SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	First quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 31-Mar-16 RM'000	Preceding Period 31-Mar-15 RM'000	Current Period 31-Mar-16 RM'000	Preceding Period 31-Mar-15 RM'000
Revenue	41,874	154,747	41,874	154,747
Cost of sales	(56,215)	(161,670)	(56,215)	(161,670)
Gross loss	(14,341)	(6,923)	(14,341)	(6,923)
Other income	2,066	1,640	2,066	1,640
Operating expenses	(1,357)	(5,927)	(1,357)	(5,927)
	709	(4,287)	709	(4,287)
Loss before tax	(13,632)	(11,210)	(13,632)	(11,210)
Taxation	-	-	-	-
Loss for the period	(13,632)	(11,210)	(13,632)	(11,210)
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	(45,617)	40,099	(45,617)	40,099
Total comprehensive (expense)/income for the period	(59,249)	28,889	(59,249)	28,889
Loss attributable to equity holders of the Company	(13,632)	(11,210)	(13,632)	(11,210)
Total comprehensive (expense)/income attributable to equity holders of the Company	(59,249)	28,889	(59,249)	28,889
Loss per share (sen)				
- basic (sen)	(1.21)	(1.00)	(1.21)	(1.00)
- 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 2015.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-16 RM'000	Audited as at 31-Dec-15 RM'000
Non Current Assets		
Land lease payment	31,688	34,925
Property, plant and equipment	362,338	405,287
	394,026	440,212
Current Assets		
Inventories	17,084	42,722
Trade receivables	19,277	22,818
Other receivables, deposits and prepayments	13,095	20,116
Amount due from related parties	90,474	72,258
Tax recoverable	18,774	20,520
Bank balances and cash	8,901	27,830
	167,605	206,264
Total Assets	561,631	646,476
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	(74,777)	(15,528)
	486,377	545,626
Current Liabilities		
Trade payables	48,166	62,732
Other payables and accrued expenses	27,088	34,193
Amount due to related parties	- 0	3,925
	75,254	100,850
Total Equity and Liabilities	561,631	646,476
Net assets per share (RM)	0.43	0.49

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 2015.

SINO HUA-AN INTERNATIONAL BERHAD
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Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016
- 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**
3 months ended 31 March 2015							
Balance as of January 1, 2015	561,154	553,891	49,358	(799,823)	142,549	225,288	732,417
Loss for the period	-	-	-	-	-	(11,210)	(11,210)
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	40,099	-	40,099
Balance as of March 31, 2015	561,154	553,891	49,358	(799,823)	182,648	214,078	761,306
3 months ended 31 March 2016							
Balance as of January 1, 2016	561,154	553,891	49,358	(799,823)	235,007	(53,961)	545,626
Loss for the period	-	-	-	-	-	(13,632)	(13,632)
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	(45,617)	-	(45,617)
Balance as of March 31, 2016	561,154	553,891	49,358	(799,823)	189,390	(67,593)	486,377

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 2015.

SINO HUA-AN INTERNATIONAL BERHAD
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QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the financial period ended	
	31-Mar-16	**31-Mar-15**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(13,632)	(11,210)
Adjustments for:		
Depreciation of property, plant and equipment	12,130	10,496
Amortisation of lease payments	280	257
Interest income	(30)	(38)
Asset written off	29	260
Operating loss before working capital changes	(1,223)	(235)
(Increase) / Decrease in:		
Inventories	25,639	14,097
Trade receivables	3,540	(8,337)
Other receivables, deposits and prepayments	7,020	21,485
Amount due by related parties	(18,216)	19,521
Increase / (Decrease) in:		
Trade payables	(14,566)	10,032
Other payables and accrued expenses	(5,358)	(17,873)
Amount due to related company	(3,925)	145
Cash (used in)/generated from operations	(7,089)	38,835
Tax paid	-	-
Net cash (used in)/generated from operating activities	(7,089)	38,835
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,785)	(10,050)
Interest received	30	38
Net cash used in investing activities	(3,755)	(10,012)
CASH FLOWS USED IN FINANCING ACTIVITY		
Repayment of lease payables	-	-
Net cash used in financing activity	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,844)	28,823
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	27,830	26,313
Effect of changes in exchange rates	(8,085)	1,531
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	8,901	56,667

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 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 2015. 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 2015.

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 2015, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") and amendments to MFRS for financial periods beginning on or after 1 January 2016:-

MFRS 14	Regulatory Deferred Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment entities: Applying the Consolidation Exception
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS101	Disclosure initiative
Amendment to MFRS 116 and MFRS 138	Clarification on Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 - 2014 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, 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 MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

		Effective dates for financial periods beginning on or after
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date yet to be determined by the Malaysian Accounting Standards Board

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 2015 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

	First quarter ended 31 March 2016		Financial period ended 31 March 2016	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Manufacturing	41,874	(13,213)	41,874	(13,213)
Investment Holdings	-	(419)	-	(419)
	41,874	(13,632)	41,874	(13,632)

	First quarter ended 31 March 2015		Financial period ended 31 March 2015	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	154,747	(10,794)	154,747	(10,794)
Investment Holdings	-	(416)	-	(416)
	154,747	(11,210)	154,747	(11,210)

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.

A13. Related party transactions

	First quarter ended 31 Mar 2016 RM'000	Financial period ended 31 Mar 2016 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	9,547	9,547
Electricity expense paid/payable		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	1,664	1,664

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

For the current quarter under review, the Group recorded a consolidated revenue of RM41.9 million compared to RM154.7 million registered in the preceding year corresponding quarter. Such a severe drop in revenue was attributed to the fact that the Group had entered into a leasing arrangement with a third party for the leasing out of three of its coke ovens representing 50% of the Group's total operating capacity for a period of one year commencing 1 February 2016. Such strategic move represented an alternative route for the Group to mitigate the extent of anticipated losses arising from the prolonged unfavourable market conditions affecting the Group. Notwithstanding the leasing arrangement which was put in place during the quarter under review, the Group still has the remaining 50% production capacity which has been deliberately delayed in the resumption of operation (after the temporary shutdown last year) given the current market conditions but the production could be resumed when the situation warrants it.

Despite the leasing arrangement during the quarter under review, the decline in the consolidated revenue of the Group was also a result of lower average selling price of metallurgical coke compared to the preceding year corresponding quarter. Sales volume has declined significantly by 62% and the average selling price of metallurgical coke has also declined by approximately 31% to RMB680 during this current quarter from RMB990 in the preceding year corresponding quarter. Additionally, the prices of the Group's by-products had also retracted considerably in view of the continued depressed global oil prices. The average prices of the Group's crude benzene and tar oil have declined by approximately 10% and 23% respectively while the price of ammonium sulphate increased by approximately 12% and coal gas remained fairly constant in the current quarter under review compared to preceding corresponding quarter. The net effect of these price movements have resulted in the overall contribution of the by-products to the Group's revenue to decline by approximately 74% in the current quarter.

In tandem with reduction in sales volume, the Group's cost of sales in the current quarter under review also dropped significantly. Additionally, concurrent to 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 24% to RMB562 in the current quarter compared to RMB747 recorded in the same quarter last year. Accordingly, the first quarter of 2016 recorded a lower cost of sales of approximately RM56.2 million compared to RM161.7 million in the preceding year corresponding quarter, representing a reduction of approximately 65%.

As a result of the abovementioned leasing arrangement, pricing movement dynamics of the metallurgical coke and coking coal as mentioned above, coupled with lower contribution from the by-products, the Group recorded a gross loss of approximately RM14.3 million during the quarter under review compared to that of approximately RM6.9 million in the preceding year corresponding quarter. After taking into consideration other income generated by the Group and the operating expenses, the Group recorded a net loss before tax of RM13.6 million in the current quarter under review compared to that of approximately RM11.2 million in the preceding year corresponding quarter

B2. Variation of results against preceding quarter

The Group's leasing arrangement has resulted in lower consolidated revenue of approximately RM41.9 million for the current quarter under review compared to approximately RM98.2 million registered in the immediate preceding quarter ended 31 December 2015.

Due to lower sales volume following the commencement of the leasing arrangement, the cost of sales registered in the current quarter under review also decreased to approximately RM56.2 million compared to that in the immediate preceding quarter ended 31 December 2015 of approximately RM120.8 million.

For the current quarter under review, the Group therefore recorded a gross loss of approximately RM14.3 million compared to that of approximately RM22.6 million in the immediate preceding quarter.

After taking into consideration of the operating expenses, the Group recorded a net loss for the period of RM13.6 million compared to that of approximately RM228.7 million in the previous quarter ended 31 December 2015. The relatively larger loss in the immediate preceding quarter was primarily due to the impairment of trade receivable and goodwill.

B3. Current year prospects

China continues to face mounting pressure from the world for urgent action to address global steel overcapacity issue. They urged the Chinese Government to stop providing subsidies or other support that sustain loss-making steel plants or encourage additional capacity. However, there are resistance from the local governments as allowing steel mills go bankrupt will lead to social unrest, if not handle with care, simply because of the huge amount of workers who still remain in the industry.

China's mills, which produce about half of the world's output, are battling against losses. Oversupply and sinking prices as local consumption shrinks as well as the slow recovery of the world economy cause sluggish demand for steel products, which precipitates the overcapacity issue in the steel sector. Steel demand in China is expected to slump to about 654 million tonnes in 2016 from 668 million tonnes consumed in 2015. Accordingly, iron ore imports is expected to drop to 920 million tonnes in 2016 from about 930 million tonnes, according to *Li Xinchuang - Deputy Secretary General of CISA and president of the China Metallurgical Industry Planning & Research Institute.*

According to a commentary report from the China State Council released in February, Chinese Government will start to reduce its domestic capacity by 100–150 million tonnes of crude steel in 5 year time. Strict prohibition of additional capacity and encourage self-capacity reduction by steel mills, reduce capacity through various avenues such as amalgamation, mergers, transformation or relocation are amongst the various initiatives contemplated by the China Government to address the issues on hand. Admittedly, these initiatives had brought about disruptions to the industry in general and stifled economic growth at large as evidenced by the debacle in the steel industry and the continued downward slide in its economy in the recent past years. By extension, the coke industry was directly affected by these developments. The China Government deem such temporary short-term "pains" as circumstantial outcomes that are unavoidable during its economic reform phase in the pursuit of restructuring its economic structure into one that is more sustainable and robust, moving forward.

The abovementioned contemplated reduction of capacity in the steel industry will necessitate the capacity reduction in the coke industry as well. Consolidation in the coke industry and capacity reduction through natural attrition and closure of small, inefficient and indiscriminately polluting coke manufacturers are already taking place and will continue to do so until the industry-wide demand-supply equilibrium is achieved. Such a situation will be a boon to the coke industry and those coke manufacturers that have the financial strength to ride out the trying period.

Given the above circumstances, it is fortunate that the Group does not have any external borrowings. Additionally, the Group has also taken proactive steps to mitigate the anticipated losses moving forward for the benefit of the shareholders, among others, leasing out some of the Group's coke ovens to generate a fixed stream of income and also deliberately deferred the operationalization of the remaining production capacity during such period covered by much of these unfavorable market conditions.

Barring any unforeseen circumstances, the Board is optimistic that the Group will be able to get through such tough and challenging time ahead.

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:

	First quarter ended		Financial period ended	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
(Loss)/Profit before taxation	(13,632)	(11,210)	(13,632)	(11,210)
Taxation at statutory tax rate of 25%	(3,408)	(2,802)	(3,408)	(2,802)
Expenses not deductible for tax purposes	107	106	107	106
Income not subject to tax	(2)	(2)	(2)	(2)
Changes in unrecognized deferred tax asset	3,303	2,698	3,303	2,698
Tax expense for the financial year	-	-	-	-

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.

B10. Loss per share

	First quarter ended		**Financial period ended**	
	31 Mar 2016	**31 Mar 2015**	**31 Mar 2016**	**31 Mar 2015**
Basic loss per share				
Loss for the period attributable to equity holders (RM'000)	(13,632)	(11,210)	(13,632)	(11,210)
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)	(1.21)	(1.00)	(1.21)	(1.00)

There are no diluted 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 31 Mar 2016 RM'000	As at 31 Mar 2015 RM'000
(Accumulated Losses)/Retained profit of the Group and its Subsidiaries		
- Realised	(67,593)	214,078
- Unrealised	(25,961)	13,917
	(93,554)	227,995
Less: Consolidation adjustment	25,961	(13,917)
Total (accumulated losses)/retained earnings as per consolidated accounts	(67,593)	214,078

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. Loss before tax

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

	First quarter ended		Financial period ended	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Interest income	(30)	(38)	(30)	(38)
Other income	(2,036)	(1,602)	(2,036)	(1,602)
Depreciation of property, plant and equipment	12,130	10,496	12,130	10,496
Amortisation of lease payments	280	257	280	257
Fixed assets written off	29	260	29	260

By Order of the Board
Chua Siew Chuan
Secretary

18 May 2016