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NOT RATED

Previous Price **RM0.235**
RM0.185

STEEL

HUAAN is primarily involved in the production of coking coke and its by-products.

Stock Statistics

Bloomberg Ticker	HUAAN MK
Share Capital (m)	1,122.3
Market Cap	207.6
52 week H L Price	0.35 0.18
3mth Avg Vol (000)	567.7
YTD Returns	-24.5
Beta (x)	1.16
Shariah Compliant	YES

Major Shareholders (%)

Rock Point Alliance	25.4
Guodong Liu	15.9
Rise Business Inc	9.1

Share Performance (%)

Month	Absolute	Relative
1m	-17.8	-11.9
3m	-28.8	-25.5
6m	-22.9	-30.0
12m	-47.1	-46.2

6-month Share Price Performance



Discontinuing Coverage

Sino Hua-An International

Caught in a Dark Tunnel

Sino Huaan's (Huaan) 1QFY12 results disappointed, although the weak numbers were expected. The poor performance was again due to heightened coal prices, a decline in metallurgical selling prices as well as weaker contribution from by-products. The prolonged structural problems in China and sluggish steel demand further dampened the company's performance. We are discontinuing our coverage on Sino Huaan. Our last call was NEUTRAL, with a FV of RM0.235.

Losses widen. Huaan posted a net loss of RM19.9m (-34.2% q-o-q, >-100.0% y-o-y) in 1QFY12 and revenue of RM382.1m (-5.3% q-o-q, +0.6%y-o-y), both of which are below our estimates. The losses were mainly attributed to the lower average selling price of metallurgical coke (-2% y-o-y) amid stubbornly high raw material costs. The contribution of by-products also declined, falling by some 6% y-o-y, which further weakened Huaan's bottomline (tar oil -20%, coal slime -3% middlings -6%, ammonia sulphate +36%, crude benzene +10% and coal gas +0.3%).

Operating conditions have not improved. We think Huaan will be facing another tough year in FY12 as the operational environment for an independent metallurgical coke manufacturer has not improved. The industrial structural problems in China have been working against Huaan and the company has not managed to extricate itself from its disadvantaged position of being hemmed between coal miners and steel mills. In addition, the outlook for the steel sector remains challenging as steel prices have not shown any significant signs of recovering.

Discontinuing coverage. Although Huaan has been trying very hard to improve its operating performance, the macro conditions have unfortunately worked against it. We are discontinuing our coverage on Sino Huaan International and take a re-look at the company later when conditions become more benign. Our last recommendation for Huaan was NEUTRAL, with a FV RM0.235.

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	1280.3	1406.8	1526.6	1437.9	1456.5
Net Profit	-20.6	6.4	-9.6	3.4	5.8
% chg y-o-y	n.m.	131.0	250.1	135.4	-69.3
Consensus	-	-	-	-	-
EPS	-1.8	0.6	-0.9	0.3	0.5
DPS	0.0	0.2	0.0	0.0	0.0
Dividend yield (%)	0.0	1.0	0.0	0.0	0.0
ROE (%)	-2.8	0.9	-1.3	0.5	0.8
ROA (%)	-2.5	0.8	-1.2	0.4	0.7
PER (x)	-10.1	32.4	-21.6	60.9	36.0
BV/share	0.65	0.62	0.64	0.65	0.65
P/BV (x)	0.28	0.30	0.29	0.29	0.28
EV/EBITDA (x)	10.2	4.3	6.5	4.2	3.8

EARNINGS FORECAST

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Turnover	1280.3	1406.8	1526.6	1437.9	1456.5
EBITDA	17.9	43.6	28.5	39.7	43.6
PBT	-20.9	6.4	-9.6	4.0	6.8
Net Profit	-20.6	6.4	-9.6	3.4	5.8
EPS	-1.8	0.6	-0.9	0.3	0.5
DPS	0.0	0.2	0.0	0.0	0.0
Margin					
EBITDA (%)	1.4	3.1	1.9	2.8	3.0
PBT (%)	-1.6	0.5	-0.6	0.3	0.5
Net Profit (%)	-1.6	0.5	-0.6	0.2	0.4
ROE (%)	-2.8	0.9	-1.3	0.5	0.8
ROA (%)	-2.5	0.8	-1.2	0.4	0.7
Balance Sheet					
Fixed Assets	615.0	557.3	547.2	541.9	542.9
Current Assets	212.3	279.2	282.1	258.9	268.2
Total Assets	827.3	836.5	829.3	800.8	811.1
Current Liabilities	93.8	140.5	107.6	75.8	80.3
Net Current Assets	118.5	138.7	174.4	183.1	187.9
LT Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholders Funds	733.5	696.0	721.6	725.0	730.8
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

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