SINO HUA-AN INTERNATIONAL BERHAD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
- 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-19 RM'000	Preceding Period 31-Mar-18 RM'000	Current Period 31-Mar-19 RM'000	Preceding Period 31-Mar-18 RM'000
Revenue	237,627	265,520	237,627	265,520
Cost of sales	(236,478)	(253,661)	(236,478)	(253,661)
Gross profit	1,149	11,859	1,149	11,859
Other income	91	210	91	210
Operating expenses	(5,406)	(6,279)	(5,406)	(6,279)
Finance cost	(21)	(241)	(21)	(241)
	(5,336)	(6,310)	(5,336)	(6,310)
(Loss)/Profit before tax	(4,187)	5,549	(4,187)	5,549
Taxation	-	-	-	-
(Loss)/Profit for the period	(4,187)	5,549	(4,187)	5,549
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	5,410	(4,181)	5,410	(4,181)
Total comprehensive income for the period	1,223	1,368	1,223	1,368
(Loss)/Profit attributable to equity holders of the Company	(4,187)	5,549	(4,187)	5,549
Total comprehensive income attributable to equity holders of the Company	1,223	1,368	1,223	1,368
(Loss)/Earnigs per share (sen)				
- basic (sen)	(0.37)	0.49	(0.37)	0.49
- 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 2018.

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-19	Audited as at 31-Dec-18
	RM'000	RM'000
Non Current Assets		
Land lease payment	28,599	28,540
Property, plant and equipment	166,351	168,877
Deferred tax asset	6,410	6,338
	201,360	203,755
Current Assets		
Inventories	95,653	97,114
Trade receivables	106,783	119,294
Other receivables, deposits and prepayments	23,424	36,736
Bank balances and cash	18,317	19,366
	244,177	272,510
Total Assets	445,537	476,265
Shareholders' Fund		
Share capital	1,115,045	1,115,045
Reserves	(732,929)	(734,152)
	382,116	380,893
Current Liabilities		
Trade payables	51,653	54,887
Other payables and accrued expenses	11,768	16,430
Short term bank loan	-	24,055
	63,421	95,372
Total Equity and Liabilities	445,537	476,265
Net assets per share (RM)	0.34	0.34

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 2018.

SINO HUA-AN INTERNATIONAL BERHAD
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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		<------------- *Non-distributable reserves* ------------->			*Distributable reserve*	
	Share capital 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 2018						
Balance as of January 1, 2018	1,115,045	49,358	(799,823)	200,735	(200,613)	364,702
Profit for the period	-	-	-	-	5,549	5,549
Other comprehensive expense						
Exchange difference arising from translation of foreign operations	-	-	-	(4,181)	-	(4,181)
Balance as of March 31, 2018	1,115,045	49,358	(799,823)	196,554	(195,064)	366,070
3 months ended 31 March 2019						
Balance as of January 1, 2019	1,115,045	49,358	(799,823)	187,331	(171,018)	380,893
Loss for the period	-	-	-	-	(4,187)	(4,187)
Other comprehensive income						
Exchange difference arising from translation of foreign operations	-	-	-	5,410	-	5,410
Balance as of March 31, 2019	1,115,045	49,358	(799,823)	192,741	(175,205)	382,116

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 2018.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended	
	31-Mar-19	31-Mar-18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for the period	(4,187)	5,549
Adjustments for:		
Depreciation of property, plant and equipment	4,803	4,614
Amortisation of lease payments	265	269
Finance costs	21	241
Interest income	(29)	(29)
Fixed asets written off	638	368
Operating profit before working capital changes	1,511	11,012
(Increase) / Decrease in:		
Inventories	1,461	(7,523)
Trade receivables	12,511	150
Other receivables, deposits and prepayments	13,311	(11,229)
Amount due by related parties	(1,130)	(1,110)
Increase / (Decrease) in:		
Trade payables	(3,235)	12,281
Other payables and accrued expenses	(3,531)	(4,468)
Cash generated/(used in) from operations	20,898	(887)
Interest paid	(21)	(241)
Net cash generated from/(used in) operating activities	20,877	(1,128)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(612)	(2,469)
Interest received	29	29
Net cash used in investing activities	(583)	(2,440)
CASH FLOWS USED IN FINANCING ACTIVITY		
Repayment of bank loan	(24,055)	-
Net cash used in financing activity	(24,055)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,761)	(3,568)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,366	20,472
Effect of changes in exchange rates	2,712	239
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	18,317	17,143

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 2018.

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 2018. 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 2018.

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 2018, 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 2019:-

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 119	Employee Benefits – Plan Amendments, curtailment or settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 128	Long term interests in Associates and Joint Venture (Annual Improvements to MFRS 2015-2017 Cycle)
IC Interpretations 23	Uncertainty over Income Tax Treatments

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 2	Share-based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020

		Effective dates for financial periods beginning on or after
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
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 2018 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 2019		Financial period ended 31 March 2019	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Manufacturing	237,627	(3,672)	237,627	(3,672)
Investment Holdings	-	(515)	-	(515)
	237,627	(4,187)	237,627	(4,187)

	First quarter ended 31 March 2018		Financial period ended 31 March 2018	
	External Revenue RM'000	Profit/(loss) before tax RM'000	External Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing	265,520	5,997	265,520	5,997
Investment Holdings	-	(448)	-	(448)
	265,520	5,549	265,520	5,549

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

The Company had on 3 April 2019 entered into the following agreements:-

i) Sales and Purchase Agreement with Wavetree PLT ("Wavetree"), Ng Chee Seng and Cindy Wong Ling Ping for the proposed acquisition of business and assets including the Intellectual Property Right owned by Wavetree, for a total purchase consideration of RM6 million;

ii) Shareholders Agreement with Fancy Celebrations Sdn Bhd ("FCSB") and Ng Chee Seng to govern the rights, liabilities and obligations of the shareholders vis-à-vis each other in relation to the management and operation of FCSB;

iii) Subscription Agreement with Ng Chee Seng and Amirrudin Bin Yahaya and Touch Point International Sdn Bhd ("TPI") for the proposed subscription of 25,628 new ordinary shares in TPI, representing 20.4% of the entire enlarged issued, fully diluted and paid up share capital of TPI at a total cash consideration of RM4 million;

iv) Share Purchase Agreement with Ng Chee Seng and Amirrudin Bin Yahaya for the proposed acquisition of 38,442 ordinary shares, representing 30.6% of the entire enlarged issued, fully diluted and paid up share capital of TPI (after the enlarged share capital of TPI pursuant to the Subscription Agreement) at a total cash consideration of RM6 million;

v) Shareholders Agreement with Ng Chee Seng and Amirrudin Bin Yahaya and TPI to govern the rights, liabilities and obligations of the shareholders vis-à-vis each other in relation to the management and operation of TPI;

vi) Share Purchase Agreement with Chaswood Resources Sdn Bhd for the proposed acquisition of 100 ordinary shares in Bistromalones (PJ) Sdn Bhd ("Bistromalones"), representing the entire equity interest in Bistromalones, including the shares in the entities it will acquire, for a total purchase consideration of RM8 million; and

vii) Call Option Agreement with Craveat Management Sdn Bhd ("CMSB") for the granting by the Company of a call option for CMSB to require the Company to sell up to 49% of the entire paid up capital in Bistromalones to CMSB.

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 transaction 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 RM237.6 million compared to the corresponding quarter of the preceding year of RM265.5 million. Such reduction in revenue during the current quarter under review can be primarily attributed to a lowered sales volume by 11% compared to that achieved in the corresponding quarter of 2018. This was brought about by the sporadic local government directive to curb production of heavy industries during certain periods over the quarter under review in an attempt to address and manage the pollution level affecting the area/region.

By virtue of the abovementioned across the board production curb, the average selling price of metallurgical coke saw an increase of approximately 4% to RMB1,990 per tonne in the current quarter compared to RMB1,920 per tonne recorded in the preceding year corresponding quarter. Notwithstanding that, the positive impact of such price increase however was not adequate enough to fully negate the contrived decline in sales volume (as mentioned above), during the period in question.

The overall revenue was further weighted down by the decrease in the contribution from the by-products, which in total saw a decline of approximately 18% during the current quarter compared to that of the preceding year corresponding quarter. In view of the above, the Group registered an overall reduction in its total revenue in the current quarter under review of approximately 11%, compared to the preceding year corresponding quarter.

Concomitant to the reduction in sales volume, the lower production volume resulted in the Group's cost of sales to be reduced by 7% from approximately RM236.5 million in the current quarter under review compared to approximately RM253.7 million in the previous year corresponding quarter. This is notwithstanding the fact that the average coal price has increased by approximately 8% from RMB1,318 per tonne in the previous year corresponding quarter to RMB1,420 per tonne in the current quarter under review.

Given the above circumstances and the then prevailing pricing dynamics of the metallurgical coke and coking coal, the Group recorded a lower gross profit of approximately RM1.1 million in the current quarter under review compared to approximately RM11.9 million in the preceding year corresponding quarter.

Other income included sales of scraps and penalties/fines imposed on staff and employees who violated the company's prescribed rules and standard operating procedures during the quarter under review.

Operating expenses incurred by the Group were lower at approximately RM5.4 million in the current quarter under review compared to approximately RM6.3 million in the same quarter last year. Operating expense included staff salary, depreciation, minor repair and maintenance, electricity charges, etc.

After taking into consideration the weight of the operating expenses incurred, the Group turned in a net loss position of approximately RM4.2 million in the current quarter under review compared to a net profit of approximately RM5.5 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 lower at approximately RM237.6 million compared to RM251.7 million recorded during the immediate preceding quarter ended 31 December 2018. This was primarily attributed to lower sales volume despite a slightly higher average coke price of approximately RMB1,990 per tonne during the current quarter under review compared to RMB1,974 per tonne recorded during the last quarter ended 31 December 2018. The sales volume, on the other hand, had decreased by approximately 4% in comparison.

The cost of sales recorded by the Group during the quarter under review was approximately RM236.5 million as compared to RM238.0 million during the immediate preceding quarter ended 31 December 2018. The slight decrease was attributed to lower sales volume with the impact negated by higher average price of approximately 5%. The average coal price stood at approximately RMB1,420 per tonne during the quarter under review compared to approximately RMB1,350 per tonne during the immediate preceding quarter. Therefore, the Group recorded lower gross profit of approximately RM1.1 million in the current quarter under review compared to approximately RM13.7 million in the immediate preceding quarter ended 31 December 2018.

The Group recorded higher operating expenses of approximately RM5.4 million during the quarter under review compared to RM5.0 million in the immediate preceding quarter ended 31 December 2018. The slightly higher operating expenses in the current quarter was mainly attributed to the payment of staff bonus and incentives in China for the Chinese New Year, both of which were not incurred in the immediate preceding quarter.

After taking into consideration of the other income and operating expenses, the Group turned into a net loss position of approximately RM4.2 million during the quarter under review as compared to a net profit of approximately RM14.8 million which also included a recognition of deferred tax benefit amounted to RM6.4 million in the immediate preceding quarter ended 31 December 2018.

B3. Current year prospects

As the world economy stumbles into 2019, China is expected to contemporaneously continue with its anemic economic growth, with several analysts forecasting a lower still growth of 6.0 - 6.5% (the weakest expansion in nearly 30 years of China history) for 2019, compared to what it had managed to achieve in 2018 and the preceding years. In acknowledging the intimate correlation between the health of the economy with that of the steel and coke industry, it is inevitable to expect the landscape for the latter to potentially be faced with headwinds and speedbumps ahead.

Notwithstanding the above, the management is inclined to believe that the phenomenon of a slowdown is temporary and merely a natural course of an economic cycle, coupled with the fact that the Chinese government has adequate capabilities to take appropriate remedial steps to avert an economic meltdown. As evidence, various economic data depicted that for the first quarter 2019, China's economy grew at a steady 6.4% as industrial production jumped sharply and consumer demand showed signs of improvement, all of these of which is spurred by China's ramping up its fiscal stimulus this year to shore up growth, announcing billions of dollars in additional tax cuts and infrastructure spending, while Chinese banks lent a record 5.8 trillion yuan during the first quarter period.

However, more evidences are needed to call for a sustainable full-fledged recovery. Accordingly, 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. Concomitantly, the Group is hopeful that the pursued new business ventures will complement well and fit into its business expansion in the coming months.

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. Current year 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:

	First quarter ended		Financial period ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000	31 Mar 2019 RM'000	31 Mar 2018 RM'000
(Loss)/Profit before taxation	(4,187)	5,549	(4,187)	5,549
Taxation at statutory tax rate of 24%	(1,005)	1,332	(1,005)	1,332
Different tax rates in other countries	(36)	60	(36)	60
Expenses not deductible for tax purposes	1,045	110	1,045	110
Income not subject to tax	(4)	(3)	(4)	(3)
Utilization of previously unrecognized deferred tax asset	-	(1,499)	-	(1,499)
Tax income 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

	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Secured		
Term loan	-	24,582
Analysed as		
Repayable within twelve months	-	24,582

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

	First quarter ended		Financial period ended	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Basic earnings per share				
(Loss)/Profit for the period attributable to equity holders (RM'000)	(4,187)	5,549	(4,187)	5,549
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)	(0.37)	0.49	(0.37)	0.49

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. (Loss)/Profit before tax

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

	First quarter ended		Financial period ended	
	31 Mar 2019 RM'000	**31 Mar 2018 RM'000**	**31 Mar 2019 RM'000**	**31 Mar 2018 RM'000**
Interest income	(29)	(29)	(29)	(29)
Other income	(62)	(181)	(62)	(181)
Depreciation of property, plant and equipment	4,803	4,614	4,803	4,614
Amortisation of lease payments	265	269	265	269
PPE written off	638	368	638	368

By Order of the Board
Chua Siew Chuan
Secretary
24 May 2019