

# Sino Hua An cautiously optimistic on outlook

*External factors will affect the industry besides the coal pricing mechanism, says executive chairman Tunku Naquiyuddin Tuanku Ja'afar*

By ISABELLE FRANCIS

SINO HUA An International Bhd (SHIB) is "cautiously" optimistic on its outlook due to the uncertainty of the global markets.

Executive chairman Tunku Naquiyuddin Tuanku Ja'afar told reporters after the company's AGM in Kuala Lumpur yesterday: "It's very difficult to give a straight answer (on outlook). There are a lot of external factors that will be affecting the industry, besides the pricing mechanism of coal."

The company is taking on a cautious stance despite the bullish forecasts by analysts on the metallurgical coke producer. Analysts have projected an average earnings of RM167 million for FY08.

Six out of eight research houses have recommended a

"buy" call on the only red-chip company on the local bourse. One house recommended a "strong buy" call and another put out an "outperform" recommendation.

The projected net profit of RM167 million would represent a 32% increase over the RM127 million net profit posted by the company in the year ended Dec 31, 2007.

Price earnings ratio for FY08 is estimated at 3.9 to 5.5 times.

SHIB beat its own internal target of RM113 million net profit for FY07.

The company, which is mulling a secondary listing, has already deferred plans to invest in a steel company in China. It has decided to focus on the efficiency of its new production capacity for the rest of the year.

By September, Sino Hua An's 1.8 million tonne coke plant in Shandong, China, will be running at full capacity, up from 1.2 million last year.

Metallurgical coke is used as fuel for the production of steel.

Naquiyuddin said while the global coking coal price has increased significantly, the coking coal sourced for its operations in China is 30% cheaper than the internationally traded ones.

Executive director Cedric Choo said Sino Hua An has been able to pass on the increase in cost to its customers, adding that the quantum of increase in its locally sourced coking coal is usually consistent with global ones.

He added that while industrial activities within a certain radius are going to be scaled down due to the Beijing Olympic games it expects steel players in other areas to increase production.