

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2012

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Jun-12 RM'000	Unaudited Preceding Period 30-Jun-11 RM'000	Unaudited Current Period 30-Jun-12 RM'000	Unaudited Preceding Period 30-Jun-11 RM'000
Revenue	340,240	362,541	722,362	742,208
Cost of sales	(363,005)	(353,791)	(759,652)	(725,942)
Gross (loss)/profit	(22,765)	8,750	(37,290)	16,266
Other income	154	88	318	248
Operating expenses	(1,887)	(5,939)	(7,438)	(12,750)
	(1,733)	(5,851)	(7,120)	(12,502)
(Loss)/profit before tax	(24,498)	2,899	(44,410)	3,764
Taxation	-	-	-	-
(Loss)/profit for the period	(24,498)	2,899	(44,410)	3,764
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	24,306	12,390	6,693	2,323
Total comprehensive (loss)/profit for the period	(192)	15,289	(37,717)	6,087
(Loss)/profit attributable to equity holders of the Company	(24,498)	2,899	(44,410)	3,764
Total comprehensive (loss)/profit attributable to equity holder of the Company	(192)	15,289	(37,717)	6,087
(Loss)/profit per share (sen)				
- basic (sen)	(2.18)	0.26	(3.96)	0.34
- fully diluted (sen)	n/a	n/a	n/a	n/a

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-12 RM'000	Audited as at 31-Dec-11 RM'000
<b>Non Current Assets</b>		
Land lease payment - long-term	28,819	28,864
Property, plant and equipment	397,242	410,707
Goodwill	107,636	107,600
	533,697	547,171
<b>Current Assets</b>		
Land lease payment - short-term	882	870
Inventories	75,648	103,257
Trade receivables	76,610	70,287
Other receivables, deposits and prepayments	12,988	52,558
Amount due from related parties	19,072	18,843
Tax recoverable	18,022	13,264
Bank balances and cash	31,127	23,015
	234,349	282,094
<b>Total Assets</b>	768,046	829,265
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	122,747	160,466
	683,901	721,620
<b>Current Liabilities</b>		
Trade payables	68,570	93,198
Other payables and accrued expenses	15,264	14,261
Amount due to related parties	311	186
	84,145	107,645
<b>Total Equity and Liabilities</b>	768,046	829,265
Net assets per share (RM)	0.61	0.64

# SINO HUA-AN INTERNATIONAL BERHAD

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Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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### 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>6 months ended 30 June 2011</u></b>							
<b>Balance as of January 1, 2011</b>	561,154	553,891	49,358	(799,823)	29,009	302,419	696,008
Dividend						(1,998)	(1,998)
Profit for the period	-	-	-	-	-	3,764	3,764
Other comprehensive income	-	-	-	-	2,323	-	2,323
<b>Balance as of June 30, 2011</b>	561,154	553,891	49,358	(799,823)	31,332	304,185	700,097
<b><u>6 months ended 30 June 2012</u></b>							
<b>Balance as of January 1, 2012</b>	561,154	553,891	49,358	(799,823)	66,231	290,807	721,618
Loss for the period	-	-	-	-	-	(44,410)	(44,410)
Other comprehensive income	-	-	-	-	6,693	-	6,693
<b>Balance as of June 30, 2012</b>	561,154	553,891	49,358	(799,823)	72,924	246,397	683,901

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Jun-12 RM'000	Preceding year to date 30-Jun-11 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit for the period	(44,410)	3,764
Adjustments for:		
Depreciation of property, plant and equipment	19,331	18,329
Amortisation of lease payments	425	403
Interest income	(89)	(66)
Operating (loss)/profit before working capital changes	(24,743)	22,430
(Increase) / Decrease in:		
Inventories	27,609	6,038
Trade receivables	(6,323)	(8,568)
Other receivables, deposits and prepayments	40,753	119
Amount due by/to related parties	(229)	(12,765)
Increase / (Decrease) in:		
Trade payables	(24,627)	19,252
Other payables and accrued expenses	1,003	(9,833)
Amount due to related company	124	-
Cash generated from operations	13,567	16,673
Tax paid	(4,758)	2,121
Net cash from operating activities	8,809	18,794
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(968)	(1,105)
Interest received	89	66
Net cash used in investing activities	(879)	(1,039)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividend paid	-	(1,998)
Net cash used in financing activities	-	(1,998)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,930	15,757
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	23,015	22,274
Effect of changes in exchange rate	182	(333)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	31,127	37,698

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

## A. EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING

### A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 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 2011. 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 2011.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS Framework”) issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. All FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, except for some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

		<u>Effective date for financial periods beginning on or after</u>
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2012
MFRS 2	Share-based Payment	1 January 2012
MFRS 3	Business Combinations	1 January 2012
MFRS 4	Insurance Contracts	1 January 2012
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2012
MFRS 7	Financial Instruments: Disclosures	1 January 2012
MFRS 8	Operating Segments	1 January 2012
MFRS 101	Presentation of Financial Statements	1 January 2012
MFRS 102	Inventories	1 January 2012
MFRS 107	Statement of Cash Flows	1 January 2012
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110	Events After the Reporting Period	1 January 2012
MFRS 111	Construction Contracts	1 January 2012
MFRS 112	Income Taxes	1 January 2012
MFRS 116	Property, Plant and Equipment	1 January 2012
MFRS 117	Leases	1 January 2012
MFRS 118	Revenue	1 January 2012
MFRS 119	Employee Benefits	1 January 2012
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

---

		<u>Effective date for financial periods beginning on or after</u>
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123	Borrowing Costs	1 January 2012
MFRS 124	Related Party Disclosures	1 January 2012
MFRS 126	Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 127	Consolidated and Separate Financial Statements	1 January 2012
MFRS 128	Investments in Associates	1 January 2012
MFRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2012
MFRS 131	Interests in Joint Ventures	1 January 2012
MFRS 132	Financial Instruments: Presentation	1 January 2012
MFRS 133	Earnings Per Share	1 January 2012
MFRS 134	Interim Financial Reporting	1 January 2012
MFRS 136	Impairment of Assets	1 January 2012
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138	Intangible Assets	1 January 2012
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140	Investment Property	1 January 2012
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 January 2012
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2012
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2012
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 January 2012
IC Interpretation 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2012
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2012
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2012
IC Interpretation 12	Service Concession Arrangements	1 January 2012
IC Interpretation 13	Customer Loyalty Programmes	1 January 2012
IC Interpretation 14	MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2012

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

---

		<u>Effective date for financial periods beginning on or after</u>
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 January 2012
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18	Transfers of Assets from Customers	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
IC Interpretation 107	Introduction of the Euro	1 January 2012
IC Interpretation 110	Government Assistance - No Specific Relation to Operating Activities	1 January 2012
IC Interpretation 112	Consolidation - Special Purpose Entities	1 January 2012
IC Interpretation 113	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	1 January 2012
IC Interpretation 115	Operating Leases - Incentives	1 January 2012
IC Interpretation 125	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1 January 2012
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2012
IC Interpretation 129	Service Concession Arrangements: Disclosures	1 January 2012
IC Interpretation 131	Revenue - Barter Transactions Involving Advertising Services	1 January 2012
IC Interpretation 132	Intangible Assets - Web Site Costs	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 January 2012
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18	Transfers of Assets from Customers	1 January 2012

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

As at 30 June 2012, the following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group:

		<u>Effective date for financial periods beginning on or after</u>
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	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
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 141	Agriculture	1 January 2014
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
	Financial Instruments (IFRS 9 issued by IASB in October 2010)	

## **A2. Audit report**

The auditors' report on the audited financial statements for the year ended 31 December 2011 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.



# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

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## 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

	Current quarter		Current year to date	
	30 June 2012		30 June 2012	
	Revenue	Loss before tax	Revenue	Loss before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	340,240	(24,016)	722,362	(43,449)
Investment Holdings	-	(482)	-	(961)
	<u>340,240</u>	<u>(24,498)</u>	<u>722,362</u>	<u>(44,410)</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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

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

### **B1. Review of Performance**

For the second quarter ended 30 June 2012, the Group recorded a consolidated revenue of approximately RM340.2 million. The cost of sales for the quarter under review amounted to approximately RM363.0 million.

The consolidated revenue for the current quarter under review has reduced by approximately 6% from RM362.5 million in the preceding year corresponding quarter to RM340.2 million. The drop in revenue was principally attributed to lower average selling price of metallurgical coke as well as that of the sales volume registered during the current quarter under review. The appreciation of approximately 5% of the Group's functional currency (Renminbi) against its reporting currency (Ringgit) had however, reduced the negative impact of the effects of the abovementioned lower average selling price of metallurgical coke and sales volume. The average selling price of the metallurgical coke suffered an 8% decrease compared to the preceding year corresponding quarter. The average prices of crude benzene, tar oil, coal slime and middlings during the current quarter under review had also decreased by approximately 1%, 15%, 11% and 34% respectively with the exception of ammonia sulphate which saw its price improved by approximately 13% and coal gas maintaining a relatively stable price compared to the same quarter last year.

Stemming from the effects of the appreciation of the Group's functional currency (as stated above), the cost of sales for the current quarter under review has increased by approximately 3%, from RM353.8 million in the preceding year corresponding quarter to RM363.0 million in the current quarter under review despite a lower sales/production volume on the back of a relatively stable average price of raw material (i.e. coking coal) in both the comparative quarters.

The fall in prices of metallurgical coke and contribution from the by-products against a landscape of persistently high raw material prices have dampened the Group's financial performance during the quarter under review. The Group recorded a gross loss of approximately RM22.8 million during the quarter under review compared to a gross profit of approximately RM8.8 million in the preceding year corresponding quarter.

The continued lacklustre performance of the steel industry worldwide has caused significant impact to the Group, the result of which was translated to it turning in a loss before tax of approximately RM24.5 million for the current quarter under review, compared to a small profit before tax of approximately RM2.9 million in the preceding year corresponding quarter.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

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## **B2. Variation of results against preceding quarter**

The Group's consolidated revenue of approximately RM340.2 million registered during the current quarter under review represents a reduction of approximately 11% from RM382.1 million in the preceding quarter ended 31 March 2012. The reduced revenue was primarily attributed to an approximate 8% slide in the average price of metallurgical coke and 3% reduction in sales volume during the current quarter under review compared to that of the preceding quarter. The overall contribution from the by-products has also eased by approximately 16% compared to that of the preceding quarter.

Correspondingly, the cost of sales in the current quarter has dropped to RM363.0 million from RM396.6 million recorded in the preceding quarter ended 31 March 2012, a decrease of approximately 8%. This was due to lower sales/production volume as well as the 6% lower average coking coal prices experienced during the current quarter under review compared to that of the preceding quarter.

By virtue of the average price of metallurgical coke falling at a relatively larger margin compared to that of the coking coal, couple with the slide in the overall contribution of the by-products, the Group's losses for the period had widen to approximately RM24.5 million compared to the previous quarter of a loss of approximately RM19.9 million.

## **B3. Current year prospects**

It would appear that there are still headwinds and challenges besetting the steel industry and thus that of metallurgical coke moving forward. This stemmed from the continued elevated unemployment numbers in the advanced economies, the continually unresolved sovereign debt crisis and escalating stress of the Eurozone's peripheral economies, less than robust growth in the United States and slowing growth momentum among major emerging markets. Correspondingly, the pace of China's economic growth is also seen to start decelerating as a result of the stagnant export markets and evident overcapacity in its domestic market.

Notwithstanding the above, China's government have begun to take corrective counter-measures and intensifying policy fine-tuning in an effort to boost growth. It is widely believed that with China's huge foreign exchange reserves and domestic liquidity at its government's disposal, its economy will begin to bottom out very soon.

In view of these developments, the Group will remain steadfast in focussing on its core competencies and business undertakings. During the trying period, the Group endeavours to consolidate and strengthen itself in preparation to seize opportunities as and when they may arise during the industry up cycle.

## **B4. Variation on Forecast Profit / Profit Guarantee**

Profit Forecast : N/A  
Profit Guarantee : N/A

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

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 JUNE 2012

---

## B5. Taxation

No taxation was provided during the quarter under review.

## B6. Corporate proposals

There were no corporate proposals during the quarter under review.

## B7. Borrowings

As at 30 June 2012, the Group has no borrowings.

## 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	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
<b>Basic loss per share</b>				
(Loss)/profit for the period attributable to equity holders (RM'000)	(24,498)	2,899	(44,410)	3,764
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic (loss)/profit per share (sen)	(2.18)	0.26	(3.96)	0.34

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 on the quarterly report – 30 JUNE 2012

## B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 30 Jun 2012 RM'000	Preceding year to date 30 Jun 2011 RM'000
<b>Retained profit of the Group and its subsidiaries</b>		
- Realised	246,397	304,185
- Unrealised	(16,278)	(26,071)
	<u>230,119</u>	<u>278,114</u>
Less: Consolidation adjustment	16,278	26,071
<b>Total retained earnings as per consolidated accounts</b>	<u><u>246,397</u></u>	<u><u>304,185</u></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. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current year to date 30 June 2012 RM'000
Interest income	(89)
Other income	(229)
Depreciation and amortisation	19,331
Allowance for impairment of trade receivables	-
Impairment of assets	-

By Order of the Board  
Chua Siew Chuan  
Secretary

27 August 2012