

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2010

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Jun-10 RM'000	Preceding Period 30-Jun-09 RM'000	Unaudited Current Period 30-Jun-10 RM'000	Preceding Period 30-Jun-09 RM'000
Revenue	342,506	301,760	716,098	612,711
Cost of sales	(331,618)	(306,511)	(699,519)	(630,965)
Gross profit/(loss)	10,888	(4,751)	16,579	(18,254)
Other income	227	87	504	245
Operating expenses	(6,271)	(8,615)	(14,721)	(18,902)
	(6,044)	(8,528)	(14,217)	(18,657)
Profit/(Loss) before tax	4,844	(13,279)	2,362	(36,911)
Taxation	-	-	-	-
Profit/(Loss) for the period	4,844	(13,279)	2,362	(36,911)
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	(1,057)	(20,139)	(29,987)	10,480
Total comprehensive income for the period	3,787	(33,418)	(27,625)	(26,431)
Profit/(loss) attributable to equity holders of the Company	4,844	(13,279)	2,362	(36,911)
Total comprehensive income attributable to equity holder of the Company	3,787	(33,418)	(27,625)	(26,431)
Profit/(loss) per share (sen)				
- basic (sen)	0.43	(1.18)	0.21	(3.29)
- fully diluted (sen)	n/a	n/a	n/a	n/a

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-10 RM'000	Audited as at 31-Dec-09 RM'000
Non Current Assets		
Land lease payment - long-term	29,027	30,910
Property, plant and equipment	445,504	475,582
Goodwill	107,496	107,625
	582,027	614,117
Current Assets		
Land lease payment - short-term	824	867
Inventories	69,298	77,406
Trade receivables	22,759	18,358
Other receivables, deposits and prepayments	20,680	37,883
Amount due from related parties	72,207	40,574
Tax recoverable	12,261	13,661
Bank balances and cash	24,762	24,442
	222,791	213,191
Total Assets	804,818	827,308
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	144,750	172,375
	705,904	733,529
Current Liabilities		
Trade payables	88,708	72,375
Other payables and accrued expenses	9,751	13,085
Amount due to related parties	455	8,319
	98,914	93,779
Total Equity and Liabilities	804,818	827,308
Net assets per share (RM)	0.63	0.65

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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
<u>6 months ended 30 June 2009</u>							
Balance as of January 1, 2009	561,154	553,891	49,358	(799,823)	82,601	316,648	763,829
Loss for the period	-	-	-	-	-	(36,911)	(36,911)
Other comprehensive income	-	-	-	-	10,480	-	10,480
Balance as of June 30, 2009	561,154	553,891	49,358	(799,823)	93,081	279,737	737,398
<u>6 months ended 30 June 2010</u>							
Balance as of January 1, 2010	561,154	553,891	49,358	(799,823)	72,936	296,013	733,529
Profit for the period	-	-	-	-	-	2,362	2,362
Other comprehensive income	-	-	-	-	(29,987)	-	(29,987)
Balance as of June 30, 2010	561,154	553,891	49,358	(799,823)	42,949	298,375	705,904

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Jun-10 RM'000	Preceding year to date 30-Jun-09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	2,362	(36,911)
Adjustments for:		
Depreciation of property, plant and equipment	18,291	19,179
Amortisation of lease payments	419	414
Interest income	(108)	(120)
Asset written off	490	-
Operating profit/(loss) before working capital changes	21,454	(17,438)
(Increase) / Decrease in:		
Inventories	8,108	(14,157)
Trade receivables	(4,401)	40,071
Other receivables, deposits and prepayments	12,120	11,645
Amount due by/to related parties	(31,633)	(262)
Increase / (Decrease) in:		
Trade payables	16,333	10,758
Other payables and accrued expenses	(3,334)	9,361
Amount due to related company	(7,865)	(3,023)
Cash generated from operations	10,782	36,955
Income tax paid	1,401	(15,431)
Net cash from operating activities	12,183	21,524
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10,646)	(26,322)
Interest received	108	120
Net cash used in investing activities	(10,538)	(26,202)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Net cash used in financing activities	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,645	(4,678)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	24,442	28,754
Effect of changes in exchange rate	(1,325)	840
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	24,762	24,916

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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Notes on the quarterly report – 30 JUNE 2010

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 2009. 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 2009.

The Directors of the Company anticipate that the application of the following new Financial Reporting Standards (“FRSs”), revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards (“FRSs”), amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”) with effect from 1 January 2010:-

		<u>Effective date for financial periods beginning on or after</u>
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement (revised)	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

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		<u>Effective date for financial periods beginning on or after</u>
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010
Amendments to FRS 1: 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
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 95A, 97AA and 97AB - paragraphs 11,16 and 97E	1 January 2010 1 March 2010
As at 30 June 2010, the following revised FRSs, IC Interpretations, amendments to FRSs, and IC interpretations were in issue but not yet effective and have not been applied by the Group:		
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	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

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		<u>Effective date for financial periods beginning on or after</u>
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the 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
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures of First-time Adopters	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011

A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2009 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.

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.

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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 2010		30 June 2010	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	342,506	5,380	716,098	3,368
Investment Holdings	-	(536)	-	(1,006)
	<u>342,506</u>	<u>4,844</u>	<u>716,098</u>	<u>2,362</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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

For the second quarter ended 30 June 2010, the Group recorded a consolidated revenue of approximately RM342.5 million. The cost of sales for the quarter under review amounted to approximately RM331.6 million.

The increase in the consolidated revenue of approximately 14% from RM301.8 million in the preceding year corresponding quarter to RM342.5 million registered in the current quarter under review can be attributed to the favourable upward trend in the pricing of metallurgical coke and majority of the by-products in the current quarter experienced by the Group. The average prices of metallurgical coke, crude benzene, tar oil, coal slime and middlings during the current quarter under review have increased by approximately 35%, 49%, 34%, 51%, and 14% respectively compared with those of the preceding year corresponding quarter. However, the price of ammonium sulphate has dropped by approximately 16% and the price of coal gas remained fairly constant in the current quarter compared to the same quarter last year.

Despite the seemingly favourable pricing of metallurgical coke and the majority of the by-products as mentioned above, the cost of sales had also increased in tandem by approximately 8% to RM331.6 million in the current quarter compared to RM306.5 million recorded in the preceding year corresponding quarter. This was primarily attributed to the increase in the average price of raw material (i.e. coking coal) by approximately 30% in the current quarter compared to the average price registered in the preceding year corresponding quarter.

Given the continuing recovering trend in the coking and steel industry, albeit a gradual one, the Group has managed to record a gross profit of approximately RM10.9 million in the current quarter under review compared to a gross loss of approximately RM4.8 million recorded in the preceding year corresponding quarter. The Group has turned around to register a profit for the period of approximately RM4.8 million for the current quarter under review compared to the loss for the period of RM13.3 million registered in the preceding year corresponding quarter, after two consecutive loss making quarters since the third quarter of 2009.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM342.5 million registered during the current quarter represents a reduction of approximately 8% from approximately RM373.6 million in the preceding quarter ended 31 March 2010. The reduction in revenue was primarily attributed to the unfavourable pricing of some of its by-products in comparison with the prices registered in the preceding quarter. The average prices for ammonium sulphate, crude benzene and middlings (which contributed to approximately 5% of total revenue) during the current quarter under review were reduced by 16%, 8% and 2% respectively, the effects of which more than negate the price increase seen in tar oil and coal slime of 13% and 4% respectively compared to the average prices registered in the preceding quarter. Besides, the average metallurgical coke price has only increased by a meager 0.4% in the current quarter under review compared to that of recorded in the preceding quarter (first quarter 2010).

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Cost of sales in the current quarter has correspondingly reduced to RM331.6 million in the current quarter under review compared to RM RM367.9 million recorded in the preceding quarter ended 31 March 2010, a reduction of approximately 9.9%. This was attributed to lower sales volume as well as reduction of approximately 2% of the average coking coal price compared to that of the preceding quarter.

The reduction in the average coking coal price on the back of a slight increase in the metallurgical coke price bodes well for the Group resulting in it recording a profit for the period of approximately RM4.8 million in the current quarter under review compared to a loss for the period of approximately RM2.5 million in the preceding first quarter 2010.

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.

Notwithstanding the improved financial performance shown in the current quarter under review, the Group continues to tread cautiously in light of the current issues affecting the world economy. We anticipate that the steel industry (and that of metallurgical coke) may be faced with a challenging environment moving into the remainder of 2010.

The Group is nevertheless still hopeful of seeing sustainable pricing dynamics both for metallurgical coke and coking coal in 2010 as domestic demand is still expected to be there.

Barring unforeseen circumstances or any unanticipated turn of events, the Group is cautiously optimistic to look forward to having better financial results for the current year.

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

No taxation was provided during the quarter under review.

B6. Sale of unquoted investments and/or properties

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

B7. Quoted and marketable securities

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

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B8. Corporate proposals

There were no corporate proposals during the quarter under review.

B9. Borrowings

As at 30 June 2010, 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	
	30 Jun 2010	30 Jun 2009	30 Jun 2010	30 Jun 2009
Basic earnings per share				
Profit/(loss) for the period attributable to equity holders (RM'000)	4,844	(13,279)	2,362	(36,911)
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic earnings/(loss) per share (sen)	0.43	(1.18)	0.21	(3.29)

There are no diluted earnings per share as the Company does not have any share option in issue at the current quarter under review.

By Order of the Board
Chua Siew Chuan
Secretary

24 August 2010