

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Third Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Sep-09 RM'000	Preceding Period 30-Sep-08 RM'000	Unaudited Current Period 30-Sep-09 RM'000	Preceding Period 30-Sep-08 RM'000
Revenue	349,834	496,933	962,545	1,222,157
Cost of sales	(326,137)	(474,474)	(957,102)	(1,093,316)
Gross profit	23,697	22,459	5,443	128,841
Other income	539	190	784	711
Operating expenses	(5,766)	(8,714)	(24,668)	(30,104)
	(5,227)	(8,524)	(23,884)	(29,393)
Profit /(Loss) before tax	18,470	13,935	(18,441)	99,448
Taxation	-	(2,223)	-	(15,253)
Profit /(Loss) for the period	18,470	11,712	(18,441)	84,195
Profit /(Loss) attributable to equity holders of the Company	18,470	11,712	(18,441)	84,195
Earnings/(Loss) per share (sen)				
- basic (sen)	1.65	1.04	(1.64)	7.50
- fully diluted (sen)	n/a	n/a	n/a	n/a

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009 - THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited as at 30-Sep-09 RM'000</b>	<b>Audited as at 31-Dec-08 RM'000</b>
<b>Non Current Assets</b>		
Land lease payment - long-term	31,647	32,317
Property, plant and equipment	481,720	460,858
Goodwill	107,671	107,672
	621,038	600,847
<b>Current Assets</b>		
Land lease payment - short-term	880	880
Inventories	60,805	47,688
Trade receivables	21,066	91,198
Other receivables, deposits and prepayments	23,264	26,935
Amount due from related company	72,579	63,436
Tax recoverable	18,483	10,669
Bank balances and cash	34,727	28,754
	231,804	269,560
<b>Total Assets</b>	852,842	870,407
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	185,168	202,674
	746,322	763,828
<b>Current Liabilities</b>		
Trade payables	85,200	95,241
Other payables and accrued expenses	19,630	7,634
Amount due to related company	1,690	3,704
	106,520	106,579
<b>Total Equity and Liabilities</b>	852,842	870,407
Net assets per share (RM)	0.66	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>9 months ended 30 September 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	-	-	-	-	-	84,195	84,195
Dividend	-	-	-	-	-	(25,504)	(25,504)
Transfer to common fund reserve	-	-	(540)	-	-	540	-
Exchange differences	-	-	-	-	73,896	-	73,896
<b>Balance as of September 30, 2008</b>	<b>561,154</b>	<b>553,891</b>	<b>48,772</b>	<b>(799,823)</b>	<b>81,637</b>	<b>400,884</b>	<b>846,515</b>
<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)
Exchange differences	-	-	-	-	934	-	934
<b>Balance as of September 30, 2009</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>83,535</b>	<b>298,207</b>	<b>746,322</b>

# SINO HUA-AN INTERNATIONAL BERHAD

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Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009 - THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Sep-09 RM'000	Preceding year to date 30-Sep-08 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit for the period	(18,441)	84,195
Adjustments for:		
Depreciation of property, plant and equipment	28,221	23,028
Amortisation of lease payments	676	652
Interest income	(166)	(333)
Income tax recognised in income statement	-	15,253
Operating profit before working capital changes	<u>10,290</u>	<u>122,795</u>
(Increase) / Decrease in:		
Inventories	(13,117)	(59,861)
Trade receivables	70,132	(138,098)
Other receivables, deposits and prepayments	3,004	49,510
Amount due by related company	(9,142)	-
Increase / (Decrease) in:		
Trade payables	(10,042)	112,968
Other payables and accrued expenses	(682)	7,495
Amount due to related company	(2,013)	72
Receipt in advance	12,680	(5,795)
Cash generated from operations	<u>61,110</u>	<u>89,086</u>
Income tax paid	(7,814)	(16,033)
Net cash from operating activities	<u>53,296</u>	<u>73,053</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(48,162)	(13,193)
Interest received	166	333
Net cash used in investing activities	<u>(47,996)</u>	<u>(12,860)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividend paid	-	(25,504)
Net cash used in financing activities	<u>-</u>	<u>(25,504)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,300	34,689
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	28,754	32,081
Effect of changes in exchange rate	673	(1,670)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>34,727</u>	<u>65,100</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with 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 2009

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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 30 September 2009, the following FRSs and IC Interpretations were in issue but not yet effective (for annual financial year ending beginning on & after 1 January 2010) and have not been applied by the Group:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
FRS 101	Presentation of financial statements
FRS 123	Borrowing Costs
Amendments to FRS1	First-time Adoption Financial Reporting Standards
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 2	Share-based payment-Vesting Conditions and Cancellations
Amendments to FRS 127	Consolidated and Separate Financial Statements-Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments IC Interpretation 9	Reassessment of Embedded Derivatives Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”
IC Interpretation 9:	Reassessment of Embedded Derivatives
IC Interpretation 10:	Interim Financial Reporting and Impairment
IC Interpretation 11:	FRS2-Group and Treasury Share Transactions
IC Interpretation 13:	Customer Loyalty Programmes
IC Interpretation 14:	FRS119-The limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

# **SINO HUA-AN INTERNATIONAL BERHAD**

*(Company No.: 732227-T)*

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2009

---

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.

## **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.

# **SINO HUA-AN INTERNATIONAL BERHAD**

*(Company No.: 732227-T)*

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2009

---

## **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 2009

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

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

For the third quarter ended 30 September 2009, the Group recorded consolidated revenue of approximately RM349.8 million. The cost of sales for the quarter under review amounted to approximately RM326.1 million.

Given the gradual recovery phase experienced in the coking industry since the early part of the year, the Group has managed to return to profitability in the current quarter after recording three consecutive quarters of losses since the fourth quarter of 2008, stemming from the consequences of the economic downturn and challenging business environment in the said fourth quarter of 2008. This was mainly attributed to the spread between the prices of metallurgical coke and that of coking coal that have widened adequately coupled with the gradually improving prices of the by-products during the current quarter under review.

During the current quarter under review, the Group's revenue reduced by approximately 29.6% to RM349.8 million from RM496.9 million in the preceding year corresponding quarter. This was mainly attributed to approximately 37.9% reduction in the average price of coke in current quarter under review compared with that of the preceding year corresponding quarter.

The cost of sales have also reduced by approximately 31.3% to RM326.1 million in the current quarter under review from RM474.5 million recorded in the preceding year corresponding quarter. This came about as the average price of coking coal had eased downwards by approximately 38.1% in the current quarter compared with that of the same quarter of the preceding year. Premised on the above, the Group registered a gross profit and net profit after tax of approximately RM23.7 million and RM18.5 million respectively for the current quarter under review compared to that of registered in the preceding year corresponding quarter of RM22.5 million and RM11.7 million respectively.

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

The Group's consolidated revenue of approximately RM349.8 million registered during the current quarter represents an increase of approximately 15.9% from approximately RM301.8 million in the preceding quarter ended 30 June 2009. The increase in revenue is primarily attributed to higher average price of coke. The average coke price has increased by 18.3% in the current quarter under review compared to that of recorded in the preceding quarter (second quarter 2009).

Cost of sales in the current quarter has increased 6.4% from RM306.5 million in the preceding quarter ended 30 June 2009 to RM326.1 million. This is primarily attributed to the increase of the average purchase price of coking coal in the current quarter compared to that of the preceding quarter.

The gradual improving market conditions has helped the Group return to profitability with a net profit of RM18.5 million in the current quarter under review compared to a net loss of RM13.3 million in the preceding second quarter 2009.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2009

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## 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.

Whilst the coke industry in China has been experiencing gradual improvement since the start of the year riding on the recovery of the domestic steel industry over the said period, the coke and steel industries saw some adverse price adjustments in September as a result of a perceived oversupply of steel. This has somewhat disrupted the strong recovery trend seen in both the steel and coke industry for the remaining part of 2009. The Chinese Government has taken various proactive steps to address the situation which among others, include curbing of capacity expansion in the steel and coke industries.

Barring any unforeseen circumstances, the directors are still cautiously optimistic of the recovery phase in 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	
	30 Sep 2009 RM'000	30 Sep 2008 RM'000	30 Sep 2009 RM'000	30 Sep 2008 RM'000
In respect of the current period Income tax	-	2,223	-	15,253
	<u>-</u>	<u>2,223</u>	<u>-</u>	<u>15,253</u>

No tax is payable during the current quarter as the accumulated losses incurred in the preceding first and second quarters of 2009 still exceeded the profits recorded in this quarter.

## 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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report – 30 SEPTEMBER 2009

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## B8. Corporate proposals

There were no corporate proposals during the quarter under review.

## B9. Borrowings

As at 30 September 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	
	30 Sep 2009	30 Sep 2008	30 Sep 2009	30 Sep 2008
<b>Basic earnings per share</b>				
Profit/(Loss) for the year attributable to equity holders (RM'000)	18,470	11,712	(18,441)	84,195
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)	1.65	1.04	(1.64)	7.50

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

13 November 2009