

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2007

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Fourth Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current	Preceding	Current	Preceding
	Period	Period	Period	Period
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
	RM'000	RM'000	RM'000	RM'000
Revenue	233,375	186,315	852,733	730,655
Cost of sales	(183,564)	(153,062)	(672,096)	(598,169)
Gross profit	49,811	33,253	180,637	132,485
Other income	62	97	777	313
Operating expenses	(5,512)	(1,805)	(18,476)	(13,208)
	(5,449)	(1,709)	(17,699)	(12,895)
Restructuring expenses *	0	0	(8,871) *	0
Finance costs	(126)	(1,149)	(2,119)	(4,607)
Profit before tax	44,236	30,395	151,947	114,984
Taxation **	(6,794)	0	(24,425)	0
Profit for the year	37,442	30,395	127,522	114,984
Profit attributable to equity holders of the Company	37,442	30,395	127,522	114,984
Earnings per share (sen)				
- basic (sen)	3.34	3.80	12.11	14.37
- fully diluted (sen)	n/a	n/a	n/a	n/a

\* Restructuring expenses are attributable to "one-off" expenses incurred arising from the implementation of the Restructuring Scheme of Antah / IPO of Hua-An which has been charged to the 1st Quarter's Income Statement.

\*\* By virtue of the Company's status as WOFE, no tax was payable in FY2006. Tax is paid in FY2007 at the rate of approximately 15%.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2007****- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED BALANCE SHEET**

	<div>Unaudited</div> <div>as at</div> <div>31-Dec-07</div> <div>RM'000</div>	<div>Audited</div> <div>as at</div> <div>31-Dec-06</div> <div>RM'000</div>
<b>Non Current Assets</b>		
Land lease payment - long-term	30,283	9,838
Property, plant and equipment	428,423	220,471
Goodwill	107,114	2,351
	<u>565,820</u>	<u>232,660</u>
<b>Current Assets</b>		
Land lease payment - short-term	747	364
Inventories	74,882	42,728
Trade receivables	65,202	40,193
Other receivables, deposits and prepayments	24,735	42,626
Bank balances and cash	32,081	9,687
	<u>197,648</u>	<u>135,598</u>
<b>Total Assets</b>	<u><u>763,468</u></u>	<u><u>368,258</u></u>
<b>Shareholders' Fund</b>		
Share capital	561,154	177
Reserves	152,774	268,328
	<u>713,928</u>	<u>268,505</u>
<b>Current Liabilities</b>		
Trade payables	28,344	23,664
Receipts in advance	5,796	1,048
Other payables and accrued expenses	3,477	2,882
Amount due to related company	721	-
Amount due to a shareholder	26	-
Tax payable	11,176	4,301
Bank loans - secured	-	67,857
	<u>49,540</u>	<u>99,753</u>
<b>Total Equity and Liabilities</b>	<u><u>763,468</u></u>	<u><u>368,258</u></u>
Net assets per share (RM)	0.64	n/a

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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>Balance as of January 1, 2007</b>	177	-	28,479	-	4,886	235,023	268,565
Legal entity adjustment in accordance with FRS 3	(177)			(799,823)			(800,000)
Issue of shares:							
Acquisition of PIPO Group	400,000	400,000					800,000
Scheme of arrangement with shareholders of Antah	42,454	42,454	-	-	-	-	84,908
Acquisition of investment property	8,700	8,700					17,400
Scheme of arrangement with creditors of Antah	10,000	10,000	-	-	-	-	20,000
Private placement	100,000	100,000					200,000
Share issue expense	-	(7,263)	-	-		-	(7,263)
Profit for the year	-	-	-	-	-	127,522	127,522
Transfer to common fund reserve	-	-	20,892	-	-	(20,892)	-
Exchange differences	-	-	-	-	2,796	-	2,796
<b>Balance as of December 31, 2007</b>	561,154	553,891	49,371	(799,823)	7,682	341,653	713,928

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2007****- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Unaudited Current year to date 31-Dec-07 RM'000	Preceeding year to date 31-Dec-06 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the year	127,522	114,984
Adjustments for:		
Depreciation of property, plant and equipment	20,079	13,806
Amortisation of lease payments	967	356
Finance costs	2,119	4,737
Interest income	(817)	(290)
Income tax recognised in income statement	31,300	-
Gain on disposal of subsidiary company	(600)	-
	<hr/>	<hr/>
Operating profit before working capital changes	180,570	133,593
(Increase)/Decrease in:		
Inventories	(32,154)	(5,263)
Trade receivables	(25,010)	(22,021)
Other receivables, deposits and prepayments	26,771	(29,589)
Increase/(Decrease) in:		
Trade payables	4,680	(9,081)
Other payables and accrued expenses	1,316	(73)
Receipt in advance	4,748	(2,028)
Amount due to shareholder	26	-
	<hr/>	<hr/>
Cash generated from operations	160,947	65,538
Income tax paid	(24,425)	-
	<hr/>	<hr/>
Net cash from/(used in) operating activities	<u>136,522</u>	<u>65,538</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(234,912)	(49,553)
Land lease paid	(20,756)	-
Interest received	817	290
Disposal of investment in subsidiary company	18,000	-
	<hr/>	<hr/>
Net cash from/(used in) investing activities	<u>(236,851)</u>	<u>(49,263)</u>

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2007

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### CONDENSED CONSOLIDATED CASHFLOW STATEMENT

- CONTINUE -

	Unaudited Current year to date 31-Dec-07 RM'000	Preceeding year to date 31-Dec-06 RM'000
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Issuance of shares	200,000	-
Share issue cost paid	(7,263)	-
Finance costs paid	(2,119)	(4,737)
Increase/(Decrease) in bank borrowings/intercompany loan	(67,857)	(13,609)
Net cash from/(used in) financing activities	<u>122,760</u>	<u>(18,346)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIV	22,430	(2,071)
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	9,687	11,670
Effect of changes in exchange rate	(36)	89
CASH AND CASH EQUIVALENTS	<u>32,081</u>	<u>9,687</u>
AT END OF FINANCIAL YEAR		

The Condensed Consolidated Cash Flow Statement should be read in  
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 2006. 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 2006.

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 2006.

#### **FRS 3: Business Combinations**

After completion of the acquisition of PIPO Overseas Limited ("PIPO") and its subsidiary company ("PIPO Group"), the Company becomes the legal parent company of PIPO Group. Due to relative values of the companies, the former shareholders of PIPO became the majority shareholders of the Company. Accordingly, the substance of the business combination is that PIPO acquires the Company in a reverse acquisition. Under FRS 3, as a result of the reverse acquisition, the financial statements which were assumed to have been prepared in the name of the legal parent, the Company, represent a continuation of the balance sheet of the legal subsidiary, PIPO, which was deemed as the acquirer.

In accordance with the FRS 3, the amount recognised as issued equity instruments in those consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination the cost of the combination determined. However, the equity structure appearing in those consolidated financial statements shall reflect the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia. The individual financial statements of the subsidiary companies are presented in the currency of the primary economic environment in which the entity operates (their functional currency). The functional currency of the foreign subsidiary companies, PIPO and Linyi Yehua Coking Co. Ltd., are Hong Kong Dollars and Chinese Renminbi, respectively, while the functional currency of the local subsidiary companies is Ringgit Malaysia.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case

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the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the income statements in the period in which the foreign operations is disposed of.

**A2. Audit report**

The auditors' report on the audited financial statements for the year ended 31 December 2006 was not qualified.

**A3. Seasonal or cyclical factors**

The operations of the Group during the quarter have not been affected by any material seasonal or cyclical factors.

**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.

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## **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**

During the quarter under review, the disposal of Extra Charm Sdn Bhd was completed on 16 November 2007 of which a gross gain in disposal of RM0.6 million was recognised by the Group. As a result of that, Extra Charm Sdn Bhd ceased to be a subsidiary of the Group as at that 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 2007, the Group recorded a consolidated revenue of approximately RM233.4 million and consolidated profit before tax of approximately RM44.2 million. These were attributed to the continued robust and positive pricing of metallurgical coke and the by-products enjoyed by the Group in the current quarter. The average prices of metallurgical coke, coal gas, ammonium sulphate and crude benzene during the current quarter under review have increased by approximately 34%, 19%, 69% and 8% respectively compared with those of the preceding year corresponding quarter. These increases by way of positive pricing are able to cover the increases in raw material (coking coal) prices which averaged an increase of approximately 30% over the similar period.

In view of the above favourable pricing trend of metallurgical coke and the by-products, coupled with the additional contribution from two new by-products, namely coal slime and middlings, extracted from the coal washing process that was commissioned in May 2007, the Group was able to maintain a gross margin of approximately 21.3% in the current quarter under review compared with an average of approximately 18% in the preceding year.

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

The Group's consolidated revenue increased by RM47.1 million to RM233.4 million for the current reporting quarter from RM186.3 million reported in the preceding year corresponding quarter due to the increase in the prices of metallurgical coke and by-products as well as additional revenue from the two new by-products, namely coal slime and middlings.

Correspondingly, the gross profit has increased by approximately 49.8% to RM49.8 million during the current quarter from RM33.3 million in the preceding year corresponding quarter.

The Group's consolidated profit for the year also registered an improvement by approximately 23.2% to RM37.4 million in the current quarter from RM30.4 million in the preceding year corresponding quarter.

### **B3. Current year prospects**

The Group will continue to focus on its core activities. The Group is expected to continue to benefit from the buoyant steel industry, particularly that in China, thus providing it with sustainable and healthy demand for its metallurgical coke and by-products.

Barring any unforeseen circumstances, the directors are optimistic of continued profitability of the business for the current financial year.

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## 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 Sept 2007	30 Sept 2006	30 Sept 2007	30 Sept 2006
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Income tax	6,794	N/A	24,425	N/A
Deferred tax	-	N/A	-	N/A
	<u>6,794</u>	<u>N/A</u>	<u>24,425</u>	<u>N/A</u>

The tax exemption enjoyed by Yehua (operating company in China) by virtue of its WOFE status, as originally granted, ended on 31 December 2006. As such, Yehua commenced paying tax this financial year but at a reduced rate of 15% p.a. (i.e. half of the national corporate tax rate of 30% p.a.) for the next 3 financial years ending 31 December 2009.

Given the discounted tax rate as mentioned above, the effective tax rate for the current quarter ended 30 June 2007 was lower compared to the China national corporate tax rate of 30%.

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

The disposal of Extra Charm Sdn Bhd, a wholly-owned subsidiary of Sino Hua-An International Berhad, was completed on 16 November 2007 and pursuant to the said disposal the Group recognised a gross gain of approximately RM0.6 million.

Extra Charm Sdn Bhd was a single purpose entity used by Sino Hua-An International Berhad to hold a property comprising approximately 61,312.50 sq.ft. of lettable floor area on level 1 to level 9 and 119 car park bays on a piece of freehold land held under Geran 49604, Lot No. 52981, District and Mukim Kuala Lumpur, State of Wilayah Persekutuan, known as Wisma Antah.

## B7. Quoted and marketable securities

There was no purchase or disposal of quoted and marketable securities during the quarter under review.

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## B8. Corporate proposals

Save for the disposal of Extra Charm Sdn Bhd which was completed on 16 November 2007 as disclosed in note B6 and the proposed acquisition of 49% equity interest in Linyi Jiangxin Steel Co., Ltd. currently contemplated by the Board, there were no other corporate proposals during the quarter under review.

## B9. Borrowings

As at 31 December 2007, 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

There was no dividend declared during the quarter under review.

## B13. Earnings per share

	Individual quarter ended		Cumulative period ended	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
<b>Basic earnings per share</b>				
Profit for the period attributable to equity holders (RM'000)	37,442	30,395	127,522	114,984
Number / Weighted average number of shares in issue* ('000)	1,122,308	800,000	1,053,431	800,000
Basic earnings per share (sen)	<u>3.34</u>	<u>3.80</u>	<u>12.11</u>	<u>14.37</u>

\* The number of shares of Hua-An in issue as of 1 January 2006 is deemed to be the number of shares issued by the legal parent to the owners of the legal subsidiary (Appendix B, Paragraph B13(a) of FRS 3), ie at 800,000,000.

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 2008