

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED INCOME STATEMENT

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Jun-08 RM'000	Preceding Period 30-Jun-07 RM'000	Unaudited Current Period 30-Jun-08 RM'000	Preceding Period 30-Jun-07 RM'000
Revenue	434,426	210,018	725,224	395,378
Cost of sales	(379,802)	(165,671)	(618,842)	(315,737)
Gross profit	54,624	44,346	106,382	79,641
Other income	414	173	521	386
Operating expenses	(11,455)	(5,635)	(21,390)	(8,794)
	(11,040)	(5,462)	(20,869)	(8,408)
Restructuring expenses *	0	0	0	(8,871) *
Finance costs	0	(464)	0	(1,602)
Profit before tax	43,584	38,420	85,513	60,759
Taxation **	(6,668)	(5,916)	(13,030)	(10,558)
Profit for the year	36,916	32,504	72,484	50,200
Profit attributable to equity holders of the Company	36,916	32,504	72,484	50,200
Earnings per share (sen)				
- basic (sen)	3.29	2.90	6.46	5.10
- 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 were charged to the 1st Quarter's Income Statement in FY 2007.

** By virtue of the Company's status as WOFE, tax is paid/payable in FY2007 and FY 2008 respectively at the rate of approximately 15%.

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CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 30-Jun-08	Audited as at 31-Dec-07
	RM'000	RM'000
Non Current Assets		
Land lease payment - long-term	29,798	30,283
Property, plant and equipment	434,237	428,423
Goodwill	107,077	107,114
	571,112	565,820
Current Assets		
Land lease payment - short-term	800	747
Inventories	124,573	74,882
Trade receivables	72,308	39,762
Other receivables, deposits and prepayments	1,488	50,176
Bank balances and cash	75,739	32,081
	274,908	197,648
Total Assets	846,021	763,468
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	241,144	152,774
	802,298	713,928
Current Liabilities		
Trade payables	12,111	28,344
Receipts in advance	-	5,796
Other payables and accrued expenses	11,276	3,503
Amount due to related company	1,303	721
Tax payable	19,033	11,176
	43,723	49,540
Total Equity and Liabilities	846,021	763,468
Net assets per share (RM)	0.71	0.64

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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
<u>6 months ended 30 June 2007</u>							
Balance as of January 1, 2007	177	-	28,420	-	4,886	235,023	268,506
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 period	-					50,200	50,200
Transfer to common fund reserve			5,983			(5,983)	-
Exchange differences					962		962
Balance as of June 30, 2007	561,154	553,891	34,403	(799,823)	5,848	279,240	634,713
<u>6 months ended 30 June 2008</u>							
Balance as of January 1, 2008	561,154	553,891	49,312	(799,823)	7,741	341,653	713,928
Profit for the period	-	-	-	-	-	72,484	72,484
Transfer to common fund reserve	-	-	(540)	-	-	540	-
Exchange differences	-	-	-	-	15,886	-	15,886
Balance as of June 30, 2008	561,154	553,891	48,772	(799,823)	23,627	414,677	802,298

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Jun-08 RM'000	Preceding year to date 30-Jun-07 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	72,484	50,200
Adjustments for:		
Depreciation of property, plant and equipment	13,250	9,228
Amortisation of lease payments	409	352
Finance costs	0	1,602
Interest income	(202)	(378)
Income tax recognised in income statement	13,030	10,558
Operating profit before working capital changes	<u>98,970</u>	<u>71,562</u>
(Increase)/Decrease in:		
Inventories	(49,691)	(13,053)
Trade receivables	(7,641)	(7,703)
Other receivables, deposits and prepayments	31,494	12,153
Increase/(Decrease) in:		
Trade payables	(16,232)	6,264
Other payables and accrued expenses	8,354	26,847
Receipt in advance	(5,796)	367
Amount due to shareholder	0	2,946
Cash generated from operations	<u>59,458</u>	<u>99,383</u>
Income tax paid	(5,172)	(4,385)
Net cash from operating activities	<u>54,286</u>	<u>94,998</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10,135)	(92,821)
Land lease paid	0	(20,770)
Interest received	202	378
Net cash used in investing activities	<u>(9,933)</u>	<u>(113,213)</u>

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CONDENSED CONSOLIDATED CASHFLOW STATEMENT

- CONTINUE -

	Unaudited Current year to date 30-Jun-08 RM'000	Preceding year to date 30-Jun-07 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Issuance of shares	0	200,000
Share issue cost paid	0	(7,263)
Finance costs paid	0	(1,602)
Increase/(Decrease) in bank borrowings/intercompany loan	0	(45,115)
Net cash from financing activities	<u>0</u>	<u>146,020</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,353	127,805
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE FINANCIAL PERIOD	32,081	9,687
Effect of changes in exchange rate	(695)	(43)
CASH AND CASH EQUIVALENTS		
AT END OF THE FINANCIAL PERIOD	<u>75,739</u>	<u>137,449</u>

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 2007. 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 2007.

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 2007.

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 2007 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

The final dividend amounted to RM25,504,410, which was approved by the shareholders during the Second Annual General Meeting of the Company, was paid on 13th August 2008 to the depositors registered in the Record of Depositors of the Company at the close of business as at 15th July 2008.

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

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 second quarter ended 30 June 2008, the Group recorded a consolidated revenue of approximately RM434.4 million, representing a significant increase of 49% sales compared to the first quarter of the year. The Group has also recorded a consolidated profit before tax of approximately RM43.6 million for the current quarter under review.

The relatively higher revenue registered in the current quarter under review compared with that of the preceding year corresponding quarter can be attributed to the continued favourable upward trend of the pricing of metallurgical coke and majority of the by-products enjoyed by the Group 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 105%, 74%, 26%, 32%, 63% and 104% respectively compared with those of the preceding year corresponding quarter. However, the price of coal gas has reduced by approximately 16% 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 price of raw materials (coking coal) has also increased quite significantly by an average of approximately 115% in the current quarter compared to the average prices registered in the preceding year corresponding quarter. Additionally, in view of the escalating fuel costs and inflation generally experienced in China, the transportation cost has also increased in tandem. Based on the above which saw an abrupt escalation in raw material prices in the current quarter under review compared with that of the preceding year, coupled with the fact that our new 600,000 tonnes coking oven (completed in mid May) and was in the running-in phase, thus was not running at full capacity. The Group saw a reduction in gross margin to approximately 13% in the current quarter under review. Notwithstanding the above, the gross profit of the Group in terms of quantum for the current quarter stood at approximately RM54.6 million, an increase of 23% from RM44.3 million in the preceding year corresponding quarter.

Accordingly, profit before tax for the current quarter increased by approximately 13% to RM43.6 million from RM38.4 million in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue increased by RM224.4 million to RM434.4 million for the current reporting quarter from RM210.0 million reported in the preceding year corresponding quarter due to the increase in the prices of metallurgical coke and majority of the by-products as well as additional production capacity resulting from the commissioning of the new coking oven which took place in mid May.

Correspondingly, the gross profit has increased by approximately 23% to RM54.6 million during the current quarter from RM44.3 million in the preceding year corresponding quarter.

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The Group's consolidated profit for the current quarter registered an improvement of approximately 14% to RM36.9 million from RM32.5 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 continued demand of the steel industry, particularly that in China, thus providing it with sustainable and healthy demand for its metallurgical coke and by-products.

Notwithstanding the above, should the volatility/spike in the commodity prices, particularly that of coal, continue throughout the rest of the year, and the upward price adjustments of coke continue to be relatively less aggressive than that of the coal, the Group may experience an average overall lower margin for the current year compared to that registered in the preceding year.

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

Taxation based on profit for the current quarter are as follows:

	Individual quarter ended		Cumulative quarter ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
In respect of the current period				
Income tax	6,668	5,916	13,030	10,558
Deferred tax	-	-	-	-
	<u>6,668</u>	<u>5,916</u>	<u>13,030</u>	<u>10,558</u>

The tax exemption enjoyed by Yehua (the operating company in China) by virtue of its WOFE status, as originally granted, ended on 31 December 2006. As such, Yehua has commenced paying tax in FY2007 but at a reduced rate of 15% p.a. (i.e. half of the national corporate tax rate of 30% p.a.). Such reduced tax rate will also be applicable for FY2008 and FY2009.

Given the discounted tax rate as mentioned above, the effective tax rate for the current quarter ended 30 June 2008 was lower compared to the China national corporate tax rate of 30%

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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 June 2008, 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.

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B13. Earnings per share

	Individual quarter ended		Cumulative period ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Basic earnings per share				
Profit for the period attributable to equity holders (RM'000)	36,916	32,504	72,484	50,200
Number / Weighted average number of shares in issue* ('000)	1,122,308	1,122,308	1,122,308	983,413
Basic earnings per share (sen)	<u>3.29</u>	<u>2.90</u>	<u>6.46</u>	<u>5.10</u>

* The number of shares of Hua-An deemed to be outstanding from 1.1.07 to 20.3.07 (date of the RTO) (i.e. the number of shares issued by Hua-An for the acquisition of PIP0/Yehua) pursuant to Appendix B, Paragraph B13(a) of FRS 3 was 800,000,000. Thus the number of shares outstanding from 20.3.07 (date of RTO) to 31.3.07 was 800,000,200. Further number of shares issued by Hua-An pursuant to other elements of the RTO (20.3.07 to 30.6.07) was 322,307,617, resulting in the total number of shares outstanding from 20.3.07 to 30.6.07 becoming 1,122,307,817.

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

22 August 2008