

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Fourth Quarter		Cumulative Quarter	
	Unaudited Current Period 31-Dec-09 RM'000	Unaudited Preceding Period 31-Dec-08 RM'000	Unaudited Current Period 31-Dec-09 RM'000	Unaudited Preceding Period 31-Dec-08 RM'000
Revenue	317,748	232,903	1,280,293	1,455,060
Cost of sales	(318,618)	(334,399)	(1,275,720)	(1,427,715)
Gross (loss)/profit	(870)	(101,496)	4,573	27,345
Other income	238	174	1,022	886
Operating expenses	(1,789)	2,900	(26,457)	(27,204)
	(1,551)	3,074	(25,435)	(26,318)
(Loss)/Profit before tax	(2,421)	(98,422)	(20,862)	1,027
Taxation	227	14,772	227	(482)
(Loss)/Profit for the period	(2,194)	(83,650)	(20,635)	545
(Loss)/Profit attributable to equity holders of the Company	(2,194)	(83,650)	(20,635)	545
(Loss)/Earnings per share (sen)				
- basic (sen)	(0.20)	(7.45)	(1.84)	0.05
- fully diluted (sen)	n/a	n/a	n/a	n/a

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### CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited as at 31-Dec-09</b>	<b>Audited as at 31-Dec-08</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non Current Assets</b>		
Land lease payment - long-term	30,912	32,317
Property, plant and equipment	475,582	460,858
Goodwill	107,625	107,671
	614,119	600,846
<b>Current Assets</b>		
Land lease payment - short-term	865	880
Inventories	77,406	47,688
Trade receivables	18,358	91,198
Other receivables, deposits and prepayments	37,883	26,935
Amount due from related company	40,574	63,437
Tax recoverable	13,661	10,669
Bank balances and cash	24,442	28,754
	213,189	269,561
<b>Total Assets</b>	827,308	870,407
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	172,375	202,675
	733,529	763,829
<b>Current Liabilities</b>		
Trade payables	72,375	95,241
Other payables and accrued expenses	13,085	7,634
Amount due to related company	8,319	3,703
	93,779	106,578
<b>Total Equity and Liabilities</b>	827,308	870,407
Net assets per share (RM)	0.65	0.68

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Non-distributable reserves ----->					Distributable reserve	
	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	Total RM'000
<b><u>12 months ended 31 December 2008</u></b>							
<b>Balance as of January 1, 2008</b>	561,154	553,891	49,312	(799,823)	7,741	341,653	713,928
Profit for the period	-	-	-	-	-	545	545
Dividend	-	-	-	-	-	(25,504)	(25,504)
Transfer to common fund reserve	-	-	46	-	-	(46)	-
Exchange differences	-	-	-	-	74,860	-	74,860
<b>Balance as of December 31, 2008</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>82,601</b>	<b>316,648</b>	<b>763,829</b>
<b><u>12 months ended 31 December 2009</u></b>							
<b>Balance as of January 1, 2009</b>	561,154	553,891	49,358	(799,823)	82,601	316,648	763,829
Loss for the period	-	-	-	-	-	(20,635)	(20,635)
Exchange differences	-	-	-	-	(9,665)	-	(9,665)
<b>Balance as of December 31, 2009</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>72,936</b>	<b>296,013</b>	<b>733,529</b>

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009 - THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 31-Dec-09 RM'000	Preceding year to date 31-Dec-08 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit for the period	(20,862)	1,027
Adjustments for:		
Depreciation of property, plant and equipment	37,915	29,585
Amortisation of lease payments	891	828
(Write back)/Allowances for doubtful debts	(543)	357
Interest income	(205)	(411)
Asset written off	2,704	-
Operating profit before working capital changes	19,900	31,386
(Increase) / Decrease in:		
Inventories	(30,545)	31,617
Trade receivables	71,802	(47,984)
Other receivables, deposits and prepayments	(11,414)	(2,199)
Amount due by/to related companies	26,379	(33,511)
Increase / (Decrease) in:		
Trade payables	(21,215)	65,223
Other payables and accrued expenses	5,654	(2,251)
Forex reserve	308	14,183
Cash generated from operations	60,869	56,464
Income tax paid	(2,959)	(22,978)
Net cash from operating activities	57,910	33,486
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(61,952)	(13,509)
Interest received	205	411
Net cash used in investing activities	(61,747)	(13,098)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividend paid	-	(25,504)
Net cash used in financing activities	-	(25,504)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,837)	(5,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	28,754	32,081
Effect of changes in exchange rate	(475)	1,789
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	24,442	28,754

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

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## 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 2008. 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 2008.

The significant accounting policies and methods of computation adopted by the Company and its subsidiaries (“the Group”) in this interim financial report are consistent with those adopted in the annual financial report for the year ended 31 December 2008.

As at 31 December 2009, 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>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS2-Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS119-The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

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	Effective date for financial periods beginning on or after
Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements- Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
FRS 1	First-time Adoption of Financial Reporting Standards 1 July 2010
FRS 3	Business Combinations 1 July 2010
FRS 127	Consolidated & Separate Financial Statements 1 July 2010
Amendments to FRS 2	Share-based Payment 1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations 1 July 2010
Amendments to FRS 138	Intangible Assets 1 July 2010
IC Interpretation 12	Service Concession Arrangements 1 July 2010
IC Interpretation 15	Agreements for Construction of Real Estate 1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation 1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners 1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010

The new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations are expected to have no material impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7, FRS 8 and FRS 101.

The Group has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Group.

## A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2008 was not qualified.

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**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.

**A8. Segmental information**

The Group operates predominantly in one industry and country. In this regard, segmental information is not applicable.

**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.

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

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

For the fourth quarter ended 31 December 2009, the Group recorded a consolidated revenue of approximately RM317.7 million. The cost of sales for the quarter under review amounted to approximately RM318.6 million, thus resulting in a gross loss of approximately RM870,000.

These financial results emanated primarily from the perceived oversupply of steel in the domestic market towards the end of September into the quarter under review. The Group's business was directly impacted by such industry circumstance as there was downward pressure on the selling prices of metallurgical coke during the period. As a result, the recovery trend seen in both the steel and coke industry during the third quarter of 2009 was somewhat disrupted.

Notwithstanding the short downward fluctuation experienced in the prices of metallurgical coke during the period end September to mid October as mentioned above, the average of such prices were still about 7% higher than those in the corresponding quarter of the preceding year, which was then the height of the crisis besetting the steel and coke industry. As such, the Group registered a 36% increase in revenue amounting to RM317.7 million for the current quarter under review compared to RM232.9 million recorded in the preceding year corresponding quarter. Additionally, improvements in the prices of the by-products compared to those of the preceding year corresponding quarter also contribute to the revenue growth of the Group for the current quarter under review.

The cost of sales have reduced by approximately 5% to RM318.6 million in the current quarter under review compared to RM334.4 million recorded in the preceding year corresponding quarter. This came about as the average price of coking coal had eased downwards by approximately 5% in the current quarter compared with that of the same quarter of the preceding year.

Premised on the above, and upon incorporating the effects of other income, operating expenses and taxation, the Group registered a loss for the period of approximately RM2.2 million for the current quarter under review compared to the loss for the period of RM83.7 million registered in the preceding year corresponding quarter.

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

The Group's consolidated revenue of approximately RM317.7 million registered during the current quarter represents a reduction of approximately 9% from approximately RM349.8 million in the preceding quarter ended 30 September 2009. The reduction in revenue was primarily attributed to the lower average price of metallurgical coke. The average metallurgical coke price has reduced by 3% in the current quarter under review compared to that of recorded in the preceding quarter (third quarter 2009).

Cost of sales in the current quarter has reduced 2% from RM326.1 million in the preceding quarter ended 30 September 2009 to RM318.6 million. This was attributed to lower sales volume of approximately 6% with higher average coking coal price of approximately 5% in the current quarter compared to that of the preceding quarter.



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The gradually improving prices of the by-products during the current quarter under review were unable to counter the impact of the narrowing spread between the prices of metallurgical coke and that of coking coal. Therefore, the Group registered a loss for the period of approximately RM2.2 million in the current quarter under review compared to a profit for the period of approximately RM18.5 million in the preceding third quarter 2009.

## B3. Current year prospects

The Group will continue to focus on its core business activity which is the manufacturing and trading of metallurgical coke and its by-products.

Despite a pull back in the coke price during end September to mid October of 2009, recent escalation of raw material prices provide a positive indication of a good start into 2010 bolstered by encouraging steel demand from China's stimulus package and the commencement of gradual recovery of the world's demand for steel. With China's continuous economic growth moving forward, the Group is slated to continue to benefit from it.

Barring any unforeseen circumstances, the directors are cautiously optimistic of better years ahead for the coke industry in China.

## 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.

## B5. Taxation

Taxation based on profit for the current quarter are as follows:

	Individual quarter ended		Cumulative quarter ended	
	31 Dec 2009 RM'000	31 Dec 2008 RM'000	31 Dec 2009 RM'000	31 Dec 2008 RM'000
In respect of the current period Income tax	(227)	(14,772)	(227)	482
	<u>(227)</u>	<u>(14,772)</u>	<u>(227)</u>	<u>482</u>

During the quarter under review, tax provision of approximately RM0.2 million was written back as a result of overprovision of tax in prior years.

## B6. Sale of unquoted investments and/or properties

There were no disposals of unquoted investments and/or properties during the quarter under review.

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## **B7. Quoted and marketable securities**

There were no purchases or disposals of quoted and marketable securities during the quarter under review.

## **B8. Corporate proposals**

There were no corporate proposals during the quarter under review.

## **B9. Borrowings**

As at 31 December 2009, the Group has no borrowings.

## **B10. Off balance sheet financial instruments**

There were no off balance sheet financial instruments as at the date of this quarterly report.

## **B11. 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.

## **B12. Dividends**

No dividend had been declared in respect of the current quarter under review.

## **B13. Earnings per share**

	Individual quarter ended		Cumulative period ended	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
<b>Basic earnings per share</b>				
(Loss)/Profit for the year attributable to equity holders (RM'000)	(2,194)	(83,650)	(20,635)	545
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic (loss)/earnings per share (sen)	<u>(0.20)</u>	<u>(7.45)</u>	<u>(1.84)</u>	<u>0.05</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.

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By Order of the Board  
Chua Siew Chuan  
Secretary

25 February 2010