

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

- THE FIGURES HAVE NOT BEEN AUDITED

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

	Second quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 30-Jun-15 RM'000	Preceding Period 30-Jun-14 RM'000	Current Period 30-Jun-15 RM'000	Preceding Period 30-Jun-14 RM'000
Revenue	3,570	261,380	158,318	581,893
Cost of sales	(3,736)	(255,874)	(165,406)	(570,850)
Gross (loss)/profit	(166)	5,506	(7,088)	11,043
Other income	228	149	1,868	329
Operating expenses	(20,672)	(3,027)	(26,599)	(8,136)
Finance cost (Lease payable interest)	-	(8)	-	(17)
	(20,444)	(2,886)	(24,731)	(7,824)
(Loss)/Profit before tax	(20,610)	2,620	(31,819)	3,219
Taxation	-	-	-	-
(Loss)/Profit for the period	(20,610)	2,620	(31,819)	3,219
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	12,740	(8,220)	52,839	(18,655)
Total comprehensive (expense)/income for the period	(7,870)	(5,600)	21,020	(15,436)
(Loss)/Profit attributable to equity holders of the Company	(20,610)	2,620	(31,819)	3,219
Total comprehensive (expenses)/income attributable to equity holders of the Company	(7,870)	(5,600)	21,020	(15,436)
(Loss)/Earnings per share (sen)				
- basic (sen)	(1.84)	0.23	(2.84)	0.29
- 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 2014.

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-15 RM'000	Audited as at 31-Dec-14 RM'000
<b>Non Current Assets</b>		
Land lease payment - long-term	32,061	30,019
Property, plant and equipment	382,903	355,593
Goodwill	108,250	107,985
	523,214	493,597
<b>Current Assets</b>		
Land lease payment - short-term	1,080	994
Inventories	57,867	72,530
Trade receivables	45,622	36,427
Other receivables, deposits and prepayments	5,802	13,380
Amount due from related parties	97,588	127,316
Tax recoverable	24,949	17,638
Bank balances and cash	50,639	26,313
	283,547	294,598
<b>Total Assets</b>	806,761	788,195
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	192,283	171,263
	753,437	732,417
<b>Current Liabilities</b>		
Trade payables	39,605	35,288
Other payables and accrued expenses	10,432	20,490
Amount due to related parties	3,287	-
	53,324	55,778
<b>Total Equity and Liabilities</b>	806,761	788,195
Net assets per share (RM)	0.67	0.65

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 2014.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

- THE FIGURES HAVE NOT BEEN AUDITED

### 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	
<b>6 months ended 30 June 2014</b>							
<b>Balance as of January 1, 2014</b>	561,154	553,891	49,358	(799,823)	108,634	223,290	696,504
Profit for the period	-	-	-	-	-	3,219	3,219
Other comprehensive expense							
Exchange difference arising from translation of foreign operations	-	-	-	-	(18,655)	-	(18,655)
<b>Balance as of June 30, 2014</b>	561,154	553,891	49,358	(799,823)	89,979	226,509	681,068
<b>6 months ended 30 June 2015</b>							
<b>Balance as of January 1, 2015</b>	561,154	553,891	49,358	(799,823)	142,549	225,288	732,417
Loss for the period	-	-	-	-	-	(31,819)	(31,819)
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	52,839	-	52,839
<b>Balance as of June 30, 2015</b>	561,154	553,891	49,358	(799,823)	195,388	193,469	753,437

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 2014.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015 - THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit for the period	(31,819)	3,219
Adjustments for:		
Depreciation of property, plant and equipment	22,631	20,951
Amortisation of lease payments	523	464
Finance costs	-	17
Interest income	(93)	(99)
Asset written off	815	21
Operating (loss)/profit before working capital changes	(7,943)	24,573
(Increase) / Decrease in:		
Inventories	14,663	48,734
Trade receivables	(9,195)	20,171
Other receivables, deposits and prepayments	24,990	(14,558)
Amount due by related parties	29,728	(62,419)
Increase / (Decrease) in:		
Trade payables	4,317	3,574
Other payables and accrued expenses	(17,369)	(8,937)
Amount due to related company	3,287	5,118
Cash generated from operations	42,478	16,256
Interest paid	-	-
Tax paid	-	-
Net cash generated from operating activities	42,478	16,256
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(20,275)	(8,837)
Interest received	93	99
Net cash used in investing activities	(20,182)	(8,738)
<b>CASH FLOWS USED IN FINANCING ACTIVITY</b>		
Repayment of lease payables	-	(191)
Net cash used in financing activity	-	(191)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,296	7,327
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	26,313	32,198
Effect of changes in exchange rates	2,030	(751)
CASH AND CASH EQUIVALENTS		
AT END OF THE FINANCIAL PERIOD	50,639	38,774

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 2014.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

## 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 Group for the year ended 31 December 2014. 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 Group since the financial year ended 31 December 2014.

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 2014, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Issues Committee (“IC”) Interpretations and amendments to MFRS for financial periods beginning on or after 1 January 2015:-

Amendments to MFRS119 Defined Benefit Plans: Employee Contributions  
Annual Improvements to MFRSs 2010 - 2012 Cycle  
Annual Improvements to MFRSs 2011 - 2013 Cycle

The adoption of the above pronouncements does not have any material impact on the financial statements of the Group.

As at the date of authorisation of the interim financial report, the following new MFRSs, revised MFRSs, IC Interpretations, amendments to MFRSs and IC Interpretations were issued but not yet effective and have not been adopted by the Group:-

		<u>Effective dates for financial periods beginning on or after</u>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

---

		<u>Effective dates for financial periods beginning on or after</u>
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS101	Disclosure initiative	1 January 2016
Amendment to MFRS 116 and MFRS 138	Clarification on Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition other than the adoption of MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers*. The Group is currently assessing the impact of these standards and plans to adopt these standards on the respective effective dates.

## **A2. Audit report**

The auditors' report on the audited financial statements for the year ended 31 December 2014 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 JUNE 2015

## 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

	Second quarter ended		Financial period ended	
	30 June 2015		30 June 2015	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Manufacturing	3,570	(20,023)	158,318	(30,816)
Investment Holdings	-	(587)	-	(1,003)
	<u>3,570</u>	<u>(20,610)</u>	<u>158,318</u>	<u>(31,819)</u>

	Second quarter ended		Financial period ended	
	30 June 2014		30 June 2014	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	261,380	3,257	581,893	4,269
Investment Holdings	-	(637)	-	(1,050)
	<u>261,380</u>	<u>2,620</u>	<u>581,893</u>	<u>3,219</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 JUNE 2015

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## 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

	Second quarter ended 30 Jun 2015 RM'000	Financial period ended 30 Jun 2015 RM'000
<b>Sales of goods to related parties</b>		
Linyi Jiangxin Steel Co., Ltd.	-	(111,164)
Shandong Jiangquan Industrial Co., Ltd Thermoelectricity	-	(15,236)
Shandong Jiangquan Industrial Co., Ltd. - Jiangxin Construction Use Ceramic Factory	-	(125)
<b>Electricity expense paid/payable</b>		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	910	10,233
<b>Storage expense paid/payable</b>		
Shandong Jiangquan Industrial Co., Ltd. Railroad	-	848
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# **SINO HUA-AN INTERNATIONAL BERHAD**

*(Company No.: 732227-T)*

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

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

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

For the current quarter under review, the Group recorded a mere consolidated revenue of RM3.6 million compared to RM261.4 million registered in the preceding year corresponding quarter. Such a huge decline in consolidated revenue was primarily attributed to the temporary suspension of the Group's major subsidiary's production plant at the sweeping behest of the Ministry of Environmental Protection of the People's Republic of China ("MoEP") in its effort to compel all industries perceived to be polluting to meet the newly revised environmental protection standards. Premised on that, the operations of our subsidiary's plant had to be temporarily halted during the current quarter under review to enable the relevant rectification work on the plant to be carried out.

As a result of the said suspension of operations, the corresponding cost of sales also declined in tandem during the current quarter under review to approximately RM3.7 million compared to approximately RM255.9 million recorded in the same quarter last year.

With the halting of production, by-products could not be generated to contribute and supplement to the overall revenue of the Group. Accordingly, the Group recorded a gross loss of RM166,000 for the second quarter of the year compared to a gross profit of RM5.5 million in the preceding year corresponding quarter. Relevant fixed manufacturing costs including workers' salaries, depreciation, repair and maintenance, electricity, etc that still needed to be incurred were reclassified as operating expenses in the current quarter under review.

After taking into consideration of other income generated by the Group and the operating expenses and finance costs incurred, the Group reported a net loss before tax of RM20.6 million in the current quarter under review compared to a net profit before tax of approximately RM2.6 million in the preceding year corresponding quarter.

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

The Group's consolidated revenue of approximately RM3.6 million registered during the current quarter under review represents a significant reduction from RM154.7 million recorded in the immediate preceding quarter ended 31 March 2015. This was primarily due to the temporary suspension of the production during the current quarter under review.

As a consequence of the above, the cost of sales registered in the current quarter under review also declined in tandem to approximately RM3.7 million compared to that in the immediate preceding quarter ended 31 March 2015 of RM161.7 million.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

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For the current quarter under review, the Group recorded a gross loss of approximately RM166,000 compared to a gross loss of approximately RM6.9 million in the immediate preceding quarter. As the impact of the unfavourable pricing movement dynamics of the coke and coal was not realised given the suspension of the Group's operations, the Group managed to record a lower gross loss for the current quarter under review. After taking into consideration the reclassification of manufacturing costs to operating expenses as the result of the suspension, the Group recorded a net loss for the period of RM20.6 million compared to approximately RM11.2 million in the previous quarter ended 31 March 2015.

## **B3. Current year prospects**

The Group's subsidiary, namely Linyi Yehua Coking Co., Ltd. ("Yehua") has successfully completed all the relevant and necessary rectification work on its metallurgical coke manufacturing plant to comply with the newly revised environmental protection standards as required by the MoEP. Accordingly Yehua is deemed to be in full compliance and has cleared the regulatory requirements to enable it to resume production. Notwithstanding the above, the recommencement of Yehua's coke production will still need to be deferred for a period of time given the fact that some degree of damage was found to be sustained by the coke ovens resulting from the abrupt and drastic drop in the internal temperature during the shutdown period.

Relevant efforts and resources have been put in place to repair and restore the coke ovens to enable production to recommence as soon as possible. However, it should be noted that due to the unprecedented nature of the said shutdown and damage to the ovens, the management of Yehua will stagger the relevant repair and restoration work on the damaged ovens in phases in order to ensure the repairs effected are indeed viable and effective. As a result, based on the management's preliminary estimates and prevailing information on hand, Yehua's production should be able to resume by the end of the year. As of the date of this report, the quantification of the potential write off on the PPE is still being assessed.

Premised on the above unfortunate event, the Group's current year financial performance is expected to be sedentary.

## **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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

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## B5. Taxation

No taxation was provided during the quarter under review.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	Second quarter ended		Financial period ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	<u>(20,610)</u>	<u>2,620</u>	<u>(31,819)</u>	<u>3,219</u>
Taxation at statutory tax rate of 25%	(5,153)	655	(7,955)	805
Expenses not deductible for tax purposes	148	161	254	265
Income not subject to tax	(1)	(2)	(3)	(3)
Changes in unrecognized deferred tax asset	<u>5,006</u>	<u>(814)</u>	<u>7,704</u>	<u>(1,067)</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## B6. Corporate proposals

There were no corporate proposals during the quarter under review.

## B7. Lease Payable

The Group has no lease payable as at end of the reporting period.

## 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 dividends had been declared in respect of the current quarter under review.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

## B10. (Loss)/Earnings per share

	Second quarter ended		Financial period ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
<b>Basic (loss)/earnings per share</b>				
(Loss)/Earnings for the period attributable to equity holders (RM'000)	(20,610)	2,620	(31,819)	3,219
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic (loss)/earnings per share (sen)	<u>(1.84)</u>	<u>0.23</u>	<u>(2.84)</u>	<u>0.29</u>

There are no diluted earnings/(loss) per share as the Company does not have any dilutive potential ordinary shares as at the end of the reporting period.

## B11. Realised and Unrealised Profits/Losses Disclosure

	As at 30 Jun 2015 RM'000	As at 30 Jun 2014 RM'000
<b>Retained profit of the Group and its Subsidiaries</b>		
- Realised	193,469	226,509
- Unrealised	<u>23,340</u>	<u>(14,477)</u>
	216,809	212,032
Less: Consolidation adjustment	<u>(23,340)</u>	<u>14,477</u>
<b>Total retained earnings as per consolidated accounts</b>	<u>193,469</u>	<u>226,509</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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 30 JUNE 2015

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## B12. Profit/(Loss) before tax

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

	Second quarter ended		Financial period ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(55)	(54)	(93)	(99)
Other income	(173)	(95)	(1,775)	(230)
Depreciation of property, plant and equipment	12,135	10,293	22,631	20,951
Amortisation of lease payments	266	229	523	464
Fixed assets written off	555	21	815	21
Finance cost	-	8	-	17

By Order of the Board  
Chua Siew Chuan  
Secretary

5 August 2015