances				
Hong Kong Dollar	–	–	–	–
<b>2017</b>				
<b>Cash and bank balances</b>				
Hong Kong Dollar	–	1	–	1
<b>Company</b>				
<b>2018</b>				
<b>Amount owing by/(to) a subsidiary company</b>				
Ringgit Malaysia	284,911	–	(21,825)	263,086
<b>2017</b>				
<b>Amount owing by/(to) a subsidiary company</b>				
Ringgit Malaysia	280,350	–	(20,320)	260,030



Notes to the Financial Statements  
(Cont'd)

## 28. FINANCIAL INSTRUMENTS (CONTD)

### 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.

	<b>Company</b>	
	<b>Profit or loss, net of tax</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
RMB/RM - strengthened 5%	(829)	(772)
- weakened 5%	829	772
HKD/RM - strengthened 5%	10,827	10,653
- weakened 5%	(10,827)	(10,653)

##### (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:

	<b>Group/Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fixed rate instruments</b>		
Fixed deposits with licensed banks	1,995	1,792

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

##### (c) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, amount owing to related parties, amount owing 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.

Notes to the Financial Statements  
(Cont'd)**29. 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 18(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.

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Trade and other payables	71,309	60,471
Amount owing to a Director	8	8
Borrowings	24,055	24,960
Less: Cash and cash equivalents	(19,366)	(20,472)
<b>Net debt</b>	<b>76,006</b>	<b>64,967</b>
Equity attributable to the owners of the Company	380,893	364,702
Less: statutory reserve fund	(49,358)	(49,358)
<b>Total capital</b>	<b>331,535</b>	<b>315,344</b>
<b>Capital and net debt</b>	<b>407,541</b>	<b>380,311</b>
<b>Gearing ratio</b>	<b>18.6%</b>	<b>17.1%</b>

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

**30. CAPITAL COMMITMENTS**

	<b>Group</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Capital expenditure approved and contracted for:		
- property, plant and equipment	—	696



Notes to the Financial Statements  
(Cont'd)

### 31. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	<b>Group/Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	40	40
Between one and five years	29	69
	69	109

### 32. SIGNIFICANT EVENT

On 22 November 2018, the Group has entered into two separate term sheets in relation to the following:

- (a) Proposed acquisition of 51% equity interest in Touchpoint International Sdn. Bhd. and Wavetree LLP ("TouchPoint Group") from Ng Chee Seng, Amirrudin Bin Yahaya and Cindy Wong Ling Ping for a total purchase consideration of RM20 million; and
- (b) Proposed acquisition of the entire interest in Bistromalones (PJ) Sdn. Bhd. ("Bistromalones") from Chaswood Resources Sdn. Bhd. for a total purchase consideration of RM8 million.

TouchPoint Group has two main related businesses, being (i) Industrial Wireless Sensors and Internet of Things; and (ii) Enterprise Mobile Development Applications with the main objective of providing enabling technological solutions to drive intelligent automation and connecting communities through the use of technology via a common platform.

Bistromalones's business is in relation to consumer business in the Casual Dining industry.

As at the date of this report, there are no further developments on the proposed acquisitions stated above.

## List of Properties

As at 31 December 2018

	LOCATION	DESCRIPTION	TENURE	NET BOOK VALUE (RM'000)	AREA (sq. m.)	DATE OF ACQUISITION
1)	Lot no. 201/23/96 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province	Manufacturing plant	Leasehold 29 years	7,721	319,014.00	4 Dec 2005
2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province	Coal storage area	Leasehold 50 years	20,819	85,453.76	12 Feb 2007



## Analysis of Shareholdings

As at 1 April 2019

### 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	%	No. of Shares Held	%
1 - 99	721	3.81	27,315	0.00
100 - 1,000	5,685	30.05	2,665,341	0.24
1,001 - 10,000	6,874	36.34	34,758,986	3.10
10,001 - 100,000	4,906	25.93	179,491,819	15.99
100,001 - 56,115,389	729	3.85	394,364,181	35.14
56,115,390 and above	3	0.02	511,000,175	45.53
Total	18,918	100.00	1,122,307,817	100.00

### DIRECTORS' SHAREHOLDINGS

Name of Directors	Nationality	Direct	No. of shares beneficially held		
			%	Indirect	%
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 <sup>(1)</sup>	27.13
Liu Guodong	Chinese	124,000,057	11.05	—	—
Lim See Tow	Malaysian	—	—	—	—
Liu Xueqiang	Chinese	—	—	—	—
Zhai Baoxing	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  
(Cont'd)**Note :- (Cont'd)**

*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.*

**SUBSTANTIAL SHAREHOLDERS**

Name of Shareholders	Nationality	Direct	No. of shares beneficially held		%
			%	Indirect	
Rock Point Alliance Pte. Ltd.	Singapore	285,000,080	25.39	0	0.00
Liu Guodong	Chinese	124,000,057	11.05	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 <sup>(1)</sup>	27.13
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	Malaysian	1,221,500	0.11	315,342,959 <sup>(2)</sup>	28.10
Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar	Malaysian	1,166,500	0.10	315,397,959 <sup>(3)</sup>	28.10
Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar	Malaysian	1,176,500	0.10	315,387,959 <sup>(4)</sup>	28.10
Y.A.M. Tunku Irinah Binti Tuanku Ja'afar	Malaysian	1,154,250	0.10	315,410,209 <sup>(5)</sup>	28.10
Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar	Malaysian	1,076,550	0.10	315,487,909 <sup>(6)</sup>	28.11
Y.M. Tunku Nurul Hayati Binti Tunku Bahador	Malaysian	100,200	0.01	316,465,759 <sup>(7)</sup>	28.20
Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin	Malaysian	1,500	0.00	308,810,230 <sup>(8)</sup>	27.52
Zhu QingHua	Chinese	0	0.00	102,000,038 <sup>(9)</sup>	9.09





Analysis of Shareholdings  
(Cont'd)

**Note :-**

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

*Deemed interested by virtue of him being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.*

*Deemed interested by virtue of him being the spouse of Y.M. Tunku Nurul Hayati Binti Tunku Bahador.*

*Deemed interested pursuant to Section 8 of the Companies Act 2016 ("Act") by virtue of his substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.*

*Deemed interested by virtue of his direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.*

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

*Deemed interested by virtue of him being the brother-in-law 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.*

- (3) *Deemed interested by virtue of her 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 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  
(Cont'd)

**Note :- (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.*

- (4) *Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku 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.*

- (5) *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.*

- (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 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.*



Analysis of Shareholdings  
(Cont'd)

**Note :- (Cont'd)**

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 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.*

- (8) *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.*

- (9) *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  
(Cont'd)**LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS**

<b>NO.</b>	<b>NAME</b>	<b>NO. OF SHARES BENEFICIALLY HELD</b>	<b>%</b>
1.	HLIB NOMINEES (ASING) SDN BHD ROCK POINT ALLIANCE PTE. LTD.	285,000,080	25.39
2.	M & A NOMINEE (ASING) SDN BHD MAJESTIC SALUTE SDN BHD FOR LIU GUODONG	124,000,057	11.05
3.	RISE BUSINESS INC	102,000,038	9.09
4.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED ( A/C CLIENTS )	44,950,000	4.01
5.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	31,565,050	2.81
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.	LIEW SEE KIM	10,714,700	0.95
9.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )	6,479,050	0.58
10.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,071,900	0.36
11.	NG MENG KEE	4,000,000	0.36
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HWEE LOONG (SECT 17 PJ-CL)	3,739,000	0.33
13.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR PLATINUM BROKING COMPANY LIMITED (CLIENT A/C)	3,625,000	0.32
14.	KOH MIAU CHU	3,220,000	0.29
15.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NAZIMAH BINTI SYED MAJID (MARGIN)	3,000,000	0.27



Analysis of Shareholdings  
(Cont'd)

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

<b>NO.</b>	<b>NAME</b>	<b>NO. OF SHARES BENEFICIALLY HELD</b>	<b>%</b>
16.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	2,930,200	0.26
17.	KHO SOON FAN	2,600,000	0.23
18.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,337,400	0.21
19.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)	2,331,500	0.21
20.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG JUN	2,207,000	0.20
21.	PLATINUM PARADE SDN BHD	2,195,500	0.20
22.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	2,050,000	0.18
23.	KHOO CHONG KIEN	2,000,000	0.18
24.	LOW YAU KHEE	2,000,000	0.18
25.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEYED ABU TAHIR BIN BUHARY (MARGIN)	2,000,000	0.18
26.	TAN KIAN AIK	2,000,000	0.18
27.	TEE AH SWEE	2,000,000	0.18
28.	XIE QIONG	2,000,000	0.18
29.	LEE MENG HON	1,950,000	0.17
30.	LIM JIT HAI	1,849,500	0.16

**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 Thirteenth 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 Friday, 24 May 2019 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		
ORDINARY RESOLUTIONS		For	Against
1.	To approve the payment of Directors' Fees to the Non-Executive Directors for the financial year ended 31 December 2018.		
2.	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 25 May 2019 until the next Annual General Meeting of the Company.		
3.	To re-elect Mr. Liu Guodong who retires pursuant to Article 95 of the Company's Articles of Association.		
4.	To re-elect Ms. Lim See Tow who retires pursuant to Article 95 of the Company's Articles of Association.		
5.	To re-elect Mr. Zhai Baoxing who retires pursuant to Article 101 of the Company's Articles of Association.		
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.		
7.	Authority to issue shares pursuant to the Companies Act 2016.		
8.	Retention of Ms. Lim See Tow as an Independent Non-Executive Director of the Company.		
SPECIAL RESOLUTION			
9.	Proposed Adoption of a New Constitution of the Company.		

\* 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 ..... 2019

.....  
Signature of Member/Common Seal

Notes:

1. *In respect of deposited security, only members whose names appear in the Record of Depositors on 16 May 2019 ("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 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.*

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Affix  
Stamp

To:

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

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**THE COMPANIES ACT 2016  
MALAYSIA**

\*\*\*\*\*

**PUBLIC COMPANY LIMITED BY SHARES**

\*\*\*\*\*

**CONSTITUTION**

**OF**

**SINO HUA-AN INTERNATIONAL BERHAD  
(Company No. 732227-T)**

**Incorporated on the 3rd day of May, 2006**



**THE COMPANIES ACT 2016**  
**PUBLIC COMPANY LIMITED BY SHARES**  
**CONSTITUTION**  
**OF**  
**SINO HUA-AN INTERNATIONAL BERHAD**

**DEFINITIONS AND INTERPRETATION**

- |    |   |                                 |
|----|---|---------------------------------|
| 1. | The name of the Company is <b>SINO HUA-AN INTERNATIONAL BERHAD</b> .  | Name                            |
| 2. | The registered office of the Company is situated in Malaysia.   | Registered Office               |
| 3. | (1) In this Constitution, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or context: | Definitions and interpretations |

Words	Meanings
Act	The Companies Act 2016 [Act 777], and any statutory modification, amendment or re-enactment thereof for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.
Applicable Laws	All laws, bye-laws, regulations, rules, orders and/or official directions for the time being in force affecting the Company and its subsidiaries, including but not limited to the Act, the Central Depositories Act, the Listing Requirements, Rules of the Depository and every other law for the time being in force concerning companies and affecting the Company and any other directives or requirements imposed on the Company by the relevant regulatory bodies and/or authorities.
Auditors	The Auditors for the time being of the Company.
Board	The Board of Directors for the time being of the Company.
Central Depositories Act	Securities Industry (Central Depositories) Act, 1991 and every statutory modification, amendment or re-enactment thereof for the time being in force made thereunder.
Company	Sino Hua-An International Berhad (Company Registration Number: 732227-T) or such other name as may be adopted from time to time.

Company Registration Number: 732227-T

Constitution	This Constitution as originally framed or from time to time altered by a Special Resolution and “Clause” means any provision in this Constitution.
Deposited Security	A Security in the Company standing to the credit of a Securities Account subject to the provisions of the Central Depositories Act and/or the Rules.
Depositor	A Holder of a Securities Account.
Depository	Bursa Malaysia Depository Sdn. Bhd. (Company Registration Number: 165570-W) or such other name as may be adopted from time to time and its successors in title and permitted assigns.
Director	A person who for the time being holds office as a director of the Company in accordance with the provisions of the Act and this Constitution, and unless the context otherwise provides or requires, includes an Alternate Director.
Electronic Address	Any electronic mail address or mobile or contact number used for the purposes of sending or receiving documents or information by electronic means.
Electronic Communication	A document or information is sent or supplied by electronic communication if it is sent initially, and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means. This includes the transmission of any notice, document or information via electronic mail or short messaging service or multimedia or social media program or application or such other mode, program or platform capable of performing a similar function.
Electronic Form	Document or information sent by Electronic Communication or by any other means whereby a recipient of such document or information would be able to retain a copy.
Employee Share Scheme	Collectively a Share Issuance Scheme and a Share Grant Scheme.
Exchange	Bursa Malaysia Securities Berhad (Company Registration Number: 635998-W) or such other name as may be adopted from time to time and its successors in title and permitted assigns.

Exempt Authorised Nominee	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
Holder	In relation to the Securities in the Company, any person/persons whose names appear on the register of such securities and any Depositor whose names appear on the Record of Depositors but shall exclude the Depository or its nominee company in whose name the Deposited Security is registered. "Holding of shares in the Company" and "shareholder of the Company" and any other similar expressions shall have the corresponding meanings.
Listed	Admitted to the official list of the Exchange, and "listing" shall be construed accordingly.
Listing Requirements	The Main Market Listing Requirements of the Exchange including any amendment thereto that may be made from time to time.
Market Day	A day on which the stock market of the Exchange is open for trading in Securities.
Member	Any person for the time being holding one or more shares in the Company and whose name appears in the Record of Depositors, including a Depositor who will be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excluding the Depository and/or its nominee company in its capacity as a bare trustee.
Month	Calendar month.
Office	The registered office for the time being of the Company.
Ordinary Resolution	Has the meaning assigned thereto in the Act.
Record of Depositors	A record provided by the Depository to the Company or its share registrar pursuant to an application under Chapter 24.0 of the Rules.
Register of Members	The Register of Members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors.
Registrar of Companies	The Registrar of Companies designated under Section 20A(1) of the Companies Commission of Malaysia Act 2001.
Rules	The Rules of the Depository, including any amendment that may be made from time to time.

Seal	The Common Seal of the Company.
Secretary	Any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint, temporary, assistant or deputy secretary.
Securities	Has the meaning assigned thereto in Section 2 of the Capital Markets and Services Act 2007 or any modification, amendment or re-enactment thereof for the time being in force made thereunder.
Securities Account	An account established by the Depository for a Depositor for the recording of deposit or withdrawal of Securities and for dealing in such Securities by the Depositor.
Share Grant Scheme	A scheme involving the grant of the Company's existing shares to employees and/or Directors.
Share Issuance Scheme	A scheme involving a new issuance of the Company's shares to employees and/or Directors.
Special Resolution	Has the meaning assigned thereto in the Act.
Subsidiary	Has the meaning assigned thereto in the Act.

- (2) Expressions defined in the Act and used in the Constitution shall bear the meanings so defined.
- (3) Expressions referring to "writing" shall include, unless the contrary intention appears, references to printing, lithography, photography and any other modes of representing or reproducing words, letters, figures or marks in a visible form or in any other form or manner, whether in hard copy or in Electronic Form sent by way of an Electronic Communication or otherwise in a form that allows the document and/or information to be easily accessible and reproduced into written, electronic or visible form.
- (4) Unless these be something in the subject or context inconsistent therewith:
- (a) words, denoting the singular number only shall include the plural number and vice versa and words importing the masculine gender only shall include the feminine and neuter genders and the word "person" shall include a body of persons, corporate or unincorporated (including a trust);
  - (b) any reference to a statutory provision includes modification, consolidation or re-enactment thereof for the time being in force, and all statutory instruments or orders made pursuant thereto; and
  - (c) any reference to any corporation includes its successors in title.

- (5) Subject as aforesaid, any words or expressions defined in the Constitution shall be interpreted in accordance with the provisions of the Interpretation Act 1967 and of the Act as amended from time to time and any re-enactment thereof for the time being in force made thereunder as in force at the date at which the Constitution become binding on the Company.

The marginal notes are inserted for convenience only and shall not affect the interpretation and construction of the provision in the Constitution.

#### **LIABILITY OF MEMBERS**

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| 4. | The liability of the Members is limited. | Liability of Members |
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#### **POWERS AND OBJECTS**

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| 5. | Subject to the provisions of the Act and any other written laws and the Constitution, the Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or activity or do any act or enter into any transaction. | Power of the Company |
|----|--|----------------------|

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| 6. | The objects for which the Company is established shall include but not limited to the following: | Objects |
|----|--|---------|

- (a) To carry on the business of trading in investment holdings.
- (b) To carry on all or any of the business of general merchants, importers and exporters, manufacturer, manufacturers agents, wholesalers, retailers, suppliers, agents, commissions agents, distributors, distributors agents in all kinds of health supplement, goods, products, materials and articles of all kinds and all related raw materials used in consumer industry which can in the opinion of the Company be advantageously carried out or conveniently carried on by way of extension of, in connection with or is calculated directly or indirectly to develop any branch of the business of the Company.
- (c) To buy or otherwise acquire shares, stocks, debentures, of other securities issued by any other company to invest upon or without security the monies of the Company in such manner as may from time to time be determined and to hold any such shares, securities or investment or at any time or times to sell, realize the same and to re-invest the proceeds. To purchase or otherwise acquire for investment land, factories, houses, buildings, plantations and immovable property of any tenure or any interest therein and nay movable property of any description or any interest therein and to create and sell freehold and leasehold ground rents and to make advances upon the security of land or house, or other property of any interest therein and generally to sell, lease or exchange land and house property and any other property whether real or personal and whether for valuable consideration or not.

And it is hereby declared that the objects specified in each of paragraphs of this clause shall be regarded as independent objects and accordingly shall in no wise be limited or restricted (except where otherwise expressed in such paragraphs) by reference to or inference from the terms of any other paragraphs, but may be carried out in as full and ample a manner and construed in as wide a sense as if each of the said paragraphs defined the objects of a separate and distinct company.

#### **SEAL**

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|----|---|--|
| 7. | The Company may have a Seal, which shall be in accordance with the Act, as the Board may determine.   | Seal   |
| 8. | Where the Company has a Seal, the Company may have an official Seal for use outside Malaysia or an official Seal that may be used to seal securities issued by the Company or documents creating or evidencing securities so issued, which shall be in accordance with the Act, as the Board may determine.   | Official Seal for use abroad and on share certificates, etc. |
| 9. | The Directors shall provide for the safe custody of the Seal(s), which shall only be used by the authority of the Board or of a committee of the Board authorised by the Directors in that behalf, and every instrument to which the Seal is affixed shall be signed by a Director and shall be countersigned by a Secretary or by a second Director or by some other person appointed by the Board for the purpose, save and except that, in the case of a certificate or other document of title in respect of any share, stock, loan stock or debenture as defined in the Act or any other obligations, warrants, call warrants or securities and instruments of any kind whatsoever relating to all the aforesaid created or issued or dealt with or marketed or sold by the Company, such certificate or document of title may be created or issued pursuant to Clause 8, as the case may be, and the Board may by resolution determine that such signatures may be affixed by some mechanical electronic facsimile or autographical means or by such other means to be specified by the Board from time to time in such resolution. | Authority for use of Seal                                    |

#### **TYPE AND CLASS OF SHARES AND VARIATION OF RIGHTS**

- |     |   |                 |
|-----|---|-----------------|
| 10. | Shares in the Company may:  | Types of shares |
|     | (a) be issued in different classes;   |                 |
|     | (b) be redeemable in accordance with Section 72 of the Act;   |                 |
|     | (c) confer preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to distributions of capital, income or dividends; |                 |
|     | (d) confer special, limited or conditional voting rights; or  |                 |
|     | (e) not confer voting rights.   |                 |

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|-----|--|---------------------------|
| 11. | <p>If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 88 and 90 of the Act and whether or not the Company is being wound up) be varied or abrogated with:</p> <p>(a) the consent in writing of the Holders of not less than seventy-five per centum (75%) of the total voting rights of the Members in that class; or</p> <p>(b) the sanction of a Special Resolution passed at a separate general meeting of the Holders of the shares of that class.</p> <p>To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the number of the issued shares of the class (but so that if at any adjourned meeting of such Holders, a quorum is not present, the Holders present, shall form a quorum), and any Holder of shares of the class present in person or by proxy may demand a poll.</p> | Variation of class rights |
| 12. | <p>All new issues of Securities for which listing is sought shall be by way of crediting the Securities Accounts of the allottees or entitled persons held with the Depository with such Securities with the Depository, save and except where the Company is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall similarly be exempted from compliance with this Clause. For this purpose, the Company must notify the Depository of the names of the allottees or entitled persons together with all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.</p>  | New issues of Securities  |
| 13. | <p>The rights conferred upon the Holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further share ranking as regards participations in the profits or assets of the Company in some or in all respects pari passu therewith.</p>  | Ranking of class rights   |
| 14. | <p>Subject to the Act and this Constitution, any unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Directors who may offer, issue, allot (with or without conferring a right of renunciation), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.</p>  | Issue of shares           |
| 15. | <p>Clause 14 shall be subject to the proviso that the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest of the Company without the prior approval of the Members in general meeting.</p>  | Restrictions on issue     |

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|-----|--|---------------------------|
| 16. | Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by Ordinary Resolution determine or as the Directors (subject to them being duly authorised to do so by an ordinary resolution of the Company) may determine.  | Rights attached to shares |
| 17. | Subject to any direction to the contrary that may be given by the Company in general meeting and subject always to this Constitution and the Act, all new shares or other Securities shall, before issue, be offered to Members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiry of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution. | Pre-emption               |
| 18. | <p>Notwithstanding Clause 17 above (but subject to the Act), the Company may (if required) apply to the Exchange for a waiver from convening an extraordinary general meeting to obtain shareholders' approval for further issue or issues of shares (other than bonus or rights issues) where:</p> <p>(a) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed ten per centum (10%) (or such higher percentage as the Exchange may from time to time allow either in respect of a particular financial year, generally or otherwise) of the Company's total number of issued share; and</p> <p>(b) there is in force at the time of the application for such waiver, a resolution of the Company in general meeting authorising the Directors to make such further issue or issues as stated above.</p>  | Waiver for issues         |



19. Without prejudice to any special rights previously conferred on the Holders of any existing shares or class of shares and subject to the provisions of this Constitution and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions, whether with regard to dividend, voting, return of capital or otherwise, and at such times as the Directors may determine but the Directors in making any issuance of shares shall comply with the following conditions:
- Power to issue and allot shares
- (a) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members of the Company in general meeting;
  - (b) in the case of shares offered to the public for subscription, the amount payable on application for each share shall not be less than five per centum (5%) of the offer price of the share;
  - (c) in the case of shares of any class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same; and
  - (d) every issue of shares or options to Directors of the Company shall be approved by the Members in general meeting and no Directors shall participate in such issue of shares or options unless:
    - (i) the Members in general meeting have approved of the specific allotment to be made to such Directors; and
    - (ii) he holds office in the Company in an executive capacity PROVIDED ALWAYS that a Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public issue or public offer.
20. The Company may exercise the powers of paying commission conferred by the Act, provided that the rate or the per centum of the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the commission shall not exceed the rate of ten per centum (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per centum (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid up shares or partly in one way and partly in the other. The Company may also on any issue of shares, pay such brokerage as may be lawful.
- Commission on subscription of shares
21. Except as authorised or required by law or this Constitution, no person shall be recognised by the Company as holding any security on any trust, and the Company shall not be bound by or recognise (even when having notice of it) any equitable, contingent, future or partial interest in any security or any interest in any fractional part of a security or (except only as provided by law) any other rights in respect of any security except an absolute right to the entirety of the security in the registered holder.
- No recognition of trust

- |     |  |   |
|-----|--|---|
| 22. | The Directors may at any time after the allotment of any security but before any person has been entered in the Register of Members as the Holder recognise a renunciation of such security by the allottee in favour of some other person and may accord to any allottee of a security a right to effect such renunciation on such terms and conditions as the Directors may determine.   | Renunciation  |
| 23. | Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period, subject to the conditions and restrictions mentioned in Section 130 of the Act, and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant. | Power to charge interest on shares issued for purpose of raising money for construction of works, building or plant |

### PREFERENCE SHARES

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|-----|---|--|
| 24. | Subject to the Act and this Constitution, any preference shares may with the sanction of an Ordinary Resolution of shareholders in general meeting, be issued on terms that they are redeemable and/or convertible, or at the option of the Company liable to be redeemed and/or converted into ordinary shares on such terms and in such manner as may be provided for by this Constitution from time to time.   | Redeemable /convertible preference shares                |
| 25. | If the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with or in priority to preference shares already issued.   | Reservation of right to issue further preference capital |
| 26. | <p>(1) Preference shareholders shall have the right to attend and vote at any meeting convened for the purpose of sanctioning:</p> <ul style="list-style-type: none"> <li>(a) a resolution or proposal in respect of dividend or part of the dividend on the preference shares which are in arrears for more than six (6) months;</li> <li>(b) a proposal to reduce the capital of the Company;</li> <li>(c) a proposal for the disposal of the whole of the Company's property, business and undertaking;</li> <li>(d) a proposal or resolution which affects the rights and privileges attached to the preference share;</li> <li>(e) a proposal to wind up the Company; and</li> <li>(f) during the winding-up of the Company.</li> </ul> <p>(2) Preference shareholders shall be entitled to a return of capital in preference to Holders of ordinary shares in the event that the Company is wound up.</p> <p>(3) Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited accounts and attending meetings of the Company.</p> | Rights of preference shareholders                        |

- |     |   |                                 |
|-----|---|---------------------------------|
| 27. | Notwithstanding Clause 26 hereof, the repayment of preference share capital other than redeemable preference shares, or any alteration of preference shareholder's rights shall only be made pursuant to a Special Resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing obtained from the Holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting. | Repayment of preference capital |
|-----|---|---------------------------------|

#### **CERTIFICATES/NOTICE OF ALLOTMENT**

- |     |   |  |
|-----|---|--|
| 28. | Subject to the Act, the Central Depositories Act, the Listing Requirements and the Rules, the Company shall allot/issue Securities, despatch notices of allotment to successful allottees and make an application for the quotation of such Securities in accordance with the period prescribed or allowed by the Exchange.   | Allotment and despatch of notices of allotment |
| 29. | The Company shall issue and deliver to the Depository the appropriate jumbo certificates in such denomination as may be specified by the Depository registered in the name of the Depository or its nominee company.  | Jumbo certificates                             |
| 30. | Every certificate shall be issued under the relevant Seal and bear the signatures or the autographic signatures reproduced by facsimile or other mechanical means shall be issued in accordance with Clause 9, and shall specify the number and class of Securities to which it relates, and the amount paid up thereon.  | Issuance of share certificates                 |
| 31. | Subject to the provisions of the Act, the Central Depositories Act, the Listing Requirements and the Rules, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on evidence being produced and a letter of indemnity (if required) being given, as the Directors of the Company shall require, and, in the case of defacement or wearing out, on delivery of the old certificate. | Replacement of share certificates              |

#### **LIEN ON SHARES**

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|-----|--|--|
| 32. | <p>The Company shall have a first and paramount lien on every share (not being a fully paid share) and the distributions, including dividends, from time to time declared in respect of such shares provided always that such lien shall be restricted only to the following:</p> <ul style="list-style-type: none"> <li>(a) unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid;</li> <li>(b) amounts which are owed to the Company for the acquisition of shares under an Employee Share Scheme; and</li> <li>(c) such amounts as the Company may be called upon by law to pay, and has paid, in respect of shares of a Member or deceased Member.</li> </ul> | Company's lien on shares and distributions |
|-----|--|--|

The lien in each of the above cases shall also extend to reasonable interest and expenses incurred because of the unpaid amount.

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| 33. | The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.  | Lien may be enforced by sale of shares |
| 34. | To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale and the remedy of the former holder of such share or any person claiming under or through him in respect of any alleged irregularity or invalidity shall be against the Company. | Directors may effect transfer          |
| 35. | The proceeds of the sale after payment of the amount of interest and costs relating to the sale and of any attempted sale, shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a similar lien for sums not presently payable but existing upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.  | Application of proceeds of sale        |

#### CALLS ON SHARES

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| 36. | The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares, and not by the conditions of allotment thereof made payable at fixed times. Except in the case of calls payable at fixed times pursuant to the conditions of allotment, each Member shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified, the amount called on his shares. A call may be revoked or postponed as the Directors may determine. | Directors may make calls |
| 37. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable in one lump sum or by instalments and the time or times and place(s) appointed by the Directors. No shareholder shall be entitled to receive any dividend or to exercise any privilege as a Member, until he shall have paid all calls for the time being due and payable on every share held by him, together with interest and expenses (if any).   | Effective date of call   |
| 38. | If a sum called in respect of shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due, shall pay interest or compensation on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per centum (8%) per annum or such other rate as the Directors may determine, but the Directors shall be at liberty to waive payment of the interest or compensation, wholly or in part.   | Interest on unpaid calls |

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| 39. | Any sum which by the terms of issue of a share is made payable on allotment or at any fixed date, shall for the purposes of this Constitution, be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise, shall apply as if the sum had become payable by virtue of a call duly made and notified.   | When calls deemed made       |
| 40. | <p>(1) The Directors may, on the issue of shares, differentiate between the Holders as to the amount of calls or instalments to be paid and the times of payment of such calls.</p> <p>(2) If, by the condition of allotment of any share, the whole or part of the amount or issue price thereof shall be payable on fixed dates every such amount shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the Holder of the share.</p>  | Difference in calls          |
| 41. | The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him, and upon all or any part of the monies so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per centum (8%) per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, capital paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid up on the shares in respect of which they have been paid. | Calls may be paid in advance |

#### INFORMATION ON SHAREHOLDING

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| 42. | <p>(1) The Company may by notice in writing, require any Member of the Company, within such reasonable time as is specified in the notice:</p> <p style="margin-left: 20px;">(a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee or nominee; and</p> <p style="margin-left: 20px;">(b) if he holds that voting shares as trustee or nominee, to indicate so far as he can, the persons for whom he holds that voting shares by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.</p> <p>(2) Where the Company is informed in pursuance of a notice given to any person under Clause 42(1) hereof or under this Clause, that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:</p> <p style="margin-left: 20px;">(a) to inform the Company whether he holds that voting shares as beneficial owner or as trustee or nominee; and</p> <p style="margin-left: 20px;">(b) if he holds that voting shares as trustee or nominee, to indicate so far as he can, the person for whom he holds that voting shares by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.</p> | Company may require information |
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| (3) | The Company may by notice in writing require a Member to inform the Company, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him, are the subject of any agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to such agreement or arrangement. | Member to inform Company |
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### TRANSFERS OF SECURITIES

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| 43. | Subject to this Constitution, the Rules and except as may be required by the Applicable Laws, there shall be no restriction on the transfer of fully paid up Listed Securities in the Company.  | No restriction on transfer of fully paid up Listed Securities  |
| 44. | Subject to the provisions of the Act, this Constitution, the Central Depositories Act, and the Rules, the transfer of any Deposited Securities or class of Deposited Securities of the Company shall be made by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities which have been deposited with the Depository by the Company.   | Transfer of Listed Securities by way of book entry   |
| 45. | <p>(1) Subject to the restrictions of this Constitution, all shares other than Deposited Securities shall be transferable but every transfer shall be in writing in the usual common form pursuant to the Act or in such other forms as the Board shall from time to time approve, and shall be submitted to the Office of the Company or its agent together with the certificate of the shares to be transferred and/or such other evidence (if any) as the Board may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.</p> <p>(2) The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the Holder of the Security until the transferee's name is entered in the Register of Members in respect thereof.</p> <p>(3) The Company or its agent shall be entitled to charge a fee not exceeding Ringgit Malaysia Fifty only (RM50.00) on the registration of every transfer in respect of the shares other than the Deposited Securities.</p> <p>(4) No Securities shall, in any circumstances, be transferred to any infant, bankrupt or person of unsound mind.</p> | <p>Transfer of Securities</p> <p>Instrument of transfer and execution requirements</p> <p>Fee payable for registering of transfer</p> <p>Prohibited transfer</p> |
| 46. | The Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act, the Rules and the Applicable Laws.  | Depository's right to refuse transfer  |

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| 47. | <p>(1) The Directors may in their absolute discretion refuse or delay to register any transfer of shares that is not a Deposited Security where the registration of the transfer would result in contravention of or failure to observe the provisions of any laws in Malaysia; or the transfer is in respect of a partly paid shares of which a call has been made and is unpaid or which the Company has a lien.</p> <p>(2) A Directors' resolution shall be passed within thirty (30) days from the receipt of the instrument of transfer to refuse or delay the registration of transfer of a share that is not a Deposited Security and such notice of the resolution including the reasons thereof shall be sent to the transferor and the transferee within seven (7) days of the resolution being passed.</p> <p>(3) The Company shall refuse to register more than three (3) persons as joint holders of a share unless they are executors or trustees of a deceased shareholder.</p>   | <p>Directors' discretion to refuse or delay the registration of transfer of share that is not a Deposited Security</p> |
| 48. | <p>(1) Registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be closed or suspended for more than thirty (30) days in aggregate in any calendar year. Notice of such closure or suspension shall within such period as may from time to time be permitted by the Act and/or the Exchange and be given to the Exchange, stating the period or periods and the purpose or purposes of such closure or suspension.</p> <p>(2) In relation to the suspension, the Company shall give notice, in accordance with the Central Depositories Act and the Rules, to enable the Depository to issue the relevant Record of Depositors.</p>   | <p>Closure of register</p>   |
| 49. | <p>Subject to the Central Depositories Act and the Rules, neither the Company or the Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to, the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the Securities proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that, the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his legal personal representatives and assignees alone shall be entitled to be recognised as the Holder of such Securities and the previous Holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.</p> | <p>Limitation of liability</p>   |

# **DISPOSAL OF SECURITIES OF MEMBERS WHOSE WHEREABOUTS ARE UNKNOWN**

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| 50. | Where by the exercise of reasonable diligence the Company is unable to discover the whereabouts of a Member for a period of not less than ten (10) years the Company may cause an advertisement circulating in the place shown in the Register of Members or the Record of Depositors as the address of the Member stating that the Company after expiration of thirty (30) days from the date of the advertisement intends to transfer the shares to the Minister charged with responsibility for finance. | Reasonable diligence   |
| 51. | If after the expiration of thirty (30) days from the date of the advertisement the whereabouts of the Member remains unknown, the Company may transfer the shares held by the Member to the Minister charged with responsibility for finance and for that purpose may execute for and on behalf of such Member a transfer of those shares to the Minister charged with responsibility for finance.  | Transfer of shares to Minister charged with responsibility for finance |

## **TRANSMISSION OF SECURITIES**

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| 52. | In the case of the death of a Member, the legal representative(s) of the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the Securities or debentures but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any Security which had been held by the deceased Member.   | Death of Member  |
| 53. | <p>A person to whom the right to shares or debentures are transmitted by operation of law may, upon such evidence of title being produced as may from time to time be required by the Directors (but subject to the provisions of this Constitution, the Central Depositories Act and the Rules) elect either:</p> <p>(a) to be registered himself as a Member or debenture holder in respect of the shares or debentures by written notice to the Company stating that he so elects provided that where the shares or debentures are Deposited Securities, the aforesaid notice must also be served on the Depository; or</p> <p>(b) to have another person registered as a Member or debenture holder in respect of the shares or debentures and testify such election by executing to that person a transfer of those shares or debentures, as the case may be, or such other instrument as the Depository may require.</p> | Registration of person becoming entitled by operation of law |

All limitations, restrictions and provisions of this Constitution in relation to the right to transfer and the registration of transfers of shares and debentures shall apply to any notice or transfer of shares or debentures as if the death or bankruptcy of the Member or debenture holder had not occurred and the notice or transfer were signed by that Member or debenture holder.



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| 54.                                | <p>A person entitled to shares and/or debentures in consequence of the death or bankruptcy of a Member shall be entitled upon the production of such evidence as may from time to time be properly required by the Directors and the Depository in that behalf and subject to the Central Depositories Act and the Rules, to receive and may give a discharge for all dividends and other moneys payable in respect of the shares and/or debentures, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a Member or debenture holder, unless and until he shall have become a Member or debenture holder in respect of the shares and debentures. Where two or more persons are jointly entitled to any share and/or debenture in consequence of the death of the holder of the share they shall, for the purposes of these Clauses, be deemed to be the joint holders of the share and/or debenture.</p> | Rights on death or bankruptcy                |
| 55.                                | <p>Where:</p> <p>(a) the Securities of the Company are listed on another stock exchange; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such Securities,</p> <p>the Company shall, upon request of a Securities Holder, permit a transmission of Securities held by such Securities Holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.</p>   | Transmission of Securities between registers |
| <p><b>FORFEITURE OF SHARES</b></p> |  |  |
| 56.                                | <p>If any Member fails to pay the whole or any part of any call or instalment of call on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the person entitled to the share by transmission requiring him to pay such call or instalments, or such part thereof as remains unpaid, together with interest at such rate not exceeding eight per centum (8%) per annum from the date of forfeiture, as the Directors shall determine, and any expenses that may have accrued by reason of such non-payment.</p>  | Notice requiring payment                     |
| 57.                                | <p>The notice shall name a further day (not earlier than the expiration of fourteen (14) days from the date of service of the notice) on or before which such call or instalment or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, are to be paid. It shall also name the place where payment is to be made and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made will be liable to be forfeited.</p>  | Particulars in notice                        |

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| 58. | Upon failure to comply with the notice served under Clause 56 above, the shares in respect of which such notice has been given shall be forfeited by a resolution of the Directors to that effect unless the payment as required by such notice has been made before such resolution is passed. Such forfeiture shall include all distributions in respect of the shares not actually paid before the forfeiture, notwithstanding that they shall have been declared. The Directors may accept the surrender of any share liable to be forfeited hereunder.  | Forfeiture for non-payment  |
| 59. | A share so forfeited or surrendered shall become the property of the Company and may be re-sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit and whether with or without all or any part of the amount previously paid on the share being cancelled as paid.  | Forfeited shares become property of the Company                           |
| 60. | A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares. Notwithstanding such forfeiture, such person shall remain liable to pay to the Company all monies which at the date of forfeiture was payable by him to the Company in respect of the shares together with interest or compensation at the rate of eight per centum (8%) per annum or such other rate as may be allowed under the Applicable Laws and determined by the Directors to be calculated from the date of the forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of the interest or compensation, and his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares.   | Liability of Member in respect of forfeited shares                        |
| 61. | The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited and the Company, except only such of those rights and liabilities as are by this Constitution expressly saved or as are by the Act, the Central Depositories Act and the Rules, given or imposed in the case of past Members.  | Results of forfeiture   |
| 62. | A statutory declaration in writing by a Director or Secretary that a share in the Company has been duly forfeited in pursuance of this Constitution on a date stated in the declaration shall be conclusive evidence of the facts stated in the declaration against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for a forfeited share on any sale, re-allotment or disposition of the share and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and such person shall be registered as the shareholder and not have his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. | Statutory declaration as conclusive evidence and sale of shares forfeited |
| 63. | The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable to the Company at a fixed time, as if the sum had been payable by virtue of a call duly made and notified.   | Application of forfeiture provisions                                      |

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| 64. | When any share has been forfeited in accordance with these Clauses, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by reason of the death or bankruptcy as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Register of Members opposite to the share but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry aforesaid. | Notice of forfeiture                 |
| 65. | In the event of any forfeited share on which the Company has a lien being sold or disposed of, the net proceeds of such sale or disposal after providing for the expenses of such sale or disposal and for the payment of any moneys owing to the Company in respect of which the lien exists shall be paid to the person (or persons for joint holders) whose share has been forfeited or his executors, administrators or assignees as the case may be or as he or she shall direct.  | Proceeds of sale of forfeited shares |

#### **CONVERSION OF SHARES INTO STOCK**

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| 66. | The Company may by Ordinary Resolution passed at a general meeting convert any fully paid shares into stock or reconvert any stock into paid shares of any denomination.  | Conversion by Ordinary Resolution         |
| 67. | The stockholders may transfer the stocks or any part of the stocks in the same manner as the transfer of shares from which the stock arose may, before the conversion, have been transferred or be transferred in the closest manner as the circumstances allow. The Directors may fix the minimum amount of stock transferable and may restrict or forbid the transfer of fractions of that minimum.   | Transfer of stock                         |
| 68. | The stockholders shall, according to the amount of the stock held by the stockholders, have the same rights, privileges and advantages with regards distributions, including dividends, voting at meetings of the Company and other matters as if the stockholders held the shares from which the stock arose but so that none of such privileges or advantages except participation in the distributions and profits of the Company and in the assets on winding up shall be conferred by any such part of stock which would not, if existing in shares, have conferred such privileges or advantages. | Rights of stock holders                   |
| 69. | Any reference in the Act and this Constitution applicable to issued shares shall apply to stock, and the words "share" and "Member" shall include "stock" and "stockholder" respectively.   | Application of this Constitution to stock |

#### **INCREASE OF CAPITAL**

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| 70. | The Company may from time to time by Ordinary Resolution whether all the shares for the time being issued have been fully called up or not, increase its capital by the creation and issue of new shares, with such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company in such general meeting directs and such new shares or any of them may have such preference or priority over the then existing shares of the Company and that such rights and privileges be different from those of such existing shares as the Directors may think fit. | Power to increase capital |
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| 71. | Except so far as otherwise provided by the conditions of issue, or by the provisions of this Constitution, any share capital raised by the issue of new shares shall be considered as part of the original share capital, and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien, voting and otherwise as if it has been part of the original share capital. | New shares subject to same provisions as original shares. |
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#### **ALTERATION OF CAPITAL**

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| 72. | Subject to the provisions of the Act and the Listing Requirements, the Company may by Ordinary Resolution:   | Power to alter capital |
|     | <ul style="list-style-type: none"> <li>(a) consolidate and divide all or any of its share capital, such that the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;</li> <li>(b) convert all or any of its issued shares into stock and reconvert that stock into fully-paid shares;</li> <li>(c) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the Holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards distributions, including dividends, return of capital voting or otherwise over the other or others of such shares;</li> <li>(d) increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or</li> <li>(e) subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into another class of shares.</li> </ul> |                        |

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| 73. | The Company may by Special Resolution reduce its share capital in any manner authorised by the Act. | Reduction of share capital |
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#### **PURCHASE OF OWN SHARES**

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| 74. | Subject to the provisions of the Act and/or any other Applicable Laws and any rules, regulations and guidelines thereunder issued by the Exchange and any other relevant authority, the Company, may, with the sanction of an Ordinary Resolution of the Members in general meeting, purchase its own shares. Any shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and/or any other Applicable Laws or requirements of any other relevant authority. | Company may purchase its own shares |
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| 75. | The Company shall not purchase its own shares unless:  | Conditions for purchasing own shares                   |
|     | <p>(a) the Company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;</p> <p>(b) the purchase is made through the Exchange on which the shares of the Company are quoted and in accordance with the relevant rules of the Exchange; and</p> <p>(c) the purchase is made in good faith and in the interests of the Company.</p> |  |
| 76. | Notwithstanding Clause 75(b), the Company may purchase its own shares otherwise than through the Exchange if the purchase is:  | Purchase of own shares otherwise than through Exchange |
|     | <p>(a) permitted under the relevant and applicable rules of the Exchange; and</p> <p>(b) made in accordance with such requirements as may be determined by the Exchange.</p>   |  |

#### GENERAL MEETINGS

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| 77. | An annual general meeting of the Company shall be held in accordance with the provisions of the Act within six (6) months of the Company's financial year end and not more than fifteen (15) months after the holding of the last preceding annual general meeting, but so long as the Company holds its first annual general meeting within eighteen (18) months of its incorporation, it need not hold it in the year of its incorporation or in the following year. All general meetings other than the annual general meeting shall be called extraordinary general meetings or meeting of Members. All general meetings shall be held at such time and place as the Directors shall determine. | General meetings                                  |
| 78. | An extraordinary general meeting may be convened by the Directors whenever they think fit. In addition, an extraordinary general meeting may be convened on such requisition as provided by Sections 310 and 311 of the Act. The Directors shall call for the meeting in accordance with Section 312 of the Act.  | Power to convene an extraordinary general meeting |
| 79. | If the Directors do not convene the meeting in accordance with Clause 78, the Members who requisitioned the meeting, may call for the meeting in the manner provided in Section 313 of the Act. Any meeting convened by requisitionist shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.  | Requisitionists may convene general meeting       |
| 80. | The Company may hold a meeting of Members at more than one (1) venue using any technology or method that enables the Members to participate and to exercise the Members' rights to speak and vote at the meeting. The main venue of the meeting shall be in Malaysia and the chairman shall be present at the main venue of the meeting.  | Venues and technology for meetings of Members     |

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| 81. | <p>Subject to the provisions of the Act, every notice convening meetings shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any Special Resolution is to be proposed or where it is an Annual General Meeting and shall be given in the manner hereinafter mentioned to such persons as are under the provisions of this Constitution entitled to receive notice of general meetings from the Company.</p> <p>At the same time as Members are notified, every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p>  | Notice of general meeting     |
| 82. | <p>Every notice convening a meeting shall include the following:</p> <ul style="list-style-type: none"><li>(a) the place, the day, the date and the time of meeting and the general nature of business of the meeting;</li><li>(b) if the meeting is an Annual General Meeting, a statement specifying the meeting as such;</li><li>(c) if the meeting is convened to consider a Special or Ordinary Resolution, it shall specify the intention to propose the resolution as a Special or Ordinary Resolution, as the case may be.</li><li>(d) if the meeting is convened to pass a Special Resolution, is shall specify the intention to propose the resolution as a Special Resolution accompanied by an explanatory statement regarding the effect of any proposed resolution in respect of such business;</li><li>(e) a statement with reasonable prominence that a Member entitled to attend and vote is entitled to appoint proxy(ies) to attend, participate, speak and vote instead of him;</li><li>(f) a statement with reasonable prominence that a Member who appoints more than one (1) proxy in relation to a meeting must specify the proportion of the Member's shareholding to be represented by each proxy; and</li><li>(g) Any notice of a general meeting called to consider special business must be accompanied by an explanatory note which contains the necessary information to enable a Member to make an informed decision.</li></ul> <p>The notice of meeting of Members may include text of any proposed resolution and other information as the Directors deem fit.</p> | Content of notice of meetings |

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| 83. | <p>The Company shall request in writing to the Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.</p> <p>The Company shall also request the Depository in accordance with the Rules, to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting ("General Meeting Record of Depositors"). The General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings.</p> <p>Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable) and notwithstanding any provision in the Act, a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.</p> | Record of Depositors                |
| 84. | <p>Subject always to the provisions of the Act, no business shall be transacted at a general meeting except business of which notice has been given in the notice convening the meeting. An Annual General Meeting shall be held to transact the business in accordance with the Act, which includes the laying of audited financial statements and the reports of the Directors and Auditors, the election of Directors in place of those retiring, the appointment and the fixing of the Directors' fees and benefits payable, and the appointment and fixing of the remuneration of the Auditors in accordance with the Act.</p>  | Business at meetings                |
| 85. | <p>A meeting shall, notwithstanding that it is called by notice shorter than is required in Section 316(2) of the Act, be deemed to be duly called if it is so agreed, in the case of a meeting called as the Annual General Meeting, by all the Members entitled to attend and vote at the meeting, or in the case of an extraordinary general meeting, by a majority who together hold not less than the requisite percentage of ninety five per centum (95%) in the number of the shares giving a right to attend and vote at the meeting, excluding any shares in the Company held as treasury shares</p>  | Call of meetings by shorter notice  |
| 86. | <p>Where by any provisions of the Act, special notice is required of a resolution, the resolution shall not be effective unless notice of intention to move it has been given to the Company at least twenty-eight (28) days before the meeting at which it is moved and the Company shall, where practicable, give its Members notice of any such proposed resolution at the same time and in the same manner as it gives notice of the meeting or, if that is not practicable shall give them notice thereof, at least fourteen (14) days before the meeting, by advertising it in one (1) widely circulated newspaper in Malaysia in the national language and one (1) widely circulated newspaper in Malaysia in the English language, but if after notice of the intention to move such a resolution has been given to the Company, a meeting is called on a date twenty-eight (28) days or less after the notice has been given, the notice although not given within the time required by this Clause shall be deemed to be properly given.</p>   | Resolution requiring special notice |
| 87. | <p>Notice of a general meeting must be given to every Member, Director and Auditors of the Company. For the purposes of this Clause, the reference to a 'Member' includes any person who is entitled to a share in consequence of the death or bankruptcy of a Member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting and the Company has been notified of the person's entitlement in writing.</p>   | Person entitled to receive notice   |

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| 88. | The accidental omission to give notice of any meeting to or the non-receipt of notice of a meeting, by any person entitled to receive such notice shall not invalidate any resolution passed or the proceedings at any such meeting. | Omission to give notice |
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**PROXY**

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| 89. | <p>(1) A Member entitled to attend and vote at a general meeting of the Company, or at a general meeting of any class of Members of the Company, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the Member at a general meeting.</p> <p>(2) Where a Member appoints more than one (1) proxy in relation to a general meeting, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.</p> <p>(3) A proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to attend, participate, speak and vote at the meeting and upon appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.</p> <p>(4) A Member is not precluded from attending the meeting in person after lodging the instrument of appointing the proxy; however, such attendance shall automatically revoke the authority granted to that Member's proxy.</p> | Appointment of proxy  |
| 90. | Where a Member of the Company is an Exempt Authorised Nominee which holds Deposited Securities 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.   | Appointment of multiple proxies by an Exempt Authorised Nominee |
| 91. | Subject to the Act, the instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. The instrument appointing a proxy authorises the proxy(ies) to demand or join in demanding a poll.  | Instrument appointing proxy to be in writing                    |
| 92. | <p>The instrument appointing a proxy shall be in such form as the Board may from time to time prescribe or approve subject to such variations or circumstances as the Act or Listing Requirements may require.</p> <p>Unless the contrary is stated thereon an instrument appointing a proxy, whether in the usual common form or not, shall be valid for any adjournment of the meeting as for the meeting to which it relates.</p>  | Form of proxy   |



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| 93. | The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. | Instrument appointing proxy to be deposited at Company's Office |
| 94. | A vote given in accordance with the terms of the instrument of proxy or attorney shall be valid, notwithstanding the previous death or unsoundness of mind of the Member or revocation of the proxy or power of attorney under which it is made or transfer of the share in respect of which the vote is given provided that no intimation in writing of the death, unsoundness of mind, revocation or transfer shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the instrument is used.   | Validity of vote given under proxy                              |
| 95. | A Member of the Company is permitted to give the Company notice of termination of a person's authority to act as proxy not less than twenty-four (24) hours before the time appointed for holding the meeting or an adjourned meeting. The notice of termination must be in writing and be deposited at the Office or at such other place within Malaysia.   | Termination of proxy  |

#### **PROCEEDINGS AT GENERAL MEETINGS**

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| 96. | No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person or by proxy shall be a quorum. For the purposes of this Constitution, "Member" includes a person attending as a proxy or representing a corporation which is a Member. Where one (1) or more proxies or representatives are appointed by a Member, the proxies or representatives shall be counted as one (1) Member.  | Quorum  |
| 97. | The Members may participate in a general meeting at more than one (1) venue by video conference, web-based communication, electronic or such other communication facilities or technologies available from time to time in the future which would permit all Members participating in the meeting to communicate with each other simultaneously and instantaneously and to vote at such meeting. Participation by a Member by any of the aforesaid communication facilities shall be deemed as present at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the main venue where the meeting is to be held.<br><br>All business transacted in the manner as specified in this Constitution and for the purpose of this Clause shall be deemed to be validly and effectively transacted at a meeting. | General meeting at more than one venue using any other technology |

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| 98.  | If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day be a public holiday then to the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen (15) minutes from the time appointed for holding the meeting, the Member or Members present shall for purposes of such adjourned meeting constitute a quorum.  | Proceeding of<br>quorum not present                      |
| 99.  | The chairman (if any) of the Board of Directors or, in his absence, a deputy chairman (if any) shall preside as chairman at every general meeting of the Company. If there is no such chairman or deputy chairman or if at any general meeting neither the chairman or a deputy chairman is present within fifteen (15) minutes after the time appointed for holding the meeting or if neither of them is willing to act as chairman, the Directors present shall choose one (1) of their number, to act as chairman or if one (1) Director only is present, he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote (on a poll) shall elect one (1) of their number to be chairman. The election of the chairman shall be by a show of hands. However, a proxy shall not be eligible for election as chairman of the meeting. | Chairman of general<br>meeting                           |
| 100. | No business except the election of the chairman or the adjournment of the meeting shall be transacted or discussed at any general meeting while the chair is vacant.   | No business to be<br>transacted while<br>chair is vacant |
| 101. | The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.  | Adjournment with<br>consent of meeting                   |
| 102. | <p>(1) Subject to any express requirement of the Listing Requirements, at all general meetings, resolutions put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the resolution of the show of hands a poll be demanded:</p> <p>(a) by the chairman;</p> <p>(b) by at least three (3) Members present in person or by proxy;</p> <p>(c) by any Member present in person or by proxy and representing not less than ten per centum (10%) of the total voting rights of all the Members having the right to vote at the meeting; or</p> <p>(d) by a Member holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per centum (10%) of the total paid up shares conferring that right.</p>  | Voting on resolution<br>and demand for poll              |

- (2) Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolutions. The demand for a poll may be withdrawn.

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| 103. | If a poll is duly demanded in the manner aforesaid, it shall be taken in such manner as the chairman may direct (including the use of a ballot or voting papers or tickets or electronically using various forms of electronic voting devices) and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman may (and if so directed by the meeting shall) appoint scrutineers for the purposes of a poll, and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the results of the poll.  | Taking a poll                                     |
| 104. | The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.   | Continuance of meeting of other business          |
| 105. | No poll shall be demanded at a general meeting on the election of a chairman of general meeting and the adjournment of meeting.   | Poll on election of chairman or on adjournment    |
| 106. | <p>If the Company is Listed, and subject to any provisions to the contrary in the Listing Requirements:</p> <p>(a) any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted on by poll; and</p> <p>(b) the Company must appoint at least one (1) scrutineer to validate the votes cast at the general meeting. Such scrutineer must not be an officer of the listed issuer or its related corporation, and must be independent of the person undertaking the polling process. If such scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must declare such interest and thereupon refrain from acting as the scrutineer for that resolution. For this purpose, "officer" and "related corporation" shall have the meaning assigned to them in Sections 2 and 3 of the Act respectively. For this purpose, "officer" and "related corporation" shall have the meaning assigned to them in Sections 2 and 3 of the Act respectively.</p> | Resolutions of listed issuers to be voted by poll |
| 107. | The poll shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairman of the general meeting directs, and the result of the poll shall be the resolution of the meeting.   | How poll is to be taken                           |

#### **VOTES OF MEMBERS**

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| 108. | In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the general meeting at which the show of hands takes place or at which the poll is taken or demanded shall be entitled to a second or casting vote. | Equality of votes |
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109.	Subject to this Constitution and to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands, every person who is a Member or representative or proxy of a Member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds.	Voting by Members or proxies
110.	Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.	Shares of different monetary denominations
111.	Subject to Section 333 of the Act, any corporation which is a Member of the Company, may by resolution of its Directors or other governing body, authorise such person(s) to act as its representative(s) at any general meeting of the Company and a person so authorised shall in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it was an individual Member of the Company.	Corporate representative
112.	A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney and any person entitled under the transmission Clause hereof to transfer any shares, may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight (48) hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.	Vote of Member of unsound mind and person entitled to transfer
113.	No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy or attorney or representative at any general meeting (including Annual General Meeting) or upon a poll or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.	Member barred from voting while call unpaid
114.	No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purpose. Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.	Time for objection
115.	A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office before the commencement of the meeting or adjourned meeting or in the case of a poll before the time appointed for the taking of the poll, at which the instrument of proxy is used.	Validity of vote given under proxy

**DIRECTORS: APPOINTMENT, REMOVAL, ETC.**

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| 116. | All the Directors of the Company shall be natural persons of full age and until otherwise determined by general meeting, the number of Directors shall not be less than two (2) nor more than twelve (12), but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum, the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company but not for any other purpose.  | Number of Directors   |
| 117. | The Directors shall have power at any time to appoint any other person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any Director so appointed shall hold office only until the conclusion of the next Annual General Meeting and shall be eligible for re-election at such meeting. A Director retiring under this Clause shall not be taken into account in determining the Directors or the number of Directors to retire by rotation at such meeting.  | Directors' power to fill casual vacancies or appoint additional Directors |
| 118. | An election of Directors shall take place each year. At the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the general meeting at which he retires.  | Retirement of Directors   |
| 119. | The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.   | Selection of Directors to retire  |
| 120. | No person, not being a retiring Director shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him for election has, at least eleven (11) clear days before the meeting left at the Office of the Company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board shall be served on the registered Holders of shares at least seven (7) days prior to the meeting at which the election is to take place. | Notice of intention to appoint Director                                   |

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| 121. | The Company at the Annual General Meeting at which a Director so retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected.   | Retiring Director deemed to be reappointed   |
| 122. | At any general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote unless a motion for the appointment of two (2) or more persons as Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.   | Motion for appointment of Directors          |
| 123. | Subject to the Act, the Company may from time to time by Ordinary Resolution passed at a general meeting, increase or reduce the maximum or minimum number of Directors, and may also determine in what rotation the increased or reduced number is to retire from office.  | Increase or reduction of number of Directors |
| 124. | The Company may by Ordinary Resolution at a meeting of which special notice has been given in accordance with Section 206 of the Act, remove any Director before the expiration of the Director's tenure of office notwithstanding any provision of this Constitution or of any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such contract, and may, if thought fit, by Ordinary Resolution of which special notice has been given, appoint any other person as a Director in his place. The person so appointed shall be treated, for the purpose of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed a Director. In default of such appointment, the vacancy so arising may be filled by the Directors as a casual vacancy. | Removal of Directors                         |
| 125. | The shareholding qualification for Directors may be fixed by the Company in general meeting and unless so fixed, no shareholding qualification for Directors shall be required. All Directors shall be entitled to receive notice of and to attend and speak at all general meetings of the Company.  | Directors' qualification                     |

#### **ALTERNATE DIRECTOR**

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| 126. | (1) Each Director shall have power from time to time to nominate any person to act as his alternate provided that (i) such person is not a Director of the Company, (ii) such person does not act as an alternate for more than one Director of the Company, (iii) the appointment is approved by a majority of the other members of the Board, and (iv) any fee or benefits paid by the Company to an Alternate Director shall be deducted from that Director's remuneration. The Director may at his discretion remove such Alternate Director and appoint another in his place, if any. | Alternate Directors |
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- (2) An Alternate Director shall (except as regards the power to appoint an Alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors, and shall be entitled to receive notices of all general meetings and meetings of the Directors and to attend, speak and vote and be counted for the quorum at any such meeting at which his appointor is not present.
- (3) Any appointment so made may be revoked at any time by the appointor or by a majority of the Directors, and any appointment or removal of an Alternate Director shall be by notice in writing to the Company signed by the Director or Directors making or revoking the appointment delivered at the Office of the Company or the Secretary of the Company either by hand, post, facsimile or in any Electronic Communication.
- (4) If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him shall thereupon cease to have any power or authority to act as an Alternate Director.
- (5) A Director shall not be liable for the acts and defaults of any Alternate Director appointed by him.
- (6) An Alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being required under this Constitution or the Act.

#### **MANAGING DIRECTOR**

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| 127. | The Directors may from time to time appoint any one (1) or more of their body to be the Managing Director(s) or chief executive or person(s) holding equivalent positions(s) by whatever name called, for such period and on such terms as the Board thinks fit and may revoke any such appointment.  | Director may appoint Managing Director                   |
| 128. | The Board may entrust to and confer upon a managing director any of the powers exercisable by the Board upon such terms and conditions and with such restrictions as the Board may think fit, and either collaterally with or to the exclusion of the Board's own powers, and may from time to time revoke, withdraw, alter or vary all or any of those powers. The Managing Director or a person holding an equivalent position shall be subject to the control of the Board.  | Powers of Managing Directors                             |
| 129. | A Managing Director shall, subject to the Act and the terms of any agreement entered into in any particular case, receive such fees and benefits, whether by way of salary, commission, or participation in profits, or partly in one way and partly another, as the Board may determine, subject to and in accordance with the Act.  | Remuneration of Managing Director                        |
| 130. | A managing director shall be subject to retirement by rotation and shall be taken into account in determining the rotation or retirement of Directors in accordance with the provisions of this Constitution, and he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause, he shall ipso facto and immediately cease to be a Managing Director. | Retirement, resignation and removal of Managing Director |



#### REMUNERATION OF DIRECTORS

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| 131. | (1) | The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that: | Remuneration |
|      | (a) | fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;   |              |
|      | (b) | salaries and other emoluments including benefits payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting; and   |              |
|      | (c) | any fee or benefits paid by the Company to the Alternate Director shall be deducted from that Director's remuneration.  |              |
|      | (2) | The Directors shall be entitled to be reimbursed all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meeting or otherwise howsoever incurred in the course of the performance of their duties as Directors.                                       |              |
|      | (3) | Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Constitution.             |              |

#### DISQUALIFICATION OF DIRECTORS

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| 132. | The office of Director shall be vacated if the person holding that office: | When offices of Director deemed vacant  |
|      | (a)  | becomes bankrupt and a receiving order in bankruptcy is made against him during his term of office or he makes any arrangement or composition with his creditors; |
|      | (b)  | resigns his office by giving a written notice to the Company at the Office;   |
|      | (c)  | has retired in accordance with the provision of the Act or this Constitution but is not re-elected;   |
|      | (d)  | is removed from office in accordance with the Act or this Constitution;   |
|      | (e)  | becomes disqualified from being a Director under the Act and the Listing Requirements;  |
|      | (f)  | becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001;                                |



- (g) dies;
- (h) is absent from more than 50% of the total Board meetings held during a financial year unless otherwise exempted by the Exchange on application by the Company; and
- (i) ceases to be or is prohibited from being a Director by virtue of the Act or the Applicable Laws.

### **POWERS AND DUTIES OF DIRECTORS**

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| 133. | <p>The business of the Company shall be managed by, or under the direction of the Directors who may pay all such expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, and may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company, and as are not by the Applicable Laws or by this Constitution required to be exercised or done by the Company in general meeting, but the exercise of all such powers shall be subject to and in accordance with the provisions of the Applicable Laws and of this Constitution and shall also be subject to and in accordance with any regulations or provisions made by the Company in general meeting, provided that no regulation so passed shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.</p>                                     | <p>Business of Company to be managed by Directors</p> |
| 134. | <p>The Directors shall not without the prior approval of the Company in a general meeting:</p> <ul style="list-style-type: none"> <li>(a) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of the Company's or its subsidiaries' undertaking or property;</li> <li>(b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; or</li> <li>(c) subject to the Act enter into any arrangement or transaction with a Director or a substantial shareholder of the Company or its holding company or with a person connected with such a Director or substantial shareholder to acquire from or dispose to such a Director or substantial shareholder or persons connected with such Director or substantial shareholder, any shares or non-cash assets of the requisite value.</li> </ul>  | <p>Limitation on Directors' powers</p>                |
| 135. | <p>The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in general meeting.</p> | <p>Power to maintain pension fund</p>                 |

136.	The Directors may from time to time by power of attorney, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney/attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.	Appointment of attorneys
137.	All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors may from time to time by resolution determine.	Signing of cheques etc.
138.	A Director shall at all times exercise his powers in accordance with the Act, for a proper purpose, in good faith and in the best interest of the Company and act honestly and use reasonable care, skill and diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.	Discharge of duties
139.	Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.	Notice of disclosures
140.	A Director may hold any other office or place of profit under the Company (other than the office of Auditors) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any such office or place of profit or as a vendor, purchaser otherwise nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established provided always that relevant provisions of the Act, the Listing Requirements and this Constitution are complied with.	Director may hold other office
141.	Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as Auditors of the Company and provided further that such shall be upon normal commercial terms.	Director may act in his professional capacity

## DIRECTORS' BORROWING POWERS

142.	<p>(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related company as may be thought fit.</p> <p>(2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security, for any debt, liability or obligation of an unrelated third party.</p>	Directors' borrowing powers
143.	The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.	Conditions on which money may be borrowed
144.	The Company may in general meeting grant a right for the holders of bonds, debentures, debenture stock or Securities to exchange the same for the shares in the Company authorised to be issued.	Exchange for shares
145.	Subject as aforesaid, the Directors may secure or provide for the payment of any moneys to be borrowed or raised by mortgage of or charge upon all or any part of the undertaking or property of the Company, both present and future, and any capital remaining unpaid upon shares of the Company, whether called up or not or by any other security, and the Directors may confer upon any mortgagees or persons in whom any debentures, debenture stock or security is vested, such rights and powers as they think necessary or expedient; and they may vest any property of the Company in trustees for the purpose of securing any money so borrowed or so raised, and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Directors may think necessary or expedient in relation to the undertaking or property of the Company, or the management, or the realisation thereof, of the making, receiving or enforcing of calls upon the Members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustees may be remunerated.	Nature of security
146.	The Directors may give security for the payment of any moneys payable by the Company in like manner as for the payment of money borrowed or raised, but in such case the amount shall be reckoned as part of the money borrowed.	Security for payments due
147.	Debentures, debenture stock or other Securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.	Securities may be assignable free from equities
148.	Any debentures, debenture stock, bonds or other Securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.	Securities may be issued with special privileges

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| 149. | The Directors shall cause proper register to be kept in accordance with the provisions of the Act of all charges specifically affecting the property of the Company and all floating charges on the undertaking or any property of the Company and shall duly comply with the requirements of the Act in regard to the registration of charges therein specified and otherwise.  | Register of charges to be kept                       |
| 150. | If the Directors or any of them, or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability. | Power of Directors to indemnify out of Company asset |

### PROCEEDINGS OF DIRECTORS

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| 151. | The provisions of the Third Schedule of the Act shall not apply to the Company except so far as the same are repeated or contained in this Constitution.   | Third Schedule excluded         |
| 152. | The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. A Director may at any time and the Secretary shall on the requisition of a Director summon a meeting of the Directors. Meeting of the Directors may be held in outside Malaysia.  | Meeting of Directors            |
| 153. | <p>(1) Unless otherwise determined by the Directors from time to time, at least seven (7) days' notice of all Directors' meetings shall be given by hand, post, facsimile, Electronic Form or other form of Electronic Communications to all Directors and their Alternate Directors who have a registered address in Malaysia, except in the case of an emergency, where reasonable notice of every Directors' meeting shall be given in writing. It shall not be necessary to give any Director or Alternate Director, who does not have an address in Malaysia, registered with the Company, notice of a meeting of the Directors by hand or by post.</p> <p>(2) Any Director may waive notice of any meeting either prospectively or retrospectively.</p> <p>(3) The notice of each Directors' meeting shall be deemed to be served on a Director upon delivery if delivered by hand, or immediately if sent by facsimile, Electronic Form or other form of Electronic Communications or if sent by post, on the day on which a properly stamped letter containing the notice is posted.</p> | Notice of Directors' meeting    |
| 154. | The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally.   | Quorum of meetings of Directors |

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| 155. | <p>(1) A person may participate in a meeting of the Directors by conference telephone, electronic or such other communication facilities which would permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.</p> <p>(2) Participation by a person in a meeting by conference, telephone, electronic or such other communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the venue where the meeting is to be held.</p> <p>(3) For the avoidance of doubt, such meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is at the start of the meeting.</p> <p>(4) Such a meeting shall not be deemed to have proceeded for such period or periods where the conference telephone, electronic or such other communication facilities have been disconnected.</p> <p>(5) The chairman of such a meeting shall have the discretion to postpone the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the participants of the meeting.</p> | <p>Meetings of Directors by means of conference telephone, electronic or any communication facilities</p> |
| 156. | <p>The Directors may from time to time elect and remove a chairman and deputy chairman of the Board and determine the period for which they are respectively to hold office. The chairman so elected, or in his absence the deputy chairman, shall preside at all meetings of the Directors but if no such chairman or deputy chairman be elected, or if at any meeting the chairman or deputy chairman be not present within fifteen (15) minutes after the time appointed for holding the same without any prior notification by the chairman to the Directors, the Directors present shall choose one (1) of their number to act as chairman of such meeting.</p>   | <p>Chairman of the Board</p>  |
| 157. | <p>Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a decision of the Board. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote except where at the meeting only two (2) Directors form the quorum and only such quorum is present at the meeting or only two (2) Directors are competent to vote on an issue in question, the chairman of the meeting shall not have a casting vote.</p>  | <p>Votes by majority and Chairman to have casting vote</p>  |
| 158. | <p>The continuing Directors or sole continuing Director may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the continuing Directors or Director may, except in an emergency, act only for the purpose of increasing the number of Directors to that minimum number or to summon a general meeting of the Company but for no other purpose.</p>  | <p>Number of Directors below minimum</p>  |

159.	Every Director shall comply with the provisions of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.	Disclosure of interest
160.	Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest (and if he shall do so his vote shall not be counted) nor shall his vote be counted for the purpose of any resolution regarding the same.	Restriction on voting
161.	A Director notwithstanding his interest may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company or where the Board resolves to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where any decision is taken upon any contract or arrangement in which he is in any way interested.	Relaxation or restriction on voting
162.	<p>Subject to Clause 161, a Director may vote in respect of:</p> <p>(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or</p> <p>(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.</p> <p>By ordinary resolution of the Company the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.</p>	Director may vote on the giving of security or indemnity where he is interested

163. A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a Director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.
- Directors may become Directors of other corporation

#### **COMMITTEES OF DIRECTORS**

164. The Directors may establish any committee, local board or agencies comprising one (1) or more persons for managing any affairs of the Company either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person or persons so appointed, and may annul or vary any such delegation, but no person or persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
- Power of Directors to appoint Board committees
165. Subject to any rules and regulations made pursuant to this Constitution, a committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members present (if more than one (1) and in the case of any equality of votes, the chairman of meeting of such committee shall have a second or casting vote except where only two (2) members are competent to vote on the question at issue.
- Meeting of committees



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| 166. | A member of the committee of the Directors, may participate in a meeting of the committee by means of a conference telephone, electronic or any communication facilities which allows all persons participating in the meeting to hear each other. A participant shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly notwithstanding the fact that he is not physically present at the venue where the meeting is to be held. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is. | Meetings by means of conference telephone, electronic or any communication facilities |
| 167. | A committee, local board or agency may elect a chairman of its meetings; if no such chairman is elected or if at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present may choose one (1) of their number to be chairman of the meeting.   | Chairman of committee   |

#### **VALIDATION OF ACTS OF DIRECTORS**

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| 168. | All acts done by any meeting of the Directors or a committee of Directors or by any person acting as a Director, local board or agency shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director, or member of such committee, local board or agency as aforesaid and had been entitled to vote. | Directors' acts to be valid |
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#### **DIRECTORS' RESOLUTION IN WRITING**

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| 169. | A resolution in writing signed or approved in writing by a majority of the Directors for the time being entitled to receive notice of a meeting of the Directors, shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. All such resolutions shall be described as "Directors' Resolution In Writing" or "Directors' Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minute book. Any such resolution may consist of several documents or counterparts in like form, each signed by one (1) or more Directors or their alternates and may be accepted as sufficiently signed by a Director if transmitted to the Company by facsimile or other forms of Electronic Communications purporting to include a signature or the written approval of the Director. | Directors' resolution in writing |
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#### **AUTHENTICATION OF DOCUMENTS**

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| 170. | Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents effecting the Constitution of the Company and any resolution passed by the Company or Directors and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and, where any books, records, documents or accounts are kept elsewhere than in the Office, the local manager or other officer of the Company having custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. | Authentication of documents |
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| 171. | A document purporting to be a copy of a resolution of the Directors or any extract from the minutes of a meeting of the Directors which is certified as such in accordance with the provisions of Clause 170, shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors. | Conclusive evidence of resolutions and extract of minutes of meetings |
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#### **MINUTES AND REGISTERS**

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| 172. | The Directors shall cause minutes to be duly entered in books provided for the purpose: | Minutes to be entered |
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- (a) of all appointments of officers to be engaged in the management of the Company's affairs;
- (b) of the names of all the Directors present at each meeting of the Directors and of any committee of Directors, local board or agency and of the Company in general meeting;
- (c) of all resolutions and proceedings of general meetings and of meetings of the Directors and committees of Directors, local board or agency; and
- (d) of all order made by the Directors and any committee of Directors, local board or agency.

Such minutes shall be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting and if so signed, shall be accepted as prima facie evidence without further proof of the facts stated therein.

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| 173. | The Company shall in accordance with the provisions of the Act, keep at the Office or such other place provided notice has been given to the Registrar of Companies, a register containing such particulars with respect to the Directors, Managers and Secretaries of the Company as are required by the Act, and shall from time to time notify the Registrar of Companies of any change in such register and of the date of change in manner prescribed by the Act. | Particulars of Directors, Managers and Secretaries |
| 174. | The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office or the principal place of business in Malaysia of the Company and shall be open to the inspection of any Member without charge.  | Minutes kept at Office                             |

175. The Company shall also keep at the Office or such other place provided notice has been given to the Registrar of Companies, a register which shall be open to the inspection of any Member without charge and to any other person on payment for each inspection of a prescribed fee, all such matters required to be so registered under the Act, and in particular:
- Registers to be kept
- (a) a register of substantial shareholders and of information received in pursuance of the requirements under Section 144 of the Act; and
  - (b) a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

#### **SECRETARY**

176. The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such term and at such remuneration and upon such conditions as they think fit and any Secretary or Secretaries so appointed may be removed by the Directors without prejudice to any claim he or they may have for damages for breach of any contract of service with the Company. The Directors may from time to time by resolution appoint a temporary substitute for the Secretary or Secretaries who shall be deemed to be the Secretary during the term of his appointment.
- Secretary

#### **ACCOUNTS TO BE KEPT AND FINANCIAL STATEMENTS**

177. The Directors and managers of the Company shall cause proper accounting and other records to be kept whether in a legible or non-legible form and shall distribute copies of financial statements and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and other records of the Company or any of them, shall be opened to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right to inspect any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Sections 245(5) and (6) of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.
- Accounts open to inspection by Directors
178. The Board shall cause to be prepared, sent to every Member and laid before the Company in its Annual General Meeting the audited financial statements and Directors' Report in accordance with the Act. The interval between the close of a financial year of the Company and the issue of the audited financial statements, the Directors' and Auditors' Reports shall not exceed four (4) months.
- Preparation and issuance of audited financial statements and Directors' Report

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| 179. | A copy of each of the audited financial statements, the Directors' and Auditors' reports in printed form or in CD-ROM or other Electronic Form permitted under the Listing Requirements or any combination thereof shall, not less than twenty-one (21) days before the date of the Annual General Meeting be sent to every Member of and to every holder of debentures of the Company and to every other person who is entitled to receive notice of general meetings from the Company under the provisions of the Act or of this Constitution, in accordance with the provisions of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. | Circulation of copies of audited financial statements and Directors' Report |
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#### AUDIT

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| 180. | <p>(1) The Auditors shall be appointed for each financial year by Ordinary Resolution at the Annual General Meeting of the Company in accordance with Section 271 of the Act.</p> <p>(2) The Auditors shall attend every Annual General Meeting where the financial statements of the Company are to be laid, so as to respond according to his knowledge and ability to any question relevant to the audit of the financial statements in accordance with Section 285 of the Act.</p> | Appointment of Auditors |
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#### DISTRIBUTIONS AND RESERVES

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| 181. | The Company may make a distribution of dividends to the Members out of profits of the Company available if the Company is solvent, but no dividend shall exceed the amount as authorised by the Directors.  | Distribution of dividends out of profit |
| 182. | The Directors may authorise a distribution at such time and in such amount as the Directors consider appropriate, if they are satisfied that the Company will be solvent immediately after the distribution is made. The Company is regarded as solvent if the Company is able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made.  | Distribution only if Company is solvent |
| 183. | The Directors may, before authorising any distribution of dividend, set aside out of the profits of the Company such sums as they think proper as reserve fund which shall be applied by the Directors in their absolute discretion as they think conducive to the interest of the Company and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit and may from time to time vary or realise such investments and dispose of all or any part thereof for the benefit of the Company, may divide any reserve fund into such special funds as they think fit, with all power to employ the assets constituting the reserve fund in the business of the Company and without being bound, keep the same separate from the other assets. The Directors may also without placing the same to reserve carry forward any profits of which they may think prudent not to divide. | Setting aside profits                   |

184.	Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Clause as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.	Payment of dividends
185.	The Directors may deduct from any dividend payable to any Member, all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company held by him.	Deduction of dividends
186.	The Directors may retain the dividends payable upon shares in respect of which any person is under the provision as to the transmission of shares herein before contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.	Dividends due may be retained until registration
187.	All dividends by unclaimed for more than one (1) year, subject to the Unclaimed Moneys Act, 1965 after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed or paid pursuant to the Unclaimed Moneys Act, 1965.	Unclaimed dividends may be invested
188.	The Directors in authorising a distribution of dividends may direct payment of such dividends wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to payment of such distribution, the Directors may settle the same as they think expedient and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.	Distribution of specific assets
189.	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the Register of Members or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.	Payment by cheque or telegraphic transfer or electronic transfer

### **CAPITALISATION OF PROFITS**

190. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. Bonus issue
191. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debenture, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional shares or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members. Director's duties and powers in capitalisation

### **LANGUAGE**

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

## NOTICES

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| 193. | Any notice or documents required to be sent to Members may be given by the Company or the Secretary to any Member:  | Service of notices and/or documents |
|      | <ul style="list-style-type: none"><li>(a) in hard copy, either personally or sent by post to him in a prepaid letter addressed to him at his last known address; or</li><li>(b) in Electronic Form, and sent by the following electronic means:<ul style="list-style-type: none"><li>(i) transmitting to his last known electronic mail address;</li><li>(ii) publishing the notice or document on the Company's website provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Act and the Listing Requirements; or</li><li>(iii) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by Members provided that a notification of the publication or making available of the notice or document on the electronic platform via hard copy or electronic mail or short messaging service has been given to them accordingly.</li></ul></li></ul>  |                                     |
| 194. | Any notice or document shall be deemed to be served by the Company to a Member:   | When service effected               |
|      | <ul style="list-style-type: none"><li>(a) where the notice or document is sent in hard copy if by post, on the day the prepaid letter, envelope or wrapper containing such notice or documents is posted. In providing service by post, a letter from the Secretary certifying that the letter, envelope or wrapper containing the notice or document was so addressed and posted to the Member shall be sufficient to prove that the letter, envelope or wrapper was so addressed and posted; or</li><li>(b) where the notice or document is sent by electronic means:<ul style="list-style-type: none"><li>(i) via electronic mail, at the time of transmission to a Member's electronic mail address pursuant to Clause 193(b)(i), provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company;</li><li>(ii) via publication on the Company's website, on the date the notice or document is first made available on the Company's website, provided that the notification on the publication of notice or document on website has been given pursuant to Clause 193(b)(ii); or</li><li>(iii) via electronic platform maintained by the Company or third parties, on the date the notice or document is first made available thereon provided the notification on the publication or making available of the notice or document on the relevant electronic platform has been given pursuant to Clause 193 (b)(iii).</li></ul></li></ul> |                                     |

In the event that service of a notice or document pursuant to this Clause is unsuccessful, the Company must, within two (2) market days from discovery of delivery failure, make alternative arrangements for service by serving the notice or document in hard copy in accordance with Clause 193(a) hereof.

195. Subject to compliance with the Act, the requirement of the Exchange and any other relevant authorities, if any, the Company may send notice of a general meeting, its annual report or any document required to be sent to its Securities Holders via electronic means by:

Issuance of notice of a general meeting, annual report or any document required to be sent to the Company's Members by the Company via electronic means

- (a) publishing on a designated weblink, provided it notifies its Securities Holders separately in writing, which includes e-mailing in accordance with this Constitution, about the publication and designated weblink to download the notice of general meeting, annual report or document; or
- (b) e-mailing its Securities Holders.

The e-mail address of a Securities Holder as maintained by the Depository or as provided to the Company for the purpose of sending notice of a general meeting, annual report or any document required to be sent to its Securities Holders, if any, shall be deemed as the e-mail address for purposes of the aforesaid communication with the Securities Holder. In the event of a notification of e-mail delivery failure or in any other event at the Directors' discretion, the notice of a general meeting, annual report or any document required to be sent to the Company's Securities Holders may also be sent in electronic format such as CD-ROM, USB drive or any other portable electronic format whatsoever (whether available now or in the future) through which images, data, information or other material may be viewed whether electronically or digitally or however others and served in accordance with Clause 193.

Notwithstanding the aforesaid electronic means of communication, the Company shall:

- (a) give a printed hard copy of the notice of general meeting, annual report or document sent is forwarded to the Securities Holder requesting the same free of charge within four (4) market days from the date of receipt of the request, whether verbal or written;
- (b) designate a person to attend to Securities Holders' requests as stated in subparagraph (a) above;
- (c) designate person(s) to answer queries from Securities Holders relating to the use of the said electronic means; and
- (d) notify Securities Holders via the same electronic means of their rights to be given printed hard copies as stated in subparagraph (a) above and how Securities Holders may make such a request.

by the intended recipient when the notice of general meeting, annual report or document is first made available on the designated weblink or, when the recipient received (or is treated as having received) notice of the fact that the notice of general meeting, annual report or document is available on the website, whichever the later.

If a notice of general meeting, annual report or any document (other than a share certificate) is sent by the Company to its Securities Holders by electronic means, it is treated as being received by the intended recipient at the time it was sent. It can be proved conclusively that a notice of general meeting, annual report or any document was received by electronic means, by showing that the notice of general meeting, annual report or document was properly addressed. Subject to the Act, if a notice of general meeting, annual report or any document is sent or supplied by the Company by means of publishing on a designated weblink, it is treated as being received

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| 196. | A Member's address, electronic mail address and any other contact details, provided to the Depository shall be deemed as the last known address or electronic mail address or contact details provided by the Member to the Company for purposes of communication including but not limited to service of notices and/or documents to the Member.  | Last known address for service        |
| 197. | A notice and/or document required to be sent to Members may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through representatives of the deceased or assignee of the bankrupt, or by any like description, at his last known address in any manner in which the same might have been served if the death or bankruptcy had not occurred. Every person who, by operation of law, transfer, transmission or other means whatsoever, shall become entitled to any share, shall be bound by every notice and/or document in respect of such share, which prior to his name and address being entered in the Register of Members or Record of Depositors as the registered holder of such share, shall have been duly given to the person from whom he derives the title to such share.  | Notice in case of death or bankruptcy |
| 198. | <p>(1) Notice of every meeting of Members shall be given in any manner hereinbefore mentioned to:</p> <ul style="list-style-type: none"> <li>(a) every Member at his last known address;</li> <li>(b) every person entitled to a share in consequence of the death or bankruptcy of a Member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;</li> <li>(c) the Auditors of the Company;</li> <li>(d) the Directors of the Company; and</li> <li>(e) every Exchange in which the Company is listed.</li> </ul> <p>(2) The Company shall give at least fourteen (14) days' notice of every meeting of Members or at least twenty-one (21) days' notice before the meeting where any Special Resolution is to be proposed or where it is an Annual General Meeting by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Exchange.</p> | Who may receive notice                |



- (3) Any notice and/or document required by a court of law or otherwise required or allowed to be given by the Company to the Members or any of them, and not expressly provided for by this Constitution or which cannot for any reason be served in the manner referred to in this Constitution shall be sufficiently given if given by advertisement, and any notice and/or document required to be or which may be given by advertisement, shall be deemed to be duly advertised once advertised in a widely circulated newspaper in Malaysia in the national language or English language.

#### WINDING UP

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| 199. | If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the court), the liquidator may after the payment or satisfaction of all liabilities of the Company including preferred payments under the Act, with the sanction of a Special Resolution of the Company, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidators may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no Member shall be compelled to accept any shares or other Securities whereon there is any liability.                                       | Distribution of assets in specie         |
| 200. | <p>Save that this Constitution shall be without prejudice to the rights of Holders of shares issued upon special terms and conditions the following provisions shall apply:</p> <p>(a) if the Company shall be wound up and the assets available for distribution among the Members as such, shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively; and</p> <p>(b) if in a winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.</p> | Sharing of loss and excess on winding up |
| 201. | On the voluntary liquidation of the Company, no commission or fee shall be paid to the liquidator unless it shall have been approved by the Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which the commission or fee is to be considered.  | Voluntary liquidation                    |

#### **SECRECY CLAUSE**

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| 202. | Save as may be provided by the Act, no Member shall be entitled to enter into or upon or inspect any premises or property of the Company nor to require discovery of any information respecting any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Members of the Company to communicate to the public. | Secrecy |
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#### **INDEMNITY AND INSURANCE**

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| 203. | Subject to the Applicable Laws, every Director, Auditors, Secretary and other officers (as defined in the Act) for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in or about the execution of his duties of his office or otherwise in relation thereto, and the Company may effect insurance for such persons against such liability. | Indemnity and insurance for Company's officer and Auditors |
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#### **RECONSTRUCTION**

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| 204. | On the sale of the undertaking of the Company, the Directors or the liquidators on a winding up may, if authorised by a Special Resolution, accept fully paid or partly paid-up shares, debentures or securities of any other company, either incorporated in Malaysia or not, either then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Directors (if the profits of the Company permit), or the liquidators (on a winding up), may distribute such shares or Securities, or any property of the Company amongst the Members without realisation, or vest the same in trust for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the Members or contributories of the Company, and for valuation of any such Securities or property at such price and in such manner as the meeting may approve, and all Holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in the case of the Company which is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 457 of the Act as are incapable of being varied or excluded by this Constitution. In case any of the shares to be divided as aforesaid involves a liability to calls or otherwise any person entitled to such division to any of the said shares may, within ten (10) days after the passing of the Special Resolution, by notice in writing, direct the Directors or the liquidator to sell his proportion and pay him the net proceeds and the Directors or the liquidator shall, if practicable, act accordingly. | Power of the Directors and liquidators to accept shares, as consideration for sale |
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#### **COMPLIANCE WITH STATUTES, REGULATIONS AND RULES**

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| 205. | The Company shall comply with the provisions of all Applicable Laws, notwithstanding any provisions in this Constitution to the contrary.  | Compliance with statutes, regulations and rules |
| 206. | Subject to the Applicable Laws and the provisions of this Constitution, the Company may seek its shareholders' mandate which is renewable on an annual basis to enter into, deal with, act in or handle all related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the day to day operations of the Company. | General mandate                                 |

#### **ALTERATION**

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| 207. | Subject to the Act and this Constitution, no amendment whether by way of rescission, alteration or addition shall be made to this Constitution unless the same has been passed by a Special Resolution. | Alteration of Constitution |
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#### **EFFECT OF THE APPLICABLE LAWS**

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| 208. | Notwithstanding anything contained in this Constitution:   | Effect of the Applicable Laws |
|      | (a) If the Applicable Laws prohibit an act being done, that act shall not be done.   |                               |
|      | (b) Nothing contained in this Constitution prevents an act being done that the Applicable Laws require to be done.   |                               |
|      | (c) If the Applicable Laws require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).                               |                               |
|      | (d) If the Applicable Laws require this Constitution to contain a provision and they do not contain such a provision, this Constitution is deemed to contain that provision.             |                               |
|      | (e) If the Applicable Laws require this Constitution not to contain a provision and they contain such a provision, this Constitution is deemed not to contain that provision.            |                               |
|      | (f) If any provision of this Constitution is or becomes inconsistent with the Applicable Laws, this Constitution is deemed not to contain that provision to the extent of inconsistency. |                               |

#### **WAIVER**

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| 209. | Where permitted under the law, the Company is empowered to apply as the Directors think fit, to the Exchange to:                                     | Waiver |
|      | (a) waive or modify the Company's compliance with any of the Listing Requirements or part thereof; and/or  |        |
|      | (b) vary or revoke any decision(s) made by the Exchange in respect of the Company's compliance with any of the Listing Requirements or part thereof. |        |



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