

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Fourth Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current Period 31-Dec-13 RM'000	Preceding Period 31-Dec-12 RM'000	Current Period 31-Dec-13 RM'000	Preceding Period 31-Dec-12 RM'000
Revenue	324,764	321,390	1,297,338	1,338,222
Cost of sales	(305,507)	(330,541)	(1,266,401)	(1,411,175)
Gross profit/(loss)	19,257	(9,151)	30,937	(72,953)
Other income	185	4,252	596	5,158
Operating expenses	(3,254)	(5,876)	(16,156)	(15,061)
Finance cost (Lease payable interest)	(9)	(5)	(33)	(5)
	(3,078)	(1,629)	(15,593)	(9,908)
Profit/(loss) before tax	16,179	(10,780)	15,344	(82,861)
Taxation	-	-	-	-
Profit/(loss) for the period	16,179	(10,780)	15,344	(82,861)
Other comprehensive income/(expense): Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	14,927	4,396	60,273	(17,872)
Total comprehensive income/(expense) for the period	31,106	(6,384)	75,617	(100,733)
Profit/(loss) attributable to equity holders of the Company	16,179	(10,780)	15,344	(82,861)
Total comprehensive income/(expense) attributable to equity holders of the Company	31,106	(6,384)	75,617	(100,733)
Profit/(loss) per share (sen)				
- basic (sen)	1.44	(0.96)	1.37	(7.38)
- 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 2012.

SINO HUA-AN INTERNATIONAL BERHAD

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013 - THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Dec-13 RM'000	Audited as at 31-Dec-12 RM'000
Non Current Assets		
Land lease payment - long-term	29,333	27,146
Property, plant and equipment	364,937	362,557
Goodwill	107,819	107,518
	<u>502,089</u>	<u>497,221</u>
Current Assets		
Land lease payment - short-term	941	843
Inventories	104,917	71,770
Trade receivables	62,155	34,518
Other receivables, deposits and prepayments	16,849	42,649
Amount due from related parties	34,951	8,066
Tax recoverable	15,137	15,171
Bank balances and cash	32,198	16,468
	<u>267,148</u>	<u>189,485</u>
Total Assets	<u><u>769,237</u></u>	<u><u>686,706</u></u>
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	135,350	59,733
	<u>696,504</u>	<u>620,887</u>
Current Liabilities		
Trade payables	53,749	52,012
Other payables and accrued expenses	18,701	12,960
Amount due to related parties	0	289
Lease payable	283	294
	<u>72,733</u>	<u>65,555</u>
Non Current Liability		
Lease payable	-	264
Total Equity and Liabilities	<u><u>769,237</u></u>	<u><u>686,706</u></u>
Net assets per share (RM)	0.62	0.55

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 2012.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

- 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
<u>12 months ended 31 December 2012</u>							
Balance as of January 1, 2012	561,154	553,891	49,358	(799,823)	66,233	290,807	721,620
Loss for the period	-	-	-	-	-	(82,861)	(82,861)
Other comprehensive expense							
Exchange difference arising from translation of foreign operations	-	-	-	-	(17,872)	-	(17,872)
Balance as of December 31, 2012	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
<u>12 months ended 31 December 2013</u>							
Balance as of January 1, 2013	561,154	553,891	49,358	(799,823)	48,361	207,946	620,887
Profit for the period	-	-	-	-	-	15,344	15,344
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	60,273	-	60,273
Balance as of December 31, 2013	561,154	553,891	49,358	(799,823)	108,634	223,290	696,504

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 2012

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013 - THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited Current year to date 31-Dec-13 RM'000	Preceding year to date 31-Dec-12 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	15,344	(82,861)
Adjustments for:		
Depreciation of property, plant and equipment	40,940	38,898
Amortisation of lease payments	888	853
(Reversal)/Allowance for impairment	-	(393)
Interest income	(167)	(157)
Interest expense	33	5
Asset written off	482	-
Operating profit/(loss) before working capital changes	57,520	(43,655)
(Increase) / Decrease in:		
Inventories	(27,496)	27,819
Trade receivables	(24,919)	33,665
Other receivables, deposits and prepayments	29,152	8,044
Amount due by/to related parties	(26,559)	10,218
Increase / (Decrease) in:		
Trade payables	(2,358)	(37,875)
Other payables and accrued expenses	10,310	1,782
Forex reserve	7,822	1,267
Cash generated from operations	23,472	1,265
Interest paid	(33)	(5)
Tax paid	(4,400)	(4,958)
Net cash generated from/(used in) operating activities	19,039	(3,698)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,453)	(2,149)
Interest received	167	157
Net cash used in investing activities	(4,286)	(1,992)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease payables	(275)	(51)
Net cash used in financing activities	(275)	(51)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,478	(5,741)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	16,468	23,016
Effect of changes in exchange rate	1,252	(807)
CASH AND CASH EQUIVALENTS		
AT END OF THE FINANCIAL PERIOD	32,198	16,468

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

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 Company for the year ended 31 December 2012. 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 Company since the financial year ended 31 December 2012.

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 2012, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Issues Committee (“IC”) Interpretations and amendments to MFRS with effect from 1 January 2013.

The Directors of the Company anticipate that the application of the following new Malaysian Financial Reporting Standards (“MFRSs”), revised MFRSs, Issues Committee (“IC”) Interpretations, amendments to MFRSs and IC Interpretations which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group:

		Effective date for financial periods beginning on or after
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits(as amended in 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in June 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in June 2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

		Effective date for financial periods beginning on or after
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Annual improvements 2009-2011 Cycle		1 January 2013

As at 31 December 2013, the following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of assets	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 10, 12 and 127	Investment entities	1 January 2014
MFRS 9	Financial Instruments	1 January 2015

A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2012 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.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

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

	Current quarter		Current year to date	
	31 December 2013		31 December 2013	
	External Revenue	Profit/(loss) before tax	External Revenue	Profit/(loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	324,764	16,747	1,297,338	17,322
Investment Holdings	-	(568)	-	(1,978)
	<u>324,764</u>	<u>16,179</u>	<u>1,297,338</u>	<u>15,344</u>

	Current quarter		Current year to date	
	31 December 2012		31 December 2012	
	External Revenue	Loss before tax	External Revenue	Loss before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	321,390	(10,259)	1,338,222	(80,924)
Investment Holdings	-	(521)	-	(1,937)
	<u>321,390</u>	<u>(10,780)</u>	<u>1,338,222</u>	<u>(82,861)</u>

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.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

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

	Current quarter 31 Dec 2013 RM'000	Current year to date 31 Dec 2013 RM'000
Sales of goods to related parties		
Linyi Jiangxin Steel Co., Ltd.	94,072	517,421
Shandong Jiangquan Industrial Co., Ltd Thermoelectricity	18,900	71,731
Shandong Jiangquan Industrial Co., Ltd. - Jiangxin Construction Use Ceramic Factory	3,652	14,114
Electricity expense paid/payable		
Shandong Huasheng Jiangquan Thermoelectricity Co., Ltd.	12,746	49,417
Storage expense paid/payable		
Shandong Jiangquan Industrial Co., Ltd. Railroad	1,478	7,366

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

The consolidated revenue of the Group for the current quarter under review has increased by approximately 1% to RM324.8 million compared to RM321.4 million in the preceding year corresponding quarter. Such modest increase in revenue during the current quarter under review was the net effect of a higher contribution from the by-products, the extent of which was sufficient to offset the relatively lower average selling price and sales volume of the metallurgical coke. The average selling price of metallurgical coke eased by approximately 5% to RMB1,406 during this current quarter from RMB1,484 in the preceding year corresponding quarter. The sales volume was also down by approximately 4% in the final quarter of 2013 compared to previous year corresponding quarter. Contribution from the by-products on the other hand saw an increase of approximately 29% during the current quarter compared to that of the preceding quarter and this was primarily attributed to the strong hike in the price of coal gas by 146% vis-à-vis a fall in the price of crude benzene and ammonium sulphate of 8% and 41% respectively and a fairly constant price of tar oil.

The reduction in cost of sales was largely due to the drop in the average coking coal price, which saw a reduction of approximately 13% to RMB1,007 in the current quarter compared to RMB1,159 recorded in the same quarter last year. Also, as a result of the reduction in sales volume, the cost of sales in the current quarter under review was therefore lower at approximately RM305.5 million compared to RM330.5 million in the preceding year corresponding quarter, representing a reduction of approximately 8%.

By virtue of the fact that the consolidated revenue was boosted by the overall higher contribution from the by-products and a reduction in the total cost of sales, the Group managed to turn in a profitable final quarter for the year with a gross profit of RM19.3 million compared to a gross loss of RM9.2 million in the preceding year corresponding quarter.

Accordingly, the Group recorded a profit before tax of approximately RM16.2 million in the current quarter under review compared to a loss before tax of approximately RM10.8 million recorded in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM324.8 million registered during the current quarter under review represents a reduction of approximately 3% from RM336.3 million recorded in the immediate preceding quarter ended 30 September 2013. The reduction in revenue was primarily attributed to a relatively lower contribution from the by-products and a decreased sales volume, notwithstanding an increase of approximately 7% seen in the average price of metallurgical coke during the current quarter under review compared to that of the immediate preceding quarter.

Corresponding to the decreased sales volume, the cost of sales in the current quarter under review was also lowered by approximately 6% to RM305.5 million compared to the immediate preceding quarter ended 30 September 2013 of RM326.1 million. The average coking coal price, however, was higher by approximately 6% in the current quarter compared to those recorded in the preceding quarter ended 30 September 2013.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

Owing to the fact that the average price of metallurgical coke increased at slightly higher margin compared to that of coking coal, the Group managed to register a profit of approximately RM16.2 million in this quarter compared to the previous quarter profit of approximately RM6.8 million.

B3. Current year prospects

Continuous effort by the Chinese government to rebalance its economy and its unflagging urbanisation initiatives is expected to eventually contribute positively towards the domestic steel demand. Even though the Chinese economy is not likely to rebound to record double digit growth as seen in the past decades prior to the crisis, the Government takes cognizance of the importance of keeping its economy humming, albeit at a more moderate and sustainable rate of around 7% moving forward. In the recent period, it has amongst others, accelerated its railway expansion programme, heightened spending on the construction of affordable housing and public infrastructures as well as instituted tax cuts.

In addition to the industry benefiting from sustained domestic support, export markets are seen to be returning. The overall global economy appeared to be on a surer footing with the IMF forecasting that the world output will grow 3.6% in the coming year compared with 2.9% in 2013. The euro zone is seen to be limping its way out of recession while the US is beginning to see recovery in its labor and housing markets and Japan exiting from its decades of stagflation.

As the development and prospects of the metallurgical coke industry tracks closely that of the steel industry which in turn is correlated to the general health of the economy, the continued sustained churning of the China domestic economy as well as the perceived resurrection of the economies of developed nations will inherently translate to a brighter future for the Group.

Barring any unforeseen circumstances and/or major turn of events, the Group is confident that that gradual recovery in the industry will bring about positive impact to the financial performance of the Group in the coming financial years.

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.

B6. Corporate proposals

There were no corporate proposals during the quarter under review.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

B7. Lease Payable

The Group's lease payable as at end of the reporting period are as follows:

	31 Dec 2013 RM'000	31 Dec 2012 RM'000
Secured lease payable		
- Short term	283	294
- Long term	-	264
Total lease payable	<u>283</u>	<u>558</u>

Lease payable is denominated in RMB.

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 dividend had been declared in respect of the current quarter under review.

B10. Earnings per share

	Individual quarter ended		Cumulative period ended	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Basic profit/(loss) per share				
Profit/(loss) for the period attributable to equity holders (RM'000)	16,179	(10,780)	15,344	(82,861)
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)	<u>1.44</u>	<u>(0.96)</u>	<u>1.37</u>	<u>(7.38)</u>

There are no diluted earnings per share as the Company does not have any share option in issue at the current quarter under review.

SINO HUA-AN INTERNATIONAL BERHAD*(Company No.: 732227-T)*

Incorporated in Malaysia

Notes to the quarterly report – 31 DECEMBER 2013

B11. Realised and Unrealised Profits/Losses Disclosure

	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	223,290	207,946
- Unrealised	(9,306)	(25,085)
	213,984	182,861
Less: Consolidation adjustment	9,306	25,085
Total retained earnings as per consolidated accounts	<u>223,290</u>	<u>207,946</u>

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

B12. Profit/(Loss) before tax

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

	Current quarter		Current year to date	
	31 Dec 2013 RM'000	31 Dec 2012 RM'000	31 Dec 2013 RM'000	31 Dec 2012 RM'000
Interest income	(50)	(30)	(167)	(157)
Other income	(137)	(4,222)	(429)	(5,001)
Depreciation of property, plant and equipment	10,557	9,167	40,940	38,898
Amortisation of lease payments	229	214	888	853
Finance cost	<u>8</u>	<u>5</u>	<u>33</u>	<u>5</u>

By Order of the Board
Chua Siew Chuan
Secretary

27 February 2014