



**CHUAN HUAT RESOURCES BERHAD
(290729-W)**

Condensed Consolidated Financial Statements
For the First Quarter and Period Ended
31 March 2019

CHUAN HUAT RESOURCES BERHADCompany No. 290729-W
(Incorporated in Malaysia)**Condensed Consolidated Statement of Financial Position
As at 31 March 2019**

(The figures below have not been audited)

	Unaudited As at 31/03/19 (RM'000)	Audited As at 31/12/18 (RM'000)
ASSETS		
Non-Current assets		
Property, plant & equipment	222,303	223,643
Investment properties	57,584	54,519
Right-of-use assets	260	-
Investment in an associated company	546	670
Investments	2,218	1,804
	<u>282,911</u>	<u>280,636</u>
Current assets		
Inventories	129,346	117,435
Trade receivables	211,017	207,719
Other receivables	12,400	8,406
Amount due from an associate company	151	151
Cash & cash equivalents	21,823	16,898
Non-current assets held for sale	-	155
	<u>374,737</u>	<u>350,764</u>
TOTAL ASSETS	657,648	631,400
EQUITY AND LIABILITIES		
Share Capital	84,335	84,335
Reserves	226,320	233,240
	<u>310,655</u>	<u>317,575</u>
Non-controlling interest	16,162	15,674
Total equity	<u>326,817</u>	<u>333,249</u>
Non-current liabilities		
Borrowings	23,769	19,430
Lease liabilities	140	-
Deferred tax liabilities	17,435	10,863
	<u>41,344</u>	<u>30,293</u>
Current liabilities		
Trade & other payables	54,259	59,177
Borrowings	234,485	208,509
Lease liabilities	127	-
Taxation	616	172
	<u>289,487</u>	<u>267,858</u>
Total liabilities	<u>330,831</u>	<u>298,151</u>
TOTAL EQUITY AND LIABILITIES	657,648	631,400
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>1.84</u>	<u>1.88</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Interim Financial Report and the audited financial statements of the Company for the financial year ended 31 December 2018

CHUAN HUAT RESOURCES BERHADCompany No. 290729-W
(Incorporated in Malaysia)**Condensed Consolidated Statement of Comprehensive Income
For the First Quarter and Period ended 31 March 2019**

(The figures below have not been audited)

	Individual quarter		Cumulative quarter	
	31/03/19 (RM'000)	31/03/18 (RM'000)	31/03/19 (RM'000)	31/03/18 (RM'000)
Revenue	179,165	170,600	179,165	170,600
Operating expenses	(174,902)	(166,490)	(174,902)	(166,490)
Other income	1,531	232	1,531	232
Operating profit	5,794	4,342	5,794	4,342
Depreciation and amortisation	(1,832)	(1,950)	(1,832)	(1,950)
Interest expenses	(2,731)	(2,324)	(2,731)	(2,324)
Interest income	139	151	139	151
Provision for and write off of receivables	(594)	(270)	(594)	(270)
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	55	-	55
Impairment of assets	-	-	-	-
Share of profit/(loss) in an associate company	(124)	-	(124)	-
Foreign exchange gain or (loss)	9	26	9	26
Profit from operation	661	30	661	30
Fair value gain on investment properties	-	-	-	-
Profit before tax	661	30	661	30
Taxation	(1,308)	(1,349)	(1,308)	(1,349)
Profit for the period	(647)	(1,319)	(647)	(1,319)
Other Comprehensive Income net of tax	(6,054)	(120)	(6,054)	(120)
Total Comprehensive Income for the period	(6,701)	(1,439)	(6,701)	(1,439)
Profit attributable to:-				
Owner of the parent	(857)	(1,334)	(857)	(1,334)
Non-controlling interest	210	15	210	15
Profit for the period	(647)	(1,319)	(647)	(1,319)
Comprehensive Income attributable to:-				
Owner of the parent	(6,911)	(1,454)	(6,911)	(1,454)
Non-controlling interest	210	15	210	15
Comprehensive Income for the period	(6,701)	(1,439)	(6,701)	(1,439)
Earnings per share (sen):-				
Basic and diluted earnings per share	(0.51)	(0.79)	(0.51)	(0.79)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes to the Interim Financial Report and the audited financial statements of the Company for the financial year ended 31 December 2018

CHUAN HUAT RESOURCES BERHAD

Company No. 290729-W
(Incorporated in Malaysia)



Condensed Consolidated Statement of Changes in Equity For the period ended 31 March 2019 (The figures below have not been audited)

	Attributable to equity holders of the Company						Total (RM'000)	Non- Controlling interest (RM'000)	Total Equity (RM'000)
	Share Capital (RM'000)	Capital Reserve (RM'000)	Warrant Reserve (RM'000)	Non-Distributable Exchange Translation Reserve (RM'000)	Revaluation Reserve (RM'000)	Distributable Retained Earnings (RM'000)			
At 1 January 2019	84,335	21,923	-	360	114,393	96,564	317,575	15,674	333,249
Effect of retain earnings on MFRS 16	-	-	-	-	-	(9)	(9)	-	(9)
As at 1 January 2019, as restated	84,335	21,923	-	360	114,393	96,555	317,566	15,674	333,240
Total comprehensive income for the year	-	-	-	(44)	(6,010)	(857)	(6,911)	210	(6,701)
Increase paid-up capital	-	-	-	-	-	-	-	278	278
Dividend paid	-	-	-	-	-	-	-	-	-
At 31 March 2019	84,335	21,923	-	316	108,383	95,698	310,655	16,162	326,817
At 1 January 2018	84,335	21,923	-	309	75,268	90,596	272,431	15,011	287,442
Share in results of an associated company	-	-	-	-	-	(53)	(53)	-	(53)
As at 1 January 2018, as restated	84,335	21,923	-	309	75,268	90,543	272,378	15,011	287,389
Total comprehensive income for the period	-	-	-	51	39,125	7,876	47,052	263	47,315
Acquisition of additional equity interest in subsidiary company	-	-	-	-	-	-	-	400	400
Dividend paid	-	-	-	-	-	(1,855)	(1,855)	-	(1,855)
	84,335	21,923	-	360	114,393	96,564	317,575	15,674	333,249

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Interim Financial Report and the audited financial statements of the Company for the financial year ended 31 December 2018

CHUAN HUAT RESOURCES BERHADCompany No. 290729-W
(Incorporated in Malaysia)**Condensed Consolidated Statement of Cash Flows
For the period ended 31 March 2019***(The figures below have not been audited)*

	3 months ended	
	31/03/19	31/03/18
	(RM'000)	(RM'000)
Cash flows from operating activities		
Profit/(loss) before tax from operation	661	30
<u>Adjustment for non-cash items :-</u>		
Depreciation and amortization	1,832	1,950
Interest expenses	2,731	2,324
Interest income	(139)	(151)
Provision for and write off of receivables	594	270
Provision for and write off of inventories	-	-
Non-cash items	(1,089)	(57)
Operating profit before working capital changes	4,590	4,366
(Increase)/Decrease in inventories	(11,997)	(1,585)
Decrease/(Increase) in receivables	(7,060)	6,612
(Increase)/Decrease in amount due from an associate company	-	-
(Decrease)/ increase in payables	(5,157)	12,790
Cash (used)/ generated from operations	(19,624)	22,183
Interest received	125	139
Interest paid	(2,383)	(1,950)
Repayment of lease liabilities	(58)	-
Net tax (paid)/ refund	(92)	(53)
Net cash (outflow) from operating activities	(22,032)	20,319
Cash flows from investing activities		
Purchase of property, plant and equipment	(386)	(12,626)
Purchase of investment and investment properties	(3,065)	(91)
Purchase of intangible assets	-	-
Proceeds from issuance of shares	278	200
Proceeds from disposal of property, plant and equipment	73	5
Proceeds from disposal of investment properties	155	325
Interest received	14	12
Net cash outflow from investing activities	(2,931)	(12,175)
Cash flows from financing activities		
Net proceeds from /(repayments to) term loans	5,454	(1,768)
Repayments of finance lease liabilities	(363)	(340)
Net (repayments to)/ proceeds from short term borrowings	23,806	(2,638)
Dividend paid	-	-
Interest paid	(347)	(374)
(Increased)/ decreased in fixed deposit pledged	47	-
Net cash (outflow)/inflow from financing activities	28,597	(5,120)
Effects of changes in exchange rates	45	120
Net increase in cash & cash equivalents	3,634	3,024
Cash & cash equivalents at beginning of the financial year	15,823	18,779
Cash & cash equivalents at end of the financial period	19,502	21,923

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Interim Financial Report and the audited financial statements of the Company for the financial year ended 31 December 2018

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2019

1. Basis of Preparation

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 which were prepared under the Malaysian Financial Reporting Standards (“MFRS”) and amendments to standards to be applied by all Entities Other Than Private Entities.

These interim financial statements of the Group are not audited and have been prepared in accordance with the requirements of MFRS 134 – *Interim Financial Reporting* and the applicable disclosure provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

2. Significant Accounting Policies

The accounting policies applied by the Group in these interim consolidated financial statements are consistent with the audited financial statements for the financial year ended 31 December 2018, including the adoption of the following newly-issued MFRS for the financial periods beginning on or after 1 January 2019:

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16 : *Leases*
- IC Interpretation 23: *Uncertainty over Income Tax Treatment*
- Amendments to MFRS 9: *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119: *Plan Amendments, Curtailment of Settlement*
- Amendments to MFRS 128: *Long-term Interest in Associates and Joint Ventures*
- Annual Improvements to MFRSs 2015–2017 Cycle

Standards and Amendments In Issue but not yet effective

As at the date of authorisation of these interim consolidated financial statements, the Group have not made early adoption of the following MFRSs, IC Interpretations and Amendments to MFRSs which have been issued and will be effective for the financial periods as stated below:-

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3: *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108: *Definition Of Material*

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17 : *Insurance Contracts*

Effective date deferred

- Amendments to MFRS 10 and MFRS 128 : *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

3. Auditors' Report in respect of the 2018 Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not qualified.

4. Seasonality or Cyclicity of Interim Operations

The Group's performance was not affected by any significant seasonal or cyclical factors in the current quarter under review.

5. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the three months ended 31 March 2019.

6. Changes in Estimates

There were no material changes in estimates that have had a material effect during the three months ended 31 March 2019.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the three months ended 31 March 2019.

8. Dividends Paid

No dividend has been paid during the first quarter ended 31 March 2019.

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9. Segment Information

	3 months ended		3 months ended	
	31/03/19	31/03/18	31/03/19	31/03/18
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Segment Revenue</u>				
Trading of hardware & building materials	190,622	170,150	190,622	170,150
Trading of IT related products	13,971	15,710	13,971	15,710
Others	501	478	501	478
Total revenue including inter-segment sales	205,094	186,338	205,094	186,338
Elimination of inter segment sales	(25,929)	(15,738)	(25,929)	(15,738)
Total revenue	179,165	170,600	179,165	170,600
<u>Operating profit</u>				
Trading of hardware & building materials	5,281	4,104	5,281	4,104
Trading of IT related products	25	209	25	209
Others	488	29	488	29
Total Operating Profit	5,794	4,342	5,794	4,342
<u>Profit/ (loss) before taxation</u>				
Trading of hardware & building materials	640	141	640	141
Trading of IT related products	(192)	71	(192)	71
Others	213	(182)	213	(182)
Total Profit before taxation	661	30	661	30

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment for financial period ended 31 March 2019 has been brought forward without amendment from the previous audited financial statements as at 31 December 2018.

11. Material Events Subsequent to the Balance Sheet Date

There were no material events which occurred subsequent to the balance sheet date until the date of this announcement.

12. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter and three months ended 31 March 2019 and up to the date of this Interim consolidated Financial Report.

13. Contingent Liabilities/Contingent Assets

	31/03/19 (RM'000)	31/12/18 (RM'000)	Changes (RM'000)
Corporate guarantees in respect of Banking facilities granted to subsidiary Companies	325,240	325,240	-
Corporate guarantees in respect of the Supply of goods to subsidiary companies	35,700	35,700	-

14. Capital Commitments

The Group has commitments as follows:

	31/03/19 (RM'000)	31/12/18 (RM'000)	Changes (RM'000)
Capital expenditure approved and contracted for	13,605	16,416	(2,811)

15. Related Party Transactions

The related parties of the Group and of the Company comprise the following:

Related companies being subsidiary companies of Chuan Huat Resources Berhad (CHRB) are as follow:-.

- i) Chuan Huat Metal Sdn Bhd (CHM), a 80% owned subsidiary
- ii) Pineapple Resources Berhad, a 63.85% owned subsidiary and it's subsidiary companies (PRB Group)
- iii) Keyline Consulting Sdn Bhd (KLC), a 70% owned subsidiary
- iv) CHRB Building Materials Sdn Bhd (CHRB BM), a 60% owned subsidiary
- v) CHRB Trading Sdn Bhd (CHRB Trading), a 55% owned subsidiary
- vi) CH Sweestech Door Sdn Bhd ("CHSD"), a 52.5% owned subsidiary

Other related parties being companies in which a Substantial shareholder or a Director of the Company and subsidiary companies have interest..

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15. Related Party Transactions (cont'd)

The significant related party transactions are as follows:

	3 months ended 31/03/19 (RM'000)	3 months ended 31/03/18 (RM'000)
a) Sale of goods to		
i) <u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	8,820	9,379
ii) <u>Subsidiaries</u>		
CHM	3,531	1,330
CHRB BM	378	276
KLC	-	228
b) Purchase of goods from		
i) <u>Subsidiaries</u>		
KLC	1,115	511
CHM	1	-
c) Others		
i) <u>Subsidiaries</u>		
Rental income received from subsidiaries	71	71
Security, water & electricity charges received from subsidiaries	12	12
Management fee and incentive received from subsidiaries	34	84
Rental of motor vehicle	11	11
Interest expenses	-	1

In the opinion of the Directors, the above related party transactions have been entered into in the normal course of business and have been established under terms that are no more favourable than those arranged with independent third parties.

16. Cash and Cash Equivalents

	3 months ended	
	31/03/19 (RM'000)	31/03/18 (RM'000)
Fixed deposit with a licensed bank	761	786
Cash and bank balances	21,061	23,000
Bank overdraft	(1,559)	(1,077)
	20,263	22,709
Less : Fixed Deposits pledged	(761)	(786)
	19,502	21,923

17. Review of Performance

The Group's revenue for the three months ended 31 March 2019 has increased marginally by 5.03%, to RM179.182 million as compared to RM170.600 million recorded in the preceding year.

The group recorded a profit before tax of RM678,000 for the first quarter ended 31 March 2019 as compared to profit before tax of RM30,000 in the preceding year.

The details of the performance of the various segments are as follows:

	3 months ended			3 months ended		
	31.03.19 RM'000	31.03.18 RM'000	Change %	31.03.19 RM'000	31.03.18 RM'000	Change %
Revenue						
Trading of hardware & building materials	164,744	155,063	6.24	164,744	155,063	6.24
Trading of IT related products	13,971	15,289	-8.62	13,971	15,289	-8.62
Others	450	248	81.45	450	248	81.45
Total	179,165	170,600	5.02	179,165	170,600	5.02
Profit / (Loss) before taxation						
Trading of hardware & building materials	640	141	353.90	640	141	353.90
Trading of IT related products	(192)	71	-370.42	(192)	71	-370.42
Others	213	(182)	-217.03	213	(182)	-217.03
Total	661	30	2,103.33	661	30	2,103.33

The reasons for the changes in the various sectors are as follows:-

(i) Trading of hardware & building materials

The revenue has increased marginally by 6.24% to RM164.744 million as compared to RM155.063 million recorded in the corresponding period of the preceding year.

The profit before tax has increased by 353.90% in the first quarter as compared to the corresponding quarter of the preceding year. This was mainly due to reversal on over provision of doubtful debts.

(ii) Trading of IT related products

The revenue has dropped by 8.62% as compared to the corresponding period of the preceding year. The decrease in revenue was mainly due to fewer Aeon members' day promotion and other special weekend promotion sales.

This division recorded a Loss Before Tax ("LBT") of RM192,000 for the three months ended 31 March 2019 as compared to a Profit Before Tax of RM71,000 in the corresponding financial period of the preceding year. This was mainly due to the lower gross profit margin resulting from the discounts given during the promotional activities to boost sales and the share of losses from an associate company.

(iii) Others

This division recorded higher sales of RM450,000 as compared to RM248,000 in the preceding year's financial period. This was mainly due to increase in rental income in current financial period.

This division has recorded profit before tax of RM213,000 as compared to a loss before tax of RM182,000 in the corresponding period of the preceding year. This was mainly due to reversal of impairment loss on quoted investment in current financial period.

18. Material changes in profit before taxation against preceding quarter

	Individual Quarter 3 months ended		Change %
	31/03/19 (RM'000)	31/12/18 (RM'000)	
Profit / (Loss) before taxation			
Trading of hardware & building Materials	640	10,945	-94.15
Trading of IT related products	(192)	60	-420.00
Others	213	53	301.89
Total	661	11,058	-94.02

The reasons for the changes in the various sectors are as follows:-

- (i) Trading of hardware & building materials
The decrease in profit was mainly due to recording of Fair Value Gain arising from investment properties during the previous quarter.
- (ii) Trading of IT related products
The Group recorded a LBT of RM192,000 for the first quarter ended 31 March 2019 as compared to PBT of RM60,000 in the preceding quarter ended 31 Dec 2018. The drop was mainly due to decrease of revenue and share of losses from an associate company during the quarter under review.
- (iii) Others
This higher profit was mainly due to reversal of impairment loss on quoted investment during the quarter under review.

19. Commentary on Prospects

The priorities of the Government in restructuring of the economy and coupled with the current trade war between the two biggest economic super powers have impacted the local business condition. The postponement of mega infrastructure projects such as the ECRL and MRT3 has caused a slowdown in the construction sector. Likewise, the overhang in the supply of residential and commercial properties are also a concern for the launching of new projects.

The IT division under Pineapple Computer Systems Sdn Bhd is also facing a similar trend with lower consumer spending and causing an overall slowdown. To mitigate the problems of high labour cost and rental in shopping malls, it is targeting to increase the revenue and profits through expanding the e-commerce business.

Barring any unforeseen circumstances, the Group expects to improve the performance in the next quarter.

20. Profit Forecast and Profit Guarantee

The Group is not subject to any profit forecast or profit guarantee requirements.

21. Income Tax Expenses

	3 months ended		3 months ended	
	31/03/19 (RM'000)	31/03/18 (RM'000)	31/03/19 (RM'000)	31/03/18 (RM'000)
Malaysia income tax				
- current	746	754	746	754
- under/ (over) provision in prior years	-	3	-	3
	-	-	-	-
	746	757	746	757
Deferred taxation	562	592	562	592
TOTAL	1,308	1,349	1,308	1,349

The effective tax rate for the financial period ended 31 March 2019 and 31 March 2018 are not reflective of the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

22. Corporate Proposals

The Group does not have any corporate proposals announced but not completed as at the date of this report.

23. Borrowings

	3 months ended	
	31/03/19 (RM'000)	31/03/18 (RM'000)
<u>Short Term</u>		
Bank overdrafts (unsecured)	1,559	1,077
Bills payable (unsecured)	220,431	172,962
Trust receipts	2,380	966
Finance lease liabilities	1,389	1,349
Term loans (amount payable within 12 months)	8,726	8,341
	234,485	184,695
<u>Long Term</u>		
Finance lease liabilities	3,818	4,381
Less : amount payable within 12 months	(1,389)	(1,349)
	2,429	3,032
Term Loans (secured)	30,066	29,932
Less : amount payable within 12 months	(8,726)	(8,342)
	21,340	21,590
	23,769	24,622

24. Realised and Unrealised Profits / (Losses)

	As at 31/03/19 (RM'000)	As at 31/03/18 (RM'000)
Total retained earnings of the Company and its subsidiaries:		
- Realised	94,112	77,807
- Unrealised	1,586	11,455
	95,698	89,262
Consolidation adjustments	-	-
Retained earnings as per statements of financial positions	95,698	89,262

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

26. Changes in Material Litigation

As at date of this report, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2018.

27. Dividends

A first and final dividend of 1.10 sen per ordinary shares in respect of the financial year ended 31 December 2018 has been proposed to the Shareholders for approval at the forthcoming 25th Annual General Meeting on 30 May 2019 and if approved shall be payable on 16 August 2019 to the members whose names appeared in the Record of Depositors on 25 July 2019.

No dividend has been declared nor recommended for payment for the three months ended 31 March 2019.

28. Earnings per share

a. Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the parent for the period by the total number of ordinary shares of the Company in issue for the respective period as follows:

	3 months ended		3 months ended	
	31/03/19 (RM'000)	31/03/18 (RM'000)	31/03/19 (RM'000)	31/03/18 (RM'000)
(Loss)/Profit attributable to the owners of the parent (RM'000)	(857)	(1,334)	(857)	(1,334)
Total number of ordinary shares in issue ('000)	168,670	168,670	168,670	168,670
Basic earnings per share (sen)	(0.51)	(0.79)	(0.51)	(0.79)

29. Authorisation for Issue

This interim consolidated financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

BY ORDER OF THE BOARD

DATO' LIM LOONG HENG
DEPUTY MANAGING DIRECTOR

Date: 29 May 2019