



SINO HUA-AN
INTERNATIONAL BERHAD (732227-T)

ANNUAL REPORT 2019

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Notice of The Fourteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting (“**AGM**”) of the Company will be held on a fully virtual basis via Securities Services e-Portal at <https://www.sshsb.net.my> to be broadcasted from the main venue at Meeting Room, Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan on Monday, 6 July 2020 at 10:00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 2019. *(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 7 July 2020 until the next AGM of the Company. *(Ordinary Resolution 2)*
4. To re-elect Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja’afar who retires by rotation pursuant to Clause 118 of the Company’s Constitution and being eligible, has offered himself for re-election. *(Ordinary Resolution 3)*
5. To re-elect the following Directors who retire pursuant to Clause 117 of the Company’s Constitution, and being eligible, have offered themselves for re-election:
 - (a) Datuk Lim Chih Li @ Lin ZhiLi; and *(Ordinary Resolution 4)*
 - (b) Balraj Singh Pannu A/L Gajjan Singh. *(Ordinary Resolution 5)*
6. To re-appoint Morison AAC PLT 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 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 Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad (“**Bursa Malaysia 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 twenty percent (20%) of the total number of issued shares of the Company for the time being as empowered by Bursa Malaysia Securities pursuant to Bursa Malaysia Securities’s letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers;

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

(CONT'D)

8. **ORDINARY RESOLUTION** *(Ordinary Resolution 8)*
RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“**THAT** approval be and is hereby given to Ms. Lim See Tow who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company.”

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

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)

CHIN MUN YEE (SSM PC NO. 201908002785) (MAICSA 7019243)

Company Secretaries

Kuala Lumpur

4 June 2020

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 7 July 2020 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 proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Thirteenth AGM of the Company held on 24 May 2019 (“**Previous Mandate**”) to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company for the time being (“**20% General Mandate**”).

As part of the initiative from Bursa Malaysia Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Malaysia Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Malaysia Securities had vide a letter dated 16 April 2020 allows a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities of not more than 20% of the total number of issued shares for the general issue of new securities.

(ii) Ordinary Resolution 7 - Authority to Issue Shares pursuant to the Act (Cont'd)

The 20% General Mandate will provide flexibility to the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be time consuming to organise a general meeting. The 20% General Mandate will also provide flexibility to the Company to raise additional funds expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to working capital, operational expenditures, investment project(s), and/or acquisition(s).

The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the 20% General Mandate is in the best interest of the Company.

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

(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 Malaysia 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 FOURTEENTH ANNUAL GENERAL MEETING

(CONT'D)

Notes:

1. In respect of deposited security, only members whose names appear in the Record of Depositors on 30 June 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
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 the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting. As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshb.com.my during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/relevant adviser during the Meeting.
4. 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, either executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. Appointment of proxy and registration for remote participation and voting

The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshb.com.my, not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshb.net.my/>. All resolutions set out in this notice of Meeting are to be voted by poll.

Should you wish to personally participate at the Fourteenth AGM remotely, please register electronically via Securities Services e-Portal at <https://www.sshb.net.my/> by the registration cut-off date and time.

Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting available for download at <http://sinohuaan.listedcompany.com/agm.html> for further details.

7. 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

SECURITIES SERVICES E-PORTAL

WHAT IS Securities Services e-Portal?

Securities Services e-Portal is an online platform that will allow both individual shareholders and body corporate shareholders through their appointed representatives, to-

- Submit proxy form electronically – paperless submission
 - Register for remote participation and voting at meetings
 - Attend and participate at meetings remotely via live streaming
 - Vote online remotely on resolutions tabled at meetings
- (referred to as “**e-Services**”)

The usage of the e-Portal is dependent on the engagement of the relevant e-Services by Sino Hua-An International Berhad and is by no means a guarantee of availability of use, unless we are so engaged to provide. **All users are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the e-Portal.**

REQUIRE ASSISTANCE?

Please contact Mr. Wong Piang Yoong (DID: 03-2084 9168) or Mr. Yeow Lip Lin (DID: 03-2084 9006) or Mr. Jerry Tan (DID: 03-2084 9165) or Puan Nurhayati Ang (DID: 03-2084 9162) or contact our general line (DID: 03-2084 9000) and request for e-Services Assistance. Alternatively, you may email us at eservices@sshshb.com.my.

BEFORE THE MEETING

FIRST, register as a User of Securities Services e-Portal

ALL USERS MUST REGISTER AT LEAST TWO (2) WORKING DAYS BEFORE THE CLOSING OF PROXY FORM SUBMISSION OR REGISTRATION FOR REMOTE PARTICIPATION AT MEETING ONLINE I.E., BY 2 JULY 2020, AS ONE (1) WORKING DAY IS REQUIRED TO PROCESS ALL PORTAL USER REGISTRATIONS.

- Step 1 Visit <https://www.sshsb.net.my/login.aspx>
- Step 2 Register as a user - registration is free
- Step 3 Wait for our notification email that will be sent within one (1) working day
- Step 4 Verify your user account within seven (7) days of the notification email and log in

- **This is a ONE-TIME registration.** If you are already a registered user of Securities Services e-Portal, you need not register again.
- Your email address is your User ID.

SECOND, once you have successfully registered as a User of Securities Services e-Portal, log in to <https://www.sshsb.net.my/login.aspx> with your registered email and password

Where you wish to participate remotely at the meeting	Where you wish to appoint proxy(ies) to participate remotely on your behalf
Register for remote participation at the meeting [Refer to (A) below]	Submit your e-Proxy Form online [Refer to (B) below] (or you may also submit the hard copy Form of Proxy)

**(A) REGISTRATION FOR REMOTE PARTICIPATION AT MEETING**

Meeting	Registration for Remote Participation Closing Date and Time
14 th AGM on Monday, 6 July 2020 at 10:00 a.m.	Saturday, 4 July 2020 at 10:00 a.m.

- Look for **Sino Hua-An International Berhad** under Company Name and **14th AGM on 6 July 2020 at 10:00 a.m. – Registration for Remote Participation** under Corporate Exercise / Event and click “>” to register for remote participation at the meeting.

Step 1 Check if you are attending as:

- Individual shareholder
- Corporate or authorised representative of a body corporate
For body corporates, the appointed corporate/authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the registration closing date and time above.

Step 2 Enter your CDS account number or the body corporate’s CDS account number.

- A copy of your e-Registration for remote participation can be accessed via **My Records** (refer to the left navigation panel).
- You need to register for remote participation for **every CDS account(s)** you have or represent as an individual shareholder or corporate or authorised representative.
- As the meeting will be conducted on a fully virtual basis and only the Chairman will be present at the broadcast venue, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.

(B) SUBMISSION OF e-PROXY FORM

Meeting	Proxy Form Submission Closing Date and Time
14 th AGM on Monday, 6 July 2020 at 10:00 a.m.	Saturday, 4 July 2020 at 10:00 a.m.

- Look for **Sino Hua-An International Berhad** under Company Name and **14th AGM on 6 July 2020 at 10:00 a.m. – Submission of Proxy Form** under Corporate Exercise / Event and click “>” to submit your proxy forms online for the meeting by the submission closing date and time above.

Step 1 Check if you are submitting the proxy form as:

- Individual shareholder
- Corporate or authorised representative of a body corporate
For body corporates, the appointed corporate/authorised representative is to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the proxy form submission closing date and time above.

- Step 2 Enter your CDS account number or the body corporate's CDS account number and corresponding number of securities. Then enter the information of your proxy(ies) and the securities to be represented by your proxy(ies).
You are strongly encouraged to appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.
- Step 3 Proceed to indicate how your votes are to be casted against each resolution.
- Step 4 Review and confirm your proxy form details before submission.
- A copy of your submitted e-Proxy Form can be accessed via **My Records** (refer to the left navigation panel).
 - You need to submit your e-Proxy Form for **every CDS account(s)** you have or represent.

PROXIES

All appointed proxies need not register for remote participation under (A) above but if the proxy is yet a registered User of the e-Portal, the proxy will **need to register as a User** of the e-Portal at least two (2) working days before the submission closing date and time for proxy forms i.e., **by 2 July 2020**. Upon processing the proxy forms, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, provided the proxy must be a registered user of the e-Portal, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a fully virtual basis.

ON THE DAY OF THE MEETING

Log in to <https://www.sshsb.net.my/login.aspx> with your registered email and password

JOINING THE LIVE STREAM MEETING (eLive)

Meeting	eLive Access Date and Time
14 th AGM on Monday, 6 July 2020 at 10:00 a.m.	Monday, 6 July 2020 at 9:45 a.m.

- Look for **Sino Hua-An International Berhad** under Company Name and **14th AGM on 6 July 2020 at 10:00 a.m. – Live Stream Meeting** under Corporate Exercise / Event and click “>” to join the meeting.
- The access to the live stream meeting will open on the abovementioned date and time.
- If you have any questions to raise, you may use the text box to transmit your question. The Chairman/Board/ relevant adviser will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.

**REMOTE ONLINE VOTING DURING THE MEETING (eVoting)**

Meeting	eVoting Access Date and Time
14 th AGM on Monday, 6 July 2020 at 10:00 a.m.	Monday, 6 July 2020 at 10.00 a.m.

- Look for **Sino Hua-An International Berhad** under Company Name and **14th AGM on 6 July 2020 at 10:00 a.m. – Remote Voting** under Corporate Exercise / Event and click “>” to remotely cast and submit the votes online for the resolutions tabled at the meeting

Step 1 Cast your votes by clicking on the radio buttons against each resolution

Step 2 Review your casted votes and confirm and submit the votes

- The access to eVoting will open on the abovementioned date and time.
- Your votes casted will apply throughout all the CDS accounts you represent as an individual shareholder, corporate / authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder’s indicated votes in the proxy form.
- The access to eVoting will close when the Chairman announces the closing of all voting at the respective meeting.
- A copy of your submitted eVoting can be accessed via **My Records** (refer to the left navigation panel).

Corporate Information

BOARD OF DIRECTORS

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar
Executive Chairman

Liu Guodong
Managing Director

Datuk Lim Chih Li @ Lin ZhiLi
Executive Director
(appointed w.e.f. 16 October 2019)

Lim See Tow
Independent Non-Executive Director

Zhai Baoxing
Independent Non-Executive Director

Balraj Singh Pannu A/L Gajjan Singh
Independent Non-Executive Director
(appointed w.e.f. 2 April 2020)

Liu Xueqiang
Non-Independent Non-Executive Director
(resigned w.e.f. 2 April 2020)

AUDIT & RISK MANAGEMENT COMMITTEE

Lim See Tow
Chairperson
Independent Non-Executive Director

Zhai Baoxing
Independent Non-Executive Director

Balraj Singh Pannu A/L Gajjan Singh
Independent Non-Executive Director
(Appointed w.e.f. 2 April 2020)

Liu Xueqiang
Non-Independent Non-Executive Director
(Resigned w.e.f. 2 April 2020)

REMUNERATION COMMITTEE

Lim See Tow
Chairperson
Independent Non-Executive Director

Zhai Baoxing
Independent Non-Executive Director

Balraj Singh Pannu A/L Gajjan Singh
Independent Non-Executive Director
(appointed w.e.f. 2 April 2020)

Liu Xueqiang
Non-Independent Non-Executive Director
(resigned w.e.f. 2 April 2020)

NOMINATION COMMITTEE

Lim See Tow
Chairperson
Independent Non-Executive Director

Zhai Baoxing
Independent Non-Executive Director

Balraj Singh Pannu A/L Gajjan Singh
Independent Non-Executive Director
(appointed w.e.f. 2 April 2020)

Liu Xueqiang
Non-Independent Non-Executive Director
(resigned w.e.f. 2 April 2020)

PRINCIPAL BANKERS

RHB Bank Berhad
(Kuala Lumpur, Malaysia)

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
Wilayah Persekutuan
Malaysia
Tel: (603) 2084 9000
Fax: (603) 2094 9940

REGISTERED OFFICE

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

AUDITORS

Morison AAC PLT
(AF001977)
(an independent member of Morison KSi)
Chartered Accountants

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Market)

COMPANY SECRETARIES

Chua Siew Chuan
(SSM PC NO. 201908002648)
(MAICSA 0777689 PRACTITIONER)

Chin Mun Yee
(SSM PC NO. 201908002785)
(MAICSA 7019243 PRACTITIONER)

STOCK NAME AND CODE

HUAAN (2739)



Profile of Directors

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

Male

Executive Chairman
Key Senior Management

Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (male), a Malaysian aged 73, 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 48, 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 was the Managing Director of Linyi Yehua Coking Co., Ltd ("Yehua") since 15 December 2004 and was appointed as the legal representative of Yehua on 1 July 2005. He graduated from Linyi Teaching Institute with a Bachelor degree in Sports in 1995. Prior to joining Yehua, from 1994 to 2004, he was a self-employed businessman involved in the dealing of iron ore, coal and electrolysis aluminite powder. On 21 June 2005, he was appointed as a Director of PIPO Overseas Ltd, a wholly-owned subsidiary of Sino Hua-An. Overall, Mr. Liu has over ten (10) years of working experience in the related industry.

Mr. Liu is a major substantial 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)

**DATUK LIM CHIH LI
@ LIN ZHILI, JARED**

Male

**Executive Director
Key Senior Management**

Datuk Jared Lim (male), a Malaysian aged 48, was appointed to the Board of Sino Hua-An on 16 October 2019 as an Executive Director. He attended one (1) Board meeting out of six (6) held in the financial year as he was only appointed on 16 October 2019.

Datuk Jared Lim is a founding partner of Tremendous Asia Partners, an Asian-owned and locally-grown private equity fund focused on the consumers space in South East Asia with a focus on value add through design and digital marketing. He is also the non-executive chairman of Tremendous Entertainment Ltd, a leading independent producer of live entertainment content in the region.

Prior to joining Tremendous Asia Partners, Datuk Jared Lim was an investment banker with Avenue Securities and was responsible for the setting up of the corporate finance unit, eventually building a strong track record in Equity offerings, Restructurings, M&A and Bond Issues. Datuk Jared Lim built a niche in Malaysia in cross border equity offerings involving PRC enterprises, which eventually led to him starting an Emerging South East Asian private equity model.

Datuk Jared Lim currently sits on the Executive Advisory panel of CENDANA (Cultural Economy Development Agency) which has been set up by the Malaysian government to build a vibrant and sustainable cultural economy in Malaysia.

Datuk Jared Lim has a Bachelor's Degree in Economics and Accounting from the University of Bristol and obtained a First Class in Masters of Finance from the University of Hull and the Chartered Financial Analyst (CFA) qualification. He is currently completing a post graduate diploma in Digital Business.

Datuk Jared Lim 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 44, 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 five (5) out of 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.

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



PROFILE OF DIRECTORS

(CONT'D)

ZHAI BAOXING Mr. Zhai Baoxing (male), a Chinese PRC national aged 37, 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 all six (6) Board meetings held in the financial year.

Male

**Independent Non-Executive
Director**

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.

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

BALRAJ SINGH PANNU Mr. Balraj Singh Pannu A/L Gajjan Singh (male), a Malaysian aged 42, was appointed to the Board of Sino Hua-An on 2 April 2020 as an Independent Non-Executive Director. He is a Member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Male

**Independent Non-Executive
Director**

Mr. Balraj was previously practicing as a corporate lawyer in United Kingdom and Hong Kong for almost 4 years. He was later appointed as an Executive Director for an international NGO in India from year 2006 to 2008. Upon returning to Malaysia in year 2008, he was appointed as a Director of Pannu Group of Companies and involved in the management of a manufacturing business with supplies to the automatic and garment industry. He was then Director of BE Group in Malaysia, which has interests in early child care education, wellness and restaurants.

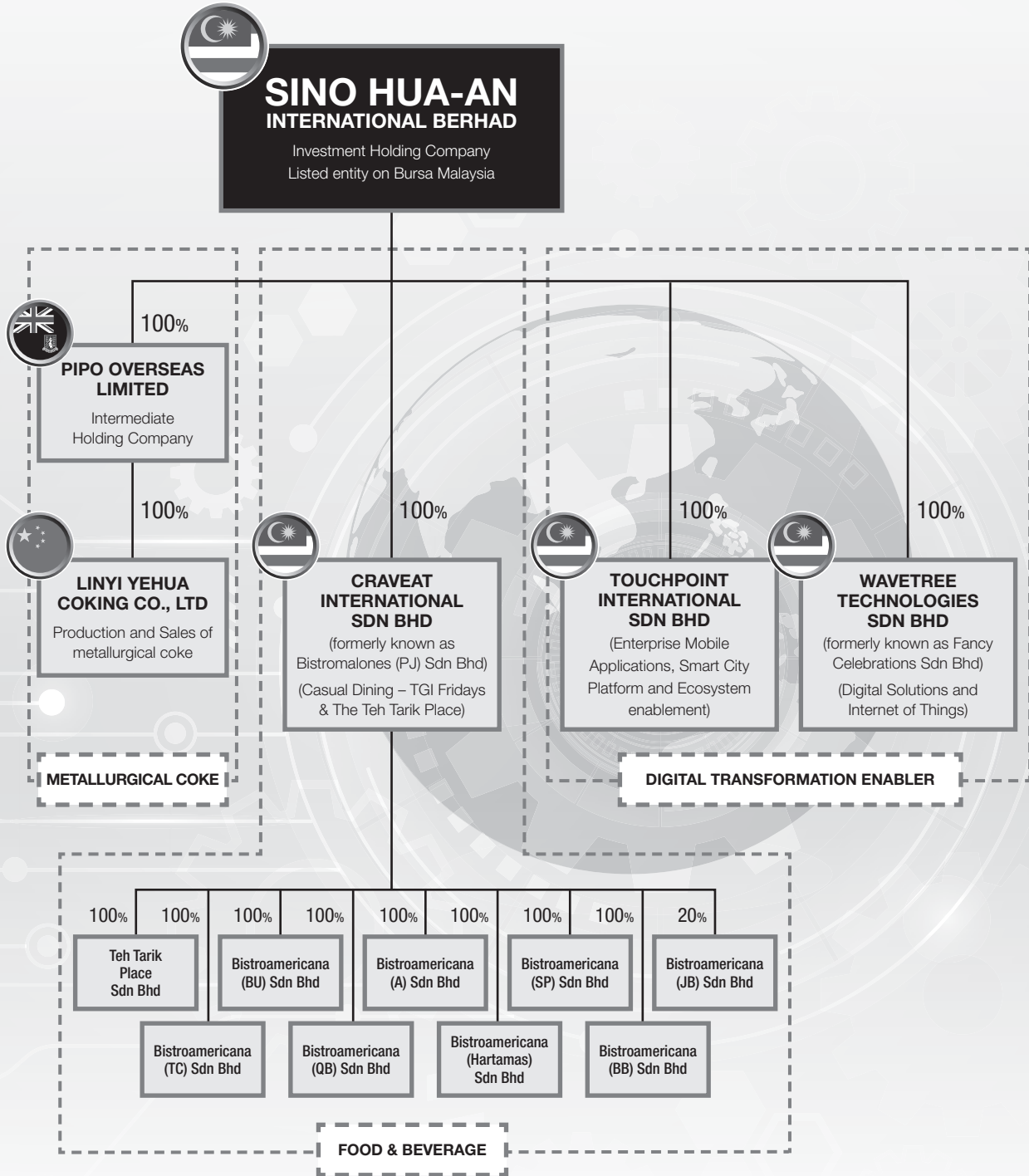
Presently, he is the Regional Director of 2Spicy Entertainment Sdn Bhd, which has rights for entertainment dining concepts such as Dinner In The Sky, Le Petit Chef and Whimsy (including for China and most of South East Asia).

Mr. Balraj has completed his Postgraduate Diploma in Digital Business Strategy from Emeritus Inst., collaboration with Columbia & MIT. He also has Masters of Arts (Jurisprudence) and an Honours degree in Bachelor of Arts (Jurisprudence) from Oxford University, England. He completed his Legal Practice Course for Solicitors at Oxford Institute of Legal Practice, England in June 2002.

Mr. Balraj 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 2019. The detailed explanation on the application of the corporate governance practices are reported under the Corporate Governance Report as published on the Company's website at: www.sinohuaan.com ("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 Board Committees operate within the defined Constitution or Terms of References that have been approved by the Board, in which these Board 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 References of the Board Committees are mentioned in detail in the Board Charter which is made available on 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 responsibilities 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 and that all available information on an issue is disseminated before the Board.
- 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.

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 in carrying their roles and responsibilities. The Company Secretaries play an advisory role in ensuring the adherence to the Company's Constitution, Board policies and procedures and compliance with the relevant regulatory requirements, code of guidance and legislations. The Company Secretaries attend and ensure that all Board, Board Committees and shareholders meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained at the registered office of the Company.

The Chairman and the Board stood guided by the Company Secretaries on what their responsibilities, duties and conducts 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 advices and services of the Company Secretaries, as and when required. The Company Secretaries will also work with the Chairman as and when required, to ensure effective and efficient functioning of the Board.

- (v) In addition to the mandatory quarterly Board meetings, the Board has also convened formal meeting(s) 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, the advices 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 the 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 the Board/Board Committee 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 of the Board/Board Committees meetings are circulated in a timely manner for review before they are confirmed and adopted by the members of the Board/Board Committee at their respective meetings.

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 their roles and responsibilities, composition and processes related to key governance activities.

The Board Charter as well as the Terms of References of the Board Committees were recently reviewed on 28 February 2020 to ensure they remain relevant and consistent with the Board's objectives and the current regulations. The updated versions of the same are published on the Company's Website.



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 2020.
- (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, and 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 Whistleblowing Policy is uploaded on the Company's Website and was reviewed on a periodic basis, the last being on 28 February 2020.

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

Board Composition

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

- (i) The Board currently consists of three (3) Executive members (comprising the Executive Chairman, Managing Director and Executive Director) and three (3) Non-Executive members (comprising three (3) Independent Non-Executive Directors). Premised on the above, the Board composition complies with paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities, which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be independent. The profiles of the Directors are set out in the Profile of Directors in this Annual Report for the financial year ended 31 December 2019.

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.

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

Board Composition (Cont'd)

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

- (ii) The Board 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 a tenure exceeding a cumulative term of twelve (12) years since her appointment on 18 January 2008.

The NC has assessed the independence of Ms. Lim See Tow and recommended that she be re-appointed as an Independent Non-Executive Director as she continues to bring independent and objective judgement to board deliberations. She also continues to meet the following criteria for independence in discharging her roles and functions as an 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 MMLR of Bursa Malaysia 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.

The Board, being satisfied with the justifications and criteria based on the recommendation of NC, shall be seeking the shareholders' approval at this forthcoming Annual General Meeting ("AGM") of the Company on the retention of her directorate as an Independent Director.



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)

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

The Independent Directors of the Company fulfil the criteria under the definition of Independent Director pursuant to the MMLR of Bursa Malaysia 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 matter.

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 an Independent Director of the Company. Each Independent Director has completed their own Independent Director checklist and the NC has carried out the relevant assessment of the Independent Directors at its meeting on 2 April 2020. Each Independent Director is abstained from deliberation on his/her own assessment. Following therefrom, the NC is satisfied that all the Independent Directors have fulfilled the criteria of "Independence" as prescribed under the MMLR of Bursa Malaysia Securities.

- (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 appointments are satisfactorily complied with.

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)

- (v) In accordance with the Company's Constitution, one-third (1/3) of the Directors for the time being or, if their number is not three or a multiple of three (3), then the number nearest to one-third (1/3) of the Directors shall retire from office and be eligible for re-election provided that all Directors including the Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

Newly appointed Director(s) 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 Directors 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 and up to the date of this report, Datuk Lim Chih Li @ Lin ZhiLi and Mr. Balraj Singh Pannu A/L Gajjan Singh were nominated and appointed to the Board with effect from 16 October 2019 and 2 April 2020 respectively. Accordingly, pursuant to Clause 117 of the Company's Constitution, Datuk Lim Chih Li @ Lin ZhiLi's and Mr. Balraj Singh Pannu A/L Gajjan Singh's tenure on the Board shall be deemed to end at the forthcoming AGM, and being eligible, they have offered themselves for re-election.

At the upcoming AGM, Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar will retire by rotation pursuant to Clause 118 of the Company's Constitution and being eligible, has offered himself for re-election.

The profiles of these Directors are set out on pages 11 to 13 of the Annual Report for the financial year ended 31 December 2019.

- (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 on the Board of Sino Hua-An.

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

The evaluation of the suitability of candidate(s) as the new Board member(s) is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company and with due regard for the benefits of diversity on the Board. These are determined without regard to the candidate's gender, ethnicity nor age, as prescribed in the Gender-Ethnicity-Age Diversity Policy and 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.

**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)**

- (vii) All Directors of the Company do not hold more than 5 directorships in public listed companies, pursuant to Paragraph 15.06 of the MMLR of Bursa Malaysia Securities.

The Directors holding office during the financial year ended 31 December 2019 have ensured their time commitment to discharge their duties effectively, as they do not hold more than five directorships in the public listed companies, detailed as below:

Name	No. of directorship in public listed companies
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	3
Liu Guodong	1
Lim See Tow	1
Zhai Baoxing	1
Datuk Lim Chih Li @ Lin ZhiLi (appointed w.e.f. 16 October 2019)	1
Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)	1

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

The annual calendar of at least four (4) Board meetings are tentatively scheduled 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).

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

Besides Board meetings, the Board is also made availed to the avenue of deliberating matters that require Board's approval through Directors' Resolution(s) in Writing. However, the Board endeavours to avoid this alternative route for deliberations 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 Clause 169 of the Company's Constitution, a signed and approved resolution in writing by a majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Board Composition (Cont'd)****4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)**

During the financial year ended 31 December 2019, a total of six (6) Board Meetings were held. The attendance record of each of the Directors is as follows:

Board of Directors' Meeting		28 Feb 2019	25 Mar 2019	24 May 2019	19 Aug 2019	14 Oct 2019	29 Nov 2019		
Directors	Position	Attendance						Total	%
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Executive Chairman	✓	✓	✓	✓	✓	✓	6/6	100%
Liu Guodong	Managing Director	✓	✓	✓	✓	✓	✓	6/6	100%
Lim See Tow	Independent Non-Executive Director	✓	✓	✓	✓	x	✓	5/6	83%
Liu Xueqiang (resigned w.e.f. 2 April 2020)	Non-Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	6/6	100%
Zhai Baoxing	Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	6/6	100%
Datuk Lim Chih Li @ Lin ZhiLi (appointed w.e.f. 16 October 2019)	Executive Director	n/a	n/a	n/a	n/a	n/a	✓	1/1	100%
Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)	Independent Non-Executive Director	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

As required under the MMLR of Bursa Malaysia Securities, all the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") save for Mr. Balraj Singh Pannu A/L Gajjan Singh who was appointed on 2 April 2020 and the due date for him to attend and complete the MAP to be organised by Iclif Executive Education Center falls on 2 August 2020.

In addition, all the Directors will continue to attend various training programmes to enhance their professionalism in the discharge of their duties.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Board Composition (Cont'd)****4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)**

During the financial year ended 31 December 2019, the Directors have evaluated their own training needs on a continuous basis and attended the following training programmes:-

Topics
<ul style="list-style-type: none"> • Anti Money Laundering (Combating Finance Crimes) • Anti Bribery & Corruption (Basic) course • Leadership Greatness in Turbulent Times – Building Corporate Longevity • Cyber Security in the Boardroom – accelerating from Acceptance to Action • Audit Oversight Board – Annual Inspection Report – Findings and Insights

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

The Board, through the NC, has conducted the following annual assessments to evaluate the effectiveness of the Board and the Board Committees as well as the performance of each individual Director for the financial year ended 31 December 2019:

- (i) Directors' self/peer evaluation;
- (ii) Board and Board Committee performance evaluation;
- (iii) AC members' peer evaluation; and
- (iv) Assessment of Independent Directors.

The results are tabulated and presented to the NC for its review and recommendation to the Board for notation. A summarised version of the results is circulated to each Director for their information. The criteria for the evaluations are guided by the Corporate Governance Guide: Towards Boardroom Excellence. The NC has evaluated the above assessment forms at the NC Meeting held on 2 April 2020 and observed that the performance of the Board and Board Committees, in terms of its structure, operations, and roles and responsibilities was consistently strong, effective and efficient.

The NC of the Company comprises entirely of Independent Non-Executive Directors. The composition of the NC is as follows:

Chairperson	:	Lim See Tow <i>(Independent Non-Executive Director)</i>
Members	:	Zhai Baoxing <i>(Independent Non-Executive Director)</i>
	:	Liu Xueqiang <i>(Non-Independent Non-Executive Director)</i> <i>(resigned w.e.f. 2 April 2020)</i>
	:	Balraj Singh Pannu A/L Gajjan Singh <i>(Independent Non-Executive Director)</i> <i>(appointed w.e.f. 2 April 2020)</i>

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 its Terms of Reference, which is available on the Website. The Terms of Reference of the NC was reviewed on 28 February 2020.

During the financial year ended 31 December 2019, the NC held two (2) meetings to undertake the following activities:

- Reviewed the performance evaluation forms for Directors and Board Committees;
- Reviewed the effectiveness of the Board as a whole and of the Board Committees;
- Reviewed the terms of office and performance of the ARMC and each of its members;
- Assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his/her own assessment;
- Recommended to the Board on Directors who are retiring by rotation and to be put forward for re-election;
- Reviewed and recommended to the Board to seek shareholders' approval at the forthcoming AGM for Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and is eligible and fit to continue to assume the roles as an Independent Non-Executive Director;
- Reviewed the Terms of Reference of NC;
- Reviewed the current mix of skills, experience and other qualities of the Board; and
- Reviewed the independence, experience and skills set of the proposed candidate(s) and recommended to the Board on the appointment(s) of the same for the position as Director(s) of the Company.

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 of the Company comprises entirely of Independent Non-Executive Directors. The composition of the RC is as follow:

Chairperson	:	Lim See Tow <i>(Independent Non-Executive Director)</i>
Members	:	Zhai Baoxing <i>(Independent Non-Executive Director)</i>
	:	Liu Xueqiang <i>(Non-Independent Non-Executive Director)</i> <i>(resigned w.e.f. 2 April 2020)</i>
	:	Balraj Singh Pannu A/L Gajjan Singh <i>(Independent Non-Executive Director)</i> <i>(appointed w.e.f. 2 April 2020)</i>

During the financial year ended 31 December 2019, the RC had two (2) meetings to carry out its functions. The details on the functions of the RC are set out in its Terms of Reference, which is available on the Company's Website.

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

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. (Cont'd)

(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 Director 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 2019 are set out below:-

A. Aggregate Remuneration

	Company		Group	
	Executive Directors RM	Non-executive Directors RM	Executive Directors RM	Non-executive Directors RM
Salary	445,000	–	757,334	–
Fees	–	60,000	–	90,000
Allowances	–	12,250	–	21,292
Other emoluments	53,665	–	53,665	–
Total	498,665	72,250	810,999	111,292

B. Individual Director's Remuneration

	Salary RM	Fee RM	Allowances RM	Emoluments RM
Executive Directors				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	420,000	–	–	50,400
Liu Guodong	312,334	–	–	–
Datuk Lim Chih Li @ Lin ZhiLi (appointed w.e.f. 16 October 2019)	25,000	–	–	3,265
Non-Executive Directors				
Lim See Tow	–	30,000	6,700	–
Zhai Baoxing	–	30,000	5,550	–
Liu Xueqiang (resigned w.e.f. 2 April 2020)	–	30,000	9,042	–
Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)	–	–	–	–

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. (Cont'd)**

(i) Directors' Remuneration (Cont'd)

C. Key Management Remuneration (by Band)

Key management personnel of the Group whose total remuneration during the financial year ended 31 December 2019 are as follows:

	NAME					
	Yan Bindong	Liu Meng Ming	Song Xiguo	Foong Chong Thong	Qiu Hong Guang	Lee Yew Jin
	(General Manager)	(Operations Manager)	(Safety Manager)	(Group Financial Controller)	(Marketing Manager)	(Head of Food & Beverage)
RM50,000 and below					✓	✓
RM50,001 – RM100,000			✓			
RM100,001 – RM150,000		✓				
RM150,001 – RM200,000				✓		
RM200,001 – RM250,000						
RM250,001 – RM300,000	✓					

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**Audit and Risk Management Committee****8.0 There is an effective and independent ARMC. The Board is able to objectively review the ARMC'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 announcements 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 Malaysia 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 safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)****Audit and Risk Management Committee (Cont'd)****8.0 There is an effective and independent ARMC. The Board is able to objectively review the ARMC's findings and recommendations. The company's financial statement is a reliable source of information. (Cont'd)**

- (iii) An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the MMLR of Bursa Malaysia Securities. The ARMC reviews and reports to the Board for consideration 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 Auditors.

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

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

The External Auditors have an obligation to bring to the attention of the Board of Directors, the ARMC and the 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 2019, the amount of audit fees and non-audit fees paid to the External Auditors by the Company and the Group are as follows:

	Group RM	Company RM
Audit fees	560,182	93,700
Non-Audit fees	40,000	40,000

The non-audit fees are in respect of review of the Statement of Risk Management and Internal Control, as well as assuming the role of a reporting accountant for the purpose of issuance of Redeemable Convertible Notes.

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

Audit and Risk Management Committee (Cont'd)

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

In considering the nature and scope of non-audit fees, the ARMC is satisfied that they are 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 has 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 of this Annual Report.

Risk Management and Internal Control Framework

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

- (i) The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. These controls provide a 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 scopes of the Internal Audit, among others include providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The information on the Group's internal control is presented in the Audit and Risk Management Committee Report 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 Malaysia Securities and/or other applicable laws and regulations. Confidential information is restricted to the top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries, if any.

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

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

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



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

Communication with Stakeholders

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

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

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

Any query and concern regarding the Group may be conveyed to the Company's Investor Relations at:-

Telephone no. : 03-7733 7180
Facsimile no. : 03-7733 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 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 2 April 2020.

Additional Compliance Information

The following information is provided in compliance with the MMLR of Bursa Malaysia Securities:

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

On 5 September 2019, Sino Hua-An had implemented a Redeemable Convertible Notes (“RCN”) with an aggregate principal amount of up to RM150 million which is convertible into a maximum of 833,333,333 new Sino Hua-An shares. During the financial year, the proceeds from the issuance of RCN are to be utilized for the following purposes:

Purpose	Proposed Utilisation RM million	Issuance in 2019 RM million	Balance RM million
Business expansion and working capital of the Sino Hua-An Group	140.2	3.8	136.4
Estimated expenses in relation to the RCN	9.8	1.2	8.6
	150.0	5.0	145.0

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	93,700	560,182
Non-audit fees	40,000	40,000

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 at the end of the financial year ended 31 December 2019.

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 subsidiaries 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 in pursuant to Paragraph 15.26(b) of the MMLR of Bursa Malaysia 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’s coke business operations during the financial year ended 31 December 2019. The business operations of the casual dining food and beverage businesses and digital transformation enabler were not covered in the scope herein as these businesses were only acquired fairly recently by the Group, i.e. on 15 October 2019 and 19 December 2019 respectively. Notwithstanding that, the Group endeavours to extend the scope of its risk management and internal control to cover these two new business areas, as soon as practicable.

THE BOARD’S RESPONSIBILITIES

The Board acknowledges its responsibility in maintaining system of risk management and system of internal control as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, the system is designed to manage rather than to eliminate the risk of failure in achieving the Group’s corporate objectives and can only provide a 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 control also covers operational and compliance controls and, most importantly, risk management. As part of the risk management process, the Board is assisted by the Audit and Risk Management Committee (“ARMC”) in identifying, assessing and managing the 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 system of internal control and highlights significant risks impacting the Group with recommendations for improvement; and
- The ARMC regularly reviews reports issued by the Internal Audit Department on a quarterly basis and annually reviews the adequacy of the Internal Audit Department’s scope of work and resources.

The Group continues to take measures to enhance and strengthen the internal control environment and system 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 of Bursa Malaysia Securities and the scope set out in Audit and Assurance Practice Guide (“AAPG”) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, the External Auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2019.

AAPG 3 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 it is factually inaccurate.

CONCLUSION

The Board is pleased to report that the Managing Director and Financial Controller are satisfied that the Group’s overall risk management and internal control system are operating adequately and effectively, in all material aspects. There was no material control failure that would have any material adverse effect on the financial results of the Group for the financial year ended 31 December 2019 and up to the date of issuance of the financial statements.

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

This statement is made in accordance with a resolution passed at the Board of Directors’ Meeting held on 2 April 2020.



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:

Emission	Contributory factor
• Sulphur dioxide (SO ₂)	: Acid rain and respiratory illnesses
• Nitrogen oxide (NO _x)	: Smog and respiratory illnesses
• Particulates, dust, etc	: Smog, haze and respiratory and lung disease
• Carbon dioxide (CO ₂)	: 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. Significant amount of investments and capital expenditures have been incurred over the years in its pursuit to be an environmentally friendly organization. Accordingly, the Group has made several additions, upgrades and enhancements to its environmental protection facilities and equipment which include, amongst others, the installation of desulphurization facility, de-nitration facility, dust trap and cover facility, heat extraction facility, gas purification and treatment 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, tar oil, etc.

STATEMENT ON SUSTAINABILITY

(CONT'D)

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

Initiatives subject matter	Outcome
Particulate and dust control measures	<ul style="list-style-type: none"> • 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. • 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.
Water treatment and management	<ul style="list-style-type: none"> • The company has a proper system in place for the segregation of rain water and waste water. • 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. • 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. • 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. • With the enhancement made to the water treatment plant, the Company has the met the stringent requirements and standard of the national environment protection department.
Gas purification and treatment	<ul style="list-style-type: none"> • 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. • 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 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.



STATEMENT ON SUSTAINABILITY

(CONT'D)

The Group's coke manufacturing plant has also installed an advanced Management Information Systems which enabled direct link to the department of Ministry of Environmental Protection whereby the latter is 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.

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 is sad 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 were 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 don 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 MMLR of Bursa Malaysia 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;
- Followed the applicable approved accounting standards;
- 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 2 April 2020.



Audit and Risk Management Committee Report

The Board of Sino Hua-An International Berhad is pleased to present the report of Audit and Risk Management Committee (“ARMC”) of the Company for the financial year ended 31 December 2019.

COMPOSITION

The members of the ARMC are as follows:

- Chairperson : Lim See Tow
(Independent Non-Executive Director)
- Members : Zhai Baoxing
(Independent Non-Executive Director)
- Liu Xueqiang
(Non-Independent Non-Executive Director)
(resigned w.e.f. 2 April 2020)
- Balraj Singh Pannu A/L Gajjan Singh
(Independent Non-Executive Director)
(appointed w.e.f. 2 April 2020)

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 on the Company’s Website at: www.sinohuaan.com.

ARMC MEETINGS

The ARMC has convened five (5) meetings during the financial year ended 31 December 2019. The record of attendance of the ARMC meetings is as follows:

Name of Members	Date of ARMC Meeting				
	28 Feb 2019	25 Mar 2019	24 May 2019	19 Aug 2019	29 Nov 2019
Lim See Tow	✓	✓	✓	✓	✓
Liu Xueqiang <i>(resigned w.e.f. 2 April 2020)</i>	✓	✓	✓	✓	✓
Zhai Baoxing <i>(appointed w.e.f. 28 February 2019)</i>	n/a	✓	✓	✓	✓
Balraj Singh Pannu A/L Gajjan Singh <i>(appointed w.e.f. 2 April 2020)</i>	n/a	n/a	n/a	n/a	n/a

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 2019:

Financial Reporting

- (i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations to the Board. Key areas of focus included 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
28 February 2019	<ul style="list-style-type: none"> • Unaudited quarterly report on consolidated results of the Company and Group for the fourth quarter ended 31 December 2018.
25 March 2019	<ul style="list-style-type: none"> • Audited financial statements for the year ended 31 December 2018 and the review of relevant statements/contents for inclusion into the Annual Report 2018.
24 May 2019	<ul style="list-style-type: none"> • Unaudited quarterly report on consolidated results of the Company and Group for the first quarter ended 31 March 2019.
19 August 2019	<ul style="list-style-type: none"> • Unaudited quarterly report on consolidated results of the Company and Group for the second quarter ended 30 June 2019.
29 November 2019	<ul style="list-style-type: none"> • Unaudited quarterly report on consolidated results of the Company and Group for the third quarter ended 30 September 2019 and review of Audit Planning Memorandum for the financial year ending 31 December 2019 prepared by the External Auditors.

External Audit

On 28 February 2019, 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 2018, with the External Auditors, Morison AAC PLT ("MAAC"). MAAC had also confirmed that they have not noted any fraud related incidents that rendered reporting to the ARMC.

On 25 March 2019, the ARMC had reviewed the audited financial statements of the Company for the financial year ended 31 December 2018, issued at end-April 2019, 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 29 November 2019, the ARMC had reviewed the Audit Planning Memorandum for the financial year ending 31 December 2019 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)

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

External Audit (Cont'd)

During the financial year, the ARMC had two (2) private dialogue sessions with the External Auditors on 28 February 2019 and 29 November 2019 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 Auditors 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 Malaysia 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 for its coke business operations which reports directly to the ARMC and assist the ARMC in discharging its functions and duties. During the financial year, the scope of Internal Audit did not cover the newly acquired casual dining food and beverage businesses as well as the digital transformation enabler businesses as these were only acquired fairly recently by the Group, ie on 15 October 2019 and 19 December 2019 respectively. Notwithstanding the above, the Group endeavours to extend the scope of its Internal Audit function to include these two newly acquired business areas, as soon as practicable.

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.

(CONT'D)

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

Summary of Work of the Internal Audit Function (Cont'd)

The scope of work of the Internal Audit for the coke business undertaking 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:

Audit area	FY 2018				FY 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
1 Fund management								
2 Accounting functions								
3 Document management								
4 Procurement and logistics (trade & non trade)								
5 Sales cycle (trade & non trade)								
6 Human resources								
7 Warehouse storage control								
8 Production cycle								
9 Asset and equipment management								
10 Corporate management - Production safety, QC, technique & etc								
11 Environmental issues								

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

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 2019, the Internal Audit covered areas relating to the procurement, logistics and sales cycle. The scope of work included on-site monitoring of relevant procedures and sample testing on relevant invoices. Based on the internal audit conducted, it was found that the existing procedures and processes are already very comprehensive, systematic and adequate in meeting the objective. The result from performing sample testing revealed that the prescribed procedures and processes have been adhered to and no exceptions thereto were noted.
- (b) For the second quarter, the Internal Audit covered areas relating to the human resource 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. Several of the minor improvements suggested by the Internal Auditors in the previous review cycle have been adopted by the management. Notwithstanding that, the Internal Audit continues to highlight the importance of standardizing the responsibilities and qualifications of each job function, proper assessment prior to recruitment and transfers and advance planning on training and education to be given, amongst others, in an effort to further improve and strengthen the human resource management of the company.



AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(CONT'D)

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

Summary of Work of the Internal Audit Function (Cont'd)

- (c) For the third quarter, the Internal Audit mainly focused on production monitoring process, asset and equipment management as well as warehouse storage control system. 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 exceptions were noted. No large-scale equipment procurement contracts were entered into during the third quarter.

- (d) In the fourth quarter of 2019, the Internal Audit covered the areas of production safety management, equipment management, quality control, production technology, environmental issues and etc. It was noted that the management has carried out a lot of work and increased capital investment in areas concerning safety throughout the coke production process, as well as in areas concerning its impact to the environment. Based on the Internal Audit assessment, all existing standard operating procedures set out with regards to quality control, improvement on the production technology and equipment management policies, 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. In addition to the above, the Internal Audit has also reviewed the insurance coverage of the coke plant and cited that the identified key and perceivably high-risk equipment are adequately insured.

The cost incurred for the Internal Audit function in respect of the financial year ended 31 December 2019 amounted to RM53,848.

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 tumultuous period for Sino Hua-An in the past 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 in 2017, only to find that such euphoric rise being short-lived. Whilst the coke business of Sino Hua-An stumbled and started to retract again in 2018, it found itself losing its footing, tumbled and fell hard in 2019.

The coke industry was continually assaulted from various angles. Amongst others, key turbulences which threw the coke industry off its balance resulting primarily from (i) the lingering uncertainties in the external economic environment such as the protracted unresolved 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 its aggressive stance in rolling out its environmental pollution policies; (iii) weak global commodity prices and erratic movement of the global oil prices; (iv) economic and geopolitical risks emanating from the UK-Brexit factor, Europe and the Middle East; and last but certainly not least (v) pandemic Wuhan novel coronavirus (2019-nCoV). These impediments, although admittedly was not entirely unanticipated, had their wrath rained down on the Chinese economy in 2019 which in turn affected large number of industries, one of which was that of metallurgical coke.

As the GDP growth continue to fall consecutively in the first three quarters of 2019, causing concerns to the Chinese government, it had reactively taken remedial steps in November as a last-minute effort to navigate the abovementioned uncertainties and lead the economy to meet, albeit at the lower end, of its growth target. Chief amongst them include the 2 trillion RMB in tax cuts and 2.15 trillion RMB in local government special bond issuance to stimulate the economy. These are in addition to the People's Bank of China ("PBoC") slashing its banks' reserve requirement ratios ("RRR") three times in 2019, the latest of which is expected to release approximately 900 billion RMB of liquidity into the economy. This amount was on top of the massive 3.63 trillion RMB in net liquidity already pumped in via the earlier six RRR cuts since 2008 to sustain its flagging economy. Despite all these, the economy merely managed to churn out an underwhelming 6.1% growth rate, a marked slowdown from its peak of 14.3% (in 2007) and the weakest in almost three decades. Concomitantly, exports figures fell, factory output slowed, investment growth at a record low and consumption coming off the boil. Industrial output closed the year at 4.7%, below a median estimated earlier of 5.4%, retail sales growth at 7.2% which failed to meet its projected target of 7.8%, as well as fixed-asset investment slowed to 5.2%, the lowest reading since 1998, all of which presumably precipitated from the air of uncertainty and cautions business sentiments besetting China's traditional economy.

Even as the economy has lost steam, the Chinese government and central government have refrained from indiscriminately dumping stimulus into the economy, preferring to make smaller adjustments to try and boost growth without a massive expansion of debt. A slew of economic analysts predict that the momentum of slowdown is not over yet and will continue to be carried over for several more years.

Allusions abound within the industry suggesting that the local municipal government (as part of its effort to be in line with the central government's call for cut in pollution level and strict enforcement of environmental protection policies for the well-being of the community), contemplates an initiatives to reduce production capacity and/or relocate some of the existing production facilities of 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. In this respect, the management will be cautiously monitoring the development of this matter and will take appropriate remedial actions should it materialises. Notwithstanding the above, YEHUA's coke production capacity were also curbed to a large extent. In addition to still being unable to recommission its coke ovens #4 and #5 (which collectively account for 900,000 tonnes of YEHUA's annual production capacity) since the mandatory shutdown in 2015, YEHUA (together with other industries deemed to have emissions) have also been periodically subjected to "persuasive directive" by the local municipal government to "voluntarily" reduce its production level of its remaining existing operating capacity in order for the said governmental authority to ensure the pollution level in the area concerned at any material point of time, does not exceed the allowable stipulated limit. To put things into perspective, according to a report by China's Eco Environment Department, for an eight-month period between January and August of 2019, Linyi City (the locale in which YEHUA's coke plant is operating in) appeared as the bottom six most polluted city amongst the 168 major cities in China.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

After an eventful year, China is heading into 2020 and thereafter in a cloud of uncertainty. Although the US and China recently agreed to a “phase one” trade deal, bilateral trade tension are far from being ironed out. Similarly, protests in Hong Kong have calmed but the underlying socioeconomic issues have yet to be resolved. Meanwhile, the Chinese government is powering ahead with its campaign to contain financial risks, putting into question the country’s ability to see the re-emergence of its decade-long streak of rapid economic growth.

While China will ensure a minimum level of growth to hit its centenary goals by the end of 2020, the government are already laying the groundwork for a “new normal” of moderate growth below six percent in the coming years. General consensus from economists are already forecasting 2020 growth rate to continue to decelerate to hover around 5.8% - 6%. This circumstance is consequential to China’s pursuit of its medium and long-term objectives, ie deleveraging and structural reforms in 2020 – 2024 and rebalancing until 2030. The above only serve to indicate that high chances the Chinese economy will continue to limp along lethargically in the years to come and that the double digit growth rate credited to springboard China to where it is today will only be but a distance past.

Premised on the above, the Sino Hua-An expects the outlook for the coke industry to remain challenging moving forward amid the continued deceleration of the China economy and well as the generally slowing global economy, geopolitical tensions and the on-going trade and technology war between China and the western world, thus resulting in considerable demand disruptions.

Taking cognisance of these experiences and its past trials and tribulations, a key takeaway garnered by the management of Sino Hua-An is that the status quo will no longer be good enough. Incumbents will soon have the rugs pulled from under their feet and it will no longer be business as usual. Many in leading positions, as Sino Hua-An was once in, will soon find themselves being displaced and scrambling to find a firm footing amid the shifting sands. Accordingly, the management of Sino Hua-An had proactively reviewed its business strategies and direction moving forward, in order to “future-proof” itself so that it can remain relevant and be a formidable corporate business entity on Bursa Malaysia.

To recap, 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.

Towards this end, Sino Hua-An has completed the acquisition of TouchPoint Group and Craveat in 2019, both of which are operating in industries that are dissimilar to that of its metallurgical coke. The TouchPoint Group is principally involved in the digital technology sector whilst Craveat is a more traditional brick and mortar consumer business operating in the casual dining industry. The acquisition of the latter will form part of the anchor merchants for the former’s digital community platform which will also be the showcase for how traditional businesses can use technology to enable better access to market and operational efficiencies.

These acquisitions enables Sino Hua-An 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, hereon after.

- TOUCHPOINT GROUP -

The TouchPoint Group represents the next generation Digital Transformation Enabling Company, providing proven technologies and track record in delivering solutions to transform cities into thriving smart ecosystems and catalysing businesses into the age of Industry Revolution 4.0. The TouchPoint Group focuses on two principal areas, namely (i) smart city ecosystem platform partner and (ii) artificial intelligence (AI) enabled Internet of Things (IoT) solutions provider, particularly in the agriculture sector and security and service industry. Frost & Sullivan estimates the smart city market at US\$1.56 trillion while PwC estimates the smart city business value could reach US\$2.5 trillion by 2025. On the other side of TouchPoint's business, independent market research indicates that the global IoT market is expected to exceed US\$2.0 trillion by 2025 and global connections expected to reach 17% CAGR from US\$7 billion to US\$25 billion from 2017 – 2025. Asia Pacific is further expected to be a leader in the technology sphere followed by North America. One of the fastest growing industry embracing IoT is seen to be in the agriculture sector, simply because of a critical need for current farms production to improve at least 70% given the demand for food will double by 2050. The global revenue generated by IoT in agriculture sector alone is expected to increase from US\$30 million in 2017 to US\$2.5 billion in 2023 with a CAGR of 117%. Asia Pacific contributes 19% of this with a CAGR of 119%.

(i) Smart city

TouchPoint has in collaboration with Perbadanan Putrajaya over a span of 4 years, developed and fully commissioned the official Putrajaya Smart City Mobile App platform with over 150,000 users. This mobile community platform ("MCP") is the most comprehensive smart city enabling platform in existence in the country with key features and technological solutions designed to cater to the four main stakeholders of Putrajaya to create a self-sustaining and thriving ecosystem within Putrajaya. This include (i) City and Government – comprising the local councils, state government and township communities; (ii) Citizens – comprising residents, local communities, clubs and associations; (iii) Businesses – comprising local businesses and home-based businesses; and (iv) Tourists – comprising local and overseas tourists and visitors to Putrajaya. Within the said MCP, the abovementioned stakeholders can interact with each other via real time dissemination of relevant information to targeted/selected audiences. Additionally, payments of government dues/fees, service registrations, events bookings and reservations, broadcasting of news, notifications and promotions, traffic information and emergency panic button are some of the highlight features of the MCP.

Virtual Tour Guide ("VTG") – For tourists and visitors, the VTG shall be the official self-guided tour feature within the Putrajaya Mobile App which supports foreign languages, such as Arabic, Chinese, Indian, etc in addition to English and Bahasa Malaysia. The VTG is developed as a thematic self-guided tour comprising information on the architecture, history, Islamic, food, nature, etc relevant to and revolving around Putrajaya and is offered via a freemium model, ie free basic self-guided tour and in-app purchase of premium content such as video, audio and more detailed information. The VTG is also bundled with products and services offered by partners and participating merchants and have data analytics tool to capture important relevant information about the tourists and visitors.

Enabling Cashless Smart Economy – Merchants and businesses can make use of the digital transactions and cashless platform with loyalty points. Bookings and orderings of products and services can be done online as well as transactions made via cashless e-wallet payments. There is also data analytics for participating businesses to help optimise customer engagement, marketing and customer demand analysis. TouchPoint also has enabled an official Putrajaya loyalty programme whereby "loyalty points" can be earned by users when making government payments, attending Putrajaya events, patronising businesses, etc and such loyalty points may be redeemed for gifts and cash vouchers and/or discounts at participating merchants. There are currently 1,200 businesses in Putrajaya whom potentially will sign up as merchants in this MCP.

Events and Ticketing – The MCP will display the latest events listings and marketing. There are over 300 events a year in Putrajaya and TouchPoint, via the MCP is the official online web and mobile ticketing agent for Putrajaya as well as for registration and reservations of facilities in Putrajaya. This feature is designed to support local community activities such as schools, sports clubs, associations and places of worship, thus serves to empower a live smart city way of engaging with their members through events.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

(i) Smart city (Cont'd)

Accurate and Timely Information – The MCP is used to feed real-time targeted news and notifications to the stakeholders of Putrajaya. This is the official and most reliable way to reach out to residents and visitors of a smart city.

Attractions Booking – This feature in the MCP provides residents, visitors and tourists the convenience to check out all (over 30) of the point-of-interest and attractions (over 30) in Putrajaya, make bookings and payments, if necessary. The MCP is used exclusively as the official platform to conduct these matters as there is a fully integrated online and on-site cashless payment facility built in. In addition, the MCP will also have data analytics to enable Putrajaya to improve its service delivery and product planning.

Feedback and Complains – The MCP serves to enhance citizen engagement and improve sense of community by providing an easily accessible way to capture feedback and complains, with the ability to track the status and fully manage the complete life cycle of each feedback and complains. It is real-time geo-location enabled and has a dynamic feedback typed and categories. Location of the subject matter will be tagged and photos for evidence can be uploaded. The nature of the feedback/complains will be automatically filtered and channelled to the relevant department or contractors to respond appropriately.

Safety and Security – The MCP aims to provide the utmost level of safety response to residents and visitors through mobile app panic button, built in with API to support 3rd party security systems and physical panic buttons throughout the city. It has an automatic geo-location tagging function and is fully integrated with the Putrajaya Command Centre which is linked directly to the police, bomba, civil defence, hospital Putrajaya, etc for prompt response.

With the abovementioned already developed MCP for smart city ecosystem which is a ready-to-deploy platform, TouchPoint can easily replicate and rollout the same to other municipalities and/or states in Malaysia as well as in the eventually extending such offerings into other countries in the region.

Putrajaya alone has on average about 8 million visitors a year, with a total potential market of RM64 million, while the whole of Malaysia would give VTG a total potential market of approximately RM240 million.

(ii) AI and IoT

TouchPoint Group is the first to commercially deploy an end-to-end large scale agriculture IoT solution for oil palm plantation where its SensorHub is currently touted to be the most advanced IoT platform in the country. It has the ability to monitor and meaningful collect data for crop modelling, mechanisation automation, manpower optimising, weather prediction and wastage minimisation and management. TouchPoint Group is using IoT and AI to revolutionise agriculture practises by enabling planters to be constantly fed with important information, e.g. variable rate of fertility, waters stress, field monitoring, soil erosion, provide smart data, crop yield analysis, auto sreading via drones, diagnosis of diseases, etc. Presently, TouchPoint Group has developed its own IoT sensors, IoT network design, IoT cloud platform and AI analytics, all of which are the critical components for it to roll out its service offerings.

Water Management – With IoT sensors, river, ground water and soil moisture data are automatically captured and transmitted to SensorHub in real-time to provide crucial information for oil palm plantation management to proactively react to changing environmental conditions.

Tracking and Automation – By using the latest IoT sensors to track and automate in-field machineries and workers, immediate return-on-investment is realised thanks to the optimisation of crucial and limited resources. Though complete visibility of locations and pattern of utilisation, tracking of machineries and workers are automatically with IoT sensors enables plantation managers to gain insight into the effectiveness of each resource, so that they can be better deployed to minimise cost and maximize output.

(ii) AI and IoT (Cont'd)

Advanced Analytics of Input and Harvesting – Ingenious application of IoT technologies to track the inputs such as fertilizer and chemical application, worker tasks and analysing them in tandem with harvesting yield tracked using onboard load cell and IoT sensors, create the most advanced task-yield model for an oil palm plantation.

Complete Traceability – Having being deployed throughout Sumatra and Kalimantan, TouchPoint Group's solution is the most complete palm to bulking traceability solution for oil palm plantation.

Currently, over 25,000 hectares of oil palm plantation area has been commercially implemented with TouchPoint Group's agriculture IoT solutions, the largest yet anywhere. The total addressable market in Malaysia and Indonesia alone has over 17 million hectares of potential. Spanning across Malaysia, Indonesia and South America, TouchPoint Group is the world's leading oil palm plantation IoT solutions provider poised to continue leading the transformation of the said industry into Industry Revolution 4.0.

In addition to the oil palm sector, TouchPoint Group has also recently rolled-out its offerings to durian plantations. It is the first in Malaysia to deploy an end-to-end IoT solution for the complete life cycle of a durian plantation. Leveraging on its years of experience and expertise in deploying IoT and data analytics in extremely large scale oil palm plantation, TouchPoint Group is poised to also transform and revolutionise durian farming.

By leveraging on TouchPoint Group's leadership position in the precision agriculture market, the company continues to push ahead with research and development of advanced agriculture technology solutions, with an aggressive to-market strategy through partnerships and strategic alliances. These technology solutions include hyperspectral imagery, drones, predictive analytics, etc. Towards this end, TouchPoint Group had recently entered into a partnership with one of China's leading AI technology companies to enable it to rollout these solutions in the security and law enforcement sector.

The digital solutions industry in Malaysia comprises industry players that offer content, as well as technology solutions. The digital solutions industry in Malaysia alone, based on the revenue of industry players, grew from RM7.1 billion in 2014 to an estimated RM7.9 billion in 2017 at a CAGR of 3.6%. PROVIDENCE anticipates the mobile and digital solutions industry in Malaysia alone to grow from an estimated RM7.9 billion in 2017 to RM8.4 billion in 2019 at a CAGR of 3.1%.

In evaluating the business feasibility and prospects of the TouchPoint Group, Sino Hua-An has engaged Providence Strategic Partners Sdn Bhd ("PROVIDENCE", an independent research and consulting firm) to provide relevant data/information for its consideration, excerpts are follows:

There are several key demand drivers that is expected to provide the impetus to the TouchPoint business, which among others, include:

(i) Increased usage of internet will facilitate the growth in adoption of digital solutions, including IoT

Over the years, the number of individuals browsing the internet has been growing. Malaysia's internet adoption, represented by broadband subscription, increased from 52.8 percentage points, from 68.3% in 2014 to reach 121.1% in 2018 (Malaysian Communications and Multimedia Commission - MCMC). Meanwhile, Malaysia's mobile internet adoption, represented by mobile broadband subscription, increased from 17.6 million subscriptions in 2014 to 36.8 million subscriptions in 2018 (MCMC), recording a CAGR of 20.2%.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

(i) Increased usage of internet will facilitate the growth in adoption of digital solutions, including IoT (Cont'd)

The accessibility of both fixed and mobile internet have improved over the years as a result of the increasing affordability of internet services in Malaysia. Mobile and network service providers are increasingly offering innovative and competitive data packages for fixed and mobile broadband, which include large data allowances and affordable smartphones. The Access Pricing Framework depicted in the 11th Malaysia Plan (2016 – 2020) that aims to reduce prices and increase broadband speed has also played a role in encouraging affordability of internet services. In 2018, competition amongst mobile and network service providers was further intensified via the Mandatory Standard on Access Pricing, which led to a reduction in prices of internet services. At present, consumers of fixed broadband enjoy between 34%-56% reduction in the new packages being offered.

As digital and IoT solutions require strong and stable telecommunication networks to quickly and securely transmit data collected by smartphones, sensors and other technological tools, the growth internet adoption is expected to encourage the proliferation of digital and IoT solutions.

(ii) Various Government initiatives will support the growth of the digital solutions industry

One of the strategic thrusts of the Eleventh Malaysia Plan (“11MP”) is the re-engineering of economic growth for greater prosperity, of which there are 4 focus areas namely the services, manufacturing, agriculture and construction sectors. In the agriculture focus area, among the identified strategies to modernise agriculture in the country include improving productivity and income of farmers, fishermen and smallholders. The adoption of ICT and farming technology will support farm and plantation management as well as allow for precision farming, monitoring and surveillance, dissemination of real-time information on market demand and prices, early detection and warning alerts on disease outbreaks and provide interactive platforms for technical advice. These technologies are expected to improve production efficiency and reduce dependency on labour.

In 2015, MESTECC (formerly known as the Ministry of Science, Technology and Innovation) launched the National IoT Strategic Roadmap, which is a guideline to IoT implementation in the country. The national applied research and development centre, MIMOS Berhad, is tasked with creating a national IoT industry ecosystem that will enable the proliferation of use and industrialisation of IoT as a new source of economic growth. MIMOS Berhad is responsible for strengthening technopreneur capabilities and catalysing an IoT development hub, as well as facilitating research and development of IoT applications and services.

(iii) Potential growth from the proposed development of smart cities

Apart from Kuala Lumpur and Cyberjaya, there are several other cities in Malaysia earmarked to be developed as a smart city. This includes Iskandar Malaysia in Johor, Georgetown in Penang and Mukah in Sarawak. Iskandar Regional Development Authority (“IRDA”) intends to develop Iskandar Malaysia as a smart city by 2025. Meanwhile, the Penang Island City Council has announced its plan to turn Georgetown into a smart city. The Penang Island City Council intends to begin by implementing smart government through the use of technology to deliver the city council’s services.

In addition, another strategic thrust in the 11MP is the strengthening of infrastructure to support smart cities. In addition to improving physical infrastructure such as roads, railways, water and electricity, a new focus area is the improvement of coverage, quality and affordability of digital infrastructure. Efforts will be undertaken to address problems related to urban living such as energy conservation, utilities management, waste management, better transportation, and improved security. This will be achieved through improving broadband services, sensor networks and other digital applications.

Notwithstanding the above, there are also risks and challenges associated with the business of digital solutions technology and IoT which have been highlighted for consideration:

- (i) Constant evolution of technological trends resulting in the need for continuous innovation to remain competitive

Over the years, the digital solutions industry has evolved from IT applications (which can automate a specific operational and production process) to IoT (whereby technology is used to facilitate the interconnectivity between objects such as mobile devices, machines, home appliances and motor vehicles). The use of digital solutions and IoT as well as the technological tools is expected to continue to evolve and advance, and this may render the existing solutions and technological tools dated or redundant.

With the industry constantly changing and developing to keep up with market needs and trends, the onus falls on the industry players to ensure they can keep up with latest technological developments in order to remain competitive.

- (ii) Lack of awareness on the importance of digital solutions

Digital solutions are essential and important in promoting efficiency in enterprises and cities, but not critical for day-to-day operations. As such, in many cases, most companies and governments may not allocate sufficient budget for these solutions. Also, due to the high costs in implementing and maintaining the infrastructure for certain digital solutions and IoT, many smaller enterprises and large “Small Medium Enterprises” (SMEs) tend to trade-off these expenses for other more critical expenses to their operations. Along with the innovation and improvement of technology as well as the general increase in awareness on its importance, the problem is expected to be solved gradually in the future, and the negative impact will gradually reduce.

- (iii) Competition from other digital solution industry players

The digital solutions industry comprises both foreign and local industry players. With the presence of these international companies, industry players face competitive pressures to differentiate and remain sustainable so as to appeal to customers’ and end-users’ demands. In addition, industry players must also continuously upgrade their technologies through research and development to stay ahead of the competition.

PROVIDENCE anticipates the mobile and digital solutions industry in Malaysia to grow from an estimated RM7.9 billion in 2017 to RM8.4 billion in 2019 at a CAGR of 3.1%. Meanwhile, the global IoT market is estimated at US\$772.5 billion in 2018 and forecast to increase to US\$2.0 trillion by 2025, growing at a CAGR of 14.6% over the period. In Malaysia, the economic potential of IoT is forecast to be RM9.5 billion gross national income (“GNI”) creation by 2020 and is expected to reach RM42.5 billion in 2025 (Gartner Inc., MESTECC, MIMOS).

IoT is dependent on the use of technology and hardware, and thus will create opportunities for analytics, applications and services, computing and storage, communications and networking, as well as hardware, power and protocols. As such, PROVIDENCE believes that the prospects of the businesses of TouchPoint Group will be supported by the growth in the digital solutions industry in Malaysia, particularly for IoT solutions.

The TouchPoint Group is in the business of IoT and enterprise mobile development. Both of these companies design, manufacture, engineer and implement IOT and enterprise mobile solutions which allow for cost savings in manpower and logistics, and enable automation and predictive analytics. Among some of the key projects TouchPoint Group is undertaking include the development of smart city technology in Malaysia, and IoT solutions for the agricultural sector in Malaysia and Indonesia. As such, Touchpoint International Sdn Bhd and Wavetree LLP’s prospects is expected to be supported by the growing digital solutions industry and the key demand drivers of the industry as described above. This includes the proposed development of future smart cities, i.e. Iskandar Malaysia in Johor, Georgetown in Penang and Mukah in Sarawak.

In Indonesia, the value of IoT solutions is expected to reach USD30 billion by 2022, of which the value of content and application is expected to reach USD13.1 billion and the value of IoT technology devices is expected to reach USD3.8 billion. At present, the Government of Indonesia is ensuring high-speed Internet access to facilitate the growth in adoption of IoT solutions by constructing the Palapa Ring, a 36,000 kilometer fibre optic project in 440 cities in Indonesia. The TouchPoint Group shows potential to reap the benefits from the favourable prospects for IoT solutions in Indonesia as well.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

- CRAVEAT INTERNATIONAL SDN BHD (formerly known as BISTROMALONES (PJ) SDN BHD) -

Craveat is the franchise operator of “TGI Friday” (TGIF) with exclusive development rights for Malaysia and Beijing. It currently has 7 TGIF restaurants across the Klang Valley, Penang and Johor as well as the rights to establish TGIF restaurants in Beijing.

In addition to the above, Craveat is also the proprietor of the “Teh Tarik Place” (TTP), one of the fastest growing franchise brand in Malaysia. There are currently 21 TTP outlets in Malaysia, 2 of which are owned and 19 are under franchise, 1 franchise outlet in Brunei and 1 franchise outlet in Australia.

TGI Friday

TGIF is a well-known and iconic American casual dining chain founded in the USA but now enjoyed in over 60 countries worldwide with more than 1,000 outlets. In Malaysia, TGIF is popular among families and a dining destination to celebrate special occasions such as birthdays and friends gatherings. Its array of food offering is centred around North American cuisine with core menu items that include grilled steaks, ribs, chicken and burgers.

Key initiatives post acquisition to drive the TGIF business moving forward, include focus on (i) operational improvement; (ii) reimagining and refreshing the image of old outlets; (iii) effective targeted marketing initiatives; and (iv) opening of new outlets.

Operational Improvement – The management will embark on continuous operational enhancements with key focus on cost savings, labour efficiency and margin improvement. In addition to that, changes will be introduced to the store format for new restaurants from the traditionally large restaurant format which generally have large unutilised/unproductive space, into a smaller space format, thus creating operational cost and capex savings. Further avenue for cost savings will be derived from streamlining of the procurement function. Training for staff will be enhanced in order to strengthen core competencies and encourage multi-tasking of job functions to create efficiency.

Reimagining and refreshing of image – The management will invest in regular reimagining of the restaurants to maintain a fresh appeal consistent with the brand image. This is because past experiences with re-imaged outlets were positive and successful in drawing increased traffic. Gradually the entire TGIF design concept will be revamped into a new concept known as “Better Fridays”, a new feel and look to the handcrafted menu to provide a refreshing dining experience.

Effective targeted marketing initiatives – Moving forward, the management shall enhance the engagement of audiences on all platforms in an effort to further improve brand presence and visibility. In the recent years, marketing efforts have also been extended to digital and social media in order to tap into the fastest growing channel and to reach out to a wider pool of audience. Focus will also be put on local store-marketing, special promotions and innovative menu items. Concurrently, there will be constant menu update and re-engineering to create new experience for the customers and for food cost management. In an effort to also cater to all segments of the society, affordable meals will be introduced for price sensitive consumers.

Opening of new outlets – While there is still room for growth, the management will adopt a cautious approach to open restaurants only in prime location at high traffic malls. The management is constantly looking for prospective new locations and conduct detailed feasibility review on such locations. As currently TGIF restaurants are centred around the Klang Valley with only one outlet in Johor, the management believes that there is good expansion potential in Johor and other states.

(CONT'D)

Teh Tarik Place

TTP is a home grown franchise developed in-house by the Chaswood Group (the vendor from which Sino Hua-An purchase TTP from) in 2007. Its array of food offerings centred around the daily local comfort staple fare which is quintessentially Malaysian, such as teh tarik, roti canai, nasi lemak bungkus, mee goreng mamak, etc.

The TTP franchise which has gained huge popularity over the last few years has tremendous business growth potential and is highly scalable. The number of outlets have grown to 21 outlets within 4 years since the roll out of the franchise business. Additionally, the TTP brand was recognized and awarded as the “Emerging Franchisor of the Year” by the Malaysian Franchise Association (MFA) in November 2016. In April 2017, the brand was listed as the “10 most famous Malaysia franchises” by *comparehero.my*.

The menu offering is known and easily adaptable by Malaysians and the locals of many countries. There is huge potential and untapped growth outside of Klang Valley and in the international markets such as Brunei, Philippines, Indonesia, Singapore and Australia. Currently, the Group has successfully gained a foothold in Brunei and Australia, both of which is via the award of master franchise arrangement. Development rights into other international markets are currently still under negotiation phase.

There is a dedicated full functioning 9,000 sq. ft. halal certified central kitchen facility to cater for all of TTP outlets. This ensures consistency in product quality and food standards throughout all of the TTP outlets.

Moving forward, the management will explore several avenues for generation of new revenue stream. These include (i) Kiosk Concept – a spin-off brand designed to operate in non-traditional sites in a kiosk concept featuring a limited menu build around on-the-go offerings; (ii) Retail Products – retailing ready-to-cook ingredients (e.g. sambal paste, instant teh tarik powder, frozen roti canai dough, etc) via local and international retail distribution channel; (iii) Supply – earning of margin from the construction of new outlets for franchisee and the supply of labour; (iv) Contract Production – supply of quality food ingredients to other F&B businesses from TTP’s central kitchen; and (v) Catering – on and off-premise catering to enable TTP to expand its business to provide catering to homes or other premises for special events such as birthdays, weddings and corporate events.

TTP is also contemplating different outlet formats to cater for different segments of its target market, namely:

	SIGNATURE	FAST CASUAL	KIOSK	FOOD TRUCK
Targeted area	<ul style="list-style-type: none"> Premium locations – hotels, airports, tourist destinations, affluent neighbourhood 	<ul style="list-style-type: none"> In malls or retail outlets – high traffic commercial areas, hospitals, education centres 	<ul style="list-style-type: none"> In malls or retail outlets – high traffic commercial areas, stations, education centres 	<ul style="list-style-type: none"> Mobile, on-the-go – service centres, high traffic commercial areas
Point of differentiation	<ul style="list-style-type: none"> Enhanced interior design Upgrade product display New in-trend food & beverage offerings New high perceived value ingredients 	<ul style="list-style-type: none"> Smaller footprint at 1,000 – 1,300 sq.ft. Full menu serving 	<ul style="list-style-type: none"> Smaller footprint at 200 – 300 sq.ft. Smaller menu for operations efficiency Grab-and-go capability 	<ul style="list-style-type: none"> Food truck Finance via hir-purchase Limited menu
Potential sites	<ul style="list-style-type: none"> Regalia Hotel, KL Sky Avenue, Genting 	<ul style="list-style-type: none"> MSU, Shah Alam I-City, Shah Alam 	<ul style="list-style-type: none"> Still exploring 	<ul style="list-style-type: none"> Tan Chong Service Centres



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

In evaluating the business feasibility and prospects of the casual dining business prior to the acquisition of Craveat, Sino Hua-An has also engaged Providence Strategic Partners Sdn Bhd (“PROVIDENCE”, an independent research and consulting firm) to provide relevant data/information for its consideration, excerpts of the said report are as follows:

Based on Euromonitor International, the overall F&B segment market size in Malaysia, depicted by food service value, grew from RM31.3 billion in 2013 to RM38.4 billion in 2017, registering a CAGR of 5.2%. As a subset of the overall F&B segment, casual dining accounts for 32.0% of the total market size in 2017. The casual dining segment grew at a CAGR of 4.8% during the period of 2013 to 2017, from RM10.2 billion to RM12.3 billion.

The total number of casual dining F&B establishments in Malaysia has increased from 8,865 outlets to 9,331 outlets between 2013 and 2017. Casual dining outlets account for a significant share of the total F&B outlets, contributing to 26.2% as of 2017. The growth in the F&B industry in Malaysia, particularly the casual dining segment, is anticipated to be mainly driven by increasing disposable income, evolving F&B trends and increasing number of shopping malls in the country.

Several local F&B chains, including those in the casual dining segment, have shown continuous growth amidst acceptance among Malaysians. Examples of local F&B chains which have become prominent brands are Marrybrown, OldTown White Coffee, PappaRich, Rotiboy, Sushi King and Tealive. Some of these chains have also expanded to overseas markets, catering services and/or offering retail products.

The growth of the F&B service market in Malaysia has been, and is expected to continue to be driven by the following factors:

(i) Rising income levels leading to greater spending power for dining out

Malaysia is a developing country with positive economic growth, with its GDP per capita growing from RM33,714 in 2013 to RM38,887 in 2016. As the living standards and disposable income of the population continues to improve, especially for urban households, it is expected to continue contributing to the growth of the F&B market in Malaysia. Specifically, annual expenditure in restaurants rose from RM31.3 billion in 2013 to RM38.4 billion in 2017, registering a CAGR of 5.2%.

As Malaysia continues to experience a rise in urbanisation, this has led to a change in lifestyle of the population as more women join the workforce and people work longer hours. Consequently, this has increased demand for convenience, which has contributed to the increase in the number of F&B outlets as well as delivery and takeaway services.

Compared to rural dwellers, urban residents have greater spending power and lead busier lifestyles, leading to the demand for dining out. As a result of this, the F&B segment in Malaysia is expected to continue experiencing growth in demand from consumers who do not have the time to prepare their own meals.

(ii) Evolving F&B trends in Malaysia are expected to contribute to the growth of the F&B market

Malaysians have diverse tastes and preferences with regards to food. The proliferation of different types of restaurants offering different dining options and a variety of cuisines has been instrumental in the growth of the F&B industry in Malaysia. In addition, Malaysia offers a diverse range of cuisines to cater to the tastes of the population.

The F&B market is shaped by consumer trends, which evolve as consumer demands change. Recent trends in F&B in Malaysia include:

- types of F&B outlet (e.g. themed cafes, food trucks, speakeasy bars);
- ingredients (e.g. salted egg yolk);
- healthy options (e.g. poke bowls, keto-friendly menu); and
- specific dishes (e.g. burnt cheesecakes, unicorn cakes).

(ii) Evolving F&B trends in Malaysia are expected to contribute to the growth of the F&B market (Cont'd)

The F&B market has also been affected by the use of technology, such as placing orders online, reading and leaving reviews, as well as the use of social media as a marketing tool. As with other sectors of the retail industry, going cashless is also becoming more popular through mobile applications such as Grabpay, Boost and Favepay.

The high adaptability and acceptance of Malaysian society towards food has cultivated the preference of dining out. This culture contributes to the continuous growth of the F&B market in Malaysia, including the casual dining segment.

(iii) Growing number of shopping complexes increases convenience and dining options for consumers

There is a culture of spending time in shopping complexes among Malaysians. A shopping complex is a one-stop centre offering a variety of activities such as retail, dining, entertainment and recreational sports. In addition, events such as property fairs, education fairs and car promotion events are often held in shopping complexes. Malaysians tend to view shopping complexes as a clean and safe environment which is suitable for family outings and to meet up with friends, in addition to running errands.

According to the National Property Information Centre, the number of shopping complexes in Malaysia continues to demonstrate growth, with total supply of shopping complex space in the country growing from 14.1 million square metres in 2013 to 18.2 million square metres in 2017, registering a CAGR of 6.6% during this period. There was a total of 997 shopping malls in Malaysia as at 2017, with 258 of them being in the Klang Valley.

Insofar as the China scene is concerned, the total F&B market size in China, depicted by food service value, grew from RMB3.2 trillion in 2013 to RMB4.3 trillion in 2017, registering a CAGR of 7.7%. The total F&B market size in Southeast Asia on the other hand, depicted by food service value, grew from USD91.9 billion in 2013 to USD119.3 billion in 2017, registering a CAGR of 6.7%.

The investment into F&B is not without challenges. Several identifiable risks and challenges are as follows:

(i) F&B establishments face competition within the F&B service market

The F&B service market in Malaysia consists of establishments ranging from F&B chains to small independently owned restaurants. It is a highly fragmented industry and industry players compete to attract and retain customers by ensuring the food offering are quality, competitively priced and/or innovative as well as effectively and efficiently managing their operations. Furthermore, some of these F&B establishments are more reputable than others, enabling them to seek and negotiate more suitable and strategic locations for their restaurants/outlets. This is highly important as the visibility and accessibility as well as high foot traffic locations are contributing factors to the success of a particular F&B establishment.

The aforementioned factors are key differentiators for industry players, and failure on any industry player's part to build on these differentiating factors as a competitive advantage for themselves could cause losses in sales and a decline in customer loyalty to their establishments, leading to a subsequent loss in market share.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

(ii) Reliance on human resources

The F&B service market is service-oriented, and it is therefore important to ensure that suitable personnel are hired as cashiers and waiter/waitresses as their interaction with customers has an impact on the customers' dining experiences. Inefficient and unfriendly customer service could lead to a loss in sales or loss in repeat customers.

Also, there is an increasing reliance on foreign employees in Malaysia. Some of the foreign employees from countries such as Nepal and Bangladesh may face language and cultural barriers, and it is important for industry players to provide sufficient training to ensure that the quality of customer service is maintained at an acceptable level. Furthermore, while the employment of foreign workers is currently allowed in the retail market, the Government may amend policies relating to the employment of foreign workers in the F&B service market and/or introduce new conditions from time to time.

As the F&B service market is dependent on the supply of foreign workers, any scarcity in supply or change in regulations would adversely affect industry players. Furthermore, any increase in the levy or minimum wages for foreign workers or any other additional costs to be paid to the Government in relation to the employment of foreign workers would increase retail overheads and directly impact the financial performance of industry players.

(iii) Adverse economic conditions could have an impact on sales, and this may adversely impact industry players

The F&B service market is dependent upon the present state of the economy, as a growing economy signifies a population with higher disposable income that has greater spending power, creating demand for F&B establishments. A decline in economic conditions in Malaysia may decrease consumer spending power, which will in turn have a negative impact on the F&B service market.

A slowdown in the economy may cause reduced sales volumes, which could have a negative impact on the overall financial condition of industry players who may not be able to successfully achieve their expected results. Nevertheless, the casual dining segment is less susceptible to fluctuations in the economy, as the price range for these casual dining F&B establishments are typically low to medium-priced and are perceived as a casual dining-out option. This thus lowers the susceptibility of the casual dining F&B service segment to adverse economic conditions.

Moving forward, PROVIDENCE forecasts the F&B service market in Malaysia to continue growing at a CAGR of 4.5% to RM43.7 billion, by 2020. The market in Malaysia is expected to be driven by the rising income levels which would lead to greater spending power for dining out, evolving F&B trends in Malaysia as well as the growing number of shopping complexes in the country which has led to an increasing number of dining options in Malaysia. Thus, the growth potential of F&B service market in Malaysia is attractive and will bode well for the prospects of Sino Hua-An entry into the market through the acquisition of Craveat.

The markets for F&B service in China and Southeast Asia represent major revenue opportunities for Sino Hua-An International in light of its future plan to expand into China and Southeast Asia post acquisition of Craveat.

With the largest population in the world and a rapidly growing economy, the F&B service market in China has vast potential to expand. In the last 5 years, China's F&B service market has grown at a CAGR of 7.7%. The market is expected to be driven by the growing spending power in the country as well as increasing number of international tourists in China. Further, since the launch of the anti-waste campaign in China in 2012, extravagance on food amongst officials has been curbed, leading to a shift in demand from high-end restaurants to casual dining restaurants. This is thus expected to benefit the casual dining segment in China, which is the segment in which Sino Hua-An will be operating in post acquisition of Craveat.

Meanwhile in Southeast Asia, the F&B service market has been growing at a CAGR of 6.7% over the last 5 years. As with Malaysia, dining out is becoming more of a lifestyle choice in other countries in Southeast Asia due to experiential element as well as longer working hours. The F&B service market in Southeast Asia is also expected to benefit from the growing tourism in these countries. This is anticipated to bode well for Sino Hua-An's proposed entry into those markets.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

As the acquisition of the TouchPoint Group 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 (FY2019), relative to that of Sino Hua-An's metallurgical coke business, are inconsequential.

Given the financial performance of the Group in FY2019 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 FY2019 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 FY2018 to 677,521 tonnes in FY2019 as well as a weakened average coke price of approximately 2.3% from RMB1,905/tonne in FY2018 to RMB1,862/tonne in FY2019. 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 FY2018 to RMB1,328/tonne in FY2019.

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 FY2019 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.



FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW (CONT'D)

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 drawdown portion (i.e. RM5.0 million) of the Redeemable Convertible Note 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 an 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.

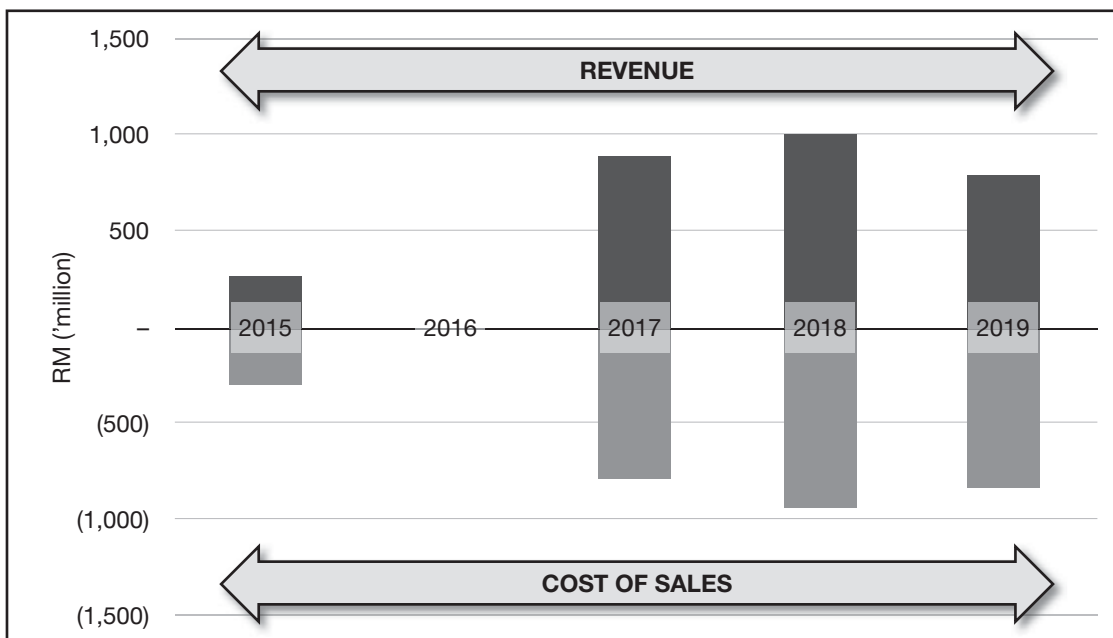
Short term bank loan of RM24.10 million shown in the preceding year (equivalent to RMB40.0 million based on the relevant the RMB/RM exchange rate) relates to the short-term loan facility attributed to the coke business, which have since been fully settled and extinguished by the Group in February 2019 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 Redeemable Convertible Note ("RCN") under Non-Current Liabilities is attributable to the portion of the subsisting RCN (with a total nominal value of RM5.0 million) that was drawdown and subscribed but remained unconverted as at 31 December 2019.

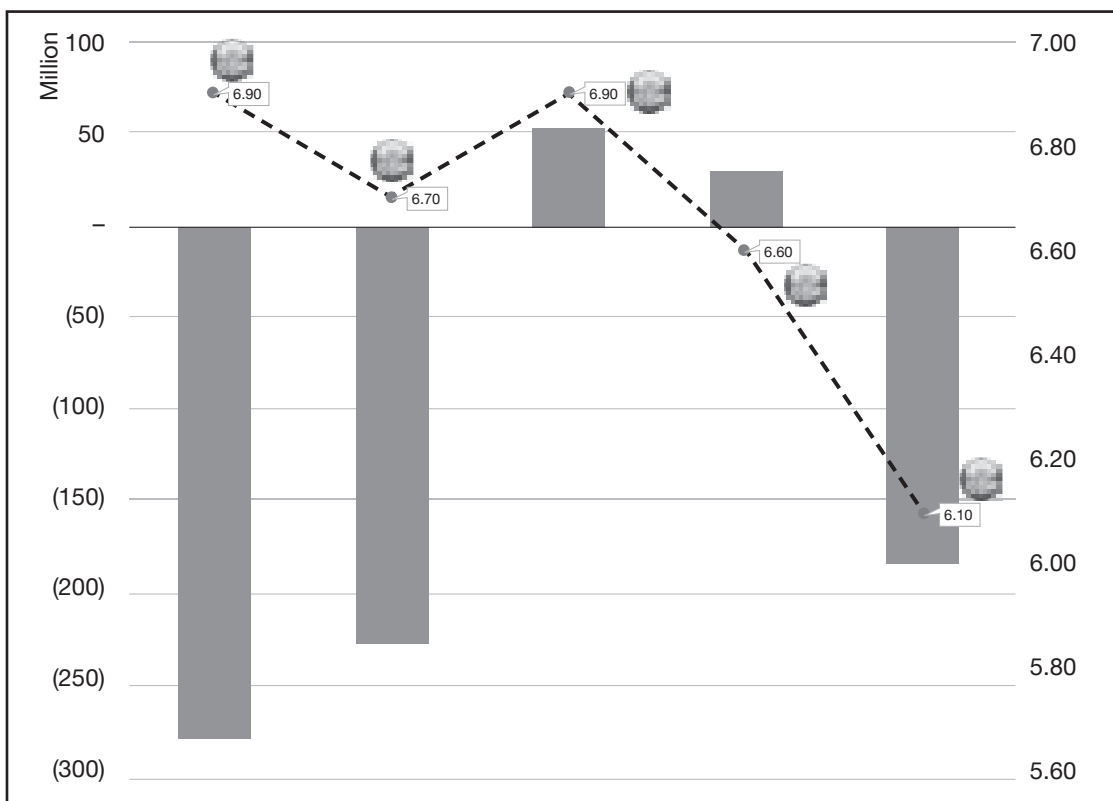
Premised on the above, the Group's Shareholders' Fund for the current financial year stood at RM191.81 million, representing a decrease of approximately 49.64% over that recorded in the preceding financial year of approximately RM380.89 million. The said decrease was attributed to the net decremental 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.

Historical Financial Results

REVENUE vs COST OF SALES



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

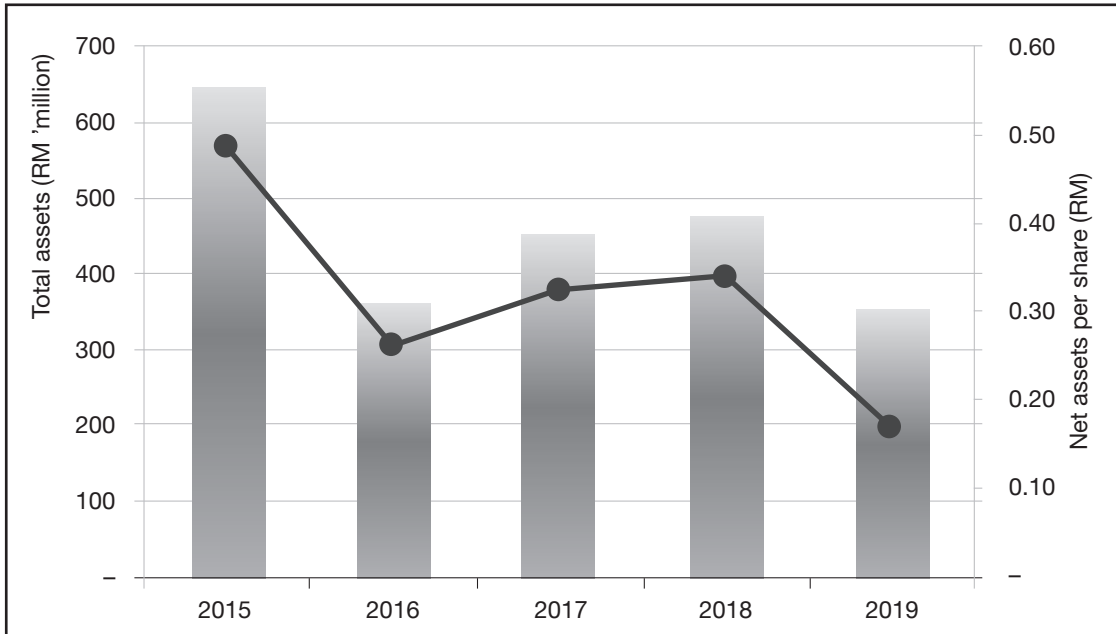




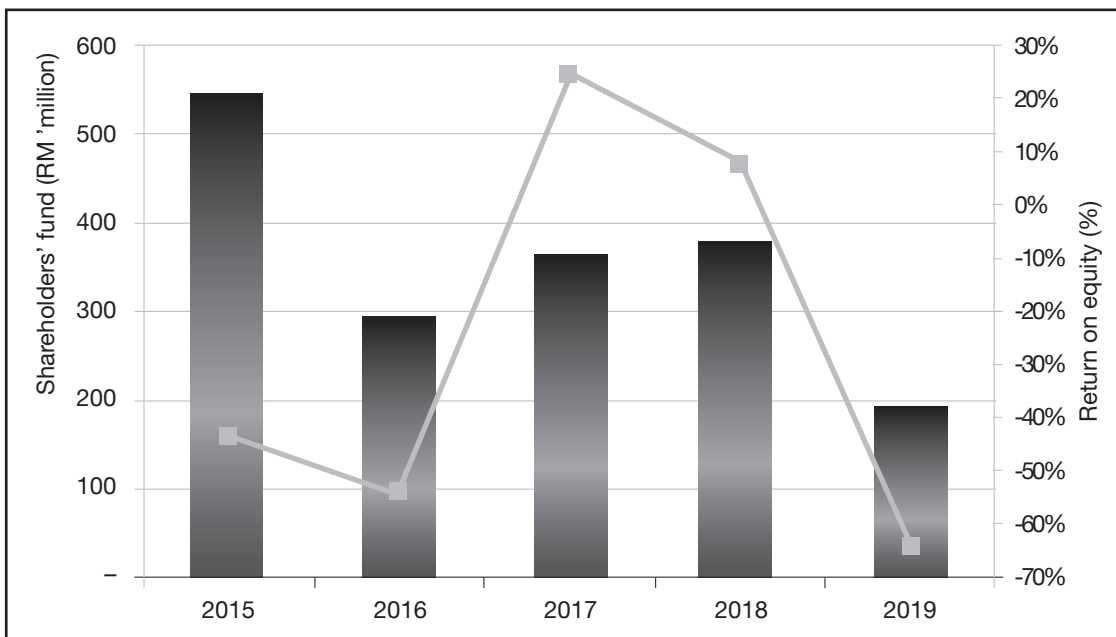
HISTORICAL FINANCIAL RESULTS

(CONT'D)

TOTAL ASSETS vs NET ASSET PER SHARE



SHAREHOLDERS' FUND vs RETURN ON EQUITY



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Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(183,749)	(226,054)

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.

REDEEMABLE CONVERTIBLE NOTES

On 5 September 2019, the shareholders of the Company approved the issuance of up to 3 tranches of Redeemable Convertible Notes ("RCN") with an aggregate principal amount up to RM150,000,000 at an Extraordinary General Meeting which is convertible into a maximum of 833,333,333 new shares based on the minimum conversion price of RM0.18 which was subsequently revised to RM0.10 on 11 November 2019 through a supplementary agreement. The RCN has a tenure of 3 years from the closing date of the first sub-tranche of Tranche 1 Notes ("Maturity Date"). As at 31 December 2019, the first sub-tranche of Tranche 1 Notes amounting to RM5,000,000 has been issued.

Details of the RCN are set out in Note 21 to the financial statements.

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' REPORT

(CONT'D)

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
Zhai Baoxing
Datuk Lim Chih Li @ Lin Zhili (appointed on 16 October 2019)
Balraj Singh Pannu A/L Gajjan Singh (appointed on 2 April 2020)
Liu Xueqiang (resigned on 2 April 2020)

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 1.1.2019	Number of ordinary shares		At 31.12.2019
		Bought	Sold	
Sino Hua-An International Berhad				
Direct interest				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar	12,073,700	-	-	12,073,700
Liu Guodong	124,000,057	-	(124,000,057)	-
Indirect interest				
Y.A.M. Tunku Naquiyuddin				
Ibni Tuanku Ja'afar ⁽¹⁾	304,492,259	-	-	304,492,259
Liu Guodong ⁽²⁾	-	124,000,057	(50,000,000)	74,000,057

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

(2) Deemed interested by virtue of his interest in Libran Infinity Inc.

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' REPORT

(CONT'D)

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 26 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 26 to the financial statements.

OTHER STATUTORY INFORMATION

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

DIRECTORS' REPORT

(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- (c) No contingent or other liability of any company in the Group has 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 Group and of the Company to meet their obligations as and when they fall due.
- (d) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (e) In the opinion of the Directors:
 - (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Details of the significant events is disclosed in Note 35 to the financial statements.

SUBSEQUENT EVENTS

Details of the subsequent events is disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, Messrs. Morison AAC PLT (LLP0022843-LCA & AF001977), have expressed their willingness to accept re-appointment.

Morison AAC PLT (LLP0022843-LCA & AF001977) was registered on 8 January 2020 and with effect from that date, Morison AAC (AF001977) which was formerly known as Morison Anuarul Azizan Chew (AF001977), a conventional partnership was converted to a limited liability partnership.

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

.....
DATUK LIM CHIH LI @ LIN ZHILI

KUALA LUMPUR
15 MAY 2020



Statement By Directors

Pursuant To Section 251(2) Of The Companies Act, 2016

We, **Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR** and **DATUK LIM CHIH LI @ LIN ZHILI**, 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 69 to 131 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 2019 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**

.....
DATUK LIM CHIH LI @ LIN ZHILI

KUALA LUMPUR
15 MAY 2020

Statutory Declaration

Pursuant To Section 251(1) Of The Companies Act, 2016

I, **FOONG CHONG THONG (MIA Membership No.: 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 69 to 131 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 15 MAY 2020)

.....
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 2019 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 69 to 131.

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 2019, 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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**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
Impairment assessment of property, plant and equipment of the manufacturing and trading business (Refer to Note 2(c)(i) and Note 3 to the financial statements)	
<p>During the financial year, the Group had suffered a gross loss of RM49,952,000 from its significant subsidiary, Linyi Yehua Coking Co. Ltd. and reassessed the working condition of its property, plant and equipment due to the unfavourable pricing dynamics of its commodities and challenging business environment besetting the coke industry in China.</p> <p>In view of the significant carrying amount of property, plant and equipment and significant degree of judgement and estimates of the impairment assessment, there's a risk that the carrying amount of the Group's property, plant and equipment in China is stated above its recoverable amount.</p>	<p>We evaluated management's impairment assessment and the process by which they were developed, including its oversight of the impairment assessment by the Board of Directors.</p> <p>We challenged assumptions used in the impairment assessment model which, amongst others, include:</p> <ul style="list-style-type: none">• forecast revenue based on prevailing coke and other by-product prices;• forecast cost of sales based on coal prices;• forecast operating costs; and• discount rates. <p>Sensitivity analysis was performed on key assumptions used by management and we assessed the impact on the recoverable amount of the property, plant and equipment within a reasonable range.</p> <p>Based on the impairment assessment, there was a deficit between the carrying amount and the recoverable amount of the assessed property, plant and equipment. Accordingly, the Group has recognised an impairment loss and write off amounting to RM49,091,000 and RM20,492,000 respectively on its property, plant and equipment as disclosed in Note 3 to the financial statements.</p>

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
<p>Acquisition businesses (Refer to Note 5 and Note 8 to the financial statements)</p> <p>During the financial year, the Group completed the business acquisitions of Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.) ("Craveat") and its subsidiaries, Touchpoint International Sdn. Bhd. ("Touchpoint") and Wavetree PLT ("Wavetree") on 15 October 2019, 19 December 2019 and 19 December 2019 respectively.</p> <p>Management has performed an assessment to determine the valuation of the identifiable assets acquired and liabilities assumed as at the respective acquisition dates. Provisional goodwill of RM82,187,000 has been recognised in relation to the above acquisitions.</p> <p>We consider this area a key audit matter given the significant assumptions involved in determining the fair value of identifiable assets acquired and liabilities assumed arising from the business acquisitions as it involves the use of estimated future cash flows.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the methodology and assumptions used by the management to arrive at the fair value of identifiable assets acquired and liabilities assumed; • We discussed with management to understand the functionalities of the intangible assets acquired, including their methodology and assumptions used in deriving the identified assets acquired and liabilities assumed; • We read the board minutes and respective share purchase agreements and sales and purchase agreement to understand the rationale of the acquisitions and agreed the purchase consideration and corroborate the identifiable assets acquired and liabilities assumed; and • Checked the mathematical accuracy of the calculations of the fair value of the goodwill.
<p>Impairment assessment of investment in subsidiary companies (Refer to Note 2(c)(vii), Note 2(e) and Note 5 to the financial statements)</p> <p>As at 31 December 2019, the Company's investment in subsidiary companies has a carrying amount of RM250,014,000, after recording an accumulated impairment loss of RM976,157,000.</p> <p>During the financial year, the Company has performed an impairment assessment on its investment in a subsidiary company, PIPO Overseas Limited as the subsidiary, via Linyi Yehua Coking Co. Ltd., has been incurring operating losses due to the unfavourable pricing dynamics of its commodities and challenging business environment besetting the coke industry it operates in.</p> <p>We focused on this area due to the significant degree of judgement and estimates used in the impairment assessment.</p>	<p>We performed the below procedures in respect of the impairment assessment:</p> <ul style="list-style-type: none"> • Reviewed the management's assessment for impairment of investment in subsidiary company to ascertain whether impairment of investment in subsidiary companies are properly accounted for in accordance with MFRS 136: Impairment of Assets; • Reviewed the computation of the recoverable amount of the investment in subsidiary companies; and • Ascertained the appropriateness and the adequacy of disclosures made in the financial statements.



INDEPENDENT AUDITORS' REPORT

(CONT'D)

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

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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 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 AAC PLT
(LLP0022843-LCA & AF001977)
Chartered Accountants

CHEW LOONG JIN
Approved Number: 03279/03/2021 J
Chartered Accountant

KUALA LUMPUR



Statements of Financial Position

As At 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current Assets					
Property, plant and equipment	3	83,818	168,877	2	18
Prepaid lease payments	4	26,794	28,540	-	-
Investment in subsidiary companies	5	-	-	250,014	435,495
Investment in an associate	6	150	-	-	-
Right-of-use assets	7	5,720	-	-	-
Intangible assets	8	88,187	-	-	-
Deferred tax assets	9	143	6,338	-	-
		204,812	203,755	250,016	435,513
Current Assets					
Inventories	10	56,149	97,114	-	-
Trade receivables	11	55,369	119,294	-	-
Other receivables	12	21,962	36,736	16	20
Amount owing by related parties	13	-	-	-	-
Tax recoverable		509	-	-	-
Cash and cash equivalents	14	14,984	19,366	1,595	1,999
		148,973	272,510	1,611	2,019
Current Liabilities					
Trade payables	15	43,573	54,887	-	-
Other payables	16	82,114	16,422	24,204	95
Lease liabilities	17	2,047	-	-	-
Amount owing to a Director	18	8	8	-	-
Amount owing to a subsidiary company	19	-	-	22,409	21,825
Borrowings	20	2,308	24,055	-	-
Redeemable convertible notes	21	3,771	-	3,771	-
Provision for taxation		99	-	-	-
		133,920	95,372	50,384	21,920
Net current assets/(liabilities)		15,053	177,138	(48,773)	(19,901)
		219,865	380,893	201,243	415,612

STATEMENTS OF FINANCIAL POSITION

(CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financed By:					
Share capital	22	1,115,045	1,115,045	1,115,045	1,115,045
Reserves	23	(568,468)	(563,134)	–	–
Accumulated losses		(354,767)	(171,018)	(925,487)	(699,433)
		191,810	380,893	189,558	415,612
Non-Current Liabilities					
Other payables	16	23,370	–	11,685	–
Deferred tax liabilities	9	163	–	–	–
Lease liabilities	17	4,522	–	–	–
		28,055	–	11,685	–
		219,865	380,893	201,243	415,612

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 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	24	787,785	996,388	-	-
Cost of sales		(834,117)	(950,324)	-	-
Gross (loss)/profit		(46,332)	46,064	-	-
Other income		1,298	928	60	5,316
Administration and operating expenses		(132,344)	(22,622)	(226,059)	(2,075)
Share of associate's results	6	(4)	-	-	-
Finance cost	25	(195)	(1,157)	(55)	-
(Loss)/Profit before taxation	26	(177,577)	23,213	(226,054)	3,241
Taxation	27	(6,172)	6,382	-	-
(Loss)/Profit for the financial year		(183,749)	29,595	(226,054)	3,241
Other comprehensive expense: Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(7,974)	(13,404)	-	-
Total comprehensive (expense)/income for the financial year		(191,723)	16,191	(226,054)	3,241
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(183,749)	29,595	(226,054)	3,241
Total comprehensive expense/income for the financial year attributable to:					
Owners of the Company		(191,723)	16,191	(226,054)	3,241
(Loss)/Earnings per share attributable to Owners of the Company (sen):					
Basic and diluted	28(a)	(16.37)	2.64		
Diluted	28(b)	(16.37)	2.64		

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

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019

Group	Attributable to Owners of the Company							Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reverse Acquisition Reserve RM'000	Foreign Currency Translation Reserve RM'000	Statutory Common Reserve Fund RM'000	Accumulated losses RM'000		
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	
At 1 January 2019	1,115,045	(799,823)	187,331	49,358	-	(171,018)	380,893	
Acquisition of a subsidiary	-	-	-	-	2,640	-	2,640	
Loss for the financial year	-	-	-	-	-	(183,749)	(183,749)	
Other comprehensive expense:								
- Exchange differences arising from translation of foreign operations	-	-	(7,974)	-	-	-	(7,974)	
Total comprehensive income/(expense) for the financial year	-	-	(7,974)	-	-	(183,749)	(191,723)	
At 31 December 2019	1,115,045	(799,823)	179,357	49,358	2,640	(354,767)	191,810	

5(c)



STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

	Non-Distributable Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Company			
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
At 1 January 2019	1,115,045	(699,433)	415,612
Loss/Total comprehensive expense for the financial year	–	(226,054)	(226,054)
At 31 December 2019	1,115,045	(925,487)	189,558

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		(177,577)	23,213	(226,054)	3,241
Adjustments for:					
Amortisation of prepaid lease payments	4	1,027	1,057	-	-
Depreciation of property, plant and equipment	3	27,402	12,938	16	21
Depreciation of right-of-use assets	7	394	-	-	-
Impairment loss on:					
- investment in subsidiary companies	5	-	-	221,833	-
- property, plant and equipment	3	49,091	-	-	-
- trade receivables		23,213	-	-	-
Property, plant and equipment written off	3	20,492	334	-	-
Share of associate's result	6(d)	4	-	-	-
Unrealised foreign exchange gain		-	-	1,408	(5,256)
Finance income		(97)	(109)	(60)	(60)
Finance cost		195	1,157	55	-
<hr/>					
Operating (loss)/profit before working capital changes		(55,856)	38,590	(2,802)	(2,054)
Changes in working capital:					
Inventories		41,254	(26,599)	-	-
Trade receivables		41,104	(18,944)	-	-
Other receivables		20,477	(11,629)	4	(3)
Amount owing by related parties		-	15,556	-	-
Amount owing to a subsidiary company		-	-	1,136	2,200
Trade payables		(14,347)	23,559	-	-
Other payables		3,026	(12,721)	1,482	-
<hr/>					
Cash generated from/(used in) operations		35,658	7,812	(180)	143
Interest paid		(163)	(1,157)	(55)	-
Tax refund		98	-	-	-
<hr/>					
Net cash generated from/(used in) operating activities		35,593	6,655	(235)	143
<hr/>					
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	5	(2,937)	-	(4,000)	-
Interest received		97	109	60	60
Purchase of property, plant and equipment	3	(12,285)	(1,422)	-	-
<hr/>					
Net cash (used in)/generated from investing activities		(15,125)	(1,313)	(3,940)	60



STATEMENTS OF CASH FLOWS

(CONT'D)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities					
Proceeds from Redeemable Convertible Notes, net off transaction costs		3,771	–	3,771	–
Repayment of bank borrowings		(23,694)	–	–	–
Repayment of lease liabilities		17	(389)	–	–
Net cash (used in)/generated from financing activities		(20,312)	–	3,771	–
Net increase/(decrease) in cash and cash equivalents		156	5,342	(404)	203
Effects of foreign exchange rate changes		(4,538)	(6,448)	–	–
Cash and cash equivalents at the beginning of the financial year		19,366	20,472	1,999	1,796
Cash and cash equivalents at the end of the financial year		14,984	19,366	1,595	1,999
Cash and cash equivalents at the end of the financial year comprises:					
- Deposits placed with licensed banks	14	1,479	1,995	1,479	1,995
- Cash and bank balances	14	13,505	17,371	116	4
		14,984	19,366	1,595	1,999

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 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated 15 May 2020.

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 2019 are as follows:

- 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"

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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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 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"
- Amendments to References to the Conceptual Framework in MFRS Standards (continued):
 - 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"
- Amendments to MFRS 3, "Business Combinations" (Definition of a Business)
- Amendments to MFRS Standards arising from Definition of Material:
 - Amendments to MFRS 101, "Presentation of Financial Statements"
 - Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
 - Amendments to MFRS 7, "Financial Instruments: Disclosures"
 - Amendments to MFRS 9, "Financial Instruments"
 - Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement"

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 adoption of the accounting standards, amendments to accounting standards, and amendments to IC interpretations are not expected to have any significant impact to the financial statements of the Group and the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(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 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 value-in-use calculation. These calculations require the estimation of the expected future cash flows from the cash generating unit and a suitable discount rate is applied in order to calculate the present value of those cash flows.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis based on value-in-use and fair value less cost to disposal to determine its recoverable amounts.

Value-in-use

This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in these estimations could significantly affect the recoverable amount at the end of each reporting period.

Fair value less cost to disposal

The fair value is determined using price to sales multiple on expected future revenue with reference to the transactions involving similar industries and discount on lack of marketability. Changes to the assumptions used would affect the recoverable amount assets at the end of the reporting period.

(iii) Measurement of expected credit loss allowance for financial assets

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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

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

(iv) 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.

(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 judgements 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) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Such extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that it will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Significant judgements are used in determining the lease term over the extension or termination option.

(vii) 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

(i) Subsidiary companies

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.

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

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

(i) Subsidiary companies (Cont'd)

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

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

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

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

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.



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)

(ii) Associates (Cont'd)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains or losses arising from investments in associates are recognised in profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment if the carrying value exceeds the recoverable amount of the associate and recognises the difference as impairment losses in profit or loss.

(e) Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, 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 and leasehold improvement	10 - 20 years
Plant and machinery	10 years
Office furniture and equipment	5 - 10 years
Smallwares, decoration, restaurant and kitchen equipment	10 years
Electrical installation	10 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(i) to the financial statements.

(g) Leases

Accounting policies applied until 31 December 2018

(i) Accounting by lessee

Operating leases

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.

Accounting policies applied from 1 January 2019

(i) Accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Group and the Company.

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

(g) Leases (Cont'd)

Accounting policies applied from 1 January 2019 (Cont'd)

(i) Accounting by lessee (Cont'd)

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(h) Intangible assets

(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.

(ii) Acquired franchise fee

Acquired franchise fee is recognised as an asset and initially measured at cost.

Acquired franchise fee is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on straight-line basis to allocate the cost over its estimated useful lives of 10 years.

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.

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

(h) Intangible assets (Cont'd)

(iii) Acquired source code

Acquired source code have finite lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the accumulated straight-line method to allocate the cost of the computer software over its estimated useful lives of 10 years.

(i) 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.

(j) Inventories

(i) Manufacturing and trading

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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

(j) Inventories (Cont'd)

(ii) Restaurant

Inventories comprising food and beverage 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.

(k) 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.

(l) 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.

(m) Foreign currencies

(i) Foreign currency transactions and balances

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

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

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

(m) Foreign currencies (Cont'd)

(ii) Foreign operations

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

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

Goodwill and fair value adjustments arising on the acquisitions of the exchange differences are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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.

(n) Financial assets

(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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

(n) Financial assets (Cont'd)

(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.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of trade receivables, other receivables, amount owing by related parties 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.

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

(n) Financial assets (Cont'd)

(iii) Subsequent measurement (Cont'd)

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.

(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 unlikelihood 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

(o) 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.

(p) 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.

(q) 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.

Restaurant Operation

(i) Sale of food and beverage

Revenue from sale of food and beverage is recognised when the Group satisfies a performance obligation by transferring control of the food and beverage to a customer, which coincides with the delivery of goods and services and acceptance by customers.

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

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

(i) Revenue from contracts with customers (Cont'd)

Restaurant Operation (Cont'd)

(ii) Franchising income

Franchising income represents the rights granted to the franchisees to operate their restaurant business under the brand name which owned by the Group. Franchising income is recognised over the contract period.

(iii) Royalties income

Royalties income represents the royalties fee charged to the franchisees based on certain percentage of the franchisees' revenue. Royalties income is recognised on a monthly basis over the term of the franchise agreement.

(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.

(r) 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

(r) Income taxes (Cont'd)

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

Deferred and 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.

(s) 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.

(t) 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.

(u) Segment reporting

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Building and leasehold improvement RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Smallwares, decoration, restaurant and kitchen equipment RM'000	Electrical installation RM'000	Motor vehicles RM'000	Construction work-in-progress RM'000	Total RM'000
2019									
Cost									
At 1 January 2019		408,318	371,784	2,597	-	-	3,086	2,117	787,902
Acquisition of subsidiary companies	5	7,106	-	2,479	5,415	2,649	515	-	18,164
Additions		49	427	-	-	-	137	11,672	12,285
Transfers		-	1,129	8	-	-	2,461	(3,598)	-
Written off		(87,650)	(39,904)	(8)	(5)	-	(138)	-	(127,705)
Exchange differences		(9,606)	(9,133)	(69)	-	-	(102)	(129)	(19,039)
At 31 December 2019		318,217	324,303	5,007	5,410	2,649	5,959	10,062	671,607
Accumulated depreciation									
At 1 January 2019		195,398	271,782	1,644	-	-	2,514	-	471,338
Acquisition of subsidiary companies	5	4,954	-	1,391	4,118	2,066	510	-	13,039
Charge for the financial year		18,579	5,734	513	25	-	2,551	-	27,402
Written off		(48,396)	(35,051)	(7)	-	-	(124)	-	(83,578)
Exchange differences		(4,710)	(6,664)	(48)	-	-	(87)	-	(11,509)
At 31 December 2019		165,825	235,801	3,493	4,143	2,066	5,364	-	416,692
Accumulated impairment losses									
At 1 January 2019		112,147	35,540	-	-	-	-	-	147,687
Acquisition of subsidiary companies	5	1,173	-	45	647	97	-	-	1,962
Charge for the financial year		23,821	24,805	239	-	-	226	-	49,091
Written off		(22,274)	(1,361)	-	-	-	-	-	(23,635)
Exchange differences		(2,877)	(1,126)	(2)	-	-	(3)	-	(4,008)
At 31 December 2019		111,990	57,858	282	647	97	223	-	171,097
Carrying amount									
At 31 December 2019		40,402	30,644	1,232	620	486	372	10,062	83,818



NOTES TO THE FINANCIAL STATEMENTS

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

Group	Building and leasehold improvement 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
2018						
Cost						
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
Accumulated depreciation						
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
Accumulated impairment losses						
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
Carrying amount						
At 31 December 2018	100,773	64,462	953	572	2,117	168,877

	Company	
	2019 RM'000	2018 RM'000
Office furniture and equipment		
Cost		
At 1 January/31 December	159	159
Accumulated depreciation		
At 1 January	141	120
Charge for the financial year	16	21
At 31 December	157	141
Carrying amount		
	2	18

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)Impairment on property, plant and equipment assessment

During the financial year, the Group had suffered a gross loss of RM49,952,000 from its significant subsidiary, Linyi Yehua Coking Co. Ltd. and reassessed the working condition of the property, plant and equipment due to the unfavourable pricing dynamics of its commodities and challenging business environment besetting the industry in China. Hence, the Group had undertaken an impairment assessment on its property, plant and equipment.

The Group had estimated the recoverable amount of the property, plant and equipment based on the value-in-use ("VIU") method. The Group has prepared a five-year profit forecast to justify the value-in-use for property, plant and equipment.

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

	Group 2019
Revenue growth rate over 5 years (per annum)	8%
Terminal growth rate	0%
Pre-tax discount rate	17%

Management determined the revenue growth rates, direct costs and operating expenses during the forecast period based on future expectation of changes in the market. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit ("CGU").

The Group's review includes an impact assessment of changes in key assumptions. The following key assumptions are particularly sensitive:

- A 0.5% increase in the pre-tax discount rate will increase the impairment loss recognised on the CGU by RM3,979,000; and
- A 0.5% decrease in the coke and coal prices will increase the impairment loss recognised on CGU by RM943,148.

Based on the impairment assessment, there was a deficit between the carrying amount and the recoverable amount of the assessed property, plant and equipment. Accordingly, the Group has recognised an impairment loss and write off on its property, plant and equipment amounting to RM49,091,000 and RM20,492,000 respectively.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. PREPAID LEASE PAYMENTS

	Group	
	2019 RM'000	2018 RM'000
Cost		
At 1 January	41,530	43,092
Exchange differences	(1,060)	(1,562)
At 31 December	40,470	41,530
Accumulated amortisation		
At 1 January	12,990	12,389
Amortisation for the financial year	1,027	1,057
Exchange differences	(341)	(456)
At 31 December	13,676	12,990
Carrying amount	26,794	28,540

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	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
- In Malaysia	38,312	—*
- Outside Malaysia	904,908	904,908
Advances by a subsidiary company treated as quasi-investment	943,220	904,908
	282,951	284,911
Less: Impairment loss	1,226,171	1,189,819
	(976,157)	(754,324)
	250,014	435,495

* 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 33 to the financial statements.

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Movement in impairment loss on investment in subsidiary companies during the financial year is as follows:

	Company	
	2019 RM'000	2018 RM'000
At 1 January	(754,324)	(754,324)
Impairment loss	(221,833)	-
At 31 December	(976,157)	(754,324)

During the financial year, the Company performed an impairment assessment on its subsidiary company, PIPO Overseas Limited as the subsidiary, via Linyi Yehua Coking Co. Ltd., has been incurring operating losses due to the unfavourable pricing dynamics of its commodities and challenging business environment besetting the coke industry it operates in. Accordingly, the Directors has recognised an impairment loss on its investment in subsidiary companies amounting to RM221,833,000 (2018: Nil) during the financial year.

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

Name of companies	Country of incorporation and principal place of business	Effective ownership and voting interest		Principal activities
		2019	2018	
		%	%	
Direct holding:				
PIPO Overseas Limited #	British Virgin Islands	100	100	Investment holding
Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.)	Malaysia	100	-	Investment holding
Wavetree Technologies Sdn. Bhd. (formerly known as Fancy Celebrations Sdn. Bhd.)	Malaysia	100	100	Dormant



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of companies	Country of incorporation and principal place of business	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Direct holding (cont'd):				
Touchpoint International Sdn. Bhd. ^	Malaysia	100	–	Research, development and providing professional services related to Enterprise Mobile Applications and Smart City platform and ecosystem enablement
Indirect 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
<u>Subsidiary companies of Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.)</u>				
Bistroamericana (A) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (BB) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (BU) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (Hartamas) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (QB) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (SP) Sdn. Bhd.	Malaysia	100	–	Restaurant
Bistroamericana (TC) Sdn. Bhd.	Malaysia	100	–	Restaurant
Teh Tarik Place Sdn. Bhd.	Malaysia	100	–	Restaurant

Audited by another member firm of Morison KSi which is a separate and independent legal entity from Messrs. Morison AAC PLT.

^ Subsidiary companies not audited by Messrs. Morison AAC PLT.

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (c) Acquisition of equity interest in Craveat International Sdn. Bhd. ("Craveat") (formerly known as Bistromalones (PJ) Sdn. Bhd.)

On 15 October 2019, the Company had acquired the entire equity interest in Craveat for a cash consideration of RM8,000,000. The acquisition of this subsidiary is to enable the Group to diversify its business into the food and beverage industry.

The Group has entered into a call option agreement with Craveat Management Sdn. Bhd. to acquire between 33% to 49% of the shareholding in Craveat based on the projected earnings before interest, tax, depreciation and amortisation ("Projected EBITDA") of RM4,400,000 for the period ending 12 months after the completion of the share purchase agreement for a fixed exercise price of RM100,000 as disclosed in Note 16 and Note 23(d) to the financial statements.

The following summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Group RM'000
Property, plant and equipment	3,126
Investment in an associate	154
Intangible assets	–
Right-of-use assets	6,114
Inventories	289
Trade receivables	228
Other receivables	5,267
Tax recoverable	944
Cash and cash equivalents	534
Trade payables	(2,894)
Other payables	(20,013)
Provision for taxation	(404)
Lease liabilities	(6,958)
Borrowings	(2,446)
Deferred tax liabilities	(399)
Share option reserve	(2,640)
Total net liabilities acquired	(19,098)
Goodwill on acquisition	27,098
Purchase consideration	8,000
Less: Unpaid consideration	(4,000)
Less: Cash and cash equivalents	(534)
Cash outflow on acquisition, net of cash	3,466

The initial accounting for the above business combination is currently determined provisionally. The fair value of the identifiable assets, liabilities and contingent liabilities will only be determined via a purchase price allocation exercise which is expected to be completed on or before 14 October 2020.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (d) Acquisition of equity interest in Touchpoint International Sdn. Bhd. ("Touchpoint") and business of Wavetree PLT ("Wavetree")

On 19 December 2019, the Company had acquired the entire equity interest in Touchpoint and business of Wavetree for a total cash consideration of RM72,000,000. The purchase consideration is to be paid over four tranches until 30 June 2021. The acquisition of Touchpoint and business of Wavetree is to enable the Group to diversify its business into the information technology industry via development of Smart City Platform and agriculture Internet of Things. The business of Wavetree will be operated under a subsidiary company, Wavetree Technologies Sdn. Bhd. (formerly known as Fancy Celebrations Sdn. Bhd.) ("Wavetree Technologies").

Based on the share purchase agreement and sales and purchase agreement, the vendors remain responsible for the management and the business affairs of Touchpoint and Wavetree. A profit guarantee is provided by the vendor that the earnings before interest, taxes, depreciation, and amortisation ("EBITDA") of Touchpoint and Wavetree (via Wavetree Technologies) shall collectively and cumulatively be no less than RM3,000,000 for the 12 months period ending 30 June 2021 ("Profit Guarantee"). In the event that the EBITDA shall fall below the Profit Guarantee, the purchase consideration shall be reduced by RM10,000,000 for every EBITDA shortfall of RM1,000,000 and the reductions shall be reflected in the final payment tranche.

The following summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Group RM'000
Property, plant and equipment	37
Intangible assets	6,000
Trade receivables	164
Other receivables	436
Cash and cash equivalents	529
Trade payables	(139)
Other payables	(1,399)
Provision for taxation	(93)
Total net assets acquired	5,535
Goodwill on acquisition	55,089
Present value of the purchase consideration	60,624
Less: Deferred consideration	(60,624)
Less: Cash and cash equivalents	(529)
Cash inflow on acquisition, net of cash	(529)

The initial accounting for the above business combination is currently determined provisionally. The fair value of the identifiable assets, liabilities and contingent liabilities will only be determined via a purchase price allocation exercise which is expected to be completed on or before 18 December 2020.

6. INVESTMENT IN AN ASSOCIATE

(a) Investment in an associate

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost	154	–
Share of post-acquisition reserves	(4)	–
	150	–

(b) The associate and shareholdings therein are as follows:

Name of companies	Country of incorporation and principal place of business	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Indirect holding:				
Associate of Craveat <u>International Sdn. Bhd.</u> (formerly known as <u>Bistromalones (PJ)</u> <u>Sdn. Bhd.</u>)				
Bistroamericana (JB) Sdn. Bhd.^ *	Malaysia	20	–	Restaurant

^ Associate not audited by Messrs. Morison AAC PLT.

* The audited financial statements for the financial year ended 31 December 2019 of this associate is not available at the date the financial statements of the Group. However, the Directors are of the opinion that the financial results of this associate are not material to the Group. Hence, the management accounts of the said associate for the financial year ended 31 December 2019 have been used for equity accounting purposes.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN AN ASSOCIATE (CONT'D)

(c) The summarised financial information of the associate are as follows:

	Bistroamericana (JB)	
	Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Assets and Liabilities		
Non-current assets	727	-
Current assets	218	-
Current liabilities	(196)	-
	749	-
Revenue	236	-
Loss/Total comprehensive expense for the financial period	(22)	-
Cash flows used in operating activities	(16)	-
Cash flows used in investment activities	-	-
Cash flows used in financing activities	-	-
Net decrease in cash and cash equivalents	(16)	-

(d) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	Bistroamericana (JB)	
	Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
The Group's share of loss/total comprehensive expense for the financial period	(4)	-
Equity attributable to owners of the associate	749	-
The Group's share of net assets	150	-

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

7. RIGHT-OF-USE ASSETS

	Note	Office RM'000	Retail properties RM'000	Total RM'000
Group				
Cost				
At 1 January 2018/ 31 December 2018/ 1 January 2019		–	–	–
Acquisition of subsidiary companies	5(c)	114	7,804	7,918
At 31 December 2019		114	7,804	7,918
Accumulated depreciation				
At 1 January 2018/ 31 December 2018/ 1 January 2019		–	–	–
Acquisition of subsidiary companies	5(c)	38	1,766	1,804
Charge for the financial year		10	384	394
At 31 December 2019		48	2,150	2,198
Carrying amount				
At 31 December 2019		66	5,654	5,720
At 31 December 2018		–	–	–

8. INTANGIBLE ASSETS

	Note	Goodwill on consolidation RM'000	Franchise fee RM'000	Source codes RM'000	Total RM'000
Group					
Cost					
At 1 January 2018/2019		–	–	–	–
Acquisition of subsidiary companies and business	5(c)&5(d)	82,187	972	6,000	89,159
At 31 December 2019		82,187	972	6,000	89,159
Accumulated amortisation					
At 1 January 2018/2019		–	–	–	–
Acquisition of subsidiary companies	5(c)	–	972	–	972
At 31 December 2019		–	972	–	972
Carrying amount					
At 31 December 2019		82,187	–	6,000	88,187
At 31 December 2018		–	–	–	–



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

8. INTANGIBLE ASSETS (CONT'D)

(a) Allocation of goodwill to Cash Generating Units ("CGU")

The Group's goodwill has been allocated to the respective CGUs which operate in the restaurant and software development segment as follows:

	2019 RM'000	Group 2018 RM'000
Restaurant	27,098	-
Software development	55,089	-
	82,187	-

(b) Impairment test for goodwill on consolidation

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

Restaurant segment

Key assumptions used to determine recoverable amount

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

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

	Group 2019
Revenue growth rate over 5 years (per annum)	3%
Terminal growth rate	0%
Pre-tax discount rate	17%

Management determined the revenue growth rates, direct costs and operating expenses during the budget period based on future expectation of changes in the market. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis, the Board of Directors concluded that no reasonable change in the assumptions above would cause the carrying amount of the CGUs to exceed its recoverable amounts.

8. INTANGIBLE ASSETS (CONT'D)

(b) Impairment test for goodwill on consolidation (Cont'd)

Software development segment*Key assumptions used to determine recoverable amount*

The Group has engaged an independent valuer to perform a valuation exercise on Touchpoint and Wavetree Technologies. The recoverable amount of the Group's CGU has been determined based on fair value less costs of disposal approach. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used for the fair value less costs to disposal approach are as follows:

	Group 2019
Price-to-sale multiple on expected future maintainable revenue	2.53 to 3.61
Discount on lack of marketability	25%

Management determined the average estimated future maintainable revenue growth rate, price-to-sale multiple and discount on lack of marketability during the budget period based on future expectation of changes in the market.

9. DEFERRED TAX ASSETS/(LIABILITIES)

	2019 RM'000	Group 2018 RM'000
Deferred tax assets	143	6,338
Deferred tax liabilities	(163)	-
	(20)	6,338

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

	Note	2019 RM'000	Group 2018 RM'000
At 1 January		6,338	-
Acquisition of subsidiary companies	5(c)	(399)	-
Recognised in profit or loss	27		
- Property, plant and equipment		(157)	-
- Unutilised tax losses		(6,129)	6,382
- Unabsorbed capital allowances		53	-
		(6,233)	6,382
Exchange differences		274	(44)
At 31 December		(20)	6,338



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

9. DEFERRED TAX ASSETS / (LIABILITIES) (CONT'D)

The components of deferred tax assets of the Group and the Company during the financial year prior to offsetting are as follows:

	Group	
	2019 RM'000	2018 RM'000
Deferred tax assets		
- Unabsorbed capital allowances	144	-
- Unutilised tax losses	104	6,338
	248	6,338
Offsetting	(105)	-
Net deferred tax assets	143	6,338

The components of deferred tax liabilities of the Group and the Company during the financial year prior to offsetting are as follows:

	Group	
	2019 RM'000	2018 RM'000
Deferred tax liabilities		
- Property, plant and equipment	268	-
Offsetting	(105)	-
Net deferred tax liabilities	163	-

The amounts deductible temporary difference and unutilised tax losses of the Group and the Company for which no deferred tax assets were recognised in the statements of financial position are as follows:

	Group	
	2019 RM'000	2018 RM'000
Deductible temporary differences	333,488	257,518
Unutilised tax losses	200,090	73,545
Unabsorbed capital allowances	430	-
	534,009	331,063

Included in the table above are unutilised tax losses and deductible temporary differences that relate to the PRC subsidiary and is denominated in Chinese Renminbi ("RMB") amounting to RMB888,130,000 (2018: RMB548,928,000) at the end of the reporting date. The unutilised tax losses are remains eligible to be carried forward up to financial year 2020 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

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10. INVENTORIES

	2019 RM'000	Group 2018 RM'000
Consumables	14,237	16,396
Raw materials	36,952	76,778
Work-in-progress	634	1,245
Finished goods	3,914	2,695
Food and beverages	412	-
	56,149	97,114

11. TRADE RECEIVABLES

	2019 RM'000	Group 2018 RM'000
Trade receivables	78,366	119,294
Less: impairment loss	(22,997)	-
	55,369	119,294

The normal credit period granted by the Group to the trade customers ranges from 7 to 90 days (2018: 30 to 90 days).

Movement in impairment loss during the financial year is as follows:

	2019 RM'000	Group 2018 RM'000
At 1 January	-	-
Impairment loss during the financial year	23,213	-
Exchange difference	(216)	-
At 31 December	22,997	-
Represented by:		
Individually impaired	22,997	-



NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits	1,587	22	10	14
Other receivables	20,132	36,708	–	–
Prepayment	243	6	6	6
	21,962	36,736	16	20

Included in other receivables is an amount of RM3,000,000 (2018: Nil) claimable by Craveat International Sdn. Bhd. and its subsidiaries from the vendor, Chaswood Resources Sdn. Bhd. for the settlement of its existing creditors and borrowings prior to the acquisition pursuant to the share purchase agreement.

13. AMOUNT OWING BY RELATED PARTIES

	Group	
	2019 RM'000	2018 RM'000
Amount owing by related parties	114,064	117,052
Less: Impairment losses	(114,064)	(117,052)
	–	–

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

Movement in impairment loss during the financial year is as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	117,052	121,454
Exchange difference	(2,988)	(4,402)
At 31 December	114,064	117,052
Represented by:		
Individually impaired	114,064	117,052

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)

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	13,505	17,371	116	4
Deposits placed with licensed banks	1,479	1,995	1,479	1,995
	14,984	19,366	1,595	1,999

Interest rates on deposits placed with licensed banks average at 3.46% (2018: 3.49%) per annum and have an average maturity period of 7 days (2018: 7 days).

15. TRADE PAYABLES

The normal credit period granted to the Group from the trade payables ranges from 30 to 90 days (2018: 30 to 90 days).

16. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Accruals	9,026	4,449	685	66
Deposits	581	605	–	–
Other payables	95,877	11,368	35,204	29
	105,484	16,422	35,889	95
Analyse as				
Current	82,114	16,422	24,204	95
Non-current	23,370	–	11,685	–
	105,484	16,422	35,889	95

Included in other payables is an amount of RM1,280,000 (2018: Nil) recognised in relation to a call option by Craveat Management Sdn. Bhd. to acquire up to 16% of the shareholding in Craveat and its subsidiaries based on the projected earnings before interest, tax, depreciation and amortisation (“Projected EBITDA”) of RM4,400,000 million for the period ending 12 months after the completion of the sales and purchase agreement for a fixed exercise price of RM100,000.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

16. OTHER PAYABLES (CONT'D)

Included in other payables are unpaid considerations in relation to the acquisition of subsidiaries and intangible assets as follows:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Acquisition of Craveat	5(c)	4,000	–	4,000	–
Acquisition of Touchpoint and business of Wavetree	5(d)	60,624	–	30,312	–

17. LEASE LIABILITIES

	Note	Group	
		2019 RM'000	2018 RM'000
At 1 January		–	–
Acquisition of subsidiary companies	5(c)	6,958	–
Repayment		(467)	–
Unwinding of finance costs		78	–
At 31 December		6,569	–
Analysed as			
Repayable within twelve months		2,047	–
Repayable after twelve months		4,522	–
		6,569	–

The effective interest rates used in arriving the lease liability is 6.85% (2018: Nil).

18. AMOUNT OWING TO A DIRECTOR

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

19. AMOUNT OWING TO A SUBSIDIARY COMPANY

This amount is unsecured, interest free and are repayable on demand. The currency profiles of the balances are disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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20. BORROWINGS

	Group	
	2019 RM'000	2018 RM'000
Secured		
Term loan	2,308	24,055
Analysed as		
Repayable within twelve months	2,308	24,055

Maturity of borrowings is as follows:

	Group	
	2019 RM'000	2018 RM'000
Within one year	2,308	24,055

Interest rate is charged at a rate of 6.15% (2018: 0.60% to 3.92%) per annum.

As at 31 December 2019, the above credit facilities obtained from licensed banks are secured by the following:

- (a) Corporate guarantee by the former ultimate holding company of Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.); and
- (b) Fixed and floating charge over all present and future assets of two subsidiaries under Craveat Group.

21. REDEEMABLE CONVERTIBLE NOTES

	Group/Company	
	2019 RM'000	2018 RM'000
At January	–	–
Issued during the financial year, net of transaction costs	3,771	–
At 31 December	3,771	–

On 5 September 2019, the shareholders of the Company approved the issuance of up to 3 tranches of Redeemable Convertible Notes (“RCN”) with an aggregate principal amount up to RM150,000,000 at an Extraordinary General Meeting which is convertible into a maximum of 833,333,333 new shares based on the minimum conversion price of RM0.18 which was subsequently revised to RM0.10 on 11 November 2019 through a supplementary agreement. The RCN has a tenure of 3 years from the closing date of the first sub-tranche of Tranche 1 Notes (“Maturity Date”). As at 31 December 2019, the first sub-tranche of Tranche 1 Notes amounting to RM5,000,000 has been issued and no RCN being converted.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

21. REDEEMABLE CONVERTIBLE NOTES (CONT'D)

The salient terms of the RCN are as follows:

- (a) Issuance up to RM150 million principal amount which is convertible into a maximum of 833,333,333 new shares in aggregate, divided into three tranches:
- (i) Tranche 1 of RM50 million comprising 50 equal sub-tranches of RM1 million each;
 - (ii) Tranche 2 of RM50 million comprising 50 equal sub-tranches of RM1 million each;
 - (iii) Tranche 3 of RM50 million comprising 50 equal sub-tranches of RM1 million each;

The issuance of Tranche 2 Notes and Tranche 3 Notes shall be at the option of the Group, in accordance with the terms and conditions of the Subscription Agreement;

- (b) The RCN shall bear interest from the respective dates on which they are issued and registered in accordance with the terms and conditions as set out in the Subscription Agreement at the rate of 1% per annum, payable semi-annually in arrears on 30 June and 31 December in each year in respect of the period from (and including) the closing date of the first sub-tranche of Tranche 1 Notes and the last payment of interest being made on the Maturity Date;

If the closing price per Share of the Company falls below the Minimum Conversion Price (as defined in Note 21(d)) for more than ten (10) consecutive Business Days, the interest rate of all outstanding Notes as set out above shall be adjusted upward to 8% per annum retrospectively from the first Business Day of the Initial 10 Business Days Period;

- (c) Each Noteholder has the right to convert any Notes ("Conversion Right") into duly authorised, validly issued, fully-paid and unencumbered Shares, at the option of the holder thereof;

The number of Conversion Shares to which a Noteholder is entitled on conversion of the Notes shall be determined by dividing the aggregate nominal value of the Notes held by the Noteholder with the applicable Conversion Price, determined in effect on the relevant Conversion Date provided that the aggregate number of Shares arising from the conversion of the Notes shall not exceed the Conversion Limit. Fractions of a Conversion Share will not be issued on conversion and no adjustment or cash payment will be made in respect thereof;

- (d) The price at which each Conversion Share shall be issued upon conversion of the Notes ("Conversion Price") shall be:

- (i) in respect of Tranche 1 Notes, 85% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on the Main Market of Bursa Securities;
- (ii) in respect of Tranche 2 Notes, 88% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on Bursa Securities;
- (iii) in respect of Tranche 3 Notes, 90% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on Bursa Securities; and

Provided always that the Conversion Price is not less than RM0.10, being the minimum Conversion Price for the Notes ("Minimum Conversion Price" or "MCP"). If the Conversion Price for each Conversion Share calculated in accordance with the conditions (i) to (iii) above is less than the Minimum Conversion Price, the Conversion Price for each Conversion Share shall be equal to the Minimum Conversion Price;

- (e) The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company.

22. SHARE CAPITAL

	Group/Company			
	2019			2018
	Number of shares 000	Amount RM'000	Number of shares 000	Amount RM'000
Issued and fully paid				
At 1 January/31 December	1,122,308	1,115,045	1,122,308	1,115,045

23. RESERVES

	Note	Group	
		2019 RM'000	2018 RM'000
Non-distributable			
Reverse acquisition reserve	(a)	(799,823)	(799,823)
Foreign currency translation reserve	(b)	179,357	187,331
Statutory common reserve fund	(c)	49,358	49,358
Share option reserve	(d)	2,640	–
		(568,468)	(563,134)

(a) Reserve acquisition reserve

The Company completed the acquisition of the entire equity interest in PIPO Overseas Limited and its subsidiary ("PIPO Group") via the issuance of 800,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per share on 26 March 2007.

Upon completion of the acquisition of PIPO, the Company became the legal holding company of PIPO. Due to the relative values of PIPO and the Company, the former shareholders of PIPO became the majority shareholders through the issuance of 800,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share in the Company, controlling about 88% of the issued and paid-up share capital of the Company. Further, the Company's continuing operations and key executive management are those of PIPO. Accordingly, the substance of the business combination is that PIPO acquired the Company in a reverse acquisition.

MFRS 3 requires that the consolidated financial statements are issued under the name of the legal holding company, though they are a continuation of the financial statements of the legal subsidiary. In order to comply with MFRS 3, the following have been reflected in the consolidated financial statements:

- (i) the assets and liabilities of the Company and PIPO Group have been recognised at their book values immediately prior to the reverse acquisition;

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



NOTES TO THE FINANCIAL STATEMENTS

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23. RESERVES (CONT'D)

(a) Reserve acquisition reserve (Cont'd)

- (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.

(b) 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.

(c) 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.

(d) Share option reserve

The share option reserve is recognised in relation to a call option by Craveat Management Sdn. Bhd. to acquire 33% of the shareholding in Craveat International Sdn. Bhd. and its subsidiaries exercisable 12 months after the completion of the share purchase agreement.

24. REVENUE

	Group	
	2019 RM'000	2018 RM'000
Revenue recognised from contracts with customers:		
- Manufacturing and trading	782,203	996,388
- Restaurant	5,582	-
	787,785	996,388

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

24. REVENUE (CONT'D)

	Group	
	2019 RM'000	2018 RM'000
Major goods and services		
Manufacturing and sale of metallurgical coke	660,834	836,008
By-products	121,369	160,380
Restaurant:		
- Restaurant operations	5,282	-
- Royalty	171	-
- Franchising	129	-
	787,785	996,388

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

	Group	
	2019 RM'000	2018 RM'000
Geographical market		
People's Republic of China	782,203	996,388
Malaysia	5,582	-
	787,785	996,388

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

	Group	
	2019 RM'000	2018 RM'000
Timing of revenue recognition		
At a point in time	787,485	996,388
Over time	300	-
	787,785	996,388

25. FINANCE COST

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank overdraft	9	-	-	-
Redeemable convertible notes	55	-	55	-
Lease liabilities	78	-	-	-
Term loan interest	53	1,157	-	-
	195	1,157	55	-



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

26. (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
- statutory	560	436	94	60
- over provision in prior year	(16)	-	-	-
- others	40	30	40	30
Amortisation of prepaid lease payments	1,027	1,057	-	-
Depreciation of property, plant and equipment	27,402	12,938	16	21
Directors of the Company:				
- fees	90	90	60	60
- salaries and other emoluments	779	994	458	665
- Employee Provident Fund	54	78	53	78
Impairment loss on:				
- investment in subsidiary companies	-	-	221,833	-
- property, plant and equipment	49,091	-	-	-
- trade receivables	23,213	-	-	-
Rental of assets:				
- Depreciation of right-of- use assets	394	-	-	-
- Short-term leases	41	-	41	-
- Low value assets	126	-	4	-
- Premises	-	41	-	41
- Office equipment	-	4	-	4
Property, plant and equipment written off	20,492	334	-	-
Unrealised foreign exchange loss/(gain)	-	-	1,408	(5,256)
Finance income	(97)	(109)	(60)	(60)

Depreciation of property, plant and equipment of the Group are amounts charged to costs of sales and administration and operating expenses amounting to RM27,148,000 and RM254,000 (2018: RM12,793,000 and RM145,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:				
- Current year provision	69	-	-	-
- Over provision in prior year	(130)	-	-	-
	(61)	-	-	-
Deferred taxation (Note 9):				
- Origination and reversal of temporary differences	6,233	(6,382)	-	-
	6,172	(6,382)	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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% (2018: 25%).

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/Profit before taxation	(177,577)	23,213	(226,054)	3,241
Taxation at statutory tax rate of 24% (2018: 24%)	(42,618)	5,571	(54,253)	778
Effect of different tax rates in other countries	(1,757)	253	-	-
Expenses not deductible for tax purposes	807	500	54,267	498
Income not subject to tax	(843)	(14)	(14)	(1,276)
Deferred tax assets not recognised	50,713	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	(6,310)	-	-
Recognition of previously unrecognised deferred tax assets	-	(6,382)	-	-
Over provision of current taxation in prior year	(130)			
Taxation for the financial year	6,172	(6,382)	-	-



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

28. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	Group	
	2019	2018
(Loss)/Profit for the financial year attributable to the owners of the Company (RM'000)	(183,749)	29,595
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Basic (loss)/earnings per share (sen)	(16.37)	2.64

(b) Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, consolidated profit attributable to owners of the Company, adjusted for dilutive adjustments is divided by weighted average number of ordinary shares in issue during the financial year, adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	2019	2018
(Loss)/Profit for the financial year attributable to the owners of the Company (RM'000)	(183,749)	29,595
Adjustment in respect of redeemable convertible notes (RM'000)	-*	-
(Loss)/profit for the year after dilutive adjustment (RM'000)	(183,749)	29,595
Weighted average number of shares in issue ('000)	1,122,308	1,122,308
Adjusted for assumed conversion of redeemable convertible notes ('000)	-*	-
Adjusted weighted average number of shares in issue ('000)	1,122,308	1,122,308
Diluted (loss)/earnings per share (sen)	(16.37)	2.64

* The potential conversion of redeemable convertible notes ("RCN") is anti-dilutive as the conversion of the RCN results in a reduction in diluted loss per share upon conversion.

29. STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salary, bonus and other emoluments (excluding Directors)	31,568	30,007	556	458
Defined contribution plan	6,930	6,043	67	55
	38,498	36,050	623	513

Included in the total staff costs of the Group are amounts charged to cost of sales and administration and operating expenses amounting to RM32,218,000 and RM6,280,000 (2018: RM31,003,000 and RM5,047,000) respectively.

30. 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:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salary and allowances	1,875	1,887	733	941
Statutory pension scheme contributions	102	104	79	104
	1,977	1,991	812	1,045



NOTES TO THE FINANCIAL STATEMENTS

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Term loan RM'000	Lease liabilities RM'000	Total RM'000
Group				
At 1 January 2018		24,960	–	24,960
Exchange difference		(905)	–	(905)
At 31 December 2018		24,055	–	24,055
Acquisition of subsidiary companies	5(c)	2,446	6,958	9,404
Finance cost accrued		32	–	32
Cash flows		(23,694)	(389)	(24,083)
Exchange differences		(531)	–	(531)
At 31 December 2019		2,308	6,569	8,877

32. 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.

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating Decision Maker). The Board of Directors considers the business from an activity perspective.

The main business segments of the Group comprise the following:

Manufacturing and trading : manufacturing and sales of metallurgical coke and other related by-products
Others : Investment holding, restaurant and information technology

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

2019	Note	Manufacturing and trading RM'000	Others RM'000	Total RM'000
Revenue				
Sales		782,203	5,582	787,785
Less: Inter-segment revenue		-	-	-
		782,203	5,582	787,785
Results				
Depreciation and amortisation		(28,314)	(509)	(28,823)
Other significant non-cash expenses	(a)	(92,796)	-	(92,796)
Taxation		(6,234)	62	(6,172)
Segment loss		(180,555)	(3,194)	(183,749)
Assets				
Additions to non-current assets	(b)	12,285	-	12,285
Segment assets		245,143	108,642	353,785
Liabilities				
Segment liabilities		57,264	104,711	161,975
2018				
Revenue				
Sales		996,388	-	996,388
Less: Inter-segment revenue		-	-	-
		996,388	-	996,388
Results				
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
Assets				
Additions to non-current assets	(b)	1,422	-	1,422
Segment assets		474,228	2,037	476,265
Liabilities				
Segment liabilities		95,277	95	95,372



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

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

	2019 RM'000	Group 2018 RM'000
Impairment loss on trade receivables	23,213	–
Impairment loss on property, plant and equipment	49,091	–
Property, plant and equipment written off	20,492	334
	92,796	334

(b) Additions to non-current assets consist of the following

	2019 RM'000	Group 2018 RM'000
Property, plant and equipment	12,285	1,422

Geographical information

- (i) Geographical information of revenue is disclosed in Note 24 to the financial statements.
- (ii) Non-current assets by geographical location of assets are as follows:

	2019 RM'000	Group 2018 RM'000
People's Republic of China	107,553	203,737
Malaysia	97,259	18
	204,812	203,755

Information about major customers

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

	2019 RM'000	Group 2018 RM'000
Customer A	–	884,929
Customer B	742,671	74,931
	742,671	959,860

33. 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:

	2019		2018	
	Financial asset and liabilities at amortised cost RM'000	Total RM'000	Loans and receivables/ other financial liabilities RM'000	Total RM'000
Group				
Financial assets				
Trade receivables	55,369	55,369	119,294	119,294
Other receivables	21,719	21,719	36,730	36,730
Cash and cash equivalents	14,984	14,984	19,366	19,366
	92,072	92,072	175,390	175,390
Financial liabilities				
Trade payables	43,573	43,573	54,887	54,887
Other payables	105,484	105,484	16,422	16,422
Lease liabilities	6,569	6,569	–	–
Amount owing to a Director	8	8	8	8
Borrowings	2,308	2,308	24,055	24,055
Redeemable convertible notes	3,771	3,771	–	–
	161,713	161,713	95,372	95,372
Company				
Financial assets				
Other receivables	10	10	14	14
Cash and cash equivalents	1,595	1,595	1,999	1,999
	1,605	1,605	2,013	2,013
Financial liabilities				
Other payables	35,889	35,889	95	95
Amount owing to a subsidiary company	22,409	22,409	21,825	21,825
Redeemable convertible notes	3,771	3,771	–	–
	62,069	62,069	21,920	21,920



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

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

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from 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	
	2019 RM'000	2018 RM'000
Neither past due nor individually impaired	54,939	119,294
Past due but not individually impaired:		
- Between 1 to 180 days	252	-
- Between 181 to 365 days	77	-
- More than 365 days	101	-
	430	-
Individually impaired	22,997	-
	78,366	119,294

The Group's trade receivables of RM430,000 (2018: Nil) was past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

The Group's trade receivables of RM22,997,000 (2018: Nil) was individually impaired. The individually impaired receivables mainly relate to trade receivables, which are facing difficulties in cash flows. As at the end of the reporting date, the impairment loss for these receivables is RM22,997,000 (2018: Nil).

At reporting date, the Group's concentration of the top 1 (2018: 2) trade customers of the Group represents 98% (2018: 99%) of the total trade receivables.

33. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management objectives and policies (Cont'd)**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, borrowings and redeemable convertible notes.

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	Between 2 to 5 year RM'000	Above 5 years RM'000
2019						
Group						
Trade payables	43,573	-	43,573	43,573	-	-
Other payables	105,484	-	115,579	85,579	30,000	-
Lease liabilities	6,569	6.85	7,313	2,431	4,736	146
Amount owing to a Director	8	-	8	8	-	-
Borrowings	2,308	6.15	2,308	2,308	-	-
Redeemable convertible notes	3,771	1.00	5,000	5,000	-	-
	161,713		173,781	138,899	34,736	146



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Below 1 year RM'000	Between 2 to 5 year RM'000	Above 5 years RM'000
2019						
Company						
Other payables	35,889	-	41,577	26,577	15,000	-
Amount owing to a subsidiary company	22,409	-	22,409	22,409	-	-
Redeemable convertible notes	3,771	-	5,000	5,000	-	-
	62,069		68,986	53,986	15,000	-
2018						
Group						
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 - 3.92	24,079	24,079	-	-
	95,372		95,396	95,396	-	-
Company						
Other payables	95	-	95	95	-	-
Amount owing to a subsidiary company	21,825	-	21,825	21,825	-	-
	21,920		21,920	21,920	-	-

33. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management objectives and policies (Cont'd)**Market risk

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

(a) Foreign currency exchange risk

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

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

Functional Currency	Financial assets/ (liabilities) held in non-functional currency	
	Chinese Renminbi ("RMB") RM'000	Total RM'000
Company		
2019		
Amount owing by/(to) a subsidiary company	(22,409)	(22,409)
2018		
Amount owing by/(to) a subsidiary company	(21,825)	(21,825)

Currency risk sensitivity analysis

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

		Company Profit or loss, net of tax	
		2019 RM'000	2018 RM'000
RMB/RM	- strengthened 5%	(852)	(829)
	- weakened 5%	852	829



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(b) Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Floating rate instruments				
Financial liabilities	(2,308)	(24,055)	-	-
Fixed rate instruments				
Financial assets	1,479	1,995	1,479	1,995
Financial liabilities	(3,771)	-	(3,771)	-
	(2,292)	1,995	(2,292)	1,995

Interest rate sensitivity analysis

Since the Group's and the Company'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.

A change of 50 basis points ("bp") in floating interest rates at the end of the reporting period would have increase/(decrease) profit net of tax by the amounts shown below, assuming all other variables remain constant.

	Group Profit or loss, net of tax	
	2019 RM'000	2018 RM'000
Profit net of tax		
50 bp increase	(9)	(90)
50 bp decrease	9	90

33. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management objectives and policies (Cont'd)**Market risk (Cont'd)

(c) Fair values

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments not carried at fair value in the statements of financial position:

	2019		2018	
	Carrying amount RM'000	Level 2 Fair value RM'000	Carrying amount RM'000	Level 2 Fair value RM'000
Group				
Financial liabilities				
Lease liabilities	4,522	4,522	–	–

The Company does not anticipate the carrying amounts of other financial instruments recorded at the reporting date to be significant different from the values that would eventually settled.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. 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 23(c), 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 its capital structure and financial leverage (which demonstrates the degree to which its activities are funded by shareholders' funds versus creditors' funds) using gearing ratio. Accordingly, the gearing ratio herein is computed based on net debt divided by the total capital plus net debt. Whilst cognisance is taken to keep the Group's gearing ratio of below 20% as demonstrated in the previous financial years, exception is recognised in this financial year due to the various acquisitions that were made during the same, to which resulted in an increase in the consolidated net debts of the Group. For all intents and purposes, the Group includes within net debts, trade and other payables, lease payable, less cash and bank balances. Capital includes the equity attributable to the owners of the Company less the abovementioned restricted statutory reserve fund.

	Group	
	2019	2018
	RM'000	RM'000
Trade and other payables	149,057	71,309
Lease liabilities	6,569	-
Amount owing to a Director	8	8
Borrowings	2,308	24,055
Less: Cash and cash equivalents	(14,984)	(19,366)
Net debt	142,958	76,006
Equity attributable to the owners of the Company	191,810	380,893
Less: statutory reserve fund	(49,358)	(49,358)
Total capital	142,452	331,535
Capital and net debt	285,410	407,541
Gearing ratio	50.1%	18.6%

35. SIGNIFICANT EVENT

On 26 December 2019, the Group's wholly-owned subsidiary, Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.) ("Craveat") has entered into a Share Transfer Agreement with Chaswood Resources Sdn. Bhd. ("Chaswood Resources") to acquire the entire equity interest in Chaswood Restaurant Management (Beijing) Co. Ltd. ("Chaswood Beijing"), a wholly-owned subsidiary of Chaswood Resources for a cash consideration of RM1,000,000.

The completion of the acquisition is subject to the following conditions:

- Results of financial and legal due diligence on Chaswood Beijing shall be satisfactory to Craveat;
- Internal and external approvals from Craveat and Chaswood Resources, including but not limited to the approval of their general meeting and/or Board of Directors, relevant stock exchanges, relevant regulatory authorities and others;
- Chaswood Resources has obtained approval from CIMB Bank Berhad; and
- All the approvals of and registrations and filings with the People's Republic of China governmental authorities.

In the event that the above conditions precedent is not satisfied for any reason, Craveat and Chaswood Resources shall be entitled to elect to terminate the Share Transfer Agreement by serving a written notice without having to undertake any legal responsibilities.

Up to the date of this report, the above conditions precedents are yet to be fully satisfied, therefore the acquisition is not completed yet.

36. SUBSEQUENT EVENTS

- (i) On 23 January 2020, the central government of China imposed a lockdown in Wuhan and other cities in Hubei Province in an attempt to contain the spread of the coronavirus (COVID-19) outbreak. The lockdown in Wuhan set the precedence for similar measures being imposed in other Chinese cities following the continuous spread of COVID-19. Following therefrom, the Group's major subsidiary, Linyi Yehua Coking Co. Ltd. ("Yehua") had imposed self-quarantine measures for those returning staff from their respective hometowns in other province or cities after their Chinese New Year break. All staff entering the factory areas had to be disinfected and their body temperature checked. Production level was reduced due to disruptive labour resources as well as lowered demand resulting from closure of businesses during the lockdown period. Notwithstanding the above, Yehua's coke ovens had to continue to be in operation despite the lower demand as total shut down will cause structural damage to the ovens. At the present juncture, the duration and extent of the adverse impact of the Covid-19 on the business of Yehua cannot be ascertained.
- (ii) The Group has on 4 March 2020, entered into a Memorandum of Understanding ("MOU") with Top Fruits Sdn Bhd ("TFSB") and Mybeecop Sdn Bhd via its wholly-owned subsidiary, Wavetree Technologies Sdn. Bhd. (formerly known as Fancy Celebrations Sdn. Bhd.) to collaborate and develop the Smart Modelling Farming project via a digitised model for agriculture markets, riding on A.I.-enabled operating models, data analytics and IoT to drive efficiency.
- (iii) On 5 March 2020, the shareholders of the Company at an Extraordinary General Meeting approved the Proposed Variation to the Redeemable Convertible Notes Subscription Agreement with the following salient points:
 - (a) "Conversion Limit" shall mean an aggregate of 833,333,333 new Shares to be issued pursuant to the conversion of the Notes.



NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

36. SUBSEQUENT EVENTS (CONT'D)

- (iii) On 5 March 2020, the shareholders of the Company at an Extraordinary General Meeting approved the Proposed Variation to the Redeemable Convertible Notes Subscription Agreement with the following salient points: (Cont'd)
- (b) A Noteholder who is and/or may be in his absolute opinion unable to exercise his rights of conversion of existing Notes held and/or prospective Notes to be subscribed under the terms and conditions of Notes by virtue of the Conversion Limit shall be entitled to submit a notice in writing to the Company informing the Company to purchase the outstanding Notes at 115% of its principal amount ("Conversion Limit Redemption Amount") ("Condition"). The Company shall within seven (7) Business Days from the receipt of the written notice pursuant to this Condition from the Noteholder, settle and pay in full the Conversion Limit Redemption Amount together with the payment of all outstanding costs, fees and interest payable under the Subscription Agreement to the relevant Noteholder. Should the Company fail to pay and/or settle in full the Conversion Limit Redemption Amount and all other relevant payments as set out in this Condition within the stipulated time period, the Noteholder shall be entitled to treat the failure to pay as an Event of Default under the Subscription Agreement.
- (iv) With the recent developments from the COVID-19 outbreak, the Government of Malaysia announced a Restriction of Movement Control Order ("MCO") on 16 March 2020 in a bid to contain a further spread of COVID-19 cases in Malaysia. Accordingly, the Company's restaurant operations have been limited to take-aways as dine-ins have been banned and its restaurant business hours in the respective shopping malls have been shortened during the MCO period. As the COVID-19 situation in Malaysia is constantly evolving, the impact to consumer sentiment and financial performance of the Company's restaurant operations could not be ascertained at this juncture.
- (v) On 21 April 2020, the Group is proposed to undertake the Proposed Debt Settlement and Proposed Private Placement as follows:
- (a) Proposed settlement of an aggregate amount of RM3,500,000 debts owing to creditors, namely, Chan Kok San, Jaleeludeen Bin Abu Bakar and Ong Sing Eng by the Company and/or its subsidiaries for working capital purpose, via the issuance of 55,643,880 new ordinary shares in the Company, representing approximately 4.96% of the total number of issued shares (excluding treasury shares, if any);
- (b) Proposed settlement of an aggregate amount of RM2,100,000 owing to Advance Opportunities Fund ("AOF") and Advance Opportunities Fund I ("AOF I") by the Company for the purpose of repurchase the Company's redeemable convertible notes held by AOF and AOF I, via the issuance of up to 33,386,328 new ordinary shares in the Company, representing approximately 2.97% of the total number of issued shares (excluding treasury shares, if any);
- (c) Proposed private placement of up to 135,431,300 new shares, representing approximately 12.07% of the Company's total number of issued shares (excluding treasury shares, if any) for working capital purpose.
- (vi) On 23 April 2020, the Group has entered into a Share Purchase Agreement with Dr. Nik Nazli Binti Nik Ahmad, Jim Irene, Dr. Rozhan Bin Othman, Zuriah Binti Abu Bakar and Ahmad Fakhri Bin Hamzah for the proposed acquisition of 700,000 ordinary shares in HumanCapiant Consulting Sdn Bhd ("HCSB"), representing 70% of the total issued share capital in HCSB, for a total purchase consideration of RM14.5 million.
- (vii) On 23 April 2020, the Group has entered into a Share Purchase Agreement with Abdullah Abbas bin Wan Mohd Hasni and Mohd Afdha bin Md Yusof for the proposed acquisition of 1,000,000 ordinary shares in MD Labs Sdn Bhd ("MD Labs"), representing the entire equity interest in MD Labs, for a total purchase consideration of RM12.5 million.

List of Properties

As at 31 December 2019

	LOCATION	DESCRIPTION	TENURE	NET BOOK VALUE (RM'000)	AREA (sq. m.)	DATE OF ACQUISITION
1)	Lot no. 201/23/96 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province, People's Republic of China	Manufacturing plant	Leasehold 29 years	7,048	319,014	4 Dec 2005
2)	Lot no. 201/026/0008 Shenquan Industrial Park, Luo Zhuang District, Linyi City, Shandong Province, People's Republic of China	Coal storage area	Leasehold 50 years	19,746	85,454	12 Feb 2007
3)	C3-5-15, Subang Ville Ehsan Apartment, Jalan PJS 10/11, Bandar Sunway, 46150 Petaling Jaya, Selangor, Malaysia	Apartment	Leasehold 99 years	91	79	13 Jun 2008
4)	A1-5-01, Subang Ville Ehsan Apartment, Jalan PJS 10/11, Bandar Sunway, 46150 Petaling Jaya, Selangor, Malaysia	Apartment	Leasehold 99 years	83	79	24 Jun 2008



Analysis of Shareholdings

As at 30 April 2020

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	724	3.88	27,301	0.00
100 – 1,000	5,540	29.72	2,571,560	0.23
1,001 - 10,000	6,258	33.57	31,038,984	2.77
10,001 – 100,000	5,026	26.96	193,189,109	17.21
100,001 – 56,115,389	1,092	5.86	536,480,726	47.80
56,115,390 and above	2	0.01	359,000,137	31.99
Total	18,642	100.00	1,122,307,817	100.00

DIRECTORS' SHAREHOLDINGS

Name of Directors	Nationality	Direct	No. of shares beneficially held		%
			%	Indirect	
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 ⁽¹⁾	27.13
Liu Guodong	Chinese	–	–	74,000,057 ⁽²⁾	6.59
Lim See Tow	Malaysian	–	–	–	–
Zhai Baoxing	Chinese	–	–	–	–
Datuk Lim Chih Li @ Lin ZhiLi	Malaysian	–	–	–	–
Balraj Singh Pannu A/L Gajjan Singh	Malaysian	–	–	–	–

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.

ANALYSIS OF SHAREHOLDINGS

(CONT'D)

Note :- (Cont'd)

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 pursuant to Section 8 of the Act 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 pursuant to Section 8 of the Act 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 pursuant to Section 8 of the Act 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 pursuant to Section 8 of the Act by virtue of his direct interest of over 20% equity interest in Libran Infinity Inc. which in turn holds shares in Sino Hua-An International Berhad.*

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
Libran Infinity Inc	British Virgin Islands	74,000,057	6.59	0	0.00
Liu Guodong	Chinese	0	0.00	74,000,057 ⁽¹⁾	6.59
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Malaysian	12,073,700	1.08	304,492,259 ⁽²⁾	27.13
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	Malaysian	1,221,500	0.11	315,342,959 ⁽³⁾	28.10
Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar	Malaysian	1,166,500	0.10	315,397,959 ⁽⁴⁾	28.10
Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar	Malaysian	1,176,500	0.10	315,387,959 ⁽⁵⁾	28.10
Y.A.M. Tunku Irinah Binti Tuanku Ja'afar	Malaysian	1,154,250	0.10	315,410,209 ⁽⁶⁾	28.10
Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar	Malaysian	1,076,550	0.10	315,487,909 ⁽⁷⁾	28.11
Y.M. Tunku Nurul Hayati Binti Tunku Bahador	Malaysian	100,200	0.01	316,465,759 ⁽⁸⁾	28.20
Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin	Malaysian	1,500	0.00	308,810,230 ⁽⁹⁾	27.52



ANALYSIS OF SHAREHOLDINGS

(CONT'D)

Note :-

(1) Deemed interested pursuant to Section 8 of the Act by virtue of his direct interest of over 20% equity interest in Libran Infinity Inc. which in turn holds shares in Sino Hua-An International Berhad.

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

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

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

Deemed interested pursuant to Section 8 of the 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 pursuant to Section 8 of the Act 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 pursuant to Section 8 of the Act 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 pursuant to Section 8 of the Act by virtue of his direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

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

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

Deemed interested pursuant to Section 8 of the Act by virtue of his direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

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

Deemed interested pursuant to Section 8 of the Act by virtue of her substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

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.

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

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

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

Deemed interested pursuant to Section 8 of the Act by virtue of his direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

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

Deemed interested pursuant to Section 8 of the Act by virtue of her substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

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



ANALYSIS OF SHAREHOLDINGS

(CONT'D)

Note :- (Cont'd)

Deemed interested pursuant to Section 8 of the Act by virtue of her substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

Deemed interested by virtue of her being the sister-in-law to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar.

Deemed interested by virtue of her being the mother of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin.

Deemed interested by virtue of her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

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

Deemed interested by virtue of him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Syarikat Pesaka Radin Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds shares in Sino Hua-An International Berhad.

Deemed interested by virtue of him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn. Bhd. which in turn holds the entire equity interest in Rock Point Alliance Pte. Ltd.

ANALYSIS OF SHAREHOLDINGS

(CONT'D)

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
1.	HLIB NOMINEES (ASING) SDN BHD ROCK POINT ALLIANCE PTE. LTD.	285,000,080	25.39
2.	M & A NOMINEE (ASING) SDN BHD MAJESTIC SALUTE SDN BHD FOR LIBRAN INFINITY INC	74,000,057	6.59
3.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED (A/C CLIENTS)	44,900,000	4.00
4.	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	31,565,050	2.81
5.	M & A NOMINEE (ASING) SDN BHD MAJESTIC SALUTE SDN BHD FOR RISE BUSINESS INC	31,000,038	2.76
6.	NG MENG KEE	15,000,000	1.34
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROCK POINT ALLIANCE SDN. BHD.	11,486,250	1.02
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR Y.A.M. TUNKU NAQUIYUDDIN IBNI TUANKU JA'AFAR	10,979,700	0.98
9.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	7,334,459	0.65
10.	M & A NOMINEE (ASING) SDN BHD MAJESTIC SALUTE SDN BHD FOR ONG SING ENG	6,261,900	0.56
11.	CHAI KOON KHOW	3,939,400	0.35
12.	TAN NYAK OU	3,809,700	0.34
13.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HWEE LOONG (SECT 17 PJ-CL)	3,739,000	0.33
14.	SIM KIAN SENG	3,600,000	0.32
15.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR PLATINUM BROKING COMPANY LIMITED (CLIENT A/C)	3,525,000	0.31
16.	CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	3,417,850	0.30



ANALYSIS OF SHAREHOLDINGS

(CONT'D)

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

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
17.	YIP PHOOI HAR	3,000,000	0.27
18.	LIM JIT HAI	2,710,800	0.24
19.	YONG MIN CHUN	2,518,000	0.22
20.	LIM KENG CHUAN	2,450,000	0.22
21.	TAN MAO LING	2,400,000	0.21
22.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,364,150	0.21
23.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)	2,331,500	0.21
24.	TAN SHU AYAN	2,331,500	0.21
25.	LEE MENG HON	2,200,000	0.20
26.	PLATINUM PARADE SDN BHD	2,195,500	0.20
27.	SIM KENG HWA	2,185,000	0.19
28.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	2,050,000	0.18
29.	ANG LOO LEONG	2,000,000	0.18
30.	TEE AH SWEE	2,000,000	0.18



SINO HUA-AN INTERNATIONAL BERHAD

(Registration No. 200601012477 (732227-T))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No :

Number of shares held :

*I/We (full name),
 bearing *NRIC No./Passport No./Company No
 of (full address)
 being a member of Sino Hua-An International Berhad ("**the Company**") hereby appoint:-

First Proxy "A"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

*and

*Second Proxy "B"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

to put on a separate sheet where there are more than two (2) proxies

100%

*or the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Fourteenth Annual General Meeting of the Company to be held on a fully virtual basis via **Securities Services e-Portal** at <https://www.sshsb.net.my/> to be broadcasted from the main venue at Meeting Room, Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan on Monday, 6 July 2020 at 10:00 a.m. and at any adjournment thereof.

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.

ORDINARY RESOLUTIONS		For	Against
1.	To approve the payment of Directors' Fees to the Non-Executive Directors for the financial year ended 31 December 2019.		
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 7 July 2020 until the next Annual General Meeting of the Company.		
3.	To re-elect Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who retires pursuant to Clause 118 of the Company's Constitution.		
4.	To re-elect Datuk Lim Chih Li @ Lin ZhiLi who retires pursuant to Clause 117 of the Company's Constitution.		
5.	To re-elect Balraj Singh Pannu A/L Gajjan Singh who retires pursuant to Clause 117 of the Company's Constitution.		
6.	To re-appoint Morison AAC PLT 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.		

As witness my/our hand(s) this day of 2020

.....
* Signature of Member/Common Seal

* Strike out whichever not applicable



Notes:

1. In respect of deposited security, only members whose names appear in the Record of Depositors on 30 June 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
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 the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting. As guided by the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/relevant adviser during the Meeting.
4. 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, either executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. Appointment of proxy and registration for remote participation and voting
The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my, not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshsb.net.my/>. All resolutions set out in this notice of Meeting are to be voted by poll.
Should you wish to personally participate at the Fourteenth AGM remotely, please register electronically via Securities Services e-Portal at <https://www.sshsb.net.my/> by the registration cut-off date and time.
Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting available for download at <http://sinohuaan.listedcompany.com/agn.html> for further details.
7. 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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Stamp

To:

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

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SINO HUA-AN INTERNATIONAL BERHAD (732227-T)

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

Corporate Office : Unit 18-3A, Oval Damansara, 685 Jalan Damansara, 60000 Kuala Lumpur, Malaysia
Tel: +603-7733 7180 Fax: +603-7733 7170

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