

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Jun-13 RM'000	Preceding Period 30-Jun-12 RM'000	Unaudited Current Period 30-Jun-13 RM'000	Preceding Period 30-Jun-12 RM'000
Revenue	302,108	340,240	636,270	722,362
Cost of sales	(310,061)	(363,005)	(634,744)	(759,652)
Gross (loss)/profit	(7,953)	(22,765)	1,526	(37,290)
Other income	122	154	217	318
Operating expenses	(3,178)	(1,887)	(9,409)	(7,438)
Finance cost (Lease payable interest)	(8)	-	(16)	-
	(3,064)	(1,733)	(9,208)	(7,120)
Loss before tax	(11,017)	(24,498)	(7,682)	(44,410)
Taxation	-	-	-	-
Loss for the period	(11,017)	(24,498)	(7,682)	(44,410)
Other comprehensive income: Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	18,511	24,306	29,717	6,693
Total comprehensive profit/(loss) for the period	7,494	(192)	22,035	(37,717)
Loss attributable to equity holders of the Company	(11,017)	(24,498)	(7,682)	(44,410)
Total comprehensive profit/(loss) attributable to equity holder of the Company	7,494	(192)	22,035	(37,717)
Loss per share (sen)				
- basic (sen)	(0.98)	(2.18)	(0.68)	(3.96)
- fully diluted (sen)	n/a	n/a	n/a	n/a

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FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-13 RM'000	Audited as at 31-Dec-12 RM'000
Non Current Assets		
Land lease payment - long-term	28,281	27,146
Property, plant and equipment	366,804	362,557
Goodwill	107,670	107,518
	502,755	497,221
Current Assets		
Land lease payment - short-term	893	843
Inventories	81,483	71,770
Trade receivables	23,991	34,518
Other receivables, deposits and prepayments	33,067	42,649
Amount due from related parties	47,779	8,066
Tax recoverable	16,056	15,171
Bank balances and cash	28,236	16,468
	231,505	189,485
Total Assets	734,260	686,706
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	81,768	59,733
	642,922	620,887
Current Liabilities		
Trade payables	79,372	52,012
Other payables and accrued expenses	11,537	12,960
Amount due to related parties	0	289
Lease payable	322	294
	91,231	65,555
Non Current Liability		
Lease payable	107	264
Total Equity and Liabilities	734,260	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	Total RM'000
	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	
<u>6 months ended 30 June 2012</u>							
Balance as of January 1, 2012	561,154	553,891	49,358	(799,823)	66,231	290,807	721,618
Loss for the period	-	-	-	-	-	(44,410)	(44,410)
Other comprehensive income	-	-	-	-	6,693	-	6,693
Balance as of June 30, 2012	561,154	553,891	49,358	(799,823)	72,924	246,397	683,901
<u>6 months ended 30 June 2013</u>							
Balance as of January 1, 2013	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Loss for the period	-	-	-	-	-	(7,682)	(7,682)
Other comprehensive income	-	-	-	-	29,717	-	29,717
Balance as of June 30, 2013	561,154	553,891	49,358	(799,823)	78,078	200,264	642,922

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Jun-13 RM'000	Preceding year to date 30-Jun-12 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(7,682)	(44,410)
Adjustments for:		
Depreciation of property, plant and equipment	19,785	19,331
Amortisation of lease payments	430	425
Finance costs	16	-
Interest income	(78)	(89)
Operating profit/(loss) before working capital changes	12,471	(24,743)
(Increase) / Decrease in:		
Inventories	(9,713)	27,609
Trade receivables	10,527	(6,323)
Other receivables, deposits and prepayments	16,622	40,753
Amount due by/to related parties	(39,713)	(229)
Increase / (Decrease) in:		
Trade payables	27,360	(24,627)
Other payables and accrued expenses	(1,423)	1,003
Amount due to related company	(289)	124
Cash generated from operations	15,842	13,567
Tax paid	(885)	(4,758)
Net cash generated from operating activities	14,957	8,809
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,674)	(968)
Interest received	78	89
Net cash used in investing activities	(3,596)	(879)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease payables	(145)	-
Net cash used in financing activities	(145)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,216	7,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	16,467	23,015
Effect of changes in exchange rate	553	182
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	28,236	31,127

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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Notes on the quarterly report – 30 JUNE 2013

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 30 June 2013, the following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group:

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) Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

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.

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.

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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	
	30 June 2013		30 June 2013	
	Revenue	Profit/(loss) before tax	Revenue	Profit/(loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	302,108	(10,463)	636,270	(6,684)
Investment Holdings	-	(554)	-	(998)
	<u>302,108</u>	<u>(11,017)</u>	<u>636,270</u>	<u>(7,682)</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

The consolidated revenue of the Group for the current quarter under review has reduced by approximately 11% from RM340.2 million in the preceding year corresponding quarter to RM302.1 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 21% drop from RMB1,738 to RMB1,373 whilst the sales volume went down by slightly more than 1% compared to those of the preceding year corresponding quarter. However, the overall contribution from the by-products was higher by 44% due mainly to the higher prices of coal gas, crude benzene and tar oil which saw an improvement of approximately 145%, 14% and 4% respectively. The average prices of ammonia sulphate and middlings however, were down by approximately 38% and 2% respectively compared to the same quarter last year.

In tandem with the drop in sales revenue, the cost of sales was also lower at approximately RM310.1 million in the current quarter under review compared to RM363.0 million in the preceding year corresponding quarter, representing a reduction of approximately 15%. This was mainly due to a drop in the average coking coal price by approximately 19% to RMB1,049 in the current quarter from RMB1,303 in the same quarter last year.

By virtue of the fact that the consolidated revenue fell by a lower extent compared to the total cost of sales, coupled with the overall higher contribution seen from the by-products, the Group managed to record a smaller gross loss of approximately RM8.0 million during the quarter under review compared to approximately RM22.8 million in the preceding year corresponding quarter.

Correspondingly, the Group has turned in a relatively smaller loss before tax of approximately RM11.1 million this quarter under review compared to approximately RM24.5 million recorded in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM302.1 million registered during the current quarter under review represents a reduction of approximately 10% from RM334.2 million recorded in the preceding quarter ended 31 March 2013. The drop in revenue was primarily attributed to an approximate 18% drop in the average price of metallurgical coke during the current quarter under review compared to that of the immediate preceding quarter. In addition, the sales volume was also lower by approximately 6% in the current quarter compared to that of the preceding quarter.

In tandem with the lower sales volume and average coking coal price, the cost of sales in the current quarter under review was also lower by approximately 5% to RM310.1 million compared to the preceding quarter ended 31 March 2013 of RM324.7 million. The average coking coal price was lower by approximately 13% in the current quarter compared to those recorded in the preceding quarter ended 31 March 2013.

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Owing to the fact that the average price of metallurgical coke fell at a relatively higher margin compared to that of coking coal, the Group succumbed to registering a loss of approximately RM11.0 million in this quarter compared to the previous quarter profit of approximately RM3.3 million.

B3. Current year prospects

The euphoria felt as a result of a perceived recovery of the steel industry as well as that of metallurgical coke in the first quarter of 2013 appeared to be short-lived. The revival of the said industries was unfortunately weighed-down by an evident slowdown of the China economy, reflecting poor exports and sluggish business performance and increasing signs that credit-driven growth has run its course. The continued lackluster growth in the global economy stemming primarily from the prolonged hesitation in the recovery of the US economy and that Eurozone still mired in recession, further aggravated the situation. The country's second quarter GDP growth slowed to 7.5%, down from 7.7% in the first quarter of the year. The official target for 2013 has been downscaled and set at 7.5%, which would be the slowest rate since 1990.

Notwithstanding the above, the new leadership in China has flagged its commitment to shift its focus towards a more sustainable growth path moving forward, emphasizing quality growth not reliant on extravagant investment funded by low cost debt and supported rather by rising consumption. These economic reforms and structural shifts in socio-economic policies initiated to re-balance the Chinese domestic economy, is seen as a strategy deemed necessary by the new leadership to build a more sustainable and robust economy for the future. Admittedly, the abovementioned initiatives will have a period of gestation before being able to yield the desired results. Premised on that, the Group does not expect any huge upsurge in the industry but rather a more moderate growth path in the remaining months of 2013.

The Group adopts a long term business horizon and is continuously optimistic that the industry will indeed gravitate towards a sustained recovery, in a not too distant future. Barring any unforeseen circumstances and/or major turn of events, the Group is hopeful that such recovery will bring about positive impact to the financial performance of the Group in the coming financial years.

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.

B6. Corporate proposals

There were no corporate proposals during the quarter under review.

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B7. Lease Payable

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

	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Secured lease payable		
- Short term	322	-
- Long term	107	-
Total lease payable	<u>429</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	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
Basic loss per share				
Loss for the period attributable to equity holders (RM'000)	(11,017)	(24,498)	(7,682)	(44,410)
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic loss per share (sen)	<u>(0.98)</u>	<u>(2.18)</u>	<u>(0.68)</u>	<u>(3.96)</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 30 Jun 2013 RM'000	Preceding year to date 30 Jun 2012 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	200,264	246,397
- Unrealised	(18,116)	(16,278)
	<u>182,148</u>	<u>230,119</u>
Less: Consolidation adjustment	18,116	16,278
Total retained earnings as per consolidated accounts	<u>200,264</u>	<u>246,397</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 30 June 2013 RM'000	Current year to date 30 June 2013 RM'000
Interest income	(45)	(78)
Other income	(77)	(138)
Reversal for impairment of trade receivables	-	-
Depreciation and amortisation	9,938	19,785
Interest expense	8	16
Impairment of assets	-	-

By Order of the Board
Chua Siew Chuan
Secretary

26 August 2013