



CHUAN HUAT RESOURCES BERHAD

(Registration No. 199401005050 (290729-W))

(Incorporated in Malaysia)

**Condensed Consolidated Financial Statements
For the Second Quarter Ended
31 December 2020**

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2020

	Unaudited As at 31/12/20 (RM'000)	Audited As at 30/06/20 (RM'000)
ASSETS		
Non-Current assets		
Property, plant & equipment	129,123	130,478
Investment properties	69,347	69,330
Right-of-use assets	91,414	91,108
Other investments	60	60
	289,944	290,976
Current assets		
Inventories	92,007	101,339
Trade receivables	177,849	146,354
Other receivables, deposits and prepayments	19,227	6,969
Cash & cash equivalents	22,553	16,198
	311,636	270,860
TOTAL ASSETS	601,580	561,836
EQUITY AND LIABILITIES		
Share Capital	84,335	84,335
Reserves	213,035	209,612
	297,370	293,947
Non-controlling interest	14,810	14,873
Total equity	312,180	308,820
Non-current liabilities		
Borrowings	17,006	18,864
Lease liabilities	5,873	4,922
Deferred tax liabilities	17,764	17,772
	40,643	41,558
Current liabilities		
Trade & other payables	38,204	28,936
Borrowings	207,432	179,754
Lease liabilities	2,629	2,696
Taxation	492	72
	248,757	211,458
Total liabilities	289,400	253,016
TOTAL EQUITY AND LIABILITIES	601,580	561,836
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.76	1.74

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the 18 months financial period ended 30 June 2020 and accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Second Quarter and Six Months Period ended 31 December 2020**

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31/12/20 (RM'000)	31/12/19 (RM'000)	31/12/20 (RM'000)	31/12/19 (RM'000)
Revenue	173,156	171,394	331,494	-
Operating expenses	(168,664)	(168,434)	(323,601)	-
Other income	869	541	1,614	-
Operating profit	5,361	3,501	9,507	-
Depreciation of property, plant and equipment	(1,160)	(1,891)	(2,340)	-
Depreciation of Right-of-use assets	(979)	-	(1,966)	-
Interest expenses	(1,460)	(2,737)	(3,042)	-
Interest income	1,754	398	2,215	-
Provision for and write off of receivables	(37)	(873)	260	-
Provision for and write off of inventories	-	(21)	-	-
Gain on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets	-	-	-	-
Share of loss in an associate company	-	(8)	-	-
Foreign exchange gain / (loss)	3	(10)	18	-
Profit / (Loss) before tax	3,482	(1,641)	4,652	-
Taxation	(647)	(293)	(1,108)	-
Profit / (Loss) for the period	2,835	(1,934)	3,544	-
Other Comprehensive (Loss)/income net of tax	(99)	(75)	(184)	-
Total Comprehensive Income / (Loss) for the period	2,736	(2,009)	3,360	-
Comprehensive Profit / (Loss) attributable to:-				
Owner of the parent	2,645	(1,600)	3,423	-
Non-controlling interest	91	(409)	(63)	-
Comprehensive loss for the period	2,736	(2,009)	3,360	-
Earnings per share (sen):-				
Basic earnings / (loss) per share	1.63	(0.90)	2.14	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the 18 months financial period ended 30 June 2020 and accompanying explanatory notes attached to the Interim financial statements.

Note: In view of the change in financial year end from 12 months ended 31 December 2019 to 18 months ended 30 June 2020, the current reporting financial period will be for a period of 6 months, made up from 1 July 2020 to 31 December 2020. Furthermore, there is no comparative figures for the preceding year to date.

**Unaudited Condensed Consolidated Statement of Changes in Equity
For the period ended 31 December 2020**

	Share Capital (RM'000)	Capital 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 July 2020	84,335	21,923	476	108,454	78,759	293,947	14,873	308,820
Profit for the period	-	-	-	-	3,607	3,607	(63)	3,544
Other comprehensive loss	-	-	(184)	-	-	(184)	-	(184)
Total comprehensive profit for the period	-	-	(184)	-	3,607	3,423	(63)	3,360
At 31 December 2020	84,335	21,923	292	108,454	82,366	297,370	14,810	312,180
At 1 January 2019	84,335	21,923	-	361	114,393	317,575	15,674	333,249
Total comprehensive loss for the period	-	-	-	(39)	(5,939)	(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	89,796	304,830	15,949	320,779

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 period ended 30 June 2020

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 31 December 2020

	6 months 31/12/20 (RM'000)	18 months 30/06/20 (RM'000)
Cash flows from operating activities		
Profit/(loss) before tax	4,651	(15,187)
Adjustment for non-cash items :-		
Depreciation of property, plant and equipment	2,340	7,095
Depreciation of Right-of-use assets	1,966	5,429
Interest expenses	3,042	17,088
Interest income	(2,215)	(2,622)
Bad debts written off	-	317
Impairment loss on trade receivables	-	2,025
Reversal of impairment losses on trade receivables	(259)	(1,259)
Inventories written off	-	1,029
Non-cash items	64	(1,768)
Operating profit before working capital changes	9,589	12,147
Decrease in inventories	9,332	15,093
(Increase)/Decrease in trade and other receivables	(44,262)	63,064
increase/(Decrease) in trade and other payables	9,288	(30,812)
Cash generated from/(used in) operations	(16,053)	59,492
Interest received	2,199	2,497
Interest paid	(2,494)	(14,810)
Tax paid, net of refund	(307)	(2,092)
Net cash from operating activities	(16,655)	45,087
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,432)	(3,709)
Purchase of investment properties	(113)	(15,031)
Acquisition of additional shares in an associate	-	(151)
Repayment from/(Advances to) an associate	-	151
Net cash inflow from acquisition of a subsidiary company	-	177
Proceeds from disposal of property, plant and equipment	129	1,496
Proceeds from disposal of investment properties	144	697
Proceeds from disposal of quoted investments	-	3,147
Interest received	16	125
Net cash outflow from investing activities	(1,256)	(13,098)
Cash flows from financing activities		
Net proceeds from /(repayments to) term loans	(4,396)	1,229
Payments of lease liabilities	(1,191)	(3,708)
Proceeds from issuance of new shares to non-controlling interests in subsidiaries	-	377
Net (repayment)/ drawdown of short term borrowings	37,464	(35,177)
Dividend paid to owners of the company	-	(1,855)
Dividend paid to non-controlling interests	-	(100)
Interest paid on term loans	(380)	(1,760)
Interest paid on lease liabilities	(168)	(517)
Uplift of fixed deposit pledged	276	446
Net cash inflow/(outflow) from financing activities	31,605	(41,065)
Effects of changes in exchange rates	184	140
Net Increase/(Decrease) in cash & cash equivalents	13,694	(9,076)
Cash & cash equivalents at beginning of the financial period	6,887	15,823
Cash & cash equivalents at end of the financial period	20,765	6,887

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the 18 months financial period ended 30 June 2020 and accompanying explanatory notes attached to the interim financial statements

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

1. Basis of Preparation

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 30 June 2020 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 period ended 30 June 2020.

2. Significant Accounting Policies

The accounting policies applied by the Group in these interim consolidated interim financial statements are consistent with the audited financial statements for the 18 months financial period ended 30 June 2020, including the adoption of the following newly-issued MFRS for the financial periods beginning on or after 1 January 2020:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendment to MFRS 3: Definition of a Business
- Amendments to MFRS 101 and MFRS 108: Definition Of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendment to MFRS 16: Covid-19-Related Rent Concessions

The adoption of the above Standards and Amendments do not have any significant impact on the financial statements of the Group.

Standards and amendments in issue but not yet effective

As at the date of authorisation of these interim financial statements, the Group have not made early adoption of the following MFRSs 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 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3: Reference to the Conceptual Framework³
- Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract

Effective for annual periods beginning on or after 1 January 2023

- MFRS 17 : Insurance Contracts
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current

2. Significant Accounting Policies (cont'd)

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 2020 Annual Financial Statements

The auditors' report on the financial statements for the financial period ended 30 June 2020 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 six months period ended 31 December 2020.

6. Changes in Estimates

There were no material changes in estimates that have had a material effect during the six months period ended 31 December 2020.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the six months period ended 31 December 2020.

8. Dividends

No dividend has been paid during the six months period ended 31 December 2020.

9. Segment Information

	Current year quarter 3 months 31/12/20 (RM'000)	Preceding year quarter 3 months 31/12/19 (RM'000)	Current year to date 6 months 31/12/20 (RM'000)	Preceding year to date 31/12/19 (RM'000)
<u>Segment Revenue</u>				
Trading of steel & building materials	146,552	144,629	271,351	-
Steel Service Centre	48,295	48,261	92,714	-
Trading of IT related products	12,673	12,803	26,429	-
Food & Beverage	879	1,406	1,771	-
Others	441	491	1,057	-
Total revenue including inter-segment sales	208,840	207,590	393,322	-
Elimination of inter segment sales	(35,684)	(36,196)	(61,828)	-
Total revenue	173,156	171,394	331,494	-
<u>Profit/ (loss) before taxation</u>				
Trading of steel & building materials	2,558	(396)	3,396	-
Steel Service Centre	1,190	(489)	2,156	-
Trading of IT related products	314	(239)	347	-
Food & Beverage	(426)	(212)	(899)	-
Share of result of an associate	-	(8)	-	-
Others	(154)	(297)	(348)	-
Total Profit before taxation	3,482	(1,641)	4,652	-

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment for financial period ended 31 December 2020 has been brought forward without amendment from the previous audited financial statements as at 30 June 2020.

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. Contingent Liabilities/Contingent Assets

	31/12/20 (RM'000)	30/09/20 (RM'000)	Changes (RM'000)
Corporate guarantees in respect of Banking facilities granted to subsidiary Companies	218,307	258,349	(40,042)
Corporate guarantees in respect of the Supply of goods to subsidiary companies	37,489	37,571	(82)

13. Capital Commitments

The Group has commitments as follows:

	31/12/20 (RM'000)	30/09/20 (RM'000)	Changes (RM'000)
Capital expenditure approved and contracted for	1,559	1,559	-

14. 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.

14. **Related Party Transactions (cont'd)**

The significant related party transactions are as follows:

	Current year to date 6 months 31/12/20 (RM'000)	Preceding Year to date 31/12/19 (RM'000)
a) Sale of goods to		
i) <u>Subsidiaries</u>		
CHM	1,022	-
CHRB BM	763	-
b) Purchase of goods from		
i) <u>Subsidiaries</u>		
KLC	802	-
CHM	206	-
CHRB BM	138	-
ii) <u>Subsidiaries</u>		
Rental income received from subsidiaries	86	-
Security, water & electricity charges received from subsidiaries	24	-
Management fee and incentive received from subsidiaries	41	-

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.

15. **Cash and Cash Equivalents**

	As at 31/12/20 (RM'000)	As at 30/06/20 (RM'000)
Fixed deposit with a licensed bank	87	362
Cash and bank balances	22,466	15,836
Bank overdraft	(1,701)	(8,949)
	20,852	7,249
Less : Fixed Deposits pledged	(87)	(362)
	20,765	6,887

16. Review of Performance

The Group recorded a total revenue of RM331 million for 6 months financial period ended 31 December 2020 while as for the current quarter, it recorded a revenue of RM173 million as compared to RM171 million in the corresponding quarter of the preceding year.

The Group recorded a profit before tax of RM4.6 million for the 6 months period ended 31 Dec 2020. As for the current quarter it registered a profit before tax of RM3.5 million as compared to a loss before tax of RM1.6 million in the previous year corresponding period.

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

	Current year quarter 31.12.20 RM'000	Preceding year quarter 31.12.19 RM'000	Change %	Current year to date 6 months 31.12.20 RM'000	Preceding year to date 31.12.19 RM'000	Change %
Revenue						
Trading of steel & building materials	132,529	127,993	3.54	248,759	-	-
Steel Service Centre	26,860	28,931	-7.16	53,929	-	-
Trading of IT related products	12,673	12,803	-1.02	26,429	-	-
Food and Beverage	879	1,406	-37.48	1,771	-	-
Others	215	261	-17.62	606	-	-
Total	173,156	171,394	1.03	331,494	-	-
Profit / (Loss) before taxation						
Trading of steel & building materials	2,558	(396)	745.96	3,396	-	-
Steel Service Centre	1,190	(489)	343.35	2,156	-	-
IT related products &	314	(239)	231.38	347	-	-
Food and beverage	(426)	(212)	-100.94	(899)	-	-
Share of result of an associate	-	(8)	100.00	-	-	-
Others	(154)	(297)	48.15	(348)	-	-
Total	3,482	(1,641)	312.19	4,652	-	-

16. Review of Performance (cont'd)

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

(i) Trading of steel & building materials

Although revenue was relatively unchanged, there was an increase in the profit before tax to RM2.6 million from a loss of RM0.4 million comparatively. This was mainly due to the increase in steel prices which resulted in higher gross margin.

(ii) Steel Service Centre

Although the revenue was reduced by 7.2%, it registered a profit before tax of RM1.2 million as compared to a loss of RM0.5 million in the preceding year quarter. The better performance in profit was due to the increase in steel prices which resulted in higher gross margin.

(iii) Trading of IT related products

Revenue was relatively unchanged from preceding quarter. However the IT Division registered a profit of RM0.3 million from a loss of RM0.2 million in the preceding year period attributed to strong demand for laptops, printers and ink cartridges arising from "Work From Home" SOP.

(iv) Food and Beverage

Revenue was down due to the slowdown in business with the enforcement of the CMCO and the closure of an outlet in Arcadia. The higher losses were attributed to the write down from the closure of the Arcadia outlet and the startup and operation cost of a new outlet in Putrajaya IOI City mall in December 2020.

(v) Others

The revenue was reduced by RM0.05 million in current quarter as compared to the corresponding period in the preceding year. However, the division registered a lower loss before tax of RM0.2 million in the current quarter as compared to a loss of RM0.3 million in the preceding year quarter

17. Material changes in Profit/(Loss) Before Taxation (“PBT/LBT) against preceding quarter

	Current year quarter 3 months 31/12/20 (RM'000)	Immediate preceding quarter 3 months 30/09/20 (RM'000)	Change %
Revenue			
Trading of steel & building materials	132,529	116,230	14.02
Steel Service Centre	26,860	27,069	-0.77
Trading of IT related products	12,673	13,756	-7.87
Food and Beverage	879	892	-1.46
Others	215	391	-45.01
Total	173,156	158,338	9.36
Profit / (Loss) before taxation			
Trading of steel & building Materials	2,558	838	205.25
Steel Service Centre	1,190	966	23.19
Trading of IT related products	314	89	252.81
Food and Beverage Division	(426)	(528)	19.32
Others	(154)	(195)	21.03
Total	3,482	1,170	197.61

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

(i) Trading of steel & building materials

The steel prices has increased rapidly during this period and thus the increase in the revenue and profits. Although revenue was increased by 14%, profit was increased by almost 200% to RM2.6 million.

(ii) Steel Service Centre

Similarly, due to the increase in steel prices, although revenue was relatively unchanged, there was an increase in the profits by 23% from the higher gross sales margin.

(iii) Trading of IT related products

Despite a small decrease in the revenue, this division reported a slightly higher profits due to higher gross sales margin.

17. Material changes in Profit/(Loss) Before Taxation (cont'd)

(iv) Food and Beverage division

This division reported a loss of RM0.4 million which was mainly due to lower revenue and higher operating expenses from the initial set up cost for the new outlet Bhai Jim Jun at IOI City mall in December.

(iv) Others

Despite decreased in revenue, the division recorded a lower Loss before tax of RM0.2 million for the second quarter ended 31 December 2020. This was mainly due to lower operating cost during the quarter under review.

18. Commentary on Prospects

With the resurgence of daily high incidences of Covid-19 cases at the start of 2021 necessitating the government to enforce MCO 2.0, the outlook for the next two quarters remains uncertain and challenging.

With government's emphasis on balancing the fallout of the Covid-19 pandemic and economic recovery through incentives and roll out of projects, we are cautiously optimistic that all sectors of the economy will see a gradual improvement by the year end facilitated by the availability of vaccines and effectiveness of the vaccination program.

19. Profit Forecast and Profit Guarantee

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

20. Income Tax Expenses

	Current year quarter 3 months 31/12/20 (RM'000)	Preceding year quarter 3 months 31/12/19 (RM'000)	Current year to date 6 months 31/12/20 (RM'000)	Preceding year to date 31/12/19 (RM'000)
Malaysia income tax				
- current	505	188	1,100	-
- under/ (over) provision in prior years	30	(178)	30	-
	535	10	1,130	-
Deferred taxation	112	283	(22)	-
TOTAL	647	293	1,108	-

The effective tax rate for the financial period ended 31 December 2020 is 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.

21. Loans and Borrowings

	As at 31/12/20 (RM'000)	As at 31/12/19 (RM'000)
<u>Amount due within one year</u>		
Bank overdrafts	1,701	2,027
Bankers' acceptance	200,087	229,734
Trust receipts	1,205	2,207
Term loans	4,439	8,653
	207,432	242,621
<u>Amount due more than one year</u>		
Term Loans	21,445	30,597
Less : amount payable within 12 months	(4,439)	(8,653)
	17,006	21,944

22. Off Balance Sheet Financial Instruments

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

23. 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 30 June 2020.

24. Dividends

No dividend has been declared nor recommended for payment for the six months ended 31 December 2020.

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25. 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:

	Current year quarter 3 months 31/12/20 (RM'000)	Preceding year quarter 3 months 31/12/19 (RM'000)	Current year to date 6 months 31/12/20 (RM'000)	Preceding year to date 31/12/19 (RM'000)
Profit/(Loss) attributable to the owners of the parent (RM'000)	2,744	(1,525)	3,607	-
Total number of ordinary shares in issue ('000)	168,670	168,670	168,670	-
Basic (loss)/earnings per share (sen)	1.63	(0.90)	2.14	-

26. 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: 24 February 2021