

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Third Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Sep-07 RM'000	Preceding Period 30-Sep-06 RM'000	Unaudited Current Period 30-Sep-07 RM'000	Preceding Period 30-Sep-06 RM'000
Revenue	223,980	186,676	619,358	544,340
Cost of sales	(172,795)	(154,213)	(488,532)	(445,107)
Gross profit	51,184	32,463	130,825	99,233
Other income	329	97	715	216
Operating expenses	(4,170)	(4,122)	(12,964)	(11,402)
	(3,841)	(4,025)	(12,249)	(11,186)
Restructuring expenses *	0	0	(8,871) *	0
Finance costs	(391)	(1,162)	(1,993)	(3,457)
Profit before tax	46,952	27,276	107,711	84,589
Taxation	(7,072)	0	(17,631)	0
Profit for the year	39,880	27,276	90,081	84,589
Profit attributable to equity holders of the Company	39,880	27,276	90,081	84,589
Earnings per share (sen)				
- basic (sen)	3.55	3.41	8.74	10.57
- 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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited as at 30-Sep-07</b>	<b>Audited as at 31-Dec-06</b>
	RM'000	RM'000
<b>Non Current Assets</b>		
Land lease payment - long-term	29,876	9,838
Property, plant and equipment	365,861	220,471
Investment property	17,400	-
Goodwill	107,184	2,351
	520,320	232,660
<b>Current Assets</b>		
Land lease payment - short-term	782	364
Inventories	63,031	42,728
Trade receivables	62,447	40,193
Other receivables, deposits and prepayments	35,106	42,626
Bank balances and cash	75,042	9,687
	236,409	135,598
<b>Total Assets</b>	756,730	368,258
<b>Shareholders' Fund</b>		
Share capital	561,154	177
Reserves	118,663	268,328
	679,817	268,505
<b>Current Liabilities</b>		
Trade payables	33,122	23,664
Receipts in advance	4,723	1,048
Accruals and other payables	3,751	2,882
Amount due to a shareholder	2,919	-
Tax payable	9,669	4,301
Bank loans - secured	22,728	67,857
	76,912	99,753
<b>Total Equity and Liabilities</b>	756,730	368,258
Net assets per share (RM)	0.61	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 2007

- 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>Balance as of January 1, 2006</b>	177	-	28,420	-	4,886	235,023	268,506
Legal entity adjustment in accordance with FR&	(177)			(794,331)			(794,508)
Issue of shares:							
Acquisition of PIPO Group	400,000	400,000					800,000
Scheme of arrangement with shareholders of /	42,454	42,454	-	-	-	-	84,908
Acquisition of investment property	8,700	8,700					17,400
Scheme of arrangement with creditors of Antal	10,000	10,000	-	-	-	-	20,000
Private placement	100,000	100,000					200,000
Share issue expense	-	(7,263)					(7,263)
Net profit for the period	-	-	-	-	-	90,081	90,081
Transfer to common fund reserve	-	-	9,991	-	-	(9,991)	-
Exchange differences	-	-	-	-	694	-	694
<b>Balance as of September 30, 2007</b>	<b>561,154</b>	<b>553,891</b>	<b>38,411</b>	<b>(794,331)</b>	<b>5,580</b>	<b>315,113</b>	<b>679,817</b>

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

- THE FIGURES HAVE NOT BEEN AUDITED

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Sep-07 RM'000	Preceding year to date 30-Sep-06 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the year	90,081	84,589
Adjustments for:		
Depreciation of property, plant and equipment	12,302	12,171
Amortisation of lease payments	551	279
Finance costs	1,993	3,563
Interest income	(705)	(200)
Income tax recognised in income statement	20,338	-
	<hr/>	<hr/>
Operating profit before working capital changes	124,560	100,402
(Increase)/Decrease in:		
Inventories	(20,304)	(6,808)
Trade receivables	(22,255)	3,395
Other receivables, deposits and prepayments	(2,296)	(4,655)
Increase/(Decrease) in:		
Trade payables	9,458	(3,531)
Other payables and accrued expenses	3,530	188
Receipt in advance	3,675	(927)
Amount due to shareholder	2,919	-
	<hr/>	<hr/>
Cash generated from operations	99,287	88,064
Income tax paid	(17,631)	-
Net cash from/(used in) operating activities	<hr/> <u>81,656</u>	<hr/> <u>88,064</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(147,326)	(27,092)
Land lease paid	(20,752)	-
Interest received	705	200
Net cash from/(used in) investing activities	<hr/> <u>(167,373)</u>	<hr/> <u>(26,891)</u>

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

- THE FIGURES HAVE NOT BEEN AUDITED

- CONTINUE -

	<b>Unaudited Current year to date 30-Sep-07 RM'000</b>	<b>Preceeding year to date 30-Sep-06 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Issuance of shares	200,000	-
Share issue cost paid	(7,263)	-
Finance costs paid	(1,993)	(3,563)
Increase/(Decrease) in bank borrowings/intercompany loan	(45,129)	(11,300)
Net cash from/(used in) financing activities	<u>145,614</u>	<u>(14,862)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>59,897</b>	<b>46,310</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>9,687</b>	<b>11,670</b>
Effect of changes in exchange rate	5,458	(1,414)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><b>75,042</b></u>	<u><b>56,565</b></u>

The Condensed Consolidated Cash Flow Statement should be read in 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 2007

---

## **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") as disclosed in note A11, 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

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report - 30 September 2007

---

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.

## **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 other than the following:

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report - 30 September 2007

---

- ***Disposal of 100% equity interest in Extra Charm Sdn Bhd, a wholly-owned subsidiary company, for a cash consideration of RM18,000,000.***

Extra Charm Sdn Bhd is special purpose vehicle used by Sino Hua-An International Berhad to hold a property comprising approximately 61,312.50 sq.ft. in floor area of 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 of Kuala Lumpur, State of Wilayah Persekutuan, known as "Wisma Antah".

The sale was completed on 16 November 2007 and pursuant to the said disposal the Group will recognise a gross gain of approximately RM0.6 million.

- ***Proposed acquisition of 49% equity interest in Linyi Jiangxin Steel Co., Ltd.***

The board of directors of Hua-An have, on 20 August 2007, agreed in principle to acquire 49% equity interest in Linyi Jiangxin Steel Co., Ltd ("the Steel Plant"), subject to the following:

- Satisfactory completion and outcome of legal and financial due diligence on the Steel Plant;
- Independent valuation on the Steel Plant;
- Satisfactory completion and outcome of the Independent Market Research report on the China steel industry;
- Profit guarantee by the vendors of the Steel Plant; and
- Management and financial control on the Steel Plant.

The Steel Plant was established in the People Republic of China in September 2003 jointly by Huasheng Jiangquan Group and Shandong Wen Ting Investment Co., Ltd. It commenced operations in May 2004 and is principally involved in the production and sales of pig iron, ferro-alloy products and other steel products.

It is located in the Jiangquan Industrial Park covering approximately 350,000 sq.m. and is currently Shandong's largest independent pig iron producer commanding approximately 27% market share in the Shandong Province.

## **A11. Changes in the composition of the Group**

There were no other changes in the composition of the Group for the current quarter under review other than the disposal of Extra Charm Sdn Bhd which was completed on 16 November 2007 as disclosed in note A10 above.

## **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 2007

---

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

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

For the third quarter ended 30 September 2007, the Group recorded a consolidated revenue of approximately RM224.0 million and consolidated profit before tax of approximately RM46.9 million. These were attributed to the continued robust and positive pricing of the metallurgical coke and the by-products enjoyed by the Group in the current quarter. The average price of metallurgical coke, coal gas and ammonium sulphate during the current quarter under review has increased by approximately 16%, 19% and 32% respectively compared with those of the preceding year corresponding quarter. These increases overshadowed the reduction in the average price of tar and crude benzene of approximately 14% and 9% respectively experienced in this quarter compared with those of the corresponding quarter in the preceding year.

As a result of the above net positive price movements as well as the reduction in the net cost of production due to the commissioning of the coal washing facility in May 2007, the Group enjoyed an improvement in gross margin to approximately 22.8% in the current quarter from an average of approximately 18% in the preceding year.

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

The Group's consolidated revenue increased by RM37.3 million to RM224.0 million for the current reporting quarter from RM186.7 million reported in the preceding year corresponding quarter due to the increase in the price of metallurgical coke and by-products as well as additional revenue from two new by-products, namely coal slime and middlings, extracted from the coal washing process.

Correspondingly, the gross profit has increased by approximately 57.7% to RM51.2 million during the current quarter from RM32.5 million in the preceding year corresponding quarter. The commissioning of the coal washing facility on 1 May 2007 enabled the Company to purchase raw coal which is relatively cheaper as opposed to pre-washed coal which it had to purchase previously for its production.

The Group's consolidated profit for the year also registered an improvement by approximately 46.2% to RM39.9 million in the current quarter from RM27.3 million in the preceding year corresponding quarter.

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

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the directors are optimistic of maintaining the current rate of progress for the current financial year.

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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report - 30 September 2007

## 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	7,072	N/A	17,631	N/A
Deferred tax	-	N/A	-	N/A
	<u>7,072</u>	<u>N/A</u>	<u>17,631</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 shall commence 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 national corporate tax rate of 30%.

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

There were no disposals of unquoted investments or properties during the quarter under review save for the disposal of Wisma Antah which is pending completion as disclosed in note A10 above.

## B7. Quoted and marketable securities

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

## B8. Corporate proposals

There were no corporate proposals during the quarter under review other than the disposal of Extra Charm Sdn Bhd which was completed on 16 November 2007 (subsequent to the current quarter under review) and the proposed acquisition of 49% equity interest in Linyi Jiangxin Steel Co., Ltd, as disclosed in note A10.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report - 30 September 2007

---

## B9. Borrowings

	Denominated in local currency as at 30 Sept 2007 RM'000	Denominated in foreign currency as at 30 Sept 2007 RM'000	Total as at 30 Sept 2007 RM'000
<b>Short term</b>			
Term loan	-	22,728	22,728
Borrowings denominated in foreign currency:			
	Renminbi (‘000)	Ringgit (‘000)	
Chinese Renminbi	50,000	22,728	

## 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.

# SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

Notes on the quarterly report - 30 September 2007

---

## B13. Earnings per share

	Individual quarter ended		Cumulative period ended	
	30 Sept 2007	30 Sept 2006	30 Sept 2007	30 Sept 2006
<b>Basic earnings per share</b>				
Profit for the period attributable to equity holders (RM'000)	39,880	27,276	90,081	84,589
Number / Weighted average number of shares in issue* ('000)	1,122,308	800,000	1,030,220	800,000
Basic earnings per share (sen)	<u>3.55</u>	<u>3.41</u>	<u>8.74</u>	<u>10.57</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.

By Order of the Board  
Chua Siew Chuan  
Secretary

21 November 2007