

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FIRST QUARTER ENDED 31 MARCH 2014

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	First Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current Period	Preceding Period	Current Period	Preceding Period
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	RM'000	RM'000	RM'000	RM'000
Revenue	320,513	334,162	320,513	334,162
Cost of sales	(314,976)	(324,683)	(314,976)	(324,683)
Gross profit	5,537	9,479	5,537	9,479
Other income	180	94	180	94
Operating expenses	(5,109)	(6,230)	(5,109)	(6,230)
Finance cost (Lease payable interest)	(9)	(8)	(9)	(8)
	(4,938)	(6,144)	(4,938)	(6,144)
Profit before tax	599	3,335	599	3,335
Taxation	-	-	-	-
Profit for the period	599	3,335	599	3,335
Other comprehensive (expense)/income: Items that will be reclassified subsequently to profit or loss: Exchange difference arising from translation of foreign operations	(10,435)	11,206	(10,435)	11,206
Total comprehensive (expense)/income for the period	(9,836)	14,541	(9,836)	14,541
Profit attributable to equity holders of the Company	599	3,335	599	3,335
Total comprehensive (expense)/income attributable to equity holders of the Company	(9,836)	14,541	(9,836)	14,541
Profit per share (sen)				
- basic (sen)	0.05	0.30	0.05	0.30
- 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 2013.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-14 RM'000	Audited as at 31-Dec-13 RM'000
Non Current Assets		
Land lease payment - long-term	28,586	29,333
Property, plant and equipment	349,587	364,937
Goodwill	107,767	107,819
	485,940	502,089
Current Assets		
Land lease payment - short-term	924	941
Inventories	45,589	104,917
Trade receivables	47,923	62,155
Other receivables, deposits and prepayments	58,126	16,849
Amount due from related parties	61,497	34,951
Tax recoverable	13,952	15,137
Bank balances and cash	35,106	32,198
	263,117	267,148
Total Assets	749,057	769,237
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	125,514	135,350
	686,668	696,504
Current Liabilities		
Trade payables	52,749	53,749
Other payables and accrued expenses	9,402	18,701
Amount due to related parties	43	-
Lease payable	195	283
	62,389	72,733
Total Equity and Liabilities	749,057	769,237
Net assets per share (RM)	0.61	0.62

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 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 funds reserve RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
<u>3 months ended 31 March 2013</u>							
Balance as of January 1, 2013	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Profit for the period	-	-	-	-	-	3,335	3,335
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	11,206	-	11,206
Balance as of March 31, 2013	561,154	553,891	49,358	(799,823)	59,567	211,281	635,428
<u>3 months ended 31 March 2014</u>							
Balance as of January 1, 2014	561,154	553,891	49,358	(799,823)	108,634	223,290	696,504
Profit for the period	-	-	-	-	-	599	599
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	(10,435)	-	(10,435)
Balance as of March 31, 2014	561,154	553,891	49,358	(799,823)	98,199	223,889	686,668

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 2013.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Current period to date 31-Mar-14 RM'000	Preceding period to date 31-Mar-13 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	599	3,335
Adjustments for:		
Depreciation of property, plant and equipment	10,658	9,847
Amortisation of lease payments	235	214
Finance costs	9	8
Interest income	(45)	(33)
Operating profit before working capital changes	11,456	13,371
(Increase) / Decrease in:		
Inventories	59,328	605
Trade receivables	14,232	33,954
Other receivables, deposits and prepayments	(44,587)	18,265
Amount due by/to related parties	(26,548)	(57,820)
Increase / (Decrease) in:		
Trade payables	(1,000)	(5,125)
Other payables and accrued expenses	(8,114)	14,664
Amount due to related company	43	(289)
Cash generated from operations	4,810	17,625
Tax paid	-	-
Net cash generated from operating activities	4,810	17,625
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,543)	(1,386)
Interest received	45	33
Net cash used in investing activities	(1,498)	(1,353)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease payables	(97)	(74)
Net cash used in financing activities	(97)	(74)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,215	16,198
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	32,198	16,467
Effect of changes in exchange rate	(307)	210
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	35,106	32,875

The above Condensed Consolidated Statement of Cash Flow should be read in conjunction with the the Audited Financial Statements for the financial year ended 31 December 2013.

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Notes to the quarterly report – 31 MARCH 2014

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 2013. 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 2013.

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 2013, 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 2014.

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 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of assets	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 10, 12 and 127	Investment entities	1 January 2014

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As at 31 March 2014, 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>
MFRS 9	Financial Instruments	1 January 2015
A2. Audit report		
	The auditors' report on the audited financial statements for the year ended 31 December 2013 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.	
A7. Dividends paid		
	There was no dividend paid during the quarter under review.	

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A8. Segmental information

Segment results by business activities

	Current quarter 31 March 2014		Current year to date 31 March 2014	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	320,513	1,012	320,513	1,012
Investment Holdings	-	(413)	-	(413)
	<u>320,513</u>	<u>599</u>	<u>320,513</u>	<u>599</u>

	Current quarter 31 March 2013		Current year to date 31 March 2013	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax 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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A13. Related party transactions

	Current quarter 31 Mar 2014 RM'000	Current year to date 31 Mar 2014 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	95,389	95,389
Shandong Jiangquan Industrial Co., Ltd		
Thermoelectricity	22,088	22,088
Shandong Jiangquan Industrial Co., Ltd.		
- Jiangxin Construction Use Ceramic Factory	2,471	2,471
Electricity expense paid/payable		
Shandong Huasheng Jiangquan		
Thermoelectricity	12,334	12,334
Co., Ltd.		
Storage expense paid/payable		
Shandong Jiangquan Industrial Co., Ltd.		
Railroad	550	550
	<u>550</u>	<u>550</u>

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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 was lower by approximately 4% to RM320.5 million compared to RM334.2 million in the preceding year corresponding quarter. Such reduction in revenue during the current quarter under review was due to lower average selling price of the metallurgical coke notwithstanding a relatively higher sale volume. The average selling price of metallurgical coke has gone down by approximately 26% to RMB1,234 during this current quarter from RMB1,668 in the preceding year corresponding quarter. In contrast, the sales volume was higher by approximately 14% in the first quarter of 2014 compared to previous year corresponding quarter, but this in itself was insufficient to negate the effects of the abovementioned decline in the selling price. Insofar as the contribution from the by-products is concerned, the Group saw a reduction of approximately 3% during the current quarter compared to that of the preceding quarter. This was primarily attributed to the fall in the prices of crude benzene, ammonium sulphate and tar oil of 11%, 46% and 1% respectively and a fairly constant price of coal gas.

In tandem with the decline in revenue as described above, the Group saw a reduction in its cost of sales in the current quarter under review. This was largely due to the fall in the average coking coal price, a reduction of approximately 26% to RMB893 in the current quarter compared to RMB1,209 recorded in the same quarter last year. Such reduction in cost of sales was partly negated by higher sales volume during the quarter under review. The cost of sales in the first quarter of 2014 was approximately RM315.0 million compared to RM324.7 million in the preceding year corresponding quarter, representing a reduction of approximately 3%.

As a result of the abovementioned less than favourable price movements, the Group recorded a lower gross profit of RM5.5 million during the quarter under review compared to RM9.5 million in the preceding year corresponding quarter. After accounting for other income, operational expenses and finance costs, the Group turned in a modest profit before tax of RM0.6 million in the current quarter under review compared to approximately RM3.3 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM320.5 million registered during the current quarter under review represents a reduction of approximately 1% from RM324.8 million recorded in the immediate preceding quarter ended 31 December 2013. This reduction in revenue was primarily attributed to an approximate 12% drop in the average price of metallurgical coke during the current quarter under review compared to that of the immediate preceding quarter. The sales volume was however, higher by approximately 2% during the current quarter under review compared to that of the immediate preceding quarter together with a slight increase in the contribution from the by-products which saw an overall increase of approximately 4% during the current quarter under review compared to that of the immediate preceding quarter.

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The cost of sales in the current quarter under review was higher by approximately 3% to RM315.0 million compared to the immediate preceding quarter ended 31 December 2013 of RM305.5 million. This was mainly due to the increase in sales volume of approximately 2% even though the average coking coal price was lower by approximately 11% in the current quarter compared to those recorded in the preceding quarter ended 31 December 2013.

Owing to the fact that the average price of metallurgical coke reduced at a slightly higher margin compared to that of coking coal, the Group managed to turn in a meagre profit of approximately RM0.6 million in this quarter compared to RM16.2 million recorded in the previous quarter ended 31 December 2013.

B3. Current year prospects

China's economy grew 7.4% in the first quarter of 2014, its slowest pace in 18 months. Based on a slew of economic data emerging from China recently, it appears that the momentum of growth for the China economy has been subdued and is expected to putter around this modest level, at least in the immediate future. Notwithstanding the seemingly "anemic" growth (in comparison to the growth rate China had charted for the past decades) the incumbent leadership has indicated it is in no rush to jolt the economy back to its previous spirited life. Authorities have ruled out major stimulus to fight short-term dips in growth, thus the slowdown was an expected consequence of their reform drive.

However, it is not all doom and gloom ahead. To sustain the economy and to ensure a tolerable and steady growth near its target of 7.5% during these reform period, the China government has announced some modest measures such as tax cuts for small firms, speeding up investments in railways and reducing the reserve requirement ratio for banks, a move that will free up more funds into the economy. The moderation in growth had been expected and is even considered healthy for the long-term sustainability of the economy, so it is not a critical concern of the government at this juncture. In any case, China still has massive amount of liquidity in its system and considerably huge foreign reserves at its disposal which can be deployed as and when needed.

Premised on the above, the Group is confident that the China economy will not be experiencing any hard-landing and the present pain experienced in the industry is envisaged to be temporary to enable the necessary structural and economic reform to take place. As such, during this period, the Group is still optimistic that demand for the metallurgical coke and the by-products will remain unabated although pricing might be slightly muted. Barring any unforeseen circumstances and/or major turn of events, the Group is cautiously optimistic that gradual recovery in the economy 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.

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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 2014 RM'000	31 Mar 2013 RM'000
Secured lease payable		
- Short term	195	311
- Long term	-	181
Total lease payable	<u>195</u>	<u>492</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 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Basic profit per share				
Profit for the period attributable to equity holders (RM'000)	599	3,335	599	3,335
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic profit per share (sen)	<u>0.05</u>	<u>0.30</u>	<u>0.05</u>	<u>0.30</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

	As at 31 Mar 2014 RM'000	As at 31 Mar 2013 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	223,889	211,281
- Unrealised	(11,359)	(22,431)
	<u>212,530</u>	<u>188,850</u>
Less: Consolidation adjustment	11,359	22,431
Total retained earnings as per consolidated accounts	<u><u>223,889</u></u>	<u><u>211,281</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	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Interest income	(45)	(33)	(45)	(33)
Other income	(135)	(61)	(135)	(61)
Depreciation of property, plant and equipment	10,658	9,847	10,658	9,847
Amortisation of lease payments	235	214	235	214
Finance cost	<u>9</u>	<u>8</u>	<u>9</u>	<u>8</u>

By Order of the Board
Chua Siew Chuan
Secretary

23 May 2014