SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

- 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-19 RM'000	Preceding Period 30-Jun-18 RM'000	Current Period 30-Jun-19 RM'000	Preceding Period 30-Jun-18 RM'000
Revenue	235,071	240,334	472,698	505,855
Cost of sales	(239,845)	(233,624)	(476,324)	(487,285)
Gross (loss)/profit	(4,774)	6,710	(3,626)	18,570
Other income	111	177	203	388
Operating expenses	(2,862)	(4,104)	(8,269)	(10,383)
Finance cost	-	(249)	(21)	(490)
	(2,751)	(4,176)	(8,087)	(10,485)
(Loss)/Profit before tax	(7,525)	2,534	(11,713)	8,085
Taxation	-	-	-	-
(Loss)/Profit for the period	(7,525)	2,534	(11,713)	8,085
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	(4,348)	(4,906)	1,062	(9,087)
Total comprehensive expense for the period	(11,873)	(2,372)	(10,651)	(1,002)
(Loss)/Profit attributable to equity holders of the Company	(7,525)	2,534	(11,713)	8,085
Total comprehensive expenses attributable to equity holders of the Company	(11,873)	(2,372)	(10,651)	(1,002)
(Loss)/Earnigs per share (sen)				
- basic (sen)	(0.67)	0.23	(1.04)	0.72
- 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

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Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-19 RM'000	Audited as at 31-Dec-18 RM'000
Non Current Assets		
Land lease payment	28,009	28,540
Property, plant and equipment	166,741	168,877
Deferred tax asset	6,336	6,338
	201,086	203,755
Current Assets		
Inventories	94,285	97,114
Trade receivables	79,762	119,294
Other receivables, deposits and prepayments	19,921	36,736
Bank balances and cash	18,953	19,366
	212,921	272,510
Total Assets	414,007	476,265
Shareholders' Fund		
Share capital	1,115,045	1,115,045
Reserves	(744,803)	(734,152)
	370,242	380,893
Current Liabilities		
Trade payables	30,976	54,887
Other payables and accrued expenses	12,789	16,430
Short term bank loan	-	24,055
	43,765	95,372
Total Equity and Liabilities	414,007	476,265
Net assets per share (RM)	0.33	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 30 JUNE 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**
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 expense						
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
6 months ended 30 June 2019						
Balance as of January 1, 2019	1,115,045	49,358	(799,823)	187,331	(171,018)	380,893
Loss for the period	-	-	-	-	(11,713)	(11,713)
Other comprehensive income						
Exchange difference arising from translation of foreign operations	-	-	-	1,062	-	1,062
Balance as of June 30, 2019	1,115,045	49,358	(799,823)	188,393	(182,731)	370,242

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
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Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the financial period ended	
	30-Jun-19	**30-Jun-18**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for the period	(11,713)	8,085
Adjustments for:		
Depreciation of property, plant and equipment	9,176	9,283
Amortisation of lease payments	530	540
Finance costs	21	490
Interest income	(58)	(57)
Fixed asets written off	638	368
Operating (loss)/profit before working capital changes	(1,406)	18,709
(Increase) / Decrease in:		
Inventories	2,829	(1,653)
Trade receivables	39,532	(25,191)
Other receivables, deposits and prepayments	16,814	6,796
Amount due by related parties	(1,077)	3,425
Increase / (Decrease) in:		
Trade payables	(23,911)	7,005
Other payables and accrued expenses	(2,564)	(8,620)
Cash generated/(used in) from operations	30,217	471
Interest paid	(21)	(490)
Net cash generated from/(used in) operating activities	30,196	(19)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,884)	(3,662)
Interest received	58	57
Net cash used in investing activities	(6,826)	(3,605)
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	(685)	(3,624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,366	20,472
Effect of changes in exchange rates	272	(1,808)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	18,953	15,040

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

	Second quarter ended 30 June 2019		**Financial period ended 30 June 2019**	
	External Revenue RM'000	**Loss before tax RM'000**	**External Revenue RM'000**	**Loss before tax RM'000**
Manufacturing	235,071	(6,882)	472,698	(10,555)
Investment Holdings	-	(643)	-	(1,158)
	235,071	(7,525)	472,698	(11,713)

	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

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 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 RM235.1 million compared to the corresponding quarter of the preceding year of RM240.3 million. Such reduction in revenue during the current quarter under review can be primarily attributed to a lowered sales volume by 6% compared to that achieved in the corresponding quarter of 2018. This was brought about by the on-going 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 3% to RMB1,886 per tonne in the current quarter compared to RMB1,836 per tonne recorded in the preceding year corresponding quarter. Notwithstanding that, the positive impact of such price increase however was not adequate to fully negate the contrived decline in sales volume (as mentioned above), during the period in question.

Even though the Group managed to garner a relatively higher contribution margin from its by-products by approximately 3% during the current quarter, it proved to be also insufficient to fill the void in revenue resulted from the abovementioned lower sales volume and production levels. As a result therefrom, the Group registered an overall reduction in its total revenue in the current quarter under review of approximately 2%, compared to the preceding year corresponding quarter.

The Group’s cost of sales, on the other hand, saw an increase of approximately 3% from about RM233.6 million in the previous year corresponding quarter to about RM239.8 million in the current quarter under review. This is due to the fact that the average coal price has increased by approximately 11% from RMB1,239 per tonne in the previous year corresponding quarter to RMB1,371 per tonne in the current quarter under review despite the reduction in overall sales volume.

Given the above circumstances and the prevailing pricing dynamics of the metallurgical coke and coking coal, the Group turned into gross loss of approximately RM4.8 million in the current quarter under review compared to gross profit of approximately RM6.7 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 RM2.9 million in the current quarter under review compared to approximately RM4.1 million in the same quarter last year. Operating expense included staff salary, depreciation, minor repair and maintenance, electricity charges, etc.

After taking into consideration of the operating expenses incurred, the Group recorded a net loss of approximately RM7.5 million in the current quarter under review compared to a net profit of approximately RM2.5 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 RM235.1 million compared to RM237.6 million recorded during the immediate preceding quarter ended 31 March 2019. This was primarily attributed to lower sales volume and lower average coke price. We saw a reduction of coke price from approximately RMB1,990 per tonne during the last quarter ended 31 March 2019 compared to RMB1,886 per tonne in the current quarter under review. The sales volume also decreased by approximately 1% in comparison between the two quarters in question.

The cost of sales recorded by the Group during the quarter under review was approximately RM239.8 million as compared to RM236.5 million during the immediate preceding quarter ended 31 March 2019. The slight increase was attributed to higher manufacturing costs despite lower sales volume and average coal price. The average coal price was lower at approximately RMB1,371 per tonne during the quarter under review compared to approximately RMB1,420 per tonne during the immediate preceding quarter. As such, the Group recorded a gross loss of approximately RM4.8 million in the current quarter under review compared to a gross profit of approximately RM1.1 million in the immediate preceding quarter ended 31 March 2019.

The Group recorded much lower operating expenses of approximately RM2.9 million during the quarter under review compared to RM5.4 million in the immediate preceding quarter ended 31 March 2019. The much higher operating expenses in the immediate preceding quarter was mainly attributed to the payment of staff bonus and incentives in China for the Lunar New Year, both of which were not incurred in the current quarter under review.

After taking into consideration of the other income and operating expenses, the Group recorded a net loss of approximately RM7.5 million during the quarter under review as compared to a net loss of approximately RM4.2 in the immediate preceding quarter ended 31 March 2019.

B3. Current year prospects

China's economic growth slowed to a record low of 6.2 per cent in the second quarter, sliding further from 6.4 per cent in the first quarter of 2019, representing the weakest rate in at least 27 years, as a result of the on-going trade war with the U.S. As the economic data is still facing downturn pressure, the landscape for the steel and coke industry is expected to face with much more headwinds and speedbumps ahead, especially in the second half of 2019.

Notwithstanding the above, it is believed 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, despite the slowdown in the GDP growth, various other economic data depicted that for the second quarter 2019 was better than expected. To name a few, industrial production grew by 6.3 per cent from a year earlier, private sector expanding 8.3 percent in June compared with 6.2 per cent for state-owned enterprises, fixed asset investment grew by 5.8 per cent from a year earlier, and retail sales grew by 9.8 percent.

As more evidences are required to call for a sustainable full-fledged recovery in the economy, 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:

	Second quarter ended		Financial period ended	
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**
(Loss)/Profit before taxation	(7,525)	2,534	(11,713)	8,085
Taxation at statutory tax rate of 24%	(1,806)	608	(2,811)	1,940
Different tax rates in other countries	(69)	32	(105)	92
Expenses not deductible for tax purposes	1,879	144	2,924	255
Income not subject to tax	(4)	(3)	(8)	(7)
Utilization of previously unrecognized deferred tax asset	-	(781)	-	(2,280)
Tax income for the financial year	-	-	-	-

B6. Corporate proposals

The Company had on 14 June 2019 entered into a subscription agreement with Advance Opportunities Fund for the purpose of a proposed issuance of redeemable convertible medium term notes with an aggregate principal amount of up to RM150 million.

B7. Lease payable

The Group has no lease payable as at end of the reporting period.

B8. Borrowings

	30 Jun 2019 RM'000	30 Jun 2018 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	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Basic earnings per share				
(Loss)/Profit for the period attributable to equity holders (RM'000)	(7,525)	2,534	(11,713)	8,085
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)	(0.67)	0.23	(1.04)	0.72

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):

	Second quarter ended		Financial period ended	
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**
Interest income	(29)	(27)	(58)	(57)
Other income	(82)	(150)	(145)	(331)
Depreciation of property, plant and equipment	4,373	4,669	9,176	9,283
Amortisation of lease payments	265	271	530	540
PPE written off	-	-	638	368

By Order of the Board
Chua Siew Chuan
Secretary
19 August 2019