

SINO HUA-AN INTERNATIONAL BERHAD

(Company No.: 732227-T)

Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 30-Jun-11 RM'000	Preceding Period 30-Jun-10 RM'000	Unaudited Current Period 30-Jun-11 RM'000	Preceding Period 30-Jun-10 RM'000
Revenue	362,541	342,506	742,208	716,098
Cost of sales	(353,791)	(331,618)	(725,942)	(699,519)
Gross profit	8,750	10,888	16,266	16,579
Other income	88	227	248	504
Operating expenses	(5,939)	(6,271)	(12,750)	(14,721)
	(5,851)	(6,044)	(12,502)	(14,217)
Profit before tax	2,899	4,844	3,764	2,362
Taxation	-	-	-	-
Profit for the period	2,899	4,844	3,764	2,362
Other comprehensive income/(loss):				
Exchange difference arising from translation of foreign operations	12,390	(1,057)	2,323	(29,987)
Total comprehensive income/(loss) for the period	15,289	3,787	6,087	(27,625)
Profit attributable to equity holders of the Company	2,899	4,844	3,764	2,362
Total comprehensive income/(loss) attributable to equity holder of the Company	15,289	3,787	6,087	(27,625)
Earnings per share (sen)				
- basic (sen)	0.26	0.43	0.34	0.21
- fully diluted (sen)	n/a	n/a	n/a	n/a

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30-Jun-11 RM'000	Audited as at 31-Dec-10 RM'000
Non Current Assets		
Land lease payment - long-term	27,636	27,931
Property, plant and equipment	405,338	421,132
Goodwill	107,447	107,436
	540,421	556,499
Current Assets		
Land lease payment - short-term	820	817
Inventories	126,089	132,127
Trade receivables	22,489	13,921
Other receivables, deposits and prepayments	45,428	44,441
Amount due from related parties	62,729	51,529
Tax recoverable	12,794	14,916
Bank balances and cash	37,698	22,274
	308,047	280,025
Total Assets	848,468	836,524
Shareholders' Fund		
Share capital	561,154	561,154
Reserves	138,943	134,854
	700,097	696,008
Current Liabilities		
Trade payables	134,451	115,199
Other payables and accrued expenses	13,686	23,518
Amount due to related parties	234	1,799
	148,371	140,516
Total Equity and Liabilities	848,468	836,524
Net assets per share (RM)	0.62	0.62

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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 2010</u>							
Balance as of January 1, 2010	561,154	553,891	49,358	(799,823)	72,936	296,013	733,529
Total comprehensive loss	-	-	-	-	(29,987)	2,362	(27,625)
Balance as of June 30, 2010	561,154	553,891	49,358	(799,823)	42,949	298,375	705,904
<u>6 months ended 30 June 2011</u>							
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	-	-	-	-	2,323	3,764	6,087
Balance as of June 30, 2011	561,154	553,891	49,358	(799,823)	31,332	304,185	700,097

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Current year to date 30-Jun-11 RM'000	Preceding year to date 30-Jun-10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	3,764	2,362
Adjustments for:		
Depreciation of property, plant and equipment	18,329	18,291
Amortisation of lease payments	403	419
Interest income	(66)	(108)
Asset written off	-	490
	<hr/>	<hr/>
Operating profit before working capital changes	22,430	21,454
(Increase) / Decrease in:		
Inventories	6,038	8,108
Trade receivables	(8,568)	(4,401)
Other receivables, deposits and prepayments	119	12,120
Amount due by/to related parties	(12,765)	(31,633)
Increase / (Decrease) in:		
Trade payables	19,252	16,333
Other payables and accrued expenses	(9,833)	(3,334)
Amount due to related company	-	(7,865)
	<hr/>	<hr/>
Cash generated from operations	16,673	10,782
Tax paid	2,121	1,401
Net cash from operating activities	<hr/>	<hr/>
	18,794	12,183
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,105)	(10,646)
Interest received	66	108
Net cash used in investing activities	<hr/>	<hr/>
	(1,039)	(10,538)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend paid	(1,998)	-
Net cash used in financing activities	<hr/>	<hr/>
	(1,998)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,757	1,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	22,274	24,442
Effect of changes in exchange rate	(333)	(1,325)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<hr/>	<hr/>
	37,698	24,762

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 JUNE 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:-

		<u>Effective date for financial periods beginning on or after</u>
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

As at 30 June 2011, the following IC Interpretations and amendments to FRSs, were in issue but not yet effective and have not been applied by the Group:-

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
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

The final dividend of RM0.00178 per share amounted to RM1,997,732 which was approved by the shareholders during the Fifth Annual General Meeting of the Company, was paid on 20th June 2011 to the depositors registered in the Record of Depositors of the Company at the close of business as at 23rd May 2011.

A8. Segmental information

Segment results by business activities

	Current quarter		Current year to date	
	30 June 2011		30 June 2011	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Manufacturing	362,541	3,469	742,208	4,800
Investment Holdings	-	(570)	-	(1,036)
	<u>362,541</u>	<u>2,899</u>	<u>742,208</u>	<u>3,764</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 second quarter ended 30 June 2011, the Group recorded a consolidated revenue of approximately RM362.5 million. The cost of sales for the quarter under review amounted to approximately RM353.8 million.

The consolidated revenue for the current quarter under review which has increased by approximately 6% from RM342.5 million in the preceding year corresponding quarter to RM362.5 million was primarily attributed to the continued upward trend experienced in the pricing of the metallurgical coke and an increase in sales volume. The average price of metallurgical coke saw an improvement of approximately 1% whilst sales volume grew by approximately 8% during the current quarter compared with those in the preceding year corresponding quarter. Further nudging the Group's consolidated revenue forward are the continued favourable 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, tar oil, coal slime and middlings during the current quarter under review have increased by approximately 88%, 24%, 1%, 11% and 16% respectively compared to the same quarter last year.

Following an increase in the average price of raw material (i.e. coking coal) of approximately 2% coupled with an increase in sales/production volume, the cost of sales for the current quarter under review had risen to RM353.8 million compared to RM331.6 million recorded in the preceding year corresponding quarter, representing an increase of approximately 7%.

Despite the improvements seen in the prices of metallurgical coke and the by-products as well as the relatively higher sales volume, the persistently lofty average price for raw materials and thus the production costs have resulted in lower gross profit during the quarter under review. The Group recorded a gross profit of approximately RM8.8 million during the quarter under review compared to approximately RM10.9 million in the preceding year corresponding quarter. Consequently, the Group registered a profit before tax of approximately RM2.9 million for the current quarter under review as compared to approximately RM4.8 million for the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The Group's consolidated revenue of approximately RM362.5 million registered during the current quarter under review represents a reduction of approximately 5% from RM379.7 million in the preceding quarter ended 31 March 2011. The drop in revenue was primarily attributed to a 2% reduction in sales volume as well as lower average pricing of metallurgical coke and some of its by-products. The average prices for metallurgical coke, tar oil and middlings during the current quarter under review were down by 2%, 10%, and 1% respectively.

Cost of sales in the current quarter has correspondingly decreased to RM353.8 million from RM372.2 million recorded in the preceding quarter ended 31 March 2011, a reduction of approximately 5%. This were due to a reduction in sales/production volume as well as the easing of the average coking coal price by 5% during the quarter under review compared to that of the preceding quarter.

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As the reduction in the average coking coal price was higher than the reduction in the average metallurgical coke price, the Group managed to record a slightly higher profit for the period of approximately RM2.9 million compared to the first quarter of approximately RM0.9 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.

The demand for metallurgical coke (which is strongly correlated with the prospects of the steel industry) is expected to be sustained but remain uneven given the lingering headwinds brought about by the troubles in the eurozone, the continued sluggishness of the US economy and the supply chain disruption caused by the earthquake and tsunami in Japan. Notwithstanding the foregoing which would weigh down external demand for steel and thus that of coke in the short term, demand in the domestic (China) scene is expected to remain encouraging. Additionally, continued robust contribution from the by-products would, to some extent, help the Group cushion the challenges faced in the performance of its metallurgical coke business.

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.

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 30 June 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 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
Basic earnings per share				
Profit for the period attributable to equity holders (RM'000)	2,899	4,844	3,764	2,362
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>0.26</u>	<u>0.43</u>	<u>0.34</u>	<u>0.21</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.

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B14. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 30 June 2011 RM'000
Retained profit of the Group and its subsidiaries	
- Realised	304,185
- Unrealised	<u>(26,071)</u>
	278,114
Less: Consolidation adjustment	<u>26,071</u>
Total retained earnings as per consolidated accounts	<u><u>304,185</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

23 August 2011