SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FOURTH QUARTER AND TWELVE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Fourth quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 31-Dec-14 RM'000	Preceding Period 31-Dec-13 RM'000	Current Period 31-Dec-14 RM'000	Preceding Period 31-Dec-13 RM'000
Revenue	270,190	324,764	1,101,252	1,297,338
Cost of sales	(266,286)	(305,507)	(1,082,870)	(1,266,401)
Gross profit	3,904	19,257	18,382	30,937
Other income	104	185	595	596
Operating expenses	(4,251)	(3,254)	(16,950)	(16,156)
Finance cost (Lease payable interest)	(3)	(9)	(29)	(33)
	(4,150)	(3,078)	(16,384)	(15,593)
(Loss)/Profit before tax	(246)	16,179	1,998	15,344
Taxation	-	-	-	-
(Loss)/Profit for the period	(246)	16,179	1,998	15,344
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	40,933	14,927	33,915	60,273
Total comprehensive income for the period	40,687	31,106	35,913	75,617
(Loss)/Profit attributable to equity holders of the Company	(246)	16,179	1,998	15,344
Total comprehensive income attributable to equity holders of the Company	40,687	31,106	35,913	75,617
(Loss)/Profit per share (sen)				
- basic (sen)	(0.02)	1.44	0.18	1.37
- 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FOURTH QUARTER AND TWELVE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Dec-14	Audited as at 31-Dec-13
	RM'000	RM'000
Non Current Assets		
Land lease payment - long-term	30,019	29,333
Property, plant and equipment	355,593	364,937
Goodwill	107,985	107,819
	493,597	502,089
Current Assets		
Land lease payment - short-term	994	941
Inventories	72,530	104,917
Trade receivables	36,427	62,155
Other receivables, deposits and prepayments	13,380	16,849
Amount due from related parties	127,316	34,951
Tax recoverable	17,638	15,137
Bank balances and cash	26,313	32,198
	294,598	267,148
Total Assets	788,195	769,237
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	171,263	135,350
	732,417	696,504
Current Liabilities		
Trade payables	35,288	53,749
Other payables and accrued expenses	20,490	18,701
Lease payable	-	283
	55,778	72,733
Total Equity and Liabilities	788,195	769,237
Net assets per share (RM)	0.65	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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QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER AND TWELVE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

- THE FIGURES HAVE NOT BEEN AUDITED

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**
12 months ended 31 December 2013							
Balance as of January 1, 2013	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Profit for the period	-	-	-	-	-	15,344	15,344
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	60,273	-	60,273
Balance as of December 31, 2013	561,154	553,891	49,358	(799,823)	108,634	223,290	696,504
12 months ended 31 December 2014							
Balance as of January 1, 2014	561,154	553,891	49,358	(799,823)	108,634	223,290	696,504
Profit for the period	-	-	-	-	-	1,998	1,998
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	33,915	-	33,915
Balance as of December 31, 2014	561,154	553,891	49,358	(799,823)	142,549	225,288	732,417

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 FOURTH QUARTER AND TWELVE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Current year to date 31-Dec-14 RM'000	Preceding year to date 31-Dec-13 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,998	15,344
Adjustments for:		
Depreciation of property, plant and equipment	40,729	40,940
Amortisation of lease payments	929	888
Interest income	(196)	(167)
Interest expense	29	33
Asset written off	1,347	482
Operating profit before working capital changes	44,836	57,520
(Increase) / Decrease in:		
Inventories	32,387	(33,147)
Trade receivables	25,728	(27,637)
Other receivables, deposits and prepayments	3,470	25,799
Amount due by/to related parties	(92,365)	(27,174)
Increase / (Decrease) in:		
Trade payables	(18,461)	1,737
Other payables and accrued expenses	1,789	5,741
Cash generated from operations	(2,616)	2,839
Interest paid	-	-
Tax paid	-	-
Net cash generated from operating activities	(2,616)	2,839
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(13,814)	(4,453)
Interest received	196	167
Net cash used in investing activities	(13,618)	(4,286)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease payables	(312)	(308)
Net cash used in financing activities	(312)	(308)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,546)	(1,755)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	32,198	16,468
Effect of changes in exchange rate	10,661	17,485
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	26,313	32,198

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 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 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 for financial periods beginning on or after 1 January 2014:-

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

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:-

		Effective dates for financial periods beginning on or after
Amendments to MFRS119	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle		1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10 and MFRS128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

		Effective dates for financial periods beginning on or after
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	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 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.

A8. Segmental information

Segment results by business activities

	Fourth quarter ended 31 December 2014		Financial period ended 31 December 2014	
	External Revenue RM'000	**Profit/(loss) before tax RM'000**	**External Revenue RM'000**	**Profit/(loss) before tax RM'000**
Manufacturing	270,190	299	1,101,252	3,978
Investment Holdings	-	(545)	-	(1,980)
	270,190	(246)	1,101,252	1,998

	Fourth quarter ended 31 December 2013		Financial period ended 31 December 2013	
	External Revenue RM'000	**Profit/(loss) before tax RM'000**	**External Revenue RM'000**	**Profit/(loss) before tax RM'000**
Manufacturing	324,764	16,747	1,297,338	17,322
Investment Holdings	-	(568)	-	(1,978)
	324,764	16,179	1,297,338	15,344

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

On 31 January 2015, an unfortunate mishap had occurred at one of the Group's by-product (crude benzene) plant located at Linyi City, Shangdong Province, The People's Republic of China. The said mishap had damaged equipment with a net book value of approximately RMB487,000 (RM286,000) to which appropriate repairs and replacement have been done and completed subsequently. At the present juncture, the overall operation has been restored to its entirety and the Group is in deliberation with its insurance companies to ascertain the appropriate compensation.

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.

A13. Related party transactions

	Fourth quarter ended 31 Dec 2014 RM'000	Financial period ended 31 Dec 2014 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	(100,027)	(375,635)
Shandong Jiangquan Industrial Co., Ltd Thermoelectricity	(16,602)	(70,978)
Shandong Jiangquan Industrial Co., Ltd. - Jiangxin Construction Use Ceramic Factory	(3,349)	(12,661)
Electricity expense paid/payable		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	9,276	39,401
Storage expense paid/payable		
Shandong Jiangquan Industrial Co., Ltd. Railroad	1,583	3,696

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 amounted to RM270.2 million, representing a decrease of approximately 17% from the amount registered in the preceding year corresponding quarter of RM324.8 million. The decline in the said revenue was due to the lower average selling price of metallurgical coke on the back of almost similar sales volume between the two quarters concerned. The average selling price of metallurgical coke has declined by approximately 23% to RMB1,076 during this current quarter from RMB1,406 in the preceding year corresponding quarter. In addition to the fall in the price of metallurgical coke as mentioned above, the prices of the Group's by-products have also eased off considerably in view of the plummeting global oil prices. The average prices of the Group's crude benzene, tar oil and coal gas have declined by approximately 28%, 21% and 10% respectively while the price of ammonium sulphate remained fairly constant in the current quarter under review compared to preceding corresponding quarter. These circumstances have resulted in the overall contribution of the by-products to the Group's revenue to decline by approximately 21% in the current quarter.

In tandem with the general fall in prices of commodities, the average price of coking coal also saw a decrease and this led to a reduction in the Group's cost of sales in the current quarter under review. The average coking coal price saw a reduction of approximately 22% to RMB782 in the current quarter compared to RMB1,007 recorded in the same quarter last year. Accordingly, a lower cost of sales of approximately RM266.3 million was recorded in the fourth quarter 2014 compared to RM305.5 million in the preceding year corresponding quarter, representing a reduction of approximately 12%.

As a result of the pricing movement dynamics of the metallurgical coke and coking coal as mentioned above, coupled with lower contribution from the by-products, the Group recorded lower gross profit of approximately RM3.9 million during the quarter under review compared to approximately RM19.3 million in the preceding year corresponding quarter. After taking into consideration other income generated by the Group and the operating expenses and finance costs incurred, the Group turned in a small net loss before tax of RM246,000 in the current quarter under review compared to a net profit before tax of approximately RM16.2 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM270.2 million registered during the current quarter under review represents an increase of approximately 9% from RM249.2 million recorded in the immediate preceding quarter ended 30 September 2014. The increase in revenue was primarily attributed to an approximate 5% increase in sales volume and an approximately 2% increase in the average price of metallurgical coke during the current quarter under review compared to those of the immediate preceding quarter. However, the increase was dampened by an approximately 13% reduction in the contribution from the by-products during the current quarter as compared to that of the immediate preceding quarter.

The cost of sales in the current quarter under review was also higher by approximately 9% to RM266.3 million compared to the immediate preceding quarter ended 30 September 2014 of RM245.7 million. This was mainly due to the higher sales volume during the current quarter under review compared to those recorded in the immediate preceding quarter despite lower average coking coal price of approximately 1%.

Premised on the above, the Group recorded a relatively higher gross profit of approximately RM3.9 million in the current quarter under review compared to approximately RM3.4 million in the immediate preceding quarter. In the current fourth quarter under review, the Group recorded a net loss for the period of RM246,000 compared to approximately RM975,000 in the previous quarter ended 30 September 2014.

B3. Current year prospects

Based on a slew of recent economic data and research reports, it is widely envisaged that strong headwinds are still present on the horizon in the year ahead. While China is being assailed on multiple fronts with its domestic socio-economic predicaments such as the housing market adjustment, decelerating credit growth and advancement of difficult structural reforms in areas such as local government debt management and interest rate liberalization, the global markets continued to be roiled by languid demand and the freefall in crude oil price and commodity. Concerns are mounting whether tremors so far from plunging oil prices will turn to a quake and evolve into something more systemic. Western Europe and Russia is back in an economic rut, Japan’s recovery is faltering again, South America is languishing with uncertainties and China looks as if it will continue to record slow growth.

In the midst of these challenges ahead, China’s new leadership has proposed the concept of an economic “new normal”, which is understood to encompass slower but more balanced growth and increased reforms. With this, it is believed that the top leadership is willing to accept slower but more sustainable growth while at the same time cognizance is taken to ensuring economic growth is achieved within a reasonable range.

Towards this end, it will be reasonably fair to assume that moving forward the steel industry and that of the metallurgical coke, will continue to prod along their path of slow growth, at least in the immediate future, in the absence of any unexpected catalysts significant enough to jolt them back to their vivid state. In this respect, the Group maintains a cautious stance and remains vigilant to elements in the world and domestic economies that might have an impact on the industry and accordingly maneuvers itself appropriately to face off these challenges.

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.

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:

	Third quarter ended		Financial period ended	
	31 Dec 2014 RM'000	**31 Dec 2013 RM'000**	**31 Dec 2014 RM'000**	**31 Dec 2013 RM'000**
(Loss)/Profit before taxation	(246)	16,179	1,998	15,344
Taxation at statutory tax rate of 25%	(61)	4,045	499	3,836
Expenses not deductible for tax purposes	138	143	500	497
Income not subject to tax	(2)	(1)	(5)	(3)
Deferred tax assets not recognized	-	-	-	-
Utilization of previously unrecognized deferred tax asset	(75)	(4,187)	(994)	(4,330)
Tax expense for the financial year	-	-	-	-

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:

	As at 31 Dec 2014 RM'000	**As at 31 Dec 2013 RM'000**
Secured lease payable		
- Short term	-	283
- Long term	-	-
Total lease payable	-	283

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

	Fourth quarter ended		Financial period ended	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Basic profit per share				
(Loss)/Profit for the period attributable to equity holders (RM'000)	(246)	16,179	1,998	15,344
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic (loss)/profit per share (sen)	(0.02)	1.44	0.18	1.37

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

B11. Realised and Unrealised Profits/Losses Disclosure

	As at 31 Dec 2014 RM'000	As at 31 Dec 2013 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	225,288	223,290
- Unrealised	4,940	(8,715)
	230,228	214,575
Less: Consolidation adjustment	(4,940)	8,715
Total retained earnings as per consolidated accounts	225,288	223,290

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):

	Fourth quarter ended		**Financial period ended**	
	31 Dec 2014 RM'000	**31 Dec 2013 RM'000**	**31 Dec 2014 RM'000**	**31 Dec 2013 RM'000**
Interest income	(50)	(50)	(196)	(167)
Other income	(54)	(135)	(399)	(429)
Depreciation of property, plant and equipment	10,109	10,557	40,729	40,940
Amortisation of lease payments	239	229	929	888
Fixed assets written off	-	482	1,347	482
Finance cost	3	9	29	33

By Order of the Board
Chua Siew Chuan
Secretary

26 February 2015