

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Third Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current Period 30-Sep-13 RM'000	Preceding Period 30-Sep-12 RM'000	Current Period 30-Sep-13 RM'000	Preceding Period 30-Sep-12 RM'000
Revenue	336,304	294,469	972,574	1,016,831
Cost of sales	(326,149)	(320,982)	(960,893)	(1,080,634)
Gross profit/(loss)	10,155	(26,513)	11,681	(63,803)
Other income	192	588	409	906
Operating expenses	(3,491)	(1,747)	(12,900)	(9,185)
Finance cost (Lease payable interest)	(9)	-	(25)	-
	(3,308)	(1,159)	(12,516)	(8,279)
Profit/(loss) before tax	6,847	(27,672)	(835)	(72,082)
Taxation	-	-	-	-
Profit/(loss) for the period	6,847	(27,672)	(835)	(72,082)
Other comprehensive income/(expense): Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	15,629	(28,961)	45,346	(22,268)
Total comprehensive income/(expense) for the period	22,476	(56,633)	44,511	(94,350)
Profit/(loss) attributable to equity holders of the Company	6,847	(27,672)	(835)	(72,082)
Total comprehensive income/(expense) attributable to equity holders of the Company	22,476	(56,633)	44,511	(94,350)
Profit/(loss) per share (sen)				
- basic (sen)	0.61	(2.47)	(0.07)	(6.42)
- fully diluted (sen)	n/a	n/a	n/a	n/a

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Sep-13 RM'000	Audited as at 31-Dec-12 RM'000
Non Current Assets		
Land lease payment - long-term	28,819	27,146
Property, plant and equipment	366,177	362,557
Goodwill	107,745	107,518
	<u>502,741</u>	<u>497,221</u>
Current Assets		
Land lease payment - short-term	917	843
Inventories	82,246	71,770
Trade receivables	41,362	34,518
Other receivables, deposits and prepayments	46,948	42,649
Amount due from related parties	31,752	8,066
Tax recoverable	14,516	15,171
Bank balances and cash	37,422	16,468
	<u>255,163</u>	<u>189,485</u>
Total Assets	<u>757,904</u>	<u>686,706</u>
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	104,244	59,733
	<u>665,398</u>	<u>620,887</u>
Current Liabilities		
Trade payables	68,932	52,012
Other payables and accrued expenses	23,215	12,960
Amount due to related parties	0	289
Lease payable	331	294
	<u>92,478</u>	<u>65,555</u>
Non Current Liability		
Lease payable	28	264
Total Equity and Liabilities	<u>757,904</u>	<u>686,706</u>
Net assets per share (RM)	0.59	0.55

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

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Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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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	
9 months ended 30 September 2012							
Balance as of January 1, 2012	561,154	553,891	49,358	(799,823)	66,231	290,807	721,618
Loss for the period	-	-	-	-	-	(72,082)	(72,082)
Other comprehensive expense							
Exchange difference arising from translation of foreign operations	-	-	-	-	(22,268)	-	(22,268)
Balance as of September 30, 2012	561,154	553,891	49,358	(799,823)	43,963	218,725	627,268
9 months ended 30 September 2013							
Balance as of January 1, 2013	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Loss for the period	-	-	-	-	-	(835)	(835)
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	45,346	-	45,346
Balance as of September 30, 2013	561,154	553,891	49,358	(799,823)	93,707	207,111	665,398

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012

SINO HUA-AN INTERNATIONAL BERHAD

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Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Current year to date 30-Sep-13 RM'000	Preceding year to date 30-Sep-12 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(835)	(72,082)
Adjustments for:		
Depreciation of property, plant and equipment	30,383	29,092
Amortisation of lease payments	659	639
Finance costs	25	-
Interest income	(117)	(127)
Operating profit/(loss) before working capital changes	30,115	(42,478)
(Increase) / Decrease in working capital:		
Inventories	(10,475)	33,769
Trade receivables	(6,844)	36,922
Other receivables, deposits and prepayments	7,294	14,807
Amount due by/to related parties	(24,278)	(14,967)
Trade payables	16,920	(24,968)
Other payables and accrued expenses	10,848	3,898
Amount due to related company	(289)	3,150
Cash generated from operations	23,291	10,133
Tax paid	655	(328)
Net cash generated from operating activities	23,946	9,805
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,788)	(1,644)
Interest received	117	127
Net cash used in investing activities	(3,671)	(1,517)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease payables	(224)	-
Net cash used in financing activities	(224)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,051	8,288
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	16,468	23,015
Effect of changes in exchange rate	903	(930)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	37,422	30,373

The above Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

A. EXPLANATORY NOTES PURSUANT TO MFRS 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 MFRSs, Issues Committee (“IC”) Interpretations, amendments to MFRSs 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

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

		<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 September 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	1 January 2015
Amendments to MFRS 10, 12 and 127	Investment entities	1 January 2014

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.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

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	
	30 September 2013		30 September 2013	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	336,304	7,258	972,574	575
Investment Holdings	-	(411)	-	(1,410)
	<u>336,304</u>	<u>6,847</u>	<u>972,574</u>	<u>(835)</u>

	Current quarter		Current year to date	
	30 September 2012		30 September 2012	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Manufacturing	294,469	(27,216)	1,016,831	(70,665)
Investment Holdings	-	(456)	-	(1,417)
	<u>294,469</u>	<u>(27,672)</u>	<u>1,016,831</u>	<u>(72,082)</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.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

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.

A13. Related party transactions

	Current quarter 30 Sep 2013 RM'000	Current year to date 30 Sep 2013 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	84,583	423,349
Shandong Jiangquan Industrial Co., Ltd Thermoelectricity	20,547	52,831
Shandong Jiangquan Industrial Co., Ltd. - Jiangxin Construction Use Ceramic Factory	3,809	10,462
Electricity expense paid/payable		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	12,493	36,671
Storage expense paid/payable		
Shandong Jiangquan Industrial Co., Ltd. Railroad	2,378	5,888

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

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 increased by approximately 14% to RM336.3 million compared to RM294.5 million in the preceding year corresponding quarter. The hike in revenue during the current quarter under review was principally attributed to higher sales volume of the metallurgical coke and strong positive contribution from the by-products. Despite the average selling price of metallurgical coke easing by approximately 8% to RMB1,309 during this current quarter from RMB1,428 in the preceding year corresponding quarter, its adverse impact was fortunately sufficiently negated by a 5% increase in sales volume and a 31% overall increase in the contribution from the by-products. The current quarter saw the price of coal gas leap by 146%, crude benzene by 5% and tar oil by 2% respectively as opposed to a 46% drop in the price of ammonium sulphate (which accounted for about 6% of the total contribution of the by-products).

Corresponding to the increase in revenue, the cost of sales in the current quarter under review was also higher at approximately RM326.1 million compared to RM321.0 million in the preceding year corresponding quarter, representing an increase of approximately 2%. The increase in cost of sales was primarily due to higher sales volume but it was negated to some extent by the drop in the average coking coal price, which saw a reduction by approximately 12% to RMB949 in the current quarter compared to RMB1,076 recorded in the same quarter last year.

By virtue of the fact that the consolidated revenue increased by a higher quantum compared to the total cost of sales, coupled with the overall higher contribution seen from the by-products, the Group managed to turn in a profitable quarter with a gross profit of RM10.2 million from a gross loss of RM26.5 million in the preceding year corresponding quarter.

Premised on the above, the Group recorded a profit before tax of approximately RM6.8 million in the current quarter under review compared to a loss before tax of approximately RM27.7 million recorded in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM336.3 million registered during the current quarter under review represents an increase of approximately 11% from RM302.1 million recorded in the preceding quarter ended 30 June 2013. The increase in revenue was primarily attributed to an approximate 7% increase in the sales volume despite a lower average price of metallurgical coke recorded during the current quarter under review compared to that of the immediate preceding quarter.

In tandem with the higher sales volume, the cost of sales in the current quarter under review was also higher by approximately 5% to RM326.1 million compared to the preceding quarter ended 30 June 2013 of RM310.1 million. The average coking coal price, however, was lower by approximately 10% in the current quarter compared to those recorded in the preceding quarter ended 30 June 2013.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

Owing to the fact that the average price of metallurgical coke fell at a relatively smaller margin compared to that of coking coal, the Group managed to register a profit of approximately RM6.8 million in this quarter compared to the previous quarter loss of approximately RM11.0 million.

B3. Current year prospects

The China's third quarter GDP growth has made a slight comeback and settled at 7.8% after a slowdown in the first and second quarter of the year with 7.7% and 7.5% respectively. Such gradual recovery of the Chinese economy can be seen as a testimony that the "mini fiscal stimulus" which include amongst others, accelerated railway expansion, heightened spending on the construction of affordable housing and public infrastructures as well as tax cuts instituted by the Government since early of the year, has begun to yield the desired results.

As the metallurgical coke industry moves in tandem with the direction of the steel industry, its prospect of which in turn is largely correlated with the general health of the economy, the recovery of the China economy stemming from heightened economic activities is seen as a boon to the Group.

The Group is therefore optimistic that the industry will indeed gravitate towards a sustained recovery in the near future. Barring any unforeseen circumstances and/or major turn of events, the Group is hopeful that the gradual recovery in the industry will bring about positive impact to the financial performance of the Group in the coming financial years.

B4. Variation on Forecast Profit / Profit Guarantee

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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(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 SEPTEMBER 2013

B7. Lease Payable

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

	30 Sep 2013 RM'000	30 Sep 2012 RM'000
Secured lease payable		
- Short term	331	-
- Long term	28	-
Total lease payable	<u>359</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 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
Basic profit/(loss) per share				
Profit/(loss) for the period attributable to equity holders (RM'000)	6,847	(27,672)	(835)	(72,082)
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>0.61</u>	<u>(2.47)</u>	<u>(0.07)</u>	<u>(6.42)</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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(Company No.: 732227-T)

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Notes to the quarterly report – 30 SEPTEMBER 2013

B11. Realised and Unrealised Profits/Losses Disclosure

	As at 30 Sep 2013 RM'000	As at 30 Sep 2012 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	207,111	218,725
- Unrealised	(13,655)	(26,809)
	<u>193,456</u>	<u>191,916</u>
Less: Consolidation adjustment	13,655	26,809
Total retained earnings as per consolidated accounts	<u><u>207,111</u></u>	<u><u>218,725</u></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. Profit/(Loss) before tax

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

	Current quarter		Current year to date	
	30 Sep 2013 RM'000	30 Sep 2012 RM'000	30 Sep 2013 RM'000	30 Sep 2012 RM'000
Interest income	(38)	(38)	(117)	(127)
Other income	(154)	(550)	(292)	(779)
Depreciation of property, plant and equipment	10,598	10,763	30,383	29,092
Amortisation of lease payments	229	236	659	639
Finance cost	9	-	25	-
	<u><u>9</u></u>	<u><u>-</u></u>	<u><u>25</u></u>	<u><u>-</u></u>

By Order of the Board
Chua Siew Chuan
Secretary

27 November 2013