

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

- 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-17 RM'000	Preceding Period 31-Dec-16 RM'000	Current Period 31-Dec-17 RM'000	Preceding Period 31-Dec-16 RM'000
Revenue	276,679	-	891,691	40,575
Cost of sales	(246,656)	-	(790,828)	(45,417)
Gross profit/(loss)	30,023	-	100,863	(4,842)
Other income	(26)	7,653	2,039	15,180
Operating expenses	(4,086)	(211,162)	(21,869)	(237,797)
Finance cost	(226)	-	(226)	-
	(4,338)	(203,509)	(20,056)	(222,617)
Profit/(Loss) before tax	25,685	(203,509)	80,807	(227,459)
Taxation	-	-	-	-
Profit/(Loss) for the period	25,685	(203,509)	80,807	(227,459)
Other comprehensive (expense)/income: Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	(5,754)	12,562	(11,012)	(23,260)
Total comprehensive income/(expense) for the period	19,931	(190,947)	69,795	(250,719)
Profit/(Loss) attributable to equity holders of the Company	25,685	(203,509)	80,807	(227,459)
Total comprehensive income/(expense) attributable to equity holders of the Company	19,931	(190,947)	69,795	(250,719)
Profit/(Loss) per share (sen)				
- basic (sen)	2.29	(18.13)	7.20	(20.27)
- 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 2016.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Dec-17 RM'000	Audited as at 31-Dec-16 RM'000
Non Current Assets		
Land lease payment	30,703	32,878
Property, plant and equipment	187,438	194,735
	218,141	227,613
Current Assets		
Inventories	70,515	17,181
Trade receivables	100,350	6,085
Other receivables, deposits and prepayments	25,107	8,235
Amount due from related parties	15,556	59,538
Tax recoverable	-	19,981
Bank balances and cash	20,472	21,254
	232,000	132,274
Total Assets	450,141	359,887
Shareholders' Fund		
Share capital	1,115,045	561,154
Reserves	(750,343)	(266,247)
	364,702	294,907
Current Liabilities		
Trade payables	31,328	35,842
Other payables and accrued expenses	29,151	29,138
Short term bank loan	24,960	-
	85,439	64,980
Total Equity and Liabilities	450,141	359,887
Net assets per share (RM)	0.32	0.26

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 2016.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

- 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	
12 months ended 31 December 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	-	-	-	-	-	(227,459)	(227,459)
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	(23,260)	-	(23,260)
Balance as of December 31, 2016	561,154	553,891	49,358	(799,823)	211,747	(281,420)	294,907
12 months ended 31 December 2017							
Balance as of January 1, 2017	561,154	553,891	49,358	(799,823)	211,747	(281,420)	294,907
Transition to no-par value *	553,891	(553,891)	-	-	-	-	-
Profit for the period	-	-	-	-	-	80,807	80,807
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	(11,012)	-	(11,012)
Balance as of December 31, 2017	1,115,045	-	49,358	(799,823)	200,735	(200,613)	364,702

* With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM553,891 has been transferred to the share capital account. Pursuant to subsection 618(3) and 618 (4) of the New Act, the Group may exercise its rights to use the credit amount being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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 2016.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 - THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended 31-Dec-17 RM'000	31-Dec-16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) for the period	80,807	(227,459)
Adjustments for:		
Depreciation of property, plant and equipment	13,161	43,018
Amortisation of lease payments	1,106	1,084
Impairment of trade receivables	-	33,259
Finance costs	226	-
Interest income	(87)	(88)
Fixed assets written off	2	28
Impairment of PPE	-	152,562
Operating profit before working capital changes	95,215	2,404
(Increase) / Decrease in:		
Inventories	(53,335)	25,541
Trade receivables	(94,265)	16,733
Other receivables, deposits and prepayments	3,109	11,881
Amount due by related parties	43,982	(24,464)
Increase / (Decrease) in:		
Trade payables	(4,514)	(26,890)
Other payables and accrued expenses	14	(5,055)
Cash used in operations	(9,794)	150
Interest paid	(226)	-
Tax paid	-	-
Net cash (used in)/generated from operating activities	(10,020)	150
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(12,290)	(3,228)
Interest received	87	88
Net cash used in investing activities	(12,203)	(3,140)
CASH FLOWS USED IN FINANCING ACTIVITY		
Drawdown from bank loan	24,960	-
Net cash generated from financing activity	24,960	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,737	(2,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,254	27,830
Effect of changes in exchange rates	(3,519)	(3,586)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	20,472	21,254

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the the Audited Financial Statements for the financial year ended 31 December 2016.

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Notes to the quarterly report – 31 December 2017

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 2016. 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 2016.

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 2016, 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 2017:-

Amendments to MFRS 12	Disclosure of Interest in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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 1	First-time Adoption of Financial Malaysian Financial reporting Standards	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract	1 January 2018

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		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014-2016)	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 113	Borrowing Costs (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 128	Long term interests in Associates and Joint Venture (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
IC Interpretations 23	Uncertainty over Income Tax Treatments	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.

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Notes to the quarterly report – 31 December 2017

A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2016 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 2017		Financial period ended 31 December 2017	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	276,679	26,311	891,691	82,782
Investment Holdings	-	(626)	-	(1,975)
	<u>276,679</u>	<u>25,685</u>	<u>891,691</u>	<u>80,807</u>

	Fourth quarter ended 31 December 2016		Financial period ended 31 December 2016	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Manufacturing	-	(202,989)	40,575	(225,583)
Investment Holdings	-	(520)	-	(1,876)
	<u>-</u>	<u>(203,509)</u>	<u>40,575</u>	<u>(227,459)</u>

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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

There was no related party transactions during the quarter under review.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

During the quarter under review, the Group recorded a consolidated revenue of RM276.7 million compared to the corresponding quarter of the preceding year which registered nil revenue by virtue of the fact that the Group's operating coke ovens were subject to a leasing arrangement spanning over that material period of time.

During this quarter under review, the average coke price was approximately RMB2,019 per tonne and the total cumulative sales volume stood at approximately 215,000 tonnes. Contribution from the by-products was accounted for approximately 15% of the total revenue of the Group during the quarter under review. The Group has recorded a cost of sales amounting to approximately RM246.7 million during the current quarter under review with the average coal price recorded at approximately RMB1,317 per tonne. Following therefrom, the Group recorded a gross profit of approximately RM30.0 million in the current quarter under review.

Other income was lower as the Group no longer derived any lease income upon the expiry of the abovementioned leasing arrangement during the quarter under review as compared to the preceding year corresponding quarter.

Operating expenses incurred by the Group were significantly lower at approximately RM4.1 million in the current quarter compared to approximately RM211.2 million in the same quarter last year. Such huge amount recorded in the fourth quarter last year was due to the impairment of trade receivables and fixed assets made during that quarter in question which amounted to RM33.3 million and RM152.6 million, respectively. Operating expense for the current quarter under review includes staff salary, depreciation, minor repair and maintenance, electricity, etc. whereas during the tenure of the leasing arrangement, all fixed manufacturing costs were reclassified as operating expenses, thus showing a much larger amount, in the preceding year corresponding quarter.

As a result thereof, the Group recorded a net profit before tax of approximately RM25.7 million in the current quarter under review compared to a net loss of approximately RM203.5 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The consolidated revenue recorded by the Group during the quarter under review was slightly higher at approximately RM276.7 million as compared to RM269.3 million during the immediate preceding quarter ended 30 September 2017. This was attributed to higher sale volume during the quarter under review despite a slight reduction in average coke price from approximately RMB2,043 per tonne during the last quarter ended 30 September 2017 to RMB2,019 per tonne during the current quarter under review.

The cost of sales recorded by the Group during the quarter under review was approximately RM246.7 million as compared to RM227.4 million during the immediate preceding quarter ended 30 September 2017. This was due to higher sales volume with marginally higher average coal price at approximately RMB1,317 per tonne compared to RMB1,198 per tonne during the immediate preceding quarter ended 30 September 2017.

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The Group recorded its operating expenses of approximately RM4.1 million during the quarter under review compared to RM8.0 million (out of which approximately RM3.7 million was attributable to the property and land use tax) in the immediate preceding quarter ended 30 September 2017.

After taking into consideration of other income and operating expenses, the Group recorded a net profit of approximately RM25.7 million during the quarter under review as compared to approximately RM34.1 million in the immediate preceding quarter ended 30 September 2017.

B3. Current year prospects

The National Bureau of Statistics reported that the Chinese economy expanded 6.9% in 2017, up slightly from 6.7% in 2016 and breaking a trend of gradual slowing that began in 2011. For the fourth quarter, the bureau reported economic growth of 6.8% over a year earlier.

Strength in exports, retail sales and the property market has helped spur growth, putting China in a better position to tackle problems including a sharp climb in debt, severe pollution and other problems.

In fact, the signs of recovery in the steel and coke industry were shown since end of 2016. This fact stems from the fact that domestic demand is being restored as supported by a slew of economic and fiscal activities which amongst others include continued public infrastructure projects and urbanization initiatives (targeted particularly in the third and fourth-tier cities) as well as other external demands created and/or expected to be created by the Belt and Road initiatives and the recovering global economy. While the demand side is gaining traction, the supply side has been curbed by the Government by way of nationwide capacity reduction. These circumstances have effectively altered the industry landscape and resulted in the significant recovery of the steel and coke industry compared to that experience in the preceding years.

In view of the above, the Group remains optimistic with the recovery seen in the steel industry and will continue to be vigilant to relevant consequential circumstances that may have perceivable effect on the metallurgical coke business, to which necessary action steps will be taken to face those challenges as and when they arise.

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.

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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:

	Fourth quarter ended		Financial period ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	25,685	(203,509)	80,807	(227,459)
Taxation at statutory tax rate of 24%	6,165	(48,842)	19,394	(54,590)
Different tax rates in other countries	263	(1,935)	828	(2,255)
Expenses not deductible for tax purposes	153	128	484	459
Income not subject to tax	(3)	(3)	(11)	(9)
Utilisation of previously unrecognized deferred tax assets	(6,578)	-	(20,695)	-
Changes in unrecognized deferred tax asset	-	50,652	-	56,395
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.

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B10. Profit/(Loss) per share

	Fourth quarter ended		Financial period ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Basic profit/(loss) per share				
Basic profit/(loss) per share				
Profit/(Loss) for the period attributable to equity holders (RM'000)	25,685	(203,509)	80,807	(227,459)
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)	2.29	(18.13)	7.20	(20.27)

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. Profit/(Loss) before tax

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

	Fourth quarter ended		Financial period ended	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Interest income	(23)	(20)	(87)	(88)
Other income	49	(7,633)	(1,952)	(15,092)
Depreciation of property, plant and equipment	(3,030)	10,058	13,161	43,018
Amortisation of lease payments	275	288	1,106	1,084
PPE written off	1	28	2	28
Impairment of trade receivables	-	33,259	-	33,259
Impairment of PPE	-	152,562	-	152,562

By Order of the Board
Chua Siew Chuan
Secretary

27 February 2018