SINO HUA-AN INTERNATIONAL BERHAD ("SHIB" OR "COMPANY")

(i) PROPOSED DEBT SETTLEMENT
(ii) PROPOSED PRIVATE PLACEMENT

(COLLECTIVELY "PROPOSALS")

*Unless otherwise redefined, the definitions set out in the earlier announcement in relation to the Proposals ("**Announcement**") shall apply herein.*

We refer to the Announcement and the queries from Bursa Securities in relation to the Proposals. M&A Securities on behalf of the Board wishes to provide additional information in relation to the Proposals as follows:

1. Details of fund raising exercise of SHIB for the past 3 years

Saved for the SHIB RCN programme with an aggregate principal amount of up to RM150 million which was approved by the shareholders of SHIB on 5 September 2019, there were no other fund raising exercise undertaken by SHIB for the past 3 years.

The status of the SHIB RCN programme as follow:

No.	Tranche	Total Amount RM million	Drawn down Amount RM million
(a)	Tranche 1	(i)50	5
(b)	Tranche 2	(ii)50	-
(c)	Tranche 3	(iii)50	-
	Total	**150**	**5**

Notes:-

(i) comprising 50 equal sub-tranches of RM1 million each.

(ii) comprising 50 equal sub-tranches of RM1 million each.

(iii) comprising 50 equal sub-tranches of RM1 million each.

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The status of the utilisation of proceeds from the issuance of SHIB RCN is as follows:

No.	Purposes	Proposed Utilisation RM million	Actual utilised RM million	Balance unutilised RM million	Expected timeframe for utilisation of proceeds (i)
(a)	Business expansion and working capital of TouchPoint International Sdn Bhd ("**TouchPoint**")	27.0	-	27.0	Within 18 months
(b)	Business expansion and working capital of Wavetree PLT ("**Wavetree**")	25.0	-	25.0	Within 18 months
(c)	Business expansion and working capital of Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.), its subsidiaries and associated companies ("**Craveat Group**") within Malaysia	40.0	-	40.0	Within 18 months
(d)	Business expansion and working capital of Craveat Group in China	22.0	-	22.0	Within one (1) year
(e)	Working capital for SHIB's core business	26.2	4.0	22.2	Within one (1) year
(f)	Estimated expenses in relation to the SHIB RCN				
	(i) Professional fees, regulatory fees, printing and advertising costs	1.6	1.0	0.6	Within one (1) month
	(ii) Upon issuance redemption and/or implementation of the SHIB RCN which includes, inter-alia, the administrative fees and the annual fee	8.2	-	8.2	Within two (2) year
	Total	**150.0**	**5.0**	**145.0**	

Note:-

(i) From the date of drawdown.

2. How the Proposals will create value for SHIB and shareholders of SHIB

The Proposals will enable SHIB to settle the Creditors Settlement Amount without incurring additional debt obligation and interest expenses as well as preserving cash and strengthening the Company's capital base.

The Proposals will also allow SHIB to raise the necessary funds for working capital which help facilitate SHIB's existing day-to-day operations as a whole by providing more flexibility in terms of cash flow management.

In view of all the above, the correspondence increase in cash reserve will therefore provide the Company with the necessary buffer and to have greater focus on prioritising its business strategy to overcome the economic and business challenges in light of the current economic situation brought about by the COVID-19 pandemic. This will in turn boost the recovery of SHIB and allow SHIB to accomplish its long-term goal as well as increasing the value of the Company and shareholders.

3. What is the impact of the Proposals to the Company as well as the shareholders of SHIB

The Proposals will result in an increase in the number of SHIB Shares in issue which may accordingly dilute the EPS of the Company if the earnings of the Company do not increase in tandem with such increase in the number of SHIB Shares. Nevertheless, the Proposals are expected to create values to the shareholders as stipulated under Section 2 above.

4. Adequacy of the Proposals to address the financials of the Company

As at 31 March 2020, the Group total borrowing stood at RM2.36 million consists of short term borrowing. On the other, the cash position of the Group is as follows:-

	Unaudited 31 March 2020 RM'000
Cash and bank balances	8,888
Fixed deposits with licensed banks	1,450
Less:	
Fixed deposits pledged with licensed banks	-
Total	**10,338**

The net working capital of the Group is at deficit of RM21.45 million (computed based on RM128.14 million current assets less RM149.59 million current liabilities).

The Proposed Debt Settlement will allow the Group to reduce its current liabilities by RM2.00 million (excluding RM1.50 million Creditors Settlement Amount owing to CKS which was incurred on 10 April 2020). On the other hand, the Group will raise approximately RM15.59 million (based on the Indicative Placement Price) from the Proposed Private Placement. Based on the foregoing, the deficit net working capital of the Group will be reduced to RM3.86 million.

Additionally, a balance of RM22.2 million of the utilisation of proceeds raised from the issuance of SHIB RCN is to be utilised for working capital of the Group's core business.

Based on the above, the Company is of the view that, the Proposals will be adequate to address the financials of the Company.

5. Breakdown of the utilisation of proceeds from the Proposed Private Placement

Utilisation of proceeds	**Note**	**RM'000**	**Expected time frame for the utilisation of proceeds (from listing date)**
(i) Working capital:			Within 12 months
Repayment of trade creditors	(a)	10,000	
Staff salaries and statutory contributions		5,000	
Others general working capital	(b)	88	
		15,088	
(ii) Estimated expenses for the Proposals:	(c)		Within 1 month
Principal Adviser fee (inclusive of placement fee)		350	
Legal fee		100	
Authority fee		50	
		500	
Total estimated proceeds		**15,588**	

Notes:-

(a) The proceeds earmarked for repayment of trade creditors are broken down as follows:

No.	**Description**	**RM'000**
	SHIB core business	
(i)	Purchase of coking coal	9,000
(ii)	Other raw material such as nitrogen and desalted water	1,000
	Total	**10,000**

(b) Consists of other working capital requirement such as utilities bills, travelling expenses and office related expenses.

(c) The estimated expenses of RM500,000 consist of fees payable to the relevant authority, advisers and placement fees. Any variation in the actual amount of expenses will be adjusted to/from the amount allocated for working capital of SHIB.

6. Breakdown of the utilisation of borrowing from the Creditors

The borrowings from the Creditors were primarily used for the Group's short term capital requirements as follows:-

Utilisation of proceeds	**Note**	**RM'000**
Staffs salaries		2,996
Company Secretary's fee		18
Audit and tax fee		27
Rental		152
Legal		64
Compliance costs		164
Others	(a)	79
Total		**3,500**

Notes:

(a) Consists of other working capital requirement such as utilities bills, travelling expenses and office related expenses.

7. Why did the Company had to resort to borrowing from the Creditors

The Company periodically experience timing differences between the collection from its trade debtors and payment to its trade creditors. This is intensified by losses incurred in the core business of the Company i.e. manufacturing and sales of metallurgical coke and other related by-products.

In addition, the Company's operations are primarily based in People's Republic of China where transactions are undertaken in Chinese Renminbi ("**RMB**"). Therefore any fund transfer from overseas are relatively costly and time consuming.

In this respect, the Company had managed to secure short term assistance from the Creditors to meet the Company's operational obligation on a timely basis.

The borrowing from the Creditors had allowed the Company to bridge the timing differences between the collection from its trade debtors and payment for its operational obligation instead of purely funding its additional working capital needs via debt which was challenging and costly for the Company to obtain given the domestic and international economic condition at that point in time.

8. Justification for agreeing to Proposed Debt Settlement

The Proposed Debt Settlement was agreed upon in order for SHIB to conserve cash to overcome the economic and business challenges in light of the current economic situation brought about by the COVID-19 pandemic.

9. Reviews on the financial performance and financial position of SHIB

The audited financial information of SHIB for the financial year ended ("**FYE**") 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and 3-months financial period ended 31 March 2020 are as follows:-

Statement of Profit and Loss

	Audited			**Unaudited**
	FYE 31 December			**FPE 31 March**
	2017	**2018**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	891,691	996,388	787,785	106,836
Cost of sales	(790,828)	(950,324)	(834,117)	(125,536)
Gross (loss)/profit ("**GP**")	100,863	46,064	(46,332)	(18,700)
Other income	2,039	928	1,298	360
Administrative and operating expenses	(21,869)	(22,622)	(132,344)	(22,000)
Share of associate's results	-	-	(4)	(13)
Finance costs	(226)	(1,157)	(195)	(643)
Profit before tax ("**PBT**") /(Loss) before tax ("**LBT**")	80,807	23,213	(177,577)	(40,996)
Taxation	-	6,382	(6,172)	(91)
Profit after tax ("PAT") / (Loss) after tax ("LAT")	**80,807**	**29,595**	**(183,749)**	**(41,087)**
Earnings per share (sen)	7.20	2.64	(16.37)	(3.66)
GP margin (%)	*11.31*	*4.62*	*(5.88)*	*(17.50)*
PBT/(LBT) margin (%)	*9.06*	*2.33*	*(22.54)*	*(38.37)*
PAT/(LAT) margin (%)	*9.06*	*2.97*	*(23.32)*	*(38.46)*

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Statements of Financial Position

	Audited			Unaudited
	FYE 31 December			FPE 31 March
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	187,438	168,877	83,818	85,253
Prepaid lease payments	30,703	28,540	26,794	27,561
Investment in subsidiary companies	-	-	-	-
Investment in an associate	-	-	150	137
Right-of-use assets	-	-	5,720	5,215
Intangible assets	-	-	88,187	88,187
Deferred tax assets	-	6,338	143	-
Total Non-Current Assets	**218,141**	**203,755**	**204,812**	**206,353**
Current Assets				
Inventories	70,515	97,114	56,149	26,669
Trade receivables	100,350	119,294	55,369	76,787
Other receivables	25,107	36,736	21,962	13,607
Amount owing by related parties	15,556	-	-	-
Tax recoverable	-	-	509	738
Cash and cash equivalents	20,472	19,366	14,984	10,338
Total Current Assets	**232,000**	**272,510**	**148,973**	**128,139**
TOTAL ASSETS	**450,141**	**476,265**	**353,785**	**334,492**
EQUITY				
Share capital	1,115,045	1,115,045	1,115,045	1,115,045
Reserves	(549,730)	(563,134)	(568,468)	(561,906)
Accumulated losses	(200,613)	(171,018)	(354,767)	(395,853)
Total equity	**364,702**	**380,893**	**191,810**	**157,286**
LIABILITIES				
Non-current liabilities				
Other payables	-	-	23,370	23,370
Deferred tax liabilities	-	-	163	256
Lease liabilities	-	-	4,522	3,992
Total Non-Current Liabilities	**-**	**-**	**28,055**	**27,618**

	Audited			Unaudited
	FYE 31 December			FPE 31 March
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Trade payables	31,328	54,887	43,573	60,803
Other payables	29,143	16,422	82,114	80,360
Lease liabilities	-	-	2,047	2,074
Amount owing to a Director	8	8	8	8
Amount owing to a subsidiary company	-	-	-	-
Borrowings	24,960	24,055	2,308	2,356
Redeemable convertible notes	-	-	3,771	3,771
Provision for taxation	-	-	99	216
Total Current Liabilities	**85,439**	**95,372**	**133,920**	**149,588**
Total Liabilities	**85,439**	**95,372**	**161,975**	**177,206**
TOTAL EQUITY AND LIABILITIES	**450,141**	**476,265**	**353,785**	**334,492**

No. of Shares ('000)	1,122,308	1,122,308	1,122,308	1,122,308
NA per Share (sen)	32.50	33.94	17.09	14.01
Total borrowings	24,960	24,055	2,308	2,356
Gearing (times)	0.07	0.06	0.01	0.01

FYE 31 December 2017

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

In addition to the above, given the fact that the steel and coke industry have substantially recovered in 2017, the Group saw a 191% increase in the average price of coke from RMB679/tonne to RMB1,981/tonne during the relevant month(s) in FYE 2016 and FYE 2017, respectively. The resurgence of the industry from its doldrums has also seen a 103% improvement in the price of tar oil which contributed approximately 6% of the total revenue of the Group. Such supplemented contribution was more than sufficient to negate the effects of a 28% decrease seen in the price of coal gas which represented approximately 7% of the total revenue.

In tandem with the substantial increase in the average price of coke mentioned above, the average prices of coking coal, being the primary raw material for the production of metallurgical coke, has also increased 119% from RMB561/tonne to RMB1,229/tonne during the relevant month(s) in FYE 2016 and FYE 2017, respectively. With such increase in the average price of coking coal, the cost of sales recorded by the Group has also increased 17.41 fold accordingly to RM790.8 million in this financial year under review from RM45.4 million recorded in the preceding financial year.

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

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

Operating expenses for the current financial year has also normalized to approximately RM21.9 million, a stark reduction from RM237.8 million incurred by the Group in the preceding financial year. The latter seemingly hefty operating expenses was primarily due to the impairment made on some of the trade receivables and property, plant and equipment (PPE) during the said preceding financial year which was beleaguered by the then challenging business environment and unfavourable industry landscape.

Premised on the above, with the inclusion of the Group's other income, operating expenses and finance costs, the Group recorded a commendable profit for the year amounting to approximately RM80.8 million and earnings per share of 7.20 sen during this current financial year ending 31 December 2017. In contrast, the Group suffered a substantial loss for the year amounting to approximately RM227.5 million and a loss per Share of 20.27 sen in the preceding financial year.

As a result of the healthy and restored financial results of the Group as described above, the Group's financial position remained robust in this financial year. Total assets of the Group stood at RM450.1 million while its total liabilities accounted for only RM85.4 million.

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

Premised on the above, the Group's shareholders' fund stood at RM364.7 million, representing an improvement of 24% over that recorded in the preceding year of RM295.0 million. The abovementioned increase was attributed to the improvements in the retained earnings as a result of the profits generated during the financial year 2017. Accordingly, the net assets per Share of the Group stood at RM0.32 per share as at 31 December 2017.

FYE 31 December 2018

In the financial year 2018, the Group registered 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 3.9% 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 5.2% 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 3.2% 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 Linyi Yehua Coking Co. Ltd. (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 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.

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 are 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).

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.

FYE 31 December 2019

As the acquisition of the TouchPoint and Craveat were completed on 19 December 2019 and 15 October 2019 respectively, the financials contributions from these new business offerings in this financial year (FYE 2019), relative to that of the Group's metallurgical coke business, are inconsequential.

Given the financial performance of the Group in FYE 2019 was substantially driven by the battered coke business, as described in detail above, the Group found itself in the red, recording a considerably large consolidated loss for the year amounting to RM183.75 million. In addition to the precipice of the waning coke business throughout the financial year, the Group's dismal financial result was further weighted down by the impairment of some of its assets and receivables. This is in stark contrast to the financial performance of the Group registered in the preceding financial year with a consolidated profit of RM29.60 million. Notwithstanding the poor showing of the coke business, the newly acquired casual dining food and beverage businesses managed to contribute some RM1.03 million in profit (which accounted for only two months of results by virtue of the completion date of the acquisition in October 2019) to the Group.

The dismal financial performance of the Group for FYE 2019 was a culmination of various factors. Its consolidated revenue during the year stood relatively lower at RM787.79 million in comparison to that recorded in the preceding financial year of RM996.39 million, representing a year-on-year decline of approximately 21%. This was attributed to a 20% decline in annual sales volume from 844,224 tonnes in FYE 2018 to 677,521 tonnes in FYE 2019 as well as a weakened average coke price of approximately 2.3% from RMB1,905/tonne in FYE 2018 to RMB1,862/tonne in FYE 2019. Concurrently, the overall contribution from by-products also fell during the current year, with the average price of tar oil falling 11% and ammonium sulphate 9% compared to those of the preceding year. Only the average price of coal gas saw an increase of about 8%, the quantum of which unfortunately was inconsequential to provide any meaningful inertia to buttress the languid revenue of the Group. The casual dining food & beverage business on the other hand had contributed approximately RM5.58 million in terms of revenue (in its relevant two months period) to the Group's consolidated revenue.

In tandem with the reduction in sales and production volume of coke, the cost of sales also saw an inherent reduction. The lower cost of sales of approximately 12%, from RM950.32 million in the preceding year to RM834.12 million in the current year under review, was somewhat checked by an overall increase in the average price of raw materials, namely coking coal, of approximately 3% from RMB1,292/tonne in FYE 2018 to RMB1,328/tonne in FYE 2019.

Premised on the pricing dynamics of coke and coal as described above, it is apparent that the whilst the average coke prices had fallen, the average coal prices had risen, thus further squeezing the Group's coke manufacturing margin, an undesirable phenomenon that had beset the entire industry. As a result thereof, the Group turned in a gross loss position of RM46.33 million for the current financial year, as opposed to a Gross Profit of RM46.06 million in the preceding financial year.

During the current financial year, the Group earned a relatively meagre other income amounting to approximately RM1.30 million compared to RM928 thousand derived in the preceding financial year. Other income was 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 FYE 2019 were substantially higher than that recorded in the preceding year. This was primarily attributed to an increase in depreciation charges for the year and the impairments made on its coke manufacturing assets and receivables, given the predicament and challenges facing the industry as well as the seemingly lack of clear visibility in regards to the perceivable turnaround of the coke industry. Such impairments are deemed necessary and in line with the Group continued assessment on all aspects of its assets life-cycle based on market changes and views such impairment assessment as a healthy industry practice. The impairment recorded, which has no impact on cash, served to create a relatively lighter asset base for the Group by reducing the total carrying value and depreciation charge, going forward. This will thus enable the Group to operate at a lower cost base in the future while enhancing its competitiveness for growth and at the same time improve profitability in the future.

Finance cost in the current financial year is substantially lower than that in the preceding year. This is mainly due to the fact that 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) has been fully settled in February 2019. In this regard, finance cost recorded in the current financial year is therefore attributed to the interest/coupon element of the drawndown portion (i.e. RM5.0 million) of the SHIB RCN which remained outstanding during the period.

Towards this end, with the inclusion of the Group's other income, administration and operating expenses and finance cost, the Group turned in a consolidated loss for the financial year 2019 of RM183.75 million, as opposed to a consolidated profit for the year of RM29.60 million in the preceding financial year. This translates to a loss per share of 16.37 sen compared to earnings per share of 2.64 sen in the preceding year.

Consequential to the weak financial performance registered by the Group during the current year, its balance sheet position was admittedly dented to some degree. Regardless, the Group's financial position is still relatively respectable with its total assets of RM353.79 million eclipses its total liabilities of RM161.98 million by 2.2 times.

The application of the asset impairment exercise to better reflect the value of its assets as mentioned above, had resulted in the Group's non-current assets being considerably downsized, but the extent of which was mitigated by the acquisition of the new businesses, these of which enabled to Group to recognise an asset value (in the form of goodwill on consolidation and intangible assets) of approximately RM88.19 million.

Components of working capital, in particular inventories, trade receivables, other receivables, trade payables, etc have all shown a systematic decrease by virtue of the fact that the coke business activities and its sales and production volume have declined in this current year relative to level that it achieved in the preceding year. Notwithstanding the above, the other payables and accrued expenses category saw a substantial increase in this current financial year to RM105.48 million from RM16.42 million last year, and this can be primarily attributed to the deferred settlement of the purchase consideration successfully negotiated by the Group for its acquisition of the new businesses from their vendors.

Short term bank loan of RM24.10 million shown in the preceding year (equivalent to RMB40.0 million based on the relevant the RMB/RM exchange rate) relates to the short-term loan facility attributed to the coke business, which have since been fully settled and extinguished by the Group in February 2019 and thus no longer appear in the current year. The amount of RM2.31 million seen as short-term bank loan in the current year relates solely to the subsisting bank borrowings of the new businesses that the Group had acquired and that such amount will be fully settled and extinguished by the vendors immediately after the Group pays the relevant balance of the purchase consideration to the vendors.

The amount represented by the RCN under non-current liabilities is attributable to the portion of the subsisting SHIB RCN (with a total nominal value of RM5.0 million) that was drawndown and subscribed but remained unconverted as at 31 December 2019.

Premised on the above, the Group's shareholders' fund for the current financial year stood at RM191.81 million, representing a decrease of approximately 49.64% over that recorded in the preceding financial year of approximately RM380.89 million. The said decrease was attributed to the net decremental effect emanating from the deterioration in retained earnings and the exchange differences arising from translation of RMB/RM. Accordingly, the net assets per share of the Group stood at RM0.17 per share as at 31 December 2019, down from RM0.34 per share as at the preceding financial year.

FPE 31 March 2020

The on-going waning coke business of the Group, in addition to the devastating COVID-19 pandemic which swept throughout the entire world during the quarter under review, had both precipitated in unprecedented economic calamity whereby almost all businesses were abruptly disrupted, all of those within the Group included.

While the coke business weighted down the Group's financials with a loss of RM39.1 million in the current quarter, its casual dining food & beverage businesses and Internet of Things ("**IoT**") business were also not being spared. The food & beverage businesses and IoT business similarly suffered business losses, thus further accentuated the losses of RM818 thousand and RM533 thousand respectively to the Group.

Going into details, the Group's coke business recorded revenue of approximately RM101.3 million in the current quarter compared to the preceding year corresponding quarter of approximately RM237.6 million. Such reduction in revenue can be primarily attributed to a 49% drop in sales volume compared to that achieved in the corresponding quarter of 2019.

The average selling price of metallurgical coke also saw an approximate 15% decline to RMB1,697 per tonne in the current quarter from RMB1,990 per tonne recorded in the preceding year corresponding quarter. Coupled with significantly lower contribution from its by-products by approximately 64% during the current quarter, the total revenue recorded by the coke business in the current quarter under review was approximately 57% lower compared to the preceding year corresponding quarter. The food & beverage business, partly affected by the movement control order implemented on 18 March 2020, had contributed approximately RM5.3 million whilst the IoT business had contributed approximately RM221 thousand to the consolidated revenue of the Group, both of which accounted for approximately 5% and 0.2% respectively of the total consolidated revenue for the quarter under review.

The cost of sales was mainly attributed to that relating to the coke business. The Group's cost of sales saw a significant decrease of approximately 47% from about RM236.5 million in the previous year corresponding quarter to about RM125.5 million in the current quarter under review. Such a reduction was in tandem with the abovementioned reduction in sales volume generated by the coke business as well as the fall in the average coal price by approximately 22% from RMB1,420 per tonne in the previous year corresponding quarter to RMB1,108 per tonne in the current quarter under review. The food & beverage business on the other hand recorded a cost of sales of approximately RM1.9 million whilst the IoT business recorded about RM139 thousand during the quarter under review.

Other income included interest from the banks, sales of scraps and penalties/fines imposed on staff and employees of the coke business as a result of their transgressions of the rules and standard operating procedures prescribed for coke business during the quarter under review.

Operating expenses incurred by the Group were much higher at approximately RM22.0 million in the current quarter under review compared to approximately RM5.4 million in the same quarter last year. This was mainly due to the additional expenses incurred relation to the dry quenching facility of the coke business. The food & beverage business and IoT business on the other hand have collectively added a further RM4.8 million to the Group's operating expenses during the quarter under review, these of which include rental, staff salary, depreciation, minor repair and maintenance, electricity charges, etc.

After taking into consideration all of the above financial components, the Group turned in a dismal net loss for the period of approximately RM41.1 million in the current quarter under review compared to approximately RM4.2 million in the preceding year corresponding quarter.

Non-current asset of the Group maintained at around RM206 million compared to the end of 2019. Inventories are in the declining trend as the result of lower production for the metallurgical coke during the 1Q 2020 when less raw materials were required. Trade receivables were higher due to delay in recovering debts from customers. Trade payables also increased due to tight cashflow for creditors' settlement.

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