

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Sep-10 RM'000	Unaudited Preceding Period 30-Sep-09 RM'000	Unaudited Current Period 30-Sep-10 RM'000	Unaudited Preceding Period 30-Sep-09 RM'000
Revenue	325,186	349,834	1,041,284	962,545
Cost of sales	(318,938)	(326,137)	(1,018,457)	(957,102)
Gross profit	6,248	23,697	22,827	5,443
Other income	169	539	673	784
Operating expenses	(5,392)	(5,766)	(20,113)	(24,668)
	(5,223)	(5,227)	(19,440)	(23,884)
Profit/(Loss) before tax	1,025	18,470	3,387	(18,441)
Taxation	-	-	-	-
Profit/(Loss) for the period	1,025	18,470	3,387	(18,441)
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	(20,690)	(9,546)	(50,677)	934
Total comprehensive income for the period	(19,665)	8,924	(47,290)	(17,507)
Profit/(loss) attributable to equity holders of the Company	1,025	18,470	3,387	(18,441)
Total comprehensive income attributable to equity holder of the Company	(19,665)	8,924	(47,290)	(17,507)
Profit/(loss) per share (sen)				
- basic (sen)	0.09	1.65	0.30	(1.64)
- 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 2010  
- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited as at 30-Sep-10 RM'000</b>	<b>Audited as at 31-Dec-09 RM'000</b>
<b>Non Current Assets</b>		
Land lease payment - long-term	27,828	30,910
Property, plant and equipment	424,899	475,582
Goodwill	107,407	107,625
	560,134	614,117
<b>Current Assets</b>		
Land lease payment - short-term	796	867
Inventories	57,548	77,406
Trade receivables	15,957	18,358
Other receivables, deposits and prepayments	34,858	37,883
Amount due from related parties	54,544	40,574
Tax recoverable	12,222	13,661
Bank balances and cash	25,705	24,442
	201,630	213,191
<b>Total Assets</b>	761,764	827,308
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	125,086	172,375
	686,240	733,529
<b>Current Liabilities</b>		
Trade payables	47,907	72,375
Other payables and accrued expenses	27,617	13,085
Amount due to related parties	-	8,319
	75,524	93,779
<b>Total Equity and Liabilities</b>	761,764	827,308
Net assets per share (RM)	0.61	0.65

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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>9 months ended 30 September 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	-	-	-	-	-	(18,441)	(18,441)
Other comprehensive income	-	-	-	-	934	-	934
<b>Balance as of September 30, 2009</b>	561,154	553,891	49,358	(799,823)	83,535	298,207	746,322
<b><u>9 months ended 30 September 2010</u></b>							
<b>Balance as of January 1, 2010</b>	561,154	553,891	49,358	(799,823)	72,936	296,013	733,529
Profit for the period	-	-	-	-	-	3,387	3,387
Other comprehensive income	-	-	-	-	(50,676)	-	(50,676)
<b>Balance as of September 30, 2010</b>	561,154	553,891	49,358	(799,823)	22,260	299,400	686,240

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Sep-10 RM'000	Preceding year to date 30-Sep-09 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the period	3,387	(18,441)
Adjustments for:		
Depreciation of property, plant and equipment	27,607	28,221
Amortisation of lease payments	620	676
Interest income	(143)	(166)
Asset written off	2,920	-
Operating profit before working capital changes	34,391	10,290
(Increase) / Decrease in:		
Inventories	19,858	(13,117)
Trade receivables	2,401	70,132
Other receivables, deposits and prepayments	(8,350)	3,004
Amount due by/to related parties	(13,970)	(9,142)
Increase / (Decrease) in:		
Trade payables	(24,468)	(10,042)
Other payables and accrued expenses	14,532	11,997
Amount due to related company	(8,319)	(2,013)
Cash generated from operations	16,075	61,110
Tax paid	1,438	(7,814)
Net cash from operating activities	17,513	53,296
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(14,005)	(48,162)
Interest received	143	166
Net cash used in investing activities	(13,862)	(47,996)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Net cash used in financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,651	5,300
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	24,442	28,754
Effect of changes in exchange rate	(2,388)	673
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	25,705	34,727

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 SEPTEMBER 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:-

		Effective date for financial periods beginning on or after
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 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
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
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010

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		<u>Effective date for financial periods beginning on or after</u>
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
As at 30 September 2010, the following IC Interpretations and amendments to FRSs, were in issue but not yet effective and have not been applied by the Group:-		
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures of First-time Adopters	1 January 2011
	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transaction	1 January 2011
IC Interpretation 4	Determining whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	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.

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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 September 2010		30 September 2010	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	325,186	1,407	1,041,284	4,775
Investment Holdings	-	(382)	-	(1,388)
	<u>325,186</u>	<u>1,025</u>	<u>1,041,284</u>	<u>3,387</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 third quarter ended 30 September 2010, the Group recorded a consolidated revenue of approximately RM325.2 million. The cost of sales for the quarter under review amounted to approximately RM318.9 million.

The reduction in the consolidated revenue of approximately 7% from RM349.8 million in the preceding year corresponding quarter to RM325.2 million registered in the current quarter under review was primarily attributable to the reduction of sales volume of metallurgical coke by approximately 3%. Despite the favourable upward trend in the pricing of metallurgical coke and that of the by-products in the current quarter experienced by the Group, the appreciation of the Ringgit against Renminbi of 8% over the comparative periods had led to lower translated sales value in Ringgit term. The average prices of metallurgical coke, ammonium sulphate, crude benzene, tar oil, coal gas, coal slime and middlings during the current quarter under review have increased by approximately 3%, 20%, 24%, 41%, 1%, 27% and 17% respectively in the current quarter compared to the same quarter last year.

In tandem with the reduction in sales volume, the cost of sales for the current quarter under review had decreased by approximately 2% to approximately RM318.9 million compared to RM326.1 million recorded in the preceding year corresponding quarter. However, the increase in the average price of raw material (i.e. coking coal) by approximately 11% in the current quarter compared to the average price registered in the preceding year corresponding quarter was largely offset by the effects of the Ringgit appreciation against the Renmimbi over the periods, thus effectively lowering the translated value of the cost of sales.

As a result of the extent of increase in the average price of the metallurgical coke being significantly lower than the increase in the average price of the coking coal, a lower margin was recorded during the quarter under review. The favourable pricing of the by-products however still proved insufficient to counter the hike experienced on the price of the coking coal. As such, the Group has only managed to record a gross profit of approximately RM6.2 million compared to approximately RM23.7 million recorded in the preceding year corresponding quarter. The Group has registered a profit for the period of approximately RM1.0 million for the current quarter under review as compared to a profit of approximately RM18.5 million for the preceding year corresponding quarter.

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

The Group's consolidated revenue of approximately RM325.2 million registered during the current quarter represents a reduction of approximately 5% from approximately RM342.5 million in the preceding quarter ended 30 June 2010. The reduction in revenue was primarily attributed to the unfavourable average pricing of the metallurgical coke and some of its by-products in comparison with those prices registered in the preceding quarter. The average prices for metallurgical coke, crude benzene and coal slimes during the current quarter under review were reduced by 10%, 1% and 12% respectively. These fall in prices were however countered to some extent by the increase in the average prices for ammonium sulphate and tar oil of 4% and 2% respectively in the current quarter under review compared to that of recorded in the preceding quarter (second quarter 2010).

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Cost of sales in the current quarter has correspondingly reduced to RM318.9 million compared to RM331.6 million recorded in the preceding quarter ended 30 June 2010, a reduction of approximately 4%. This was attributed to lower average coking coal price by 8% during the quarter under review compared to that of the preceding quarter.

Since the rate of reduction in the average coke price was higher than that of the coking coal price during the quarter under review, the Group has only managed to report a profit for the period of approximately RM1.0 million in the current quarter under review compared to approximately RM4.8 million recorded in the preceding second 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.

The China government's relentless move in shutting down small, outdated and inefficient manufacturing capacity of several industries, coking included, has helped speed up the consolidation of these sectors. The Group views such move positively as fewer but better players in the industry will ensure sustainability and provide better prospects to the market. With the general gradual restoration of the world economy, particularly those in the Asia Pacific region, the steel industry, and thus that of coke, is expected to improve in time to come. The Group is hopeful of leveraging on the envisaged improvements in the market sentiment.

Barring unforeseen circumstances or any unanticipated turn of events, the Group is cautiously optimistic to look forward to having better financial results for the entire financial 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 September 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 Sep 2010	30 Sep 2009	30 Sep 2010	30 Sep 2009
<b>Basic earnings per share</b>				
Profit/(loss) for the period attributable to equity holders (RM'000)	1,025	18,470	3,387	(18,441)
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)	0.09	1.65	0.30	(1.64)

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

30 November 2010