

Sino Hua-An sees better results in 1Q

The company expects a much improved performance due to the rising steel demand in China as a result of the RM2t stimulus plan

BY LEE CHERNG WEE

SINO Hua-An International Bhd expects a much improved performance in its first quarter results due to the rising steel demand in China as the result of a 4 trillion yuan (RM2.07 billion) stimulus package.

"We cannot reveal the numbers yet but the first quarter results are much better than the fourth quarter last year," said Sino executive director Cedric Choo after the company's annual general meeting yesterday.

Sino produces metallurgical coke, a critical raw material used as energy source for steel manufacturing.

The company has enjoyed

higher sales following the increase in steel demand as the effect of China's 4 trillion yuan stimulus package kick in.

"Out of the 4 trillion yuan, 1 trillion yuan is for infrastructure and 800 billion yuan is for housing, both of which, will increase steel demand. So far, 420 billion yuan has been spent," said Choo.

Sino expects steel demand to improve further in the second half this year as stockpiles accumulated by building contractors and developers would be fully utilised as a result of the development projects spurred by the stimulus package.

Choo added that the company's plant in Shandong,

China was operating at 70% to 80% of total capacity in the first quarter compared to a low of 50% in October 2008. Last month, the utilisation rate increased further to 90%.

Sino will be releasing its first quarter results at the end of this month. Its net loss of RM83.65 million in the fourth quarter of 2008 wiped out almost all its profit for the year.

The company has all of its operations in China but is listed in Malaysia.

Despite ruling out any expansion, Sino is unlikely to pay out any dividend from its cash balance of RM28.4 million.

"We want to conserve cash reserves as we have seen competitors without cash piles being forced to close down. We want to keep enough money for our working capital," said Choo.