

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current	Preceding	Current	Preceding
	Period	Period	Period	Period
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
	RM'000	RM'000	RM'000	RM'000
Revenue	381,021	325,186	1,123,229	1,041,284
Cost of sales	(373,132)	(318,938)	(1,099,074)	(1,018,457)
Gross profit	7,889	6,248	24,155	22,827
Other income	131	169	379	673
Operating expenses	(6,564)	(5,392)	(19,315)	(20,113)
	(6,433)	(5,223)	(18,936)	(19,440)
Profit before tax	1,456	1,025	5,219	3,387
Taxation	-	-	-	-
Profit for the period	1,456	1,025	5,219	3,387
Other comprehensive income/(loss):				
Exchange difference arising from translation of foreign operations	34,421	(20,690)	36,744	(50,677)
Total comprehensive income/(loss) for the period	35,877	(19,665)	41,963	(47,290)
Profit attributable to equity holders of the Company	1,456	1,025	5,219	3,387
Total comprehensive income/(loss) attributable to equity holder of the Company	35,877	(19,665)	41,963	(47,290)
Earnings per share (sen)				
- basic (sen)	0.13	0.09	0.46	0.30
- fully diluted (sen)	n/a	n/a	n/a	n/a

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**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**  
**- THE FIGURES HAVE NOT BEEN AUDITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<div>Unaudited</div> <div>as at</div> <div>30-Sep-11</div> <div>RM'000</div>	<div>Audited</div> <div>as at</div> <div>31-Dec-10</div> <div>RM'000</div>
<b>Non Current Assets</b>		
Land lease payment - long-term	29,017	27,931
Property, plant and equipment	419,149	421,132
Goodwill	107,594	107,436
	<u>555,760</u>	<u>556,499</u>
<b>Current Assets</b>		
Land lease payment - short-term	868	817
Inventories	99,027	132,127
Trade receivables	26,402	13,921
Other receivables, deposits and prepayments	40,815	44,441
Amount due from related parties	57,524	51,529
Tax recoverable	13,730	14,916
Bank balances and cash	44,912	22,274
	<u>283,278</u>	<u>280,025</u>
<b>Total Assets</b>	<u><u>839,038</u></u>	<u><u>836,524</u></u>
<b>Shareholders' Fund</b>		
Share capital	561,154	561,154
Reserves	174,819	134,854
	<u>735,973</u>	<u>696,008</u>
<b>Current Liabilities</b>		
Trade payables	79,225	115,199
Other payables and accrued expenses	23,396	23,518
Amount due to related parties	444	1,799
	<u>103,065</u>	<u>140,516</u>
<b>Total Equity and Liabilities</b>	<u><u>839,038</u></u>	<u><u>836,524</u></u>
Net assets per share (RM)	0.66	0.62

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

- THE FIGURES HAVE NOT BEEN AUDITED

### 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>9 months ended 30 September 2010</b>							
Balance as of January 1, 2010	561,154	553,891	49,358	(799,823)	72,936	296,013	733,529
Total comprehensive loss	-	-	-	-	(50,676)	3,387	(47,289)
Balance as of September 30, 2010	561,154	553,891	49,358	(799,823)	22,260	299,400	686,240
<b>9 months ended 30 September 2011</b>							
Balance as of January 1, 2011	561,154	553,891	49,358	(799,823)	29,009	302,419	696,008
Dividend	-	-	-	-	-	(1,998)	(1,998)
Total comprehensive income	-	-	-	-	36,744	5,219	41,963
Balance as of September 30, 2011	561,154	553,891	49,358	(799,823)	65,753	305,640	735,973

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011****- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Unaudited Current year to date 30-Sep-11 RM'000	Preceding year to date 30-Sep-10 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	5,219	3,387
Adjustments for:		
Depreciation of property, plant and equipment	27,608	27,607
Amortisation of lease payments	608	620
Interest income	(115)	(143)
Asset written off	-	2,920
	<hr/>	<hr/>
Operating profit before working capital changes	33,320	34,391
(Increase) / Decrease in:		
Inventories	33,099	19,858
Trade receivables	(12,481)	2,401
Other receivables, deposits and prepayments	13,568	(8,350)
Amount due by/to related parties	(5,995)	(13,970)
Increase / (Decrease) in:		
Trade payables	(35,974)	(24,468)
Other payables and accrued expenses	(124)	14,532
Amount due to related company	(1,355)	(8,319)
	<hr/>	<hr/>
Cash generated from operations	24,058	16,075
Tax paid	1,185	1,438
Net cash from operating activities	<hr/>	<hr/>
	25,243	17,513
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,378)	(14,005)
Interest received	115	143
Net cash used in investing activities	<hr/>	<hr/>
	(1,263)	(13,862)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividend paid	(1,998)	-
Net cash used in financing activities	<hr/>	<hr/>
	(1,998)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	21,982	3,651
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE FINANCIAL PERIOD	22,274	24,442
Effect of changes in exchange rate	656	(2,388)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS</b>		
AT END OF THE FINANCIAL PERIOD	<hr/>	<hr/>
	44,912	25,705

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 2011

## 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 2010. 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 2010.

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 2010, except for the adoption of the following Financial Reporting Standards ("FRSs"), amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") with effect from the financial periods as stated below:-

		Effective date for financial periods beginning on or after
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 11,16 and 97E	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

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		<u>Effective date for financial periods beginning on or after</u>
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 for 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
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
As at 30 September 2011, the following IC Interpretations and amendments to FRSs, were in issue but not yet effective and have not been applied by the Group:		
FRS 124	Related Party Disclosures (revised)	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012

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## A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2010 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

Segment results by business activities

	Current quarter		Current year to date	
	30 September 2011		30 September 2011	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	381,021	1,822	1,123,229	6,622
Investment Holdings	-	(366)	-	(1,403)
	<u>381,021</u>	<u>1,456</u>	<u>1,123,229</u>	<u>5,219</u>

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**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 2011, the Group recorded a consolidated revenue of approximately RM381.0 million. The cost of sales for the quarter under review amounted to approximately RM373.1 million.

The consolidated revenue for the current quarter under review has increased by approximately 17% from RM325.2 million in the preceding year corresponding quarter to RM381.0 million and this was primarily attributed to the continued upward trend experienced in the pricing of the metallurgical coke and a general increase in sales volume. The average price of metallurgical coke saw an improvement of approximately 17% whilst sales volume grew by approximately 3% during the current quarter compared with those in the preceding year corresponding quarter. Further improving the Group's consolidated revenue are the continued robust pricing of the by-products seen in the current quarter compared to those in the corresponding quarter in the preceding year. The average prices of ammonium sulphate, crude benzene, coal slime and middlings during the current quarter under review have increased by approximately 108%, 29%, 34% and 16% respectively while only the prices of tar oil suffered a slight setback of 7% compared to the same quarter last year.

In tandem with the increase in the prices of commodities, the average price of our raw material (i.e. coking coal) also saw an increase of approximately 18%. Coupled with an increase in sales/production volume, the cost of sales for the current quarter under review had risen to RM373.1 million compared to RM318.9 million recorded in the preceding year corresponding quarter, representing an increase of approximately 17%.

With the improvements seen in the prices of metallurgical coke and the by-products as well as the relatively higher sales volume, the Group managed to record a better gross profit of approximately RM7.9 million during the quarter under review compared to approximately RM6.2 million in the preceding year corresponding quarter. Consequently, the Group registered a profit before tax of approximately RM1.5 million for the current quarter under review as compared to approximately RM1.0 million for the preceding year corresponding quarter.

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

The Group's consolidated revenue of approximately RM381.0 million registered during the current quarter under review represents an increase of approximately 5% from RM362.5 million in the preceding quarter ended 30 June 2011. The increase in revenue was primarily attributed to a 2% increase in sales volume as well as higher average pricing of metallurgical coke and some of its by-products. The average prices for metallurgical coke, ammonium sulphate, crude benzene and coal slime during the current quarter under review were up by 3%, 15%, 3% and 6% respectively while tar oil and middlings were down by 7% and 1% respectively.

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Cost of sales in the current quarter has correspondingly increased to RM373.1 million from RM353.8 million recorded in the preceding quarter ended 30 June 2011, an increase of approximately 5%. This was due to an increase in sales/production volume as well as the higher average coking coal price by 7% during the quarter under review compared to that of the preceding quarter.

As the increase in the average price of metallurgical coke was lower than that of the increase in the average coking coal price, the Group recorded a slightly lower profit for the period of approximately RM1.5 million compared to the second quarter of approximately RM2.9 million.

## **B3. Current year prospects**

Moving forward, the Group will continue to focus on its core business activity which is the manufacturing and trading of metallurgical coke and its by-products.

According to the China Coking Industry Association, the consolidation of the coking industry and phasing out of the “out-dated” coking technology have been progressing in accordance with the government plan. The consolidation process will see the overall nationwide production capacity for metallurgical coke reduced by approximately 19.75 million tonnes of coke by the end of 2011, a boon to the subsisting metallurgical coke manufacturers like ours.

Despite the seemingly anaemic economic growth, persistently high unemployment and lingering sovereign debt that currently shapes uncertain outlook for advance western economies, emerging economies, particularly those in the Asia Pacific region on the contrary, are expected to register steady growth. This would continue to fuel sustainable demand for steel and thus that of metallurgical coke to support activities and fixed assets investments in these emerging countries.

Additionally, the lingering high global oil prices expected to continue in the foreseeable future would enable the Group to earn greater contribution from its by-products as the prices of these by-products tend to move in tandem to the oil price.

Barring any unforeseen circumstances or unanticipated turn of events, the Group continues to be optimistic to having improved financial results for the coming years.

## **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.

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## **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.

## **B9. Borrowings**

As at 30 September 2011, 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 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
<b>Basic earnings per share</b>				
Profit for the period attributable to equity holders (RM'000)	1,456	1,025	5,219	3,387
Number / Weighted average number of shares in issue ('000)	1,122,308	1,122,308	1,122,308	1,122,308
Basic earnings per share (sen)	<u>0.13</u>	<u>0.09</u>	<u>0.46</u>	<u>0.30</u>

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## **B13. Earnings per share (Con't)**

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

## **B14. Realised and Unrealised Profits/Losses Disclosure**

	<b>Current year to date 30 Sep 2011 RM'000</b>
<b>Retained profit of the Group and its subsidiaries</b>	
- Realised	305,640
- Unrealised	<u>(28,882)</u>
	276,758
Less: Consolidation adjustment	<u>28,882</u>
<b>Total retained earnings as per consolidated accounts</b>	<u><u>305,640</u></u>

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

By Order of the Board  
Chua Siew Chuan  
Secretary

25 November 2011