

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Sep-12 RM'000	Preceding Period 30-Sep-11 RM'000	Unaudited Current Period 30-Sep-12 RM'000	Preceding Period 30-Sep-11 RM'000
Revenue	294,469	381,021	1,016,831	1,123,229
Cost of sales	(320,982)	(373,132)	(1,080,634)	(1,099,074)
Gross (loss)/profit	(26,513)	7,889	(63,803)	24,155
Other income	588	131	906	379
Operating expenses	(1,747)	(6,564)	(9,185)	(19,315)
	(1,159)	(6,433)	(8,279)	(18,936)
(Loss)/profit before tax	(27,672)	1,456	(72,082)	5,219
Taxation	-	-	-	-
(Loss)/profit for the period	(27,672)	1,456	(72,082)	5,219
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	(28,961)	34,421	(22,268)	36,744
Total comprehensive (loss)/profit for the period	(56,633)	35,877	(94,350)	41,963
(Loss)/profit attributable to equity holders of the Company	(27,672)	1,456	(72,082)	5,219
Total comprehensive (loss)/profit attributable to equity holder of the Company	(56,633)	35,877	(94,350)	41,963
(Loss)/profit per share (sen)				
- basic (sen)	(2.47)	0.13	(6.42)	0.46
- fully diluted (sen)	n/a	n/a	n/a	n/a

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Sep-12 RM'000	Audited as at 31-Dec-11 RM'000
Non Current Assets		
Land lease payment - long-term	27,138	28,864
Property, plant and equipment	368,150	410,707
Goodwill	107,497	107,600
	502,785	547,171
Current Assets		
Land lease payment - short-term	837	870
Inventories	69,489	103,257
Trade receivables	33,364	70,287
Other receivables, deposits and prepayments	32,745	52,558
Amount due from related parties	33,810	18,843
Tax recoverable	13,592	13,264
Bank balances and cash	30,373	23,015
	214,210	282,094
Total Assets	716,995	829,265
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	66,114	160,466
	627,268	721,620
Current Liabilities		
Trade payables	68,229	93,198
Other payables and accrued expenses	18,161	14,261
Amount due to related parties	3,337	186
	89,727	107,645
Total Equity and Liabilities	716,995	829,265
Net assets per share (RM)	0.56	0.64

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

- 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		
<u>9 months ended 30 September 2011</u>								
Balance as of January 1, 2011	561,154	553,891	49,358	(799,823)	29,009	302,419		696,008
Dividend						(1,998)		(1,998)
Profit for the period	-	-	-	-	-	5,219		5,219
Other comprehensive income	-	-	-	-	36,744	-		36,744
Balance as of September 30, 2011	561,154	553,891	49,358	(799,823)	65,753	305,640		735,973
<u>9 months ended 30 September 2012</u>								
Balance as of January 1, 2012	561,154	553,891	49,358	(799,823)	66,231	290,807		721,618
Loss for the period	-	-	-	-	-	(72,082)		(72,082)
Other comprehensive loss	-	-	-	-	(22,268)	-		(22,268)
Balance as of September 30, 2012	561,154	553,891	49,358	(799,823)	43,963	218,725		627,268

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Sep-12 RM'000	Preceding year to date 30-Sep-11 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for the period	(72,082)	5,219
Adjustments for:		
Depreciation of property, plant and equipment	29,092	27,608
Amortisation of lease payments	639	608
Interest income	(127)	(115)
Operating (loss)/profit before working capital changes	<u>(42,478)</u>	<u>33,320</u>
(Increase) / Decrease in:		
Inventories	33,769	33,099
Trade receivables	36,922	(12,481)
Other receivables, deposits and prepayments	14,807	13,568
Amount due by/to related parties	(14,967)	(5,995)
Increase / (Decrease) in:		
Trade payables	(24,968)	(35,974)
Other payables and accrued expenses	3,898	(124)
Amount due to related company	3,150	(1,355)
Cash generated from operations	<u>10,133</u>	<u>24,058</u>
Tax paid	(328)	1,185
Net cash from operating activities	<u>9,805</u>	<u>25,243</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,644)	(1,378)
Interest received	127	115
Net cash used in investing activities	<u>(1,517)</u>	<u>(1,263)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend paid	-	(1,998)
Net cash used in financing activities	<u>-</u>	<u>(1,998)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,288	21,982
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	23,015	22,274
Effect of changes in exchange rate	(930)	656
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>30,373</u>	<u>44,912</u>

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 SEPTEMBER 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 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 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 SEPTEMBER 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
MFRS 141	Agriculture	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 SEPTEMBER 2012

		<u>Effective date for financial periods beginning on or after</u>
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
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
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 July 2012

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2012

As at 30 September 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>
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
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	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.

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 on the quarterly report – 30 SEPTEMBER 2012

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 September 2012		30 September 2012	
	Revenue	Loss before tax	Revenue	Loss before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	294,469	(27,216)	1,016,831	(70,665)
Investment Holdings	-	(456)	-	(1,417)
	<u>294,469</u>	<u>(27,672)</u>	<u>1,016,831</u>	<u>(72,082)</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 SEPTEMBER 2012

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

For the third quarter ended 30 September 2012, the Group recorded a consolidated revenue of approximately RM294.5 million. The cost of sales for the quarter under review amounted to approximately RM321.0 million.

The consolidated revenue for the current quarter under review has reduced by approximately 23% from RM381.0 million in the preceding year corresponding quarter to RM294.5 million. The drop in revenue was principally attributed to lower average selling price of metallurgical coke as well as a relatively lower sales volume registered during the current quarter under review. The average selling price of the metallurgical coke suffered a 27% drop whilst the sales volume fell by 4% respectively compared to those of the preceding year corresponding quarter. With the exception of crude benzene which saw its price improved by approximately 4% and coal gas maintaining a relatively stable price compared to the same quarter last year, the average prices of the other by-products have also declined with ammonia sulphate, tar oil, coal slime and middlings seeing decreases of approximately 23%, 12%, 56% and 24% respectively during the current quarter under review. .

Moving in tandem with the general easing of commodity prices over the period, the reduction of average coking coal price coupled with lower sales/production volume have pushed down the cost of sales for the current quarter under review. The cost of sales has decreased by approximately 14%, from RM373.1 million in the preceding year corresponding quarter to RM321.0 million in the current quarter under review.

The fall in prices of metallurgical coke and the lower contribution from the by-products have dampened the Group's financial performance during the quarter under review. The Group recorded a gross loss of approximately RM26.5 million during the quarter under review compared to a gross profit of approximately RM7.9 million in the preceding year corresponding quarter.

Premised on the above lacklustre performance of the pricing mechanism and that of the industry as a whole, the Group turned in a rather dismal loss before tax of approximately RM27.7 million for the current quarter under review, compared to a small profit before tax of approximately RM1.5 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM294.5 million registered during the current quarter under review represents a reduction of approximately 13% from RM340.2 million in the preceding quarter ended 30 June 2012. The reduced revenue was primarily attributed to an approximate 18% slide in the average price of metallurgical coke during the current quarter under review compared to that of the preceding quarter. However, the extent of the reduction of the consolidated revenue was partly mitigated by a 9% higher contribution from the by-products in the current quarter compared to that of the preceding quarter.

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2012

The 17% reduction in the average coking coal price has resulted the cost of sales in the current quarter easing to RM321.0 million from RM363.0 million recorded in the preceding quarter ended 30 June 2012, a decrease of approximately 12%.

By virtue of the average price of metallurgical coke falling at a larger degree compared to that of the coking coal (notwithstanding the slightly higher contribution from the by-products), the Group continued to report losses for the period of approximately RM27.7 million, marginally higher than the previous quarter loss of approximately RM24.5 million.

B3. Current year prospects

The recently reported China third quarter GDP growth of 7.4% represents one of its lowest in the past two decades of China economic history. Such muted economic growth is largely resulted from the continued unresolved sovereign debt crisis and economic uncertainties in the Eurozone as well as the persistently high unemployment rate besetting those developed countries and the US. Such malaise has far reaching effect and China, being still very much a manufacturing and export-reliant economy (notwithstanding its considerably sizeable domestic market), cannot detach itself completely from bearing the brunt of the fragility of these countries.

The abovementioned predicaments are expected to continue to hamper the recovery of the Chinese domestic steel and coke industries in the immediate foreseeable future, unless those quagmires are resolved. As a result, during these periods of tribulation, the China steel and coke industries will have placed greater reliance on the support of its domestic economy.

Notwithstanding the above, the Chinese government has taken cognisance of the situation and is vigilantly monitoring the direction in which its economy is heading. Accordingly, it has instituted various measures to ensure adequate economic activity and sustainable growth whilst managing the level of inflation. Many analysts are saying that there is clear evidence that China's financial system's liquidity taps have been opened wide yet again and that fine tuning policies and public sector project rollouts are starting to gain traction. The said fine tuning efforts includes two interest rate cuts, three cuts to the proportion of deposits banks must keep as reserves, thus freeing up an estimated 1.2 trillion yuan for lending as well as approvals for infrastructure projects worth about USD157 billion. These will definitely be a boon to the China domestic steel and coke industries.

The Group continues to consolidate and strengthen itself in order to seize opportunities as and when they may arise during the industry up-cycle. Barring any unforeseen circumstances and/or major turn of events, the Group is hopeful that such positive turn of event will come by in the near future.

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 SEPTEMBER 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 September 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 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
Basic loss per share				
(Loss)/profit for the period attributable to equity holders (RM'000)	(27,672)	1,456	(72,082)	5,219
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)	<u>(2.47)</u>	<u>0.13</u>	<u>(6.42)</u>	<u>0.46</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 on the quarterly report – 30 SEPTEMBER 2012

B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 30 Sep 2012 RM'000	Preceding year to date 30 Sep 2011 RM'000
Retained profit of the Group and its subsidiaries		
- Realised	218,725	305,640
- Unrealised	(26,809)	(28,882)
	<u>191,916</u>	<u>276,758</u>
Less: Consolidation adjustment	26,809	28,882
Total retained earnings as per consolidated accounts	<u>218,725</u>	<u>305,640</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 quarter 30 September 2012 RM'000	Current year to date 30 September 2012 RM'000
Interest income	(38)	(127)
Other income	(461)	(779)
Depreciation and amortisation	9,975	29,731
Allowance for impairment of trade receivables	-	-
Impairment of assets	-	-

By Order of the Board
Chua Siew Chuan
Secretary

27 November 2012