SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
- 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-18 RM'000	Preceding Period 30-Jun-17 RM'000	Current Period 30-Jun-18 RM'000	Preceding Period 30-Jun-17 RM'000
Revenue	240,334	259,017	505,855	345,715
Cost of sales	(233,624)	(232,958)	(487,285)	(316,801)
Gross profit	6,710	26,059	18,570	28,914
Other income	177	41	388	1,833
Operating expenses	(4,104)	(4,115)	(10,383)	(9,774)
Finance cost	(249)	-	(490)	-
	(4,176)	(4,074)	(10,485)	(7,941)
Profit before tax	2,534	21,985	8,085	20,973
Taxation	-	-	-	-
Profit for the period	2,534	21,985	8,085	20,973
Other comprehensive expense:				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	(4,906)	(3,880)	(9,087)	(5,521)
Total comprehensive income/(expense) for the period	(2,372)	18,105	(1,002)	15,452
Profit attributable to equity holders of the Company	2,534	21,985	8,085	20,973
Total comprehensive income/(expense) attributable to equity holders of the Company	(2,372)	18,105	(1,002)	15,452
Earnigs per share (sen)				
- basic (sen)	0.23	1.96	0.72	1.87
- 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 2017.

SINO HUA-AN INTERNATIONAL BERHAD
(Company No.: 732227-T)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-18	Audited as at 31-Dec-17
	RM'000	RM'000
Non Current Assets		
Land lease payment	29,418	30,703
Property, plant and equipment	174,302	187,438
	203,720	218,141
Current Assets		
Inventories	72,168	70,515
Trade receivables	125,541	100,350
Other receivables, deposits and prepayments	18,310	25,107
Amount due from related parties	12,131	15,556
Bank balances and cash	15,040	20,472
	243,190	232,000
Total Assets	446,910	450,141
Shareholders' Fund		
Share capital	1,115,045	1,115,045
Reserves	(751,345)	(750,343)
	363,700	364,702
Current Liabilities		
Trade payables	38,334	31,328
Other payables and accrued expenses	20,530	29,151
Short term bank loan	24,346	24,960
	83,210	85,439
Total Equity and Liabilities	446,910	450,141
Net assets per share (RM)	0.32	0.32

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 2017.

SINO HUA-AN INTERNATIONAL BERHAD
(Company No.: 732227-T)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
- 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**
6 months ended 30 June 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	-	-	-	-	-	20,973	20,973
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	(5,521)	-	(5,521)
Balance as of June 30, 2017	1,115,045	-	49,358	(799,823)	206,226	(260,447)	310,359
6 months ended 30 June 2018							
Balance as of January 1, 2018	1,115,045	-	49,358	(799,823)	200,735	(200,613)	364,702
Profit for the period	-	-	-	-	-	8,085	8,085
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	(9,087)	-	(9,087)
Balance as of June 30, 2018	1,115,045	-	49,358	(799,823)	191,648	(192,528)	363,700

* 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 2017.

SINO HUA-AN INTERNATIONAL BERHAD
(Company No.: 732227-T)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended	
	30-Jun-18	30-Jun-17
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	8,085	20,973
Adjustments for:		
Depreciation of property, plant and equipment	9,283	10,778
Amortisation of lease payments	540	551
Finance costs	490	-
Interest income	(57)	(44)
Fixed asets written off	368	1
Operating profit before working capital changes	18,709	32,259
(Increase) / Decrease in:		
Inventories	(1,653)	(46,480)
Trade receivables	(25,191)	(48,237)
Other receivables, deposits and prepayments	6,796	(12,428)
Amount due by related parties	3,425	40,820
Increase / (Decrease) in:		
Trade payables	7,005	14,894
Other payables and accrued expenses	(8,620)	23,508
Cash generated from operations	471	4,336
Interest paid	(490)	-
Tax paid	-	-
Net cash (used in)/generated from operating activities	(19)	4,336
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,662)	(8,384)
Interest received	57	44
Net cash used in investing activities	(3,605)	(8,340)
CASH FLOWS USED IN FINANCING ACTIVITY		
Net cash generated from financing activity	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,624)	(4,004)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	20,472	21,254
Effect of changes in exchange rates	(1,808)	(1,182)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15,040	16,068

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 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 2017. 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 2017.

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 2017, 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 2018:-

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	First-time Adoption of Financial Malaysian Financial reporting Standards
Amendments to MFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014-2016)
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration

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
MFRS 16	Leases	1 January 2019
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019

		Effective dates for financial periods beginning on or after
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 119	Employee Benefits – Plan Amendments, curtailment or settlement	1 January 2019
Amendments to MFRS 123	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 2	Share-based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretations 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretations 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretations 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020

		Effective dates for financial periods beginning on or after
Amendments to IC Interpretations 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretations 132	Intangible Assets - Web Site Costs	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
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.

A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2017 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

	Second quarter ended 30 June 2018		Financial period ended 30 June 2018	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	240,334	3,125	505,855	9,122
Investment Holdings	-	(591)	-	(1,037)
	240,334	2,534	505,855	8,085

	Second quarter ended 30 June 2017		Financial period ended 30 June 2017	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	259,017	22,515	345,715	21,933
Investment Holdings	-	(530)	-	(960)
	259,017	21,985	345,715	20,973

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.

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 RM240.3 million compared to the corresponding quarter of the preceding year of RM259.0 million. Such reduction in revenue during the current quarter under review was due to lower average selling price of the metallurgical coke as well as a relatively lower sale volume. The average selling price of metallurgical coke has declined by approximately 7% to RMB1,836 during this current quarter from RMB1,968 in the preceding year corresponding quarter. The sales volume was also lower by approximately 5% in the second quarter of 2018 compared to previous year corresponding quarter. However, the overall contribution from the by-products has increased by approximately 30% during the current quarter compared to that of the preceding quarter. This was primarily attributed to the increase in the prices of ammonium sulphate, tar oil and coal gas of 19%, 24% and 34% respectively. However, such surge in the contribution from the by-products in itself was insufficient to negate the effects of the decline in the selling price and sales volume of the main product i.e. metallurgical coke.

The Group recorded a cost of sales amounting to approximately RM233.6 million during the current quarter under review compared to approximately RM233.0 million in the previous year corresponding quarter. The average coal price has increased by approximately 6% from RMB1,239 per tonne in the current quarter compared to RMB 1,167 per tonne in the previous year corresponding quarter. With such pricing dynamics of the metallurgical coke and coal, the Group recorded a lower gross profit of approximately RM6.7 million in the current quarter under review compared to approximately RM26.1 million in the preceding year corresponding quarter.

Other income was higher during the quarter under review was due to higher sales of scraps and penalty imposed on the workers who violated the company’s rules as compared to the preceding year corresponding quarter.

Operating expenses incurred by the Group remained at approximately RM4.1 million in both current quarter and the same quarter last year. Operating expense includes staff salary, depreciation, minor repair and maintenance, electricity and etc.

As a result thereof, the Group recorded a net profit before tax of approximately RM2.5 million in the current quarter under review compared to approximately RM22.0 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The consolidated revenue registered by the Group during the quarter under review was reduced to approximately RM240.3 million compared to RM265.5 million recorded during the immediate preceding quarter ended 31 March 2018. This was primarily attributed to lower average coke price of approximately RMB1,836 per tonne during the current quarter under review compared to RMB1,921 per tonne recorded during the last quarter ended 31 March 2018. The sales volume was also lower by approximately 7% in comparison.

The cost of sales recorded by the Group during the quarter under review was approximately RM233.6 million as compared to RM253.7 million during the immediate preceding quarter ended 31 March 2018. This was attributed to the fact that, in addition to the reduction in sale volume, the average coal price was also lower at approximately RMB1,239 per tonne during the quarter under review compared to approximately RMB1,317 per tonne during immediate preceding quarter. The Group recorded a gross profit of approximately RM6.7 million in the current quarter under review compared to approximately RM11.9 million in the immediate preceding quarter ended 31 March 2018.

The Group recorded lower operating expenses of approximately RM4.1 million during the quarter under review compared to RM6.3 million in the immediate preceding quarter ended 31 March 2018. The relatively higher operating expenses in the immediate preceding quarter was mainly attributed to the payment of gratuity to factory workers as well as expenses incurred for waste disposal and the payment of the new environmental protection tax, these of which were not incurred in the current quarter.

After taking into consideration of other income and operating expenses, the Group recorded a net profit of approximately RM2.5 million during the quarter under review as compared to approximately RM5.5 million in the immediate preceding quarter ended 31 March 2018.

B3. Current year prospects

Despite China's economy recording a strong start at the beginning of 2018 as evidenced by the third-straight consecutive quarter of 6.8% growth (since the third quarter of 2017) recorded during the first quarter of 2018, such momentum unfortunately was not sustained thereafter for the world's second-largest economy. The China’s economic outlook appeared to be under apparent pressure due to the trade war initiated by the Trump’s administration in the United States.

Apart from the geo-political risk resulting from the abovementioned trade war, the growth of China's steel industry continued to be mired intermittently by the continuous enhancements and strict enforcements of the local environmental protection policies. This is evidenced by the government continued clamping down on unrepentant steel producers which failed to comply with the prevailing environment protection laws and standards. Even though the coke industry has benefited from the government policy of curbing production and phasing out “environmental non-compliance” producers, the upside trend of the coke market is expected to taper off this year in view of the various external and domestic headwinds mentioned above.

In addition to the above, the China’s environmental protection policy is expected to continue to cause some imbalance to the short-term supply and demand of steel and coke industry, which may inherently result in further price fluctuations in the months to come. In the first half of the year, we saw coke prices fluctuated and strengthened. However, due to relatively stronger position of the steel players, coke demand will be contained to certain extent. It is therefore expected the coke price to remain at the average level in the near term and unlikely to see significant upward adjustment in the immediate future.

Notwithstanding the above, the Group remained cautiously optimistic in the coke industry moving forward 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.

B5. Taxation

No taxation was provided during the quarter under review.

A reconciliation of income tax expense applicable to profit 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 2018 RM'000	**30 Jun 2017 RM'000**	**30 Jun 2018 RM'000**	**30 Jun 2017 RM'000**
Profit before taxation	2,534	21,985	8,085	20,973
Taxation at statutory tax rate of 24%	608	5,276	1,940	5,033
Different tax rates in other countries	32	225	92	219
Expenses not deductible for tax purposes	144	130	255	236
Income not subject to tax	(3)	(3)	(7)	(5)
Utilisation of previously unrecognized deferred tax assets	(781)	(5,483)	(2,280)	(5,483)
Changes in unrecognised deferred tax asset	-	(145)	-	-
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. Borrowings

	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Secured		
Term loan	24,346	-
Analysed as		
Repayable within twelve months	24,346	-

The above credit facility obtained from a licensed bank is guaranteed by Huasheng Jiangquan Group Co., Ltd. ("Jiangquan"). Jiangquan is related to the Group and the Company by virtue of Mr. Liu Guodong, a Director of the Company, being the brother-in-law of Mr. Wang Wen Tao, a director and shareholder of Jiangquan.

B9. 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.

B10. Dividends

No dividends had been declared in respect of the current quarter under review.

B11. Earnings per share

	Second quarter ended		Financial period ended	
Basic earnings per share	**30 Jun 2018**	**30 Jun 2017**	**30 Jun 2018**	**30 Jun 2017**
Profit for the period attributable to equity holders (RM'000)	2,534	21,985	8,085	20,973
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic earnings per share (sen)	0.23	1.96	0.72	1.87

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

B12. Profit before tax

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

	Second quarter ended		Financial period ended	
	30 Jun 2018 RM'000	**30 Jun 2017 RM'000**	**30 Jun 2018 RM'000**	**30 Jun 2017 RM'000**
Interest income	(27)	(22)	(57)	(44)
Other income	(150)	(19)	(331)	(1,789)
Depreciation of property, plant and equipment	4,669	5,254	9,283	10,778
Amortisation of lease payments	271	269	540	551
PPE written off	-	1	368	1

By Order of the Board
Chua Siew Chuan
Secretary

27 July 2018