



# **CHUAN HUAT RESOURCES BERHAD**

*(Registration No. 199401005050 (290729-W))*

Condensed Consolidated Financial Statements  
For the fourth Quarter and Period Ended  
31 December 2019

**Condensed Consolidated Statement of Financial Position**

**As at 31 December 2019**

(The figures below have not been audited)

	<b>Unaudited</b> <b>As at 31/12/19</b> <b>(RM'000)</b>	<b>Audited</b> <b>As at 31/12/18</b> <b>(RM'000)</b>
<b>ASSETS</b>		
<b>Non-Current assets</b>		
Property, plant & equipment	219,216	223,643
Investment properties	69,208	54,519
Right-of-use assets	1,897	-
Investment in an associated company	-	670
Investments	60	1,804
	<u>290,381</u>	<u>280,636</u>
<b>Current assets</b>		
Inventories	116,584	117,435
Trade receivables	201,306	207,719
Other receivables	12,866	8,406
Amount due from an associate company	-	151
Cash & cash equivalents	34,357	16,898
Non-current assets held for sale	-	155
	<u>365,113</u>	<u>350,764</u>
<b>TOTAL ASSETS</b>	<b><u>655,494</u></b>	<b><u>631,400</u></b>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	84,335	84,335
Reserves	220,495	233,240
	<u>304,830</u>	<u>317,575</u>
<b>Non-controlling interest</b>	15,949	15,674
<b>Total equity</b>	<u>320,779</u>	<u>333,249</u>
<b>Non-current liabilities</b>		
Borrowings	23,795	19,430
Lease liabilities	1,709	-
Deferred tax liabilities	17,049	10,863
	<u>42,553</u>	<u>30,293</u>
<b>Current liabilities</b>		
Trade & other payables	47,375	59,177
Borrowings	243,983	208,509
Lease liabilities	178	-
Taxation	626	172
	<u>292,162</u>	<u>267,858</u>
<b>Total liabilities</b>	<u>334,715</u>	<u>298,151</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>655,494</u></b>	<b><u>631,400</u></b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>1.81</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

**Condensed Consolidated Statement of Comprehensive Income  
For the Fourth Quarter and Period ended 31 December 2019**

(The figures below have not been audited)

	Individual quarter		Cumulative quarter	
	31/12/19 (RM'000)	31/12/18 (RM'000)	31/12/19 (RM'000)	31/12/18 (RM'000)
<b>Revenue</b>	171,394	193,887	747,730	710,867
Operating expenses	(168,434)	(190,530)	(736,148)	(696,433)
Other income	541	529	2,564	3,550
<b>Operating profit</b>	3,501	3,886	14,146	17,984
Depreciation and amortization	(1,891)	(1,758)	(7,296)	(4,758)
Interest expenses	(2,737)	(2,436)	(11,217)	(9,482)
Interest income	398	423	1,974	1,046
Provision for and write off of receivables	(873)	(149)	(2,036)	(3,000)
Provision for and write off of inventories	(21)	-	(84)	-
(Loss)/Gain on disposal of quoted or unquoted investments or properties	-	-	1,362	151
Impairment of assets	-	-	-	-
Share of profit/(loss) in an associate company	(8)	(93)	(321)	(93)
Foreign exchange gain or (loss)	(10)	(71)	(25)	(50)
<b>(Loss) from operation</b>	(1,641)	(198)	(3,497)	1,798
Fair value gain on investment properties	-	10,551	-	10,551
<b>Profit before tax</b>	(1,641)	10,353	(3,497)	12,349
Taxation	(293)	(1,047)	(1,848)	(4,210)
<b>Profit for the period</b>	(1,934)	9,306	(5,345)	8,139
Other Comprehensive Income net of tax	(75)	39,121	(5,977)	39,177
<b>Total Comprehensive Income for the period</b>	(2,009)	48,427	(11,322)	47,316
<b>Profit attributable to:-</b>				
Owner of the parent	(1,525)	9,335	(4,904)	7,876
Non-controlling interest	409	(29)	(441)	263
Profit for the period	(1,934)	9,306	(5,345)	8,139
<b>Comprehensive Income attributable to:-</b>				
Owner of the parent	(1,600)	48,456	(10,881)	47,053
Non-controlling interest	(409)	(29)	(441)	263
Comprehensive Income for the period	(2,009)	48,427	(11,322)	47,316
<b>Earnings per share (sen):-</b>				
Basic and diluted (loss)/earnings per share	(0.90)	5.53	(2.91)	4.67

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

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

	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)	Total (RM'000)	Non- Controlling interest (RM'000)	Total Equity (RM'000)
At 1 January 2019	84,335	21,923	-	361	114,393	96,563	317,575	15,674	333,249
Total comprehensive income for the year	-	-	-	(39)	(5,939)	(4,912)	(10,890)	(441)	(11,331)
Acquisition of additional equity interest in subsidiary companies	-	-	-	-	-	-	-	816	816
Dividend paid	-	-	-	-	-	(1,855)	(1,855)	(100)	(1,955)
At 31 December 2019	84,335	21,923	-	322	108,454	89,796	304,830	15,949	320,779
At 1 January 2018	84,335	21,923	-	309	75,268	90,595	272,430	15,011	287,441
Share in results of an associated co.	-	-	-	-	-	(53)	(53)	-	(53)
As at 1 January 2018, as restated	84,335	21,923	-	309	75,268	90,542	272,377	15,011	287,388
Total comprehensive income for the period	-	-	-	52	39,125	7,876	47,053	263	47,316
Acquisition of additional equity interest in subsidiary company	-	-	-	-	-	-	-	400	400
Dividend paid	-	-	-	-	-	(1,855)	(1,855)	-	(1,855)
At 31 December 2018	84,335	21,923	-	361	114,393	96,563	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

**Condensed Consolidated Statement of Cash Flows**  
**For the period ended 31 December 2019**  
(The figures below have not been audited)

	<b>12 months ended</b>	
	<b>31/12/19</b>	<b>31/12/18</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax from operation	(3,497)	12,349
<b>Adjustment for non-cash items :-</b>		
Depreciation and amortization	7,296	4,758
Interest expenses	11,217	9,483
Interest income	(1,974)	(1,046)
Provision for and write off of receivables	2,036	3,000
Provision for and write off of inventories	84	173
Non-cash items	(1,138)	(11,538)
Operating profit before working capital changes	14,024	17,179
(Increase)/Decrease in inventories	794	(9,075)
Decrease/(Increase) in receivables	2,463	(1,262)
(Increase)/Decrease in amount due from an associate company	151	-
(Decrease)/ increase in payables	(13,591)	4,907
Cash (used)/ generated from operations	3,841	11,749
Interest received	1,901	1,006
Interest paid	(9,717)	(8,082)
Repayment of lease liabilities	(1,074)	-
Net tax (paid)/ refund	(1,331)	(1,804)
Net cash (outflow) from operating activities	(6,380)	2,869
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,432)	(15,696)
Purchase of investment and investment properties	(14,909)	(2,084)
Advances to an associated company	-	(151)
Acquisition of non-controlling interest	377	400
Net cash inflow from acquisition of a subsidiary company	177	
Investment in an associate company	(151)	
Proceeds from disposal of property, plant and equipment	1,289	489
Proceeds from disposal of investment properties	375	555
Proceeds from disposal of quoted and unquoted shares	3,147	-
Interest received	73	40
Net cash outflow from investing activities	(12,054)	(16,447)
<b>Cash flows from financing activities</b>		
Net proceeds from /(repayments to) term loans	5,985	(7,091)
Repayments of finance lease liabilities	(1,467)	(1,397)
Net (repayments to)/ proceeds from short term borrowings	32,936	22,439
Dividend paid	(1,955)	(1,855)
Interest paid	(1,404)	(1,400)
(Increased)/ decreased in fixed deposit pledged	394	(22)
Net cash (outflow)/inflow from financing activities	34,489	10,674
Effects of changes in exchange rates	38	(52)
Net increase in cash & cash equivalents	16,055	(2,904)
Cash & cash equivalents at beginning of the financial year	15,823	18,779
<b>Cash &amp; cash equivalents at end of the financial period</b>	<b>31,916</b>	<b>15,823</b>

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 FOURTH QUARTER AND  
TWELVE MONTHS ENDED 31 DECEMBER 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 twelve months period ended 31 December 2019.

**6. Changes in Estimates**

There were no material changes in estimates that have had a material effect during the twelve months period ended 31 December 2019.

**7. Debt and Equity Securities**

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

**8. Dividends Paid**

The company paid a first and final single tier dividend of 1.1 sen per ordinary share amounting to RM1,855,367 in respect of the financial year ended 31 December 2018 on 16 August 2019.

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## 9. Segment Information

	3 months ended		12 months ended	
	31/12/19	31/12/18	31/12/19	31/12/18
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Segment Revenue</u></b>				
Trading of hardware & building materials	144,629	149,249	603,269	536,553
Steel Service Centre	48,260	55,607	299,696	192,776
Trading of IT related products	12,802	14,299	51,483	58,710
Food & Beverage	1,407	-	1,785	-
Others	491	438	1,976	2,320
Total revenue including inter-segment sales	207,590	219,593	958,209	790,359
Elimination of inter segment sales	(36,196)	(25,706)	(210,479)	(79,492)
<b>Total revenue</b>	<b>171,394</b>	<b>193,887</b>	<b>747,730</b>	<b>710,867</b>
<b><u>Operating profit</u></b>				
Trading of hardware & building materials	2,095	4,306	10,228	17,387
Steel Service Centre	1,461	(225)	4,887	577
Trading of IT related products	376	247	(1,663)	641
Food & Beverage	(161)	-	683	-
Others	83	(442)	364	(621)
<b>Total Operating Profit</b>	<b>3,854</b>	<b>3,886</b>	<b>14,499</b>	<b>17,984</b>
<b><u>Profit/ (loss) before taxation</u></b>				
Trading of hardware & building materials	(396)	12,985	2,057	18,262
Steel Service Centre	(489)	(2,040)	(3,509)	(4,557)
Trading of IT related products	(247)	60	(1,949)	107
Food & Beverage	(212)	-	(418)	-
Others	(297)	(652)	322	(1,463)
<b>Total Profit before taxation</b>	<b>(1,641)</b>	<b>10,353</b>	<b>(3,497)</b>	<b>12,349</b>



## 10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment for financial period ended 31 December 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 twelve months period ended 31 December 2019 and up to the date of this Interim consolidated Financial Report.

## 13. Contingent Liabilities/Contingent Assets

	31/12/19 (RM'000)	30/09/19 (RM'000)	Changes (RM'000)
Corporate guarantees in respect of Banking facilities granted to subsidiary Companies	324,844	324,844	-
Corporate guarantees in respect of the Supply of goods to subsidiary companies	38,900	34,900	4,000

## 14. Capital Commitments

The Group has commitments as follows:

	31/12/19 (RM'000)	30/09/19 (RM'000)	Changes (RM'000)
Capital expenditure approved and contracted for	1,559	8,000	(6,441)

## 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

## 15. Related Party Transactions (cont'd)

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

The significant related party transactions are as follows:

	12 months ended 31/12/19 (RM'000)	12 months ended 31/12/18 (RM'000)
<b>a) Sale of goods to</b>		
i) <u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	48,078	45,743
ii) <u>Subsidiaries</u>		
CHM	8,486	4,997
CHRB BM	4,188	1,643
CHSD	-	107
KLC		428
<b>b) Purchase of goods from</b>		
i) <u>Subsidiaries</u>		
KLC	3,102	4,039
CHM	200	83
CHRB BM	191	18
CHSD	-	460
<b>c) Others</b>		
i) <u>Subsidiaries</u>		
Rental income received from subsidiaries	283	283
Security, water & electricity charges received from subsidiaries	48	48
Management fee and incentive received from subsidiaries	206	426
Rental of motor vehicle	2	42
Handling fee		868
Transport charges	5	868
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

	12 months ended 31/12/19 (RM'000)	31/12/18 (RM'000)
Fixed deposit with a licensed bank	414	808
Cash and bank balances	33,943	16,089
Bank overdraft	(2,027)	(266)
	32,330	16,631
Less : Fixed Deposits pledged	(414)	(808)
	31,916	15,823

## 17. Review of Performance

The Group's revenue for the twelve months period ended 31 December 2019 has increased by 5.19%, to RM747.730 million as compared to RM710.867 million recorded in the corresponding period of the preceding year.

The group recorded a loss before tax of RM3.497 million for the twelve months period ended 31 December 2019 as compared to profit before tax of RM12.349 million in the corresponding period of the preceding year.

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

	3 months ended			12 months ended		
	31.12.19 RM'000	31.12.18 RM'000	Change %	31.12.19 RM'000	31.12.18 RM'000	Change %
<b>Revenue</b>						
Trading of hardware & building materials	127,993	145,819	-12.22	552,283	526,623	4.87
Steel Service Centre	28,931	33,475	-13.57	141,125	124,895	12.99
IT related products & F&B	14,209	14,287	-0.55	53,268	57,851	-7.92
Others	261	306	-14.71	1,054	1,498	-29.64
<b>Total</b>	<b>171,394</b>	<b>193,887</b>	<b>-11.60</b>	<b>747,730</b>	<b>710,867</b>	<b>5.19</b>
<b>Profit / (Loss) before taxation</b>						
Trading of hardware & building materials	(396)	12,985	-103.05	2,057	18,262	-88.74
Steel Service Centre	(489)	(2,040)	123.97	(3,509)	(4,557)	177.00
IT related products & F&B	(459)	60	-865.00	(2,367)	107	-2,312.15
Others	(297)	(652)	54.45	322	(1,463)	122.01
<b>Total</b>	<b>(1,641)</b>	<b>10,353</b>	<b>-115.85</b>	<b>(3,497)</b>	<b>12,349</b>	<b>-128.32</b>

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

(i) Trading of hardware & building materials

The revenue for Q419 has decreased by 12.22% as compared to corresponding period whilst for twelve months period ended 31 December 2019, it has increased by 4.87%. Overall for the year 2019, revenue was marginally unchanged.

However for the profit before tax for Q419 as compared to the previous corresponding period, there was a drop by 103% to a loss of RM396K whilst for the twelve months period ended 31 December 2019, it has dropped by 88.7% to RM2 million.

(i) Trading of hardware & building materials (con'd)

Although revenue was up for the year, the main reasons for the reduction in the profits were due to drop in the global prices of steel products and stiff trading margins.

(ii) Steel Service Centre

The revenue for Q419 has decreased by 13.5% as compared to the corresponding period whilst for the twelve months period ended 31 December 2019, it has increased by 12.9%.

However for the profit before tax for Q419, it registered a smaller loss of RM489K as compared to a loss of RM2 million in the previous corresponding period. As for the twelve months period ended 31 December 2019, it registered a loss of RM3.5 million as compared to RM4.5 million in the previous year.

Although the revenue was lower for the year, it marginally improved to a smaller loss before tax and this was mainly due to the aggressive cost cutting exercise and improved productivity.

(iii) IT related products and F&B Division

The revenue for Q419 and twelve months period ended 31 December 2019 have dropped by 0.5% and 7.92% respectively as compared to the corresponding period of the preceding year.

As for the profit before tax, it recorded a Loss before tax of RM459k and RM2.36 million respectively as compared to the corresponding period of the preceding year.

The revenue and overall performance were down due to the downsizing and relocation of shops in Aeon/Tesco and the start-up cost in opening new F & B outlets and share of losses from an associate company.

(iv) Others

The revenue for this division decreased by 14.71% and 29.64% in Q419 and twelve months period ended 31 December 2019 respectively as compared to the corresponding period of preceding year. This was mainly due to decrease in rental income.

The division's loss before tax was reduced by 54.45% in the current quarter while it recorded an improvement in performance by 122.01% in the 12 months period ended 31 December 2019 as compared to the corresponding period of preceding year respectively. This was mainly due to gain on disposal of quoted investment in current 12 months financial period.

### 18. Material changes in profit before taxation against preceding quarter

	Individual Quarter 3 months ended		Change %
	31/12/19 (RM'000)	30/09/19 (RM'000)	
<b>Profit / (Loss) before taxation</b>			
Trading of hardware & building Materials	(396)	(634)	37.54
Steel Service Centre	(489)	(1,801)	72.85
IT related products & Food and Beverage Division	(459)	(1,047)	-143.84
Others	(297)	952	-131.20
<b>Total</b>	<b>(1,641)</b>	<b>(2,530)</b>	<b>35.14</b>

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

- (i) Trading of hardware & building materials  
The division recorded loss before tax of RM396 thousand in 4Q19 as compared to a loss before tax of RM634 thousand in 3Q19. This was mainly due to increase in sales profit margin for steel products.
- (ii) Steel Service Centre  
The division recorded loss before tax of RM489 thousand in 4Q19 as compared to a loss before tax of RM1.801 million in 3Q19. This was mainly due to increase in sales profit margin for steel products.
- (iii) IT related products and F&B Division  
The division recorded loss before tax of RM459 thousand in 4Q19 as compared to a loss before tax of RM1.047 million in 3Q19. This was mainly due to increase of revenue and gross profit margin during the quarter under review.
- (iv) Others  
The division recorded loss before tax of RM297 thousand in 4Q19 as compared to a profit before tax of RM952 thousand in 3Q19. This was mainly due to gain on disposal of quoted investment in 3Q19.

### 19. Commentary on Prospects

At the time of writing, it was announced by the Government of the re-implementation of a few major infrastructure projects, such as the ECRL, the Pan Borneo Highway and MRT3 projects and this is expected to have a positive impact for the construction and building materials sector which will augur well for the Group. However for the private sector business due to the oversupply situation for high rise projects, we expect an overall slowdown. Global and local steel prices will continue to be unstable but the Group shall proceed with the changes cautiously.

As for the IT and F & B division, due to the current Covid-19 issues, tourism will be affected and retails and restaurants in shopping mall is expected to see a downturn however we are optimistic that this will be a temporary setback. However, we will be focusing on online business to mitigate the current slowdown.

### 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		12 months ended	
	31/12/19 (RM'000)	31/12/18 (RM'000)	31/12/19 (RM'000)	31/12/18 (RM'000)
Malaysia income tax				
- current	188	395	1,864	2,581
- under/ (over) provision in prior years	(178)	19	(262)	(123)
	10	414	1,602	2,458
Deferred taxation	283	633	246	1,752
<b>TOTAL</b>	<b>293</b>	<b>1,047</b>	<b>1,848</b>	<b>4,210</b>

The effective tax rate for the financial period ended 31 December 2019 and 31 December 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. Changes in the Composition of the Group

The changes in the composition of the Group during the quarter and twelve months ended 31 December 2019 and up to the date of this Interim Financial Report is as follows:-

The Company through a subsidiary company, Pineapple Computer Systems Sdn. Bhd. ("PCS"), a wholly-owned subsidiary of the Company together with Great Eat Sdn. Bhd. ("GESB") and E-Food Products Sdn. Bhd. ("EFP") had on 03 October 2019 entered into a Sale of Shares Agreement ("SSA") with Gema Naga 2 Sdn. Bhd. ("GN2") for the acquisition from GN2, its entire shareholdings in THS Restaurants Sdn. Bhd. ("THS") of 1,691,143 ordinary shares ("Sale Shares") for a total cash consideration of RM3 only ("Acquisition"). The shares acquired by PCS will be 904,305 ordinary shares, GESB will acquire 393,419 ordinary shares and EFP will acquire 393,419 ordinary shares. Upon Completion of the SSA, THS is a subsidiary of PCS and PRB,

Details of net assets acquired during the acquisition are as follows:

	RM'000
Property, plant and equipment	871
Inventories	26
Trade and other receivables	69
Deposit & prepayment	257
Cash and cash equivalents	177
Trade and other payables	(481)
Accrual	(91)
Non-controlling interest	(406)
Net assets acquired	422
Gain on combination	(243)
Fair value of the equity interests previously owned at acquisition date	(179)
Purchase consideration	0
Cash and cash equivalents	177
Net cash inflow from acquisition of subsidiary company	177

### 23. Borrowings

	12 months ended	
	31/12/19 (RM'000)	31/12/18 (RM'000)
<u>Short Term</u>		
Bank overdrafts (unsecured)	2,027	266
Bills payable (unsecured)	229,734	196,578
Trust receipts	2,207	2,427
Finance lease liabilities	1,362	1,380
Term loans (amount payable within 12 months)	8,653	7,858
	<u>243,983</u>	<u>208,509</u>
<u>Long Term</u>		
Finance lease liabilities	3,214	4,056
Less : amount payable within 12 months	(1,362)	(1,380)
	<u>1,852</u>	<u>2,676</u>
Term Loans (secured)	30,596	24,612
Less : amount payable within 12 months	(8,653)	(7,858)
	<u>21,943</u>	<u>16,754</u>
	<u>23,795</u>	<u>19,430</u>

### 24. Off Balance Sheet Financial Instruments

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

### 25. 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.

### 26. Dividends

No dividend has been declared nor recommended for payment for the twelve months ended 31 December 2019.

## 27. 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		12 months ended	
	31/12/19 (RM'000)	31/12/18 (RM'000)	31/12/19 (RM'000)	31/12/18 (RM'000)
(Loss)/Profit attributable to the owners of the parent (RM'000)	(1,525)	9,335	(4,904)	7,876
Total number of ordinary shares in issue ('000)	168,670	168,670	168,670	168,670
Basic (loss)/earnings per share (sen)	(0.90)	5.53	(2.91)	4.67

## 28. 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: 27 February 2020