

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FIRST QUARTER ENDED 31 MARCH 2010

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter		Cumulative Quarter	
	Unaudited Current Period 31-Mar-10 RM'000	Unaudited Preceding Period 31-Mar-09 RM'000	Unaudited Current Period 31-Mar-10 RM'000	Unaudited Preceding Period 31-Mar-09 RM'000
Revenue	373,592	310,950	373,592	310,950
Cost of sales	(367,901)	(324,453)	(367,901)	(324,453)
Gross profit/(loss)	5,691	(13,503)	5,691	(13,503)
Other income	277	158	277	158
Operating expenses	(8,450)	(10,287)	(8,450)	(10,287)
	(8,173)	(10,129)	(8,173)	(10,129)
Loss before tax	(2,482)	(23,632)	(2,482)	(23,632)
Taxation	-	-	-	-
Loss for the period	(2,482)	(23,632)	(2,482)	(23,632)
Total comprehensive income attributable to equity holder of the Company	(31,412)	6,987	(31,412)	6,987
Other comprehensive income: Exchange difference arising from translation of foreign operations	(28,930)	30,619	(28,930)	30,619
Total comprehensive income for the period	(31,412)	6,987	(31,412)	6,987
Loss attributable to equity holders of the Company	(2,482)	(23,632)	(2,482)	(23,632)
Loss per share (sen)				
- basic (sen)	(0.22)	(2.11)	(0.22)	(2.11)
- fully diluted (sen)	n/a	n/a	n/a	n/a

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### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-10 RM'000	Audited as at 31-Dec-09 RM'000
<b>Non Current Assets</b>		
Land lease payment - long-term	29,278	30,910
Property, plant and equipment	450,078	475,582
Goodwill	107,500	107,625
	586,856	614,117
<b>Current Assets</b>		
Land lease payment - short-term	825	867
Inventories	67,530	77,406
Trade receivables	11,611	18,358
Other receivables, deposits and prepayments	38,020	37,883
Amount due from related parties	53,712	40,574
Tax recoverable	11,903	13,661
Bank balances and cash	34,521	24,442
	218,122	213,191
<b>Total Assets</b>	804,978	827,308
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	140,963	172,375
	702,117	733,529
<b>Current Liabilities</b>		
Trade payables	89,213	72,375
Other payables and accrued expenses	12,616	13,085
Amount due to related parties	1,032	8,319
	102,861	93,779
<b>Total Equity and Liabilities</b>	804,978	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
<b><u>3 months ended 31 March 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	-	-	-	-	-	(23,632)	(23,632)
Other comprehensive income	-	-	-	-	30,619	-	30,619
<b>Balance as of March 31, 2009</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>113,220</b>	<b>293,016</b>	<b>770,816</b>
<b><u>3 months ended 31 March 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
Loss for the period	-	-	-	-	-	(2,482)	(2,482)
Other comprehensive income	-	-	-	-	(28,930)	-	(28,930)
<b>Balance as of March 31, 2010</b>	<b>561,154</b>	<b>553,891</b>	<b>49,358</b>	<b>(799,823)</b>	<b>44,006</b>	<b>293,531</b>	<b>702,117</b>

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 31-Mar-10 RM'000	Preceding year to date 31-Mar-09 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(2,482)	(23,632)
Adjustments for:		
Depreciation of property, plant and equipment	9,319	9,726
Amortisation of lease payments	214	208
Interest income	(63)	(75)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	6,988	(13,773)
(Increase) / Decrease in:		
Inventories	9,876	(11,324)
Trade receivables	6,747	12,871
Other receivables, deposits and prepayments	(4,918)	19,210
Amount due by/to related parties	(13,138)	(3,750)
Increase / (Decrease) in:		
Trade payables	16,838	22,722
Other payables and accrued expenses	(469)	2,507
Amount due to related company	(7,287)	(3,595)
	<hr/>	<hr/>
Cash generated from operations	14,637	24,868
Income tax paid	1,758	(8,386)
Net cash from operating activities	<hr/>	<hr/>
	16,395	16,482
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(5,239)	(863)
Interest received	63	75
Net cash used in investing activities	<hr/>	<hr/>
	(5,176)	(788)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Net cash used in financing activities	<hr/>	<hr/>
	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,219	15,694
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	24,442	28,754
Effect of changes in exchange rate	(1,140)	1,285
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<hr/>	<hr/>
	34,521	45,733

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 – 31 MARCH 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 31 March 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	
	31 March 2010		31 March 2010	
	Revenue	Loss before tax	Revenue	Loss before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	373,592	(2,482)	373,592	(2,482)
Investment Holdings	-	-	-	-
	<u>373,592</u>	<u>(2,482)</u>	<u>373,592</u>	<u>(2,482)</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 first quarter ended 31 March 2010, the Group recorded a consolidated revenue of approximately RM373.6 million. The cost of sales for the quarter under review amounted to approximately RM367.9 million.

The approximately 20% increase in the consolidated revenue from RM310.9 million in the preceding year corresponding quarter to RM373.6 million registered in the current quarter under review can be attributed to the favourable upward trend experienced by the Group in the pricing of metallurgical coke and majority of the by-products in the current quarter. The average prices of metallurgical coke, ammonium sulphate, crude benzene, tar oil, coal slime and middlings during the current quarter under review have increased by approximately 23%, 4%, 157%, 80%, 57% and 13% respectively compared with those of the preceding year corresponding quarter. Meanwhile, the price of coal gas has 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 have also increased by approximately 13% to RM367.9 million in the current quarter compared to RM324.5 million recorded in the preceding year corresponding quarter. This is primarily attributed to the significant increase in the average prices of raw material (i.e. coking coal) by approximately 29% in the current quarter compared to the average prices registered in the preceding year corresponding quarter.

Given the continuing recovering trend in the coking and steel industry, albeit at a gradual pace, the Group has managed to record a gross profit of approximately RM5.7 million in the current quarter under review compared to a gross loss of approximately RM13.5 million recorded in the preceding year corresponding quarter. Upon incorporating the effects of other income, operating expenses and taxation, the Group registered a loss for the period of approximately RM2.5 million for the current quarter under review compared to the loss for the period of RM23.6 million registered in the preceding year corresponding quarter.

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

The Group's consolidated revenue of approximately RM373.6 million registered during the current quarter represents an increase of approximately 18% from approximately RM317.7 million in the preceding quarter ended 31 December 2009. The increase in revenue was primarily attributed to the higher average price of metallurgical coke coupled with favourable pricing of its by-products. The average metallurgical coke price has increased by 17% in the current quarter under review compared to that of recorded in the preceding quarter (fourth quarter 2009).

Cost of sales in the current quarter has correspondingly increased from RM318.6 million in the preceding quarter ended 31 December 2009 to RM367.9 million, an increase of approximately 15%. This was attributed to higher average coking coal price of approximately 18% in the current quarter compared to that of the preceding quarter.

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Whilst the Group saw a gradual improvement in the average prices of metallurgical coke and the by-products during the current quarter under review, the extent of such improvements appeared to be inadequate to cover the extent of increase seen in the average prices of the coking coal. As a result, the Group continues to register a loss for the period of approximately RM2.5 million in the current quarter under review compared to a loss for the period of approximately RM2.3 million in the preceding fourth 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.

Economic data worldwide generally reflect the tail-end of the impact from the global economic crisis in 2009. As such, the Group is looking forward to a much steadier recovery path in the metallurgical coke industry and sustained business environment in the remainder of 2010. Barring unforeseen circumstances or any unanticipated turn of events, the Group is hopeful of seeing prices for metallurgical coke gaining momentum moving forward on the back of gradually returning demand. Although it is recognised that the prices of coking coal may also rise in tandem, the Group is hopeful that the extent of its hike is less than that of metallurgical coke, thus enabling the Group to achieve 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.

## **B8. Corporate proposals**

There were no corporate proposals during the quarter under review.

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## B9. Borrowings

As at 31 March 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	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
<b>Basic earnings per share</b>				
Loss for the year attributable to equity holders (RM'000)	(2,482)	(23,632)	(2,482)	(23,632)
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic loss per share (sen)	<u>(0.22)</u>	<u>(2.11)</u>	<u>(0.22)</u>	<u>(2.11)</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.

By Order of the Board  
Chua Siew Chuan  
Secretary

17 May 2010