

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Fourth quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 31-Dec-18 RM'000	Preceding Period 31-Dec-17 RM'000	Current Period 31-Dec-18 RM'000	Preceding Period 31-Dec-17 RM'000
Revenue	251,708	276,679	996,388	891,691
Cost of sales	(237,984)	(246,656)	(950,324)	(790,828)
Gross profit	13,724	30,023	46,064	100,863
Other income	147	(26)	928	2,039
Operating expenses	(4,962)	(4,086)	(22,622)	(21,869)
Finance cost	(488)	(226)	(1,157)	(226)
	(5,303)	(4,338)	(22,851)	(20,056)
Profit before tax	8,421	25,685	23,213	80,807
Taxation	6,382	-	6,382	-
Profit for the period	14,803	25,685	29,595	80,807
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss: Exchange difference arising from translation of foreign operations	(606)	(5,754)	(13,404)	(11,012)
Total comprehensive income for the period	14,197	19,931	16,191	69,795
Profit attributable to equity holders of the Company	14,803	25,685	29,595	80,807
Total comprehensive income attributable to equity holders of the Company	14,197	19,931	16,191	69,795
Earnings per share (sen)				
- basic (sen)	1.32	2.29	2.64	7.20
- 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.

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Dec-18 RM'000	Audited as at 31-Dec-17 RM'000
<b>Non Current Assets</b>		
Land lease payment	28,540	30,703
Property, plant and equipment	168,877	187,438
Deferred tax asset	6,338	-
	203,755	218,141
<b>Current Assets</b>		
Inventories	97,114	70,515
Trade receivables	119,294	100,350
Other receivables, deposits and prepayments	36,736	25,107
Amount due from related parties	-	15,556
Bank balances and cash	19,366	20,472
	272,510	232,000
<b>Total Assets</b>	476,265	450,141
<b>Shareholders' Fund</b>		
Share capital	1,115,045	1,115,045
Reserves	(734,152)	(750,343)
	380,893	364,702
<b>Current Liabilities</b>		
Trade payables	54,887	31,328
Other payables and accrued expenses	16,430	29,151
Short term bank loan	24,055	24,960
	95,372	85,439
<b>Total Equity and Liabilities</b>	476,265	450,141
Net assets per share (RM)	0.34	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.

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Non-distributable reserves ----->					Distributable reserve	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory common reserve funds RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
<b><u>12 months ended 31 December 2017</u></b>							
<b>Balance as of January 1, 2017</b>	561,154	553,891	49,358	(799,823)	211,747	(281,420)	294,907
Transition to no-par value *	553,891	(553,891)	-	-	-	-	-
Profit for the period	-	-	-	-	-	80,807	80,807
Other comprehensive income							
Exchange difference arising from translation of foreign operations	-	-	-	-	(11,012)	-	(11,012)
<b>Balance as of December 31, 2017</b>	1,115,045	-	49,358	(799,823)	200,735	(200,613)	364,702
<b><u>12 months ended 31 December 2018</u></b>							
<b>Balance as of January 1, 2018</b>	1,115,045	-	49,358	(799,823)	200,735	(200,613)	364,702
Profit for the period	-	-	-	-	-	29,595	29,595
Other comprehensive expenses							
Exchange difference arising from translation of foreign operations	-	-	-	-	(13,404)	-	(13,404)
<b>Balance as of December 31, 2018</b>	1,115,045	-	49,358	(799,823)	187,331	(171,018)	380,893

\* 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 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.

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended	
	31-Dec-18	31-Dec-17
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	29,595	80,807
Adjustments for:		
Depreciation of property, plant and equipment	12,938	13,161
Amortisation of lease payments	1,057	1,106
Finance costs	1,157	226
Interest income	(109)	(87)
Fixed assets written off	334	2
Deferred tax	(6,338)	-
Operating profit before working capital changes	38,634	95,215
(Increase) / Decrease in:		
Inventories	(26,599)	(53,335)
Trade receivables	(18,944)	(94,265)
Other receivables, deposits and prepayments	(11,629)	(16,871)
Amount due by related parties	15,556	43,982
Increase / (Decrease) in:		
Trade payables	23,559	(4,513)
Other payables and accrued expenses	(12,721)	14
Cash generated/(used in) from operations	7,856	(29,775)
Interest paid	(1,157)	(226)
Tax refund	-	19,981
Net cash generated from/(used in) operating activities	6,699	(10,020)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,422)	(12,290)
Interest received	109	87
Net cash used in investing activities	(1,313)	(12,203)
<b>CASH FLOWS USED IN FINANCING ACTIVITY</b>		
Drawdown from bank loan	-	24,960
Net cash generated from financing activity	-	24,960
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,386	2,737
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	20,472	21,254
Effect of changes in exchange rates	(6,492)	(3,519)
CASH AND CASH EQUIVALENTS		
AT END OF THE FINANCIAL PERIOD	19,366	20,472

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.

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## 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

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		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

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		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.

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**A8. Segmental information**

Segment results by business activities

	Fourth quarter ended		Financial period ended	
	31 December 2018		31 December 2018	
	External Revenue	Profit/(loss) before tax	External Revenue	Profit/(loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	251,708	8,954	996,388	25,239
Investment Holdings	-	(532)	-	(2,025)
	<u>251,708</u>	<u>8,422</u>	<u>996,388</u>	<u>23,214</u>
	Fourth quarter ended		Financial period ended	
	31 December 2017		31 December 2017	
	External Revenue	Profit/(loss) before tax	External Revenue	Profit/(loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	276,679	26,311	891,691	82,782
Investment Holdings	-	(626)	-	(1,975)
	<u>276,679</u>	<u>25,685</u>	<u>891,691</u>	<u>80,807</u>

**A9. Valuation of Property, Plant and Equipment**

The property, plant and equipment of the Group have not been revalued during the quarter under review.

**A10. Material Events Subsequent to the end of the Reporting Period**

There were no material events subsequent to the end of the quarter under review.

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial year to-date.

**A12. Changes in contingent liabilities or contingent assets**

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review.

**A13. Related party transactions**

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



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### **B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS**

#### **B1. Review of performance**

During the quarter under review, the Group recorded a consolidated revenue of RM251.7 million compared to the corresponding quarter of the preceding year of RM276.7 million. Such reduction in revenue during the current quarter under review was due to lower average selling price of the metallurgical coke and lower sales volume. The average selling price of metallurgical coke has declined by approximately 2% to RMB1,974 during this current quarter from RMB2,019 in the preceding year corresponding quarter. During those comparative periods in question, the Group saw its sales volume reduced by approximately 6% in the final quarter of 2018. Correspondingly, the reduction in production volume of coke, the overall contribution from the by-products had also decreased by approximately 4% during the current quarter compared to that of the preceding year corresponding quarter. All in all, the Group saw an overall reduction of approximately 9% in its total revenue in the current quarter under review compared to the preceding year corresponding quarter.

The Group recorded a cost of sales amounting to approximately RM238.0 million during the current quarter under review compared to approximately RM246.7 million in the previous year corresponding quarter. The average coal price has increased by approximately 3% from RMB1,317 per tonne in the previous year corresponding quarter compared to RMB 1,350 per tonne in the current quarter. Such pricing dynamics of the metallurgical coke and coal resulted the Group recorded a lower gross profit of approximately RM13.7 million in the current quarter under review compared to approximately RM30.0 million in the preceding year corresponding quarter.

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

Operating expenses incurred by the Group were slightly higher at approximately RM5.0 million in the current quarter under review compared to approximately RM4.1 million in 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 RM8.4 million in the current quarter under review compared to approximately RM25.7 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 higher at approximately RM251.7 million compared to RM238.8 million recorded during the immediate preceding quarter ended 30 September 2018. This was primarily attributed to higher average coke price of approximately RMB1,974 per tonne during the current quarter under review compared to RMB1,889 per tonne recorded during the last quarter ended 30 September 2018. The sales volume, however, had decreased by approximately 7% in comparison.

The cost of sales recorded by the Group during the quarter under review was approximately RM238.0 million as compared to RM225.1 million during the immediate

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preceding quarter ended 30 September 2018. This increase was attributed to higher average coal price of approximately 7% despite lower sales volume. The average coal price stood at approximately RMB1,350 per tonne during the quarter under review compared to approximately RMB1,263 per tonne during immediate preceding quarter. Therefore, the Group recorded a slightly lower gross profit of approximately RM13.7 million in the current quarter under review compared to approximately RM13.8 million in the immediate preceding quarter ended 30 September 2018.

The Group recorded lower operating expenses of approximately RM5.0 million during the quarter under review compared to RM7.3 million in the immediate preceding quarter ended 30 September 2018. The relatively higher operating expenses in the previous quarter mainly attributed to the payment of property and land tax, of which were not incurred in the current quarter under review.

After taking into consideration of other income and operating expenses, the Group recorded a net profit before tax of approximately RM8.4 million during the quarter under review as compared to approximately RM6.7 million in the immediate preceding quarter ended 30 September 2018.

### **B3. Current year prospects**

Premised on the slew of economic and analyst reports, the state of the global economy is expected to remain challenging in the immediate future and the China economy, being the second largest economy and a deemed significant economic bellwether, is still continuing to slowdown. As of the fourth quarter, China only managed to eke out a growth of 6.4%, the slowest since 1990 and that given impact of the Sino-US trade tension, the deleveraging measures and economic reformation policies within the country, China is expected to continue to hobble along with an economic growth of between 6-6.5% for this coming year. These, together with the incessant production curbs and strict enforcements of the environmental protection policies, will inherently hamper the growth prospects of the domestic steel and coke industry.

In view of the above, the Board deems it fitting to reposition the Group's strategic direction which includes diversifying the Group's business into other areas such as the tech-enabling business and F&B business. By venturing into these businesses, in addition to enabling the Group to gain a footprint in Malaysia hereon after, it will also be able to mitigate the business risk of sole reliance on a single business in a particular market, a situation it currently is in.

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. Concomitantly, the Group is hopeful that the pursued new business ventures will complement well and fit into its business expansion and repositioning strategy.

### **B4. Variation on forecast profit / Profit guarantee**

The Group did not issue any profit forecast nor profit guarantee during the current financial period to date.

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**B5. Current year taxation**

	Fourth quarter ended		Financial period ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Taxation – current year	-	-	-	-
Deferred tax	6,382	-	6,382	-
Tax income for the financial year	<u>6,382</u>	<u>-</u>	<u>6,382</u>	<u>-</u>

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:

	Fourth quarter ended		Financial period ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>8,422</u>	<u>25,685</u>	<u>23,214</u>	<u>80,807</u>
Taxation at statutory tax rate of 24%	2,021	6,165	5,571	19,394
Different tax rates in other countries	90	263	253	828
Expenses not deductible for tax purposes	131	153	500	484
Income not subject to tax	(4)	(3)	(14)	(11)
Deferred tax asset	<u>4,144</u>	<u>(6,578)</u>	<u>72</u>	<u>(20,695)</u>
Tax income for the financial year	<u>6,382</u>	<u>-</u>	<u>6,382</u>	<u>-</u>

**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 Dec 2018	31 Dec 2017
	RM'000	RM'000
Secured		
Term loan	<u>24,055</u>	<u>24,960</u>
Analysed as		
Repayable within twelve months	<u>24,055</u>	<u>24,960</u>

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.

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**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**

	Fourth quarter ended		Financial period ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
<b>Basic earnings per share</b>				
Profit for the period attributable to equity holders (RM'000)	14,803	25,685	29,595	80,807
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)	<u>1.32</u>	<u>2.29</u>	<u>2.64</u>	<u>7.20</u>

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):

	Fourth quarter ended		Financial period ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Interest income	(29)	(23)	(109)	(87)
Other income	(118)	49	(819)	(1,952)
Depreciation of property, plant and equipment	(891)	(3,030)	12,938	13,161
Amortisation of lease payments	270	275	1,057	1,106
PPE written off	<u>(23)</u>	<u>1</u>	<u>334</u>	<u>2</u>

By Order of the Board  
Chua Siew Chuan  
Secretary  
28 February 2019