

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	First Quarter		Cumulative Quarter	
	Unaudited Current Period 31-Mar-13 RM'000	Preceding Period 31-Mar-12 RM'000	Unaudited Current Period 31-Mar-13 RM'000	Preceding Period 31-Mar-12 RM'000
Revenue	334,162	382,122	334,162	382,122
Cost of sales	(324,683)	(396,647)	(324,683)	(396,647)
Gross profit/(loss)	9,479	(14,525)	9,479	(14,525)
Other income	94	164	94	164
Operating expenses	(6,230)	(5,552)	(6,230)	(5,552)
Finance cost	(8)	-	(8)	-
	(6,144)	(5,388)	(6,144)	(5,388)
Profit/(loss) before tax	3,335	(19,913)	3,335	(19,913)
Taxation	-	-	-	-
Profit/(Loss) for the period	3,335	(19,913)	3,335	(19,913)
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	11,206	(17,613)	11,206	(17,613)
Total comprehensive profit/(loss) for the period	14,541	(37,526)	14,541	(37,526)
Profit/(loss) attributable to equity holders of the Company	3,335	(19,913)	3,335	(19,913)
Total comprehensive profit/(loss) attributable to equity holder of the Company	14,541	(37,526)	14,541	(37,526)
Profit/(loss) per share (sen)				
- basic (sen)	0.30	(1.77)	0.30	(1.77)
- fully diluted (sen)	n/a	n/a	n/a	n/a

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FIRST QUARTER ENDED 31 MARCH 2013

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### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-13 RM'000	Audited as at 31-Dec-12 RM'000
<b>Non Current Assets</b>		
Land lease payment - long-term	27,520	27,146
Property, plant and equipment	361,900	362,557
Goodwill	107,575	107,518
	496,995	497,221
<b>Current Assets</b>		
Land lease payment - short-term	862	843
Inventories	71,165	71,770
Trade receivables	564	34,518
Other receivables, deposits and prepayments	26,912	42,649
Amount due from related parties	65,885	8,066
Tax recoverable	13,125	15,171
Bank balances and cash	32,875	16,468
	211,388	189,485
<b>Total Assets</b>	708,383	686,706
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	74,274	59,733
	635,428	620,887
<b>Current Liabilities</b>		
Trade payables	46,886	52,012
Other payables and accrued expenses	25,577	12,960
Amount due to related parties	0	289
Lease payable	311	294
	72,774	65,555
<b>Non Current Liability</b>		
Lease payable	181	264
<b>Total Equity and Liabilities</b>	708,383	686,706
Net assets per share (RM)	0.57	0.55

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Non-distributable reserves ----->					Distributable reserve	
	Share capital RM'000	Share premium RM'000	Statutory common reserve funds RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
<b><u>3 months ended 31 March 2012</u></b>							
<b>Balance as of January 1, 2012</b>	561,154	553,891	49,358	(799,823)	66,231	290,807	721,618
Loss for the period	-	-	-	-	-	(19,913)	(19,913)
Other comprehensive income	-	-	-	-	(17,613)	-	(17,613)
<b>Balance as of March 31, 2012</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>48,618</b>	<b>270,894</b>	<b>684,092</b>
<b><u>3 months ended 31 March 2013</u></b>							
<b>Balance as of January 1, 2013</b>	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Profit for the period	-	-	-	-	-	3,335	3,335
Other comprehensive loss	-	-	-	-	11,206	-	11,206
<b>Balance as of March 31, 2013</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>59,567</b>	<b>211,281</b>	<b>635,428</b>

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 31-Mar-13 RM'000	Preceding year to date 31-Mar-12 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the period	3,335	(19,913)
Adjustments for:		
Depreciation of property, plant and equipment	9,847	9,606
Amortisation of lease payments	214	211
Finance costs	8	-
Interest income	(33)	(42)
Operating profit/(loss) before working capital changes	13,371	(10,138)
(Increase) / Decrease in:		
Inventories	605	25,177
Trade receivables	33,954	15,955
Other receivables, deposits and prepayments	18,265	8,301
Amount due by/to related parties	(57,820)	(7,238)
Increase / (Decrease) in:		
Trade payables	(5,125)	(25,632)
Other payables and accrued expenses	12,617	3,977
Amount due to related company	(289)	18
Cash generated from operations	15,578	10,420
Tax paid	2,047	566
Net cash generated from operating activities	17,625	10,986
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,386)	-
Interest received	33	42
Net cash (used in)/generated from investing activities	(1,353)	42
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Repayment of lease payables	(74)	-
Net cash used in financing activities	(74)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,198	11,028
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	16,467	23,015
Effect of changes in exchange rate	210	(774)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	32,875	33,269

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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## A. EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING

### A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2012. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2012.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2012, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Issues Committee (“IC”) Interpretations and amendments to MFRS with effect from 1 January 2013.

The Directors of the Company anticipate that the application of the following new Malaysian Financial Reporting Standards (“MFRSs”), revised FRSS, Issues Committee (“IC”) Interpretations, amendments to FRSS and IC Interpretations which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits(as amended in 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in June 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in June 2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

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		<u>Effective date for financial periods beginning on or after</u>
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Annual improvements 2009-2011 Cycle		1 January 2013

As at 31 March 2013, the following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
	Financial Instruments (IFRS 9 issued by IASB in October 2010)	

## **A2. Audit report**

The auditors' report on the audited financial statements for the year ended 31 December 2012 was not qualified.

## **A3. Seasonal or cyclical factors**

The operations of the Group generally move in tandem with the performance of the steel industry and the overall economic landscape.

## **A4. Unusual items**

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

## **A5. Changes in estimates**

There were no changes in the estimates of amounts reported that have a material effect on the results in the quarter under review.

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**A6. Issuance, cancellations, repurchases, resale and repayments of debts and equity securities**

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

**A7. Dividends paid**

There was no dividend paid during the quarter under review.

**A8. Segmental information**

Segment results by business activities

	Current quarter		Current year to date	
	31 March 2013		31 March 2013	
	Revenue	Profit/(loss) before tax	Revenue	Profit/(loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	334,162	3,779	334,162	3,779
Investment Holdings	-	(444)	-	(444)
	<u>334,162</u>	<u>3,335</u>	<u>334,162</u>	<u>3,335</u>

**A9. Valuation of Property, Plant and Equipment**

The property, plant and equipment of the Group have not been revalued during the quarter under review.

**A10. Material Events Subsequent to the end of the Reporting Period**

There were no material events subsequent to the end of the quarter under review.

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial year to-date.

**A12. Changes in contingent liabilities or contingent assets**

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review.

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## **B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS**

### **B1. Review of Performance**

For the first quarter ended 31 March 2013, the Group recorded a consolidated revenue of approximately RM334.2 million. The cost of sales for the quarter under review amounted to approximately RM324.7 million.

The consolidated revenue for the current quarter under review has reduced by approximately 13% from RM382.1 million in the preceding year corresponding quarter to RM334.2 million. The drop in revenue was principally attributed to lower average selling price of metallurgical coke as well as lower sales volume registered during the current quarter under review. The average selling price of the metallurgical coke suffered a 12% drop whilst the sales volume went down by 10% compared to those of the preceding year corresponding quarter. However, the overall contribution from the by-products was higher by 26% mainly due to the higher prices of coal gas, crude benzene, tar oil and middlings which saw price improvements of 140%, 22%, 1% and 2% respectively. The average price of ammonia sulphate however, was down by approximately 24% compared to the same quarter last year.

The Group recorded a lower cost of sales of approximately RM324.7 million in the current quarter under review compared to RM396.6 million in the preceding year corresponding quarter, representing a reduction of approximately 18%. This was mainly due to lower sales volume as well as a drop in the average coking coal price by approximately 15% in the current quarter compared to the same quarter last year.

By virtue of the average price of metallurgical coke falling at a relatively smaller margin compared to that of the coking coal, couple with the overall higher contribution from the by-products, the Group has managed to record a gross profit of approximately RM9.5 million during the quarter under review compared to a gross loss of approximately RM14.5 million in the preceding year corresponding quarter.

Premised on the above, the Group appeared to have managed to stem its previous poor financial showings by recording a profit before tax of approximately RM3.3 million compared to a loss before tax of RM19.9 million recorded in the preceding year corresponding quarter.

### **B2. Variation of results against preceding quarter**

The Group's consolidated revenue of approximately RM334.2 million registered during the current quarter under review represents an increase of approximately 4% from RM321.4 million in the preceding quarter ended 31 December 2012. The increase in revenue was primarily attributed to an approximate 12% improvement in the average price of metallurgical coke during the current quarter under review compared to that of the immediate preceding quarter. However, the extent of the increase in the consolidated revenue resulting from the abovementioned positive hike in metallurgical coke prices was partly subdued by a lower sales volume of approximately 14% in the current quarter compared to that of the preceding quarter.

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In tandem with the lower sales volume, the cost of sales in the current quarter under review has also reduced by approximately 2% to RM324.7 million compared to the preceding quarter ended 31 December 2012 of RM330.5 million. Despite the overall lower cost of sales, the average coking coal price was higher by approximately 4% in the current quarter compared to those recorded in the preceding quarter ended 31 December 2012.

By benefitting from a slightly better margin and improved contribution from the by-products, the Group managed to report a profit for the period, albeit a modest one, amounting to approximately RM3.3 million compared to the previous quarter loss of approximately RM10.8 million.

## **B3. Current year prospects**

Although economic data in the early months of 2013 appear to suggest that the China economy was slated for an overall recovery for the year, we are cautiously aware of the continued existence of several macroeconomic headwinds which may pose as speed bumps on China's road to speedy economic recovery. Amongst others, the crisis in the Eurozone is still largely unresolved and the numerous of aggressive monetary easing policies undertaken independently by developed countries such as Japan, US and Europe in their attempt to spur their respective domestic economies, will put upward pressure on the China's currency thus hurting exports, a bane for China which is still a manufacturing-dependent and export-reliant economy.

Given the above, the new leadership in the China Government has its fingers on the pulse of the economy and is committed to ensuring the economy is kept humming. While attempting to restructure the economy to be driven more by domestic demand, it has been proactively executing impact-yielding initiatives and infrastructure/urbanization projects to spur its domestic economy. In March, the 12<sup>th</sup> National People's Congress of China have set the target economic growth to be at least 7.5% this year.

Notwithstanding the above, the Group is cautiously optimistic that the recovery of the industry, albeit modest, can be overall sustained in 2013. Barring any unforeseen circumstances and/or major turn of events, the Group is hopeful that such recovery, if materialised, will bring about positive impact to the financial performance of the Group this coming financial year.

## **B4. Variation on Forecast Profit / Profit Guarantee**

Profit Forecast : N/A  
Profit Guarantee : N/A

The Group did not issue any profit forecast nor profit guarantee during the current financial period to date.

## **B5. Taxation**

No taxation was provided during the quarter under review.

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## B6. Corporate proposals

There were no corporate proposals during the quarter under review.

## B7. Lease Payable

The Group's lease payable as at end of the reporting period are as follows:

	31 Mar 2013 RM'000	31 Mar 2012 RM'000
<b>Secured lease payable</b>		
- Short term	311	-
- Long term	181	-
<b>Total lease payable</b>	<u>492</u>	<u>-</u>

Lease payable is denominated in RMB.

## B8. Material litigation

As at the date of this report, the Group is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or the business of the Group.

## B9. Dividends

No dividend had been declared in respect of the current quarter under review.

## B10. Earnings per share

	Individual quarter ended		Cumulative period ended	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
<b>Basic loss per share</b>				
Profit/(loss) for the period attributable to equity holders (RM'000)	3,335	(19,913)	3,335	(19,913)
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic profit/(loss) per share (sen)	<u>(0.30)</u>	<u>(1.77)</u>	<u>(0.30)</u>	<u>(1.77)</u>

There are no diluted earnings per share as the Company does not have any share option in issue at the current quarter under review.

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## B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 31 Mar 2013 RM'000	Preceding year to date 31 Mar 2012 RM'000
<b>Retained profit of the Group and its subsidiaries</b>		
- Realised	211,281	270,894
- Unrealised	(22,431)	(25,288)
	<u>188,850</u>	<u>245,606</u>
Less: Consolidation adjustment	22,431	25,288
<b>Total retained earnings as per consolidated accounts</b>	<u>211,281</u>	<u>270,894</u>

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

## B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

Profit before tax is derived after charging/(crediting):

	Current quarter 31 March 2013 RM'000	Current year to date 31 March 2013 RM'000
Interest income	(33)	(33)
Other income	(61)	(61)
Reversal for impairment of trade receivables	-	-
Depreciation and amortisation	9,847	9,847
Interest expense	8	8
Impairment of assets	-	-

By Order of the Board  
Chua Siew Chuan  
Secretary

19 May 2013