



CHUAN HUAT RESOURCES BERHAD

(Registration No. 199401005050 (290729-W))

(Incorporated in Malaysia)

**Condensed Consolidated Financial Statements
For the Second Quarter and Six Months Period Ended
31 December 2022**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position
As at 31 December 2022**

	Unaudited As at 31/12/22 (RM'000)	Audited As at 30/06/22 (RM'000)
ASSETS		
Non-Current assets		
Property, plant & equipment	126,110	128,051
Investment properties	67,238	67,097
Right-of-use assets	98,571	99,111
Other investments	40	40
	291,959	294,299
Current assets		
Inventories	115,719	120,381
Trade receivables	152,335	159,129
Non-current asset held for sale	-	6,915
Other receivables, deposits and prepayments	25,085	15,773
Cash & cash equivalents	26,099	32,170
	319,238	334,368
TOTAL ASSETS	611,197	628,667
EQUITY AND LIABILITIES		
Share Capital	84,335	84,335
Reserves	233,204	233,424
	317,539	317,759
Non-controlling interest	14,681	14,362
Total equity	332,220	332,121
Non-current liabilities		
Borrowings	11,095	14,865
Lease liabilities	3,608	3,238
Deferred tax liabilities	29,097	29,514
	43,800	47,617
Current liabilities		
Trade & other payables	37,843	35,542
Borrowings	195,232	211,364
Lease liabilities	1,487	2,022
Taxation	615	1
	235,177	248,929
Total liabilities	278,977	296,546
TOTAL EQUITY AND LIABILITIES	611,197	628,667
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.88	1.88

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2022 and accompanying explanatory notes attached to the interim financial statements.

(Incorporated in Malaysia)

Condensed Consolidated Statement of Comprehensive Income
For the second quarter and six months period ended 31 December 2022

	Quarter Ended		Year-To-Date Ended	
	3 months ended 31/12/22 (RM'000)	31/12/21 (RM'000)	6 months ended 31/12/22 (RM'000)	31/12/21 (RM'000)
Revenue	149,207	195,559	318,267	291,627
Operating expenses	(145,868)	(185,792)	(311,868)	(276,786)
Other income	699	602	1,732	2,228
Operating profit	4,038	10,369	8,131	17,069
Depreciation of property, plant and equipment	(1,144)	(1,144)	(2,280)	(2,287)
Depreciation of Right-of-use assets	(946)	(940)	(1,967)	(1,842)
Interest expenses	(2,128)	(1,388)	(3,913)	(2,659)
Interest income	728	334	962	372
Provision for and write off of receivables	75	(43)	455	(196)
Provision for and write off of inventories	-	-	-	-
Gain on disposal of quoted or unquoted investments or properties	-	-	-	-
Realised foreign exchange	-	-	-	-
Foreign exchange (loss)/gain	34	2	34	4
(Loss) / Profit before tax	657	7,190	1,422	10,461
Taxation	(644)	(1,862)	(1,292)	(2,983)
(Loss) / Profit for the period	13	5,328	130	7,478
Other Comprehensive loss net of tax	-	(35)	-	(10)
Total Comprehensive (Loss) / Income for the period	13	5,293	130	7,468
Profit attributable to:-				
Owner of the parent	(165)	5,036	(232)	7,094
Non-controlling interest	178	292	362	384
	13	5,328	130	7,478
Comprehensive Income / (Loss) attributable to:-				
Owner of the parent	(165)	5,001	(232)	7,084
Non-controlling interest	178	292	362	384
Comprehensive Income/(Loss) for the period	13	5,293	130	7,468
Earnings per share attributable to owners of the company (sen):-				
Basic earnings / (loss) per share	(0.10)	2.99	(0.14)	4.21

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2022 and accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For the financial period ended 31 December 2022

	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)
(Unaudited)								
GROUP								
At 1 July 2022	84,335	21,923	3,710	110,029	97,762	317,759	14,362	332,121
Profit for the year	-	-	-	-	(231)	(231)	319	88
Deferred tax on revaluation land & buildings	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	11	-	-	11	-	11
Total comprehensive income for the period	-	-	11	-	(231)	(221)	319	99
Dividend	-	-	-	-	-	-	-	-
At 31 December 2022	84,335	21,923	3,721	110,029	97,531	317,539	14,681	332,220

Audited

GROUP

At 1 July 2021	84,335	21,923	379	108,454	93,840	308,931	14,575	323,506
Profit for the year	-	-	-	-	6,983	6,983	(153)	6,830
Deferred tax on revaluation land & buildings	-	-	-	1,575	-	1,575	-	1,575
Other comprehensive loss	-	-	3,331	-	-	3,331	-	3,331
Total comprehensive income for the period	-	-	3,331	1,575	6,983	11,889	(153)	11,736
Dividend	-	-	-	-	(3,061)	(3,061)	(60)	(3,121)
At 30 June 2022	84,335	21,923	3,710	110,029	97,762	317,759	14,362	332,121

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes to these interim financial statements.

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the financial period ended 31 December 2022**

	6 months 31/12/22 (RM'000)	6 months 31/12/21 (RM'000)
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit/(loss) before tax	1,422	10,461
<u>Adjustment for non-cash items :-</u>		
Depreciation of property, plant and equipment	2,276	2,287
Depreciation of Right-of-use assets	2,304	1,842
Interest expenses	3,920	2,659
Interest income	(962)	(372)
Impairment loss on trade receivables	312	1,077
Reversal of impairment losses on trade receivables	(767)	(881)
Non-cash items	(523)	423
Operating profit before working capital changes	7,982	17,496
Decrease / (Increase) in inventories	4,662	(16,713)
(Increase) in trade and other receivables	(2,408)	(6,589)
Increase in trade and other payables	2,301	2,089
Cash generated from/(used in) operations	12,537	(3,717)
Interest received	947	364
Interest paid	(3,619)	(2,287)
Tax paid, net of refund	(548)	(454)
Net cash from operating activities	9,317	(6,094)
Cash flows from investing activities		
Purchase of property, plant and equipment	(240)	(538)
Purchase of right-of-use assets	(295)	-
Purchase of investment properties	(141)	(482)
Proceeds from disposal of property, plant and equipment	216	22
Proceeds from disposal of investment properties	6,708	582
Interest received	15	8
Net cash outflow from investing activities	6,263	(408)
Cash flows from financing activities		
Net proceeds from /(repayments to) term loans	(4,779)	(1,186)
Payments of lease liabilities	(1,437)	(1,624)
Net (repayment)/ drawdown of short term borrowings	(15,894)	7,893
Dividend paid to owners of the company	-	(3,061)
Interest paid on term loans	(177)	(237)
Interest paid on lease liabilities	(124)	(177)
(Increase)/Decrease in fixed deposit pledged	90	-
Net cash inflow/(outflow) from financing activities	(22,321)	1,608
Effects of changes in exchange rates	(12)	(15)
Net Increase/(Decrease) in cash & cash equivalents	(6,741)	(4,894)
Cash & cash equivalents at beginning of the financial period	30,874	20,815
Cash & cash equivalents at end of the financial year	24,121	15,906

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 30 June 2022

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND SIX MONTHS PERIOD 31 DECEMBER 2022

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 **30 June 2022** 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 Main 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 **30 June 2022**.

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 financial year ended 30 June 2022, except for the adoption of the following newly-issued MFRS for the financial periods beginning on or after 1 January 2022:

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, MFRS 9, MFRS 16 and MFRS 141 contained in the document entitled "*Annual Improvements to MFRS Standards 2018–2020*"
- Amendments to MFRS 3 - *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 - *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137 - *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

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 2023

- MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 17 – *Insurance Contracts - Initial Applications* MFRS 17 and MFRS 9 - *Comparative Information*
- Amendments to MFRS 101 – *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

2. Significant accounting policies (cont'd)

- Amendments to MFRS 112 – *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 – *Leases – Lease liabilities in a Sale and Leaseback*

Effective date deferred to a date to be determined by MASB

- Amendments to MFRS 10 - *Consolidated Financial Statements*
- Amendments to MFRS 128 - *Investment in Associates and Joint Ventures – Sale or Contribution by 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 2022 Annual Financial Statements

The auditors' report on the financial statements for the financial period ended 30 June 2022 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 financial period ended 31 December 2022.

6. Changes in Estimates

There were no material changes in estimates that have had a material effect during the financial period ended 31 December 2022.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the financial period ended 31 December 2022.

8. Dividends

No dividend has been declared for period ended 31 December 2022.

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9. Segment Information

	Current year quarter 3 months 31/12/22 (RM'000)	Preceding year quarter 3 months 31/12/21 (RM'000)	Current year to date 6 months 31/12/22 (RM'000)	Preceding year to date 6 months 31/12/21 (RM'000)
<u>Segment Revenue</u>				
Trading of steel & building materials	124,386	171,157	267,634	250,007
Steel Service Centre	39,391	45,269	77,436	66,187
Trading of IT related products	9,501	10,594	19,223	21,715
Food & Beverage	2,843	2,398	6,282	3,120
Others	539	470	1,074	950
Total revenue including inter-segment sales	176,660	229,888	371,649	341,979
Elimination of inter segment sales	(27,453)	(34,329)	(53,382)	(50,352)
Total revenue	149,207	195,559	318,267	291,627
<u>Profit/ (loss) before taxation</u>				
Trading of steel & building materials	2,106	3,322	5,246	7,029
Steel Service Centre	(775)	3,830	(2,292)	3,705
Trading of IT related products	(551)	187	(1,211)	833
Food & Beverage	31	22	143	(532)
Others	(154)	(171)	(464)	(574)
Total Profit before taxation	657	7,190	1,422	10,461

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment for financial period ended 31 December 2022 remain unchanged from the previous audited financial statements as at 30 June 2022 respectively.

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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

	31/12/22 (RM'000)	30/06/22 (RM'000)	Changes (RM'000)
Corporate guarantees in respect of Banking facilities granted to subsidiary Companies	206,327	226,229	(19,902)
Corporate guarantees in respect of the Supply of goods to subsidiary companies	25,979	2,029	23,950

13. Capital Commitments

The Group has commitments as follows:

	31/12/22 (RM'000)	30/06/22 (RM'000)	Changes (RM'000)
Capital expenditure approved and contracted for	936	936	-

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) 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 31/12/22 (RM'000)	Preceding Year to date 6 months 31/12/21 (RM'000)
a) Sale of goods to		
i) <u>Subsidiaries</u>		
CHM	844	1,811
CHRB BM	654	426
KLC	95	-
b) Purchase of goods from		
i) <u>Subsidiaries</u>		
KLC	307	521
CHM	-	-
CHRB BM	6	-
ii) <u>Subsidiaries</u>		
Rental income received from subsidiaries	86	86
Security, water & electricity charges received from subsidiaries	24	24
Management fee and incentive received from subsidiaries	41	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 31/12/22 (RM'000)	As at 30/06/22 (RM'000)
Fixed deposit with a licensed bank	-	89
Cash and bank balances	26,099	32,081
Bank overdraft	(1,978)	(1,207)
	24,121	30,963
Less : Fixed Deposits pledged	-	(89)
	24,121	30,874

16. Review of Performance

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

	Current year quarter 31.12.22 RM'000	Preceding year quarter 31.12.21 RM'000	Change %	Current year to date 6 months 31.12.22 RM'000	Preceding year to date 6 months 31.12.21 RM'000	Change %
Revenue						
Trading of steel & building materials	110,208	158,822	-30.61	242,623	230,689	5.17
Steel Service Centre	26,373	23,377	12.82	49,580	35,512	39.61
Trading of IT related products	9,501	10,594	-10.32	19,223	21,715	-11.48
Food and Beverage	2,843	2,398	18.56	6,282	3,120	101.35
Others	282	368	-23.37	559	591	-5.41
Total	149,207	195,559	-23.70	318,267	291,627	9.13
Profit before taxation						
Trading of steel & building materials	2,106	3,322	-36.60	5,246	7,029	-25.37
Steel Service Centre	(775)	3,830	-120.23	(2,292)	3,705	-161.86
Trading of IT related products	(551)	187	-394.65	(1,211)	833	-245.38
Food and beverage	31	22	40.91	143	(532)	126.88
Others	(154)	(171)	9.94	(464)	(574)	19.16
Total	657	7,190	-90.86	1,422	10,461	-86.41

The Group's revenue for the current quarter declined by 23.70% to RM149 million compared with RM196 million in the preceding year quarter. The trading of steel & building materials reported the highest revenue drop of 30.61% followed by the trading of IT related products of 10.32% compared with previously. However, there was an improvement in the F&B division by 18.56% whilst the Steel Service Centre registered an increase of 12.82% for the current quarter against the preceding year quarter.

For the profit before tax, the Group reported a decrease of 90.86% to RM0.66 million compared with RM7.19 million previously mainly due to the drop in revenue and reduction in global steel prices. Almost all segments registered losses with the exception of the F&B division which reported a 40.91% increase. The highest loss in terms of percentage of 120.23% drop was from the steel service division which reported a loss of RM0.78 million

16. Review of Performance (cont'd)

compared to a profit of RM3.83 million previously. The trading of IT related products also reported a loss of RM0.55 million from a profit of RM0.19 million previously.

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

i) Trading of steel and building materials

Revenue declined by 30.61% whilst profit before tax decreased by 36.60% due to:

- Slow down in the construction sector due to shortage of workers and lesser infrastructure projects
- Drop in global steel prices affected the domestic selling prices. Being a stockist of steel products, the losses recorded were also due to closing stock valuation variance

ii) Steel Service Centre

Revenue increased by 12.82% whilst profit before tax decreased by 120.23% due to the same reasons as in the trading of steel and building materials above

iii) Trading of IT related products

Revenue decreased by 10.32% whilst the bottom line declined by 394.65% due to:

- Lower demand of IT products due to consumers reduced spending power coupled with workforce returning to their normal office workplaces and reopening schools
- Disruption in the supply chain and shortage of IT products to meet specific customer needs
- Low selling margin due to stiff competition from online sales channels

iv) Food and Beverage (F&B) Division

Revenue increased by 18.56% whilst profit before tax improved by 40.91% contributed by:

- The return of dine in customers after the relaxation of the movement control order
- The opening of a new BJJ (Bhai Jim Jun) Restaurant at Mytown Shopping Center in June 2022

(Incorporated in Malaysia)

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

	Current year quarter 3 months 31/12/22 (RM'000)	Immediate preceding quarter 3 months 30/09/22 (RM'000)	Change %
Revenue			
Trading of steel & building materials	110,208	132,415	-16.77
Steel Service Centre	26,373	23,207	13.64
Trading of IT related products	9,501	9,722	-2.27
Food and Beverage	2,843	3,439	-17.33
Others	282	277	1.81
Total	149,207	169,060	-11.74
Profit / (Loss) before taxation			
Trading of steel & building Materials	2,106	3,140	-32.93
Steel Service Centre	(775)	(1,517)	48.91
Trading of IT related products	(551)	(660)	16.52
Food and Beverage Division	31	112	-72.32
Others	(154)	(310)	50.32
Total	657	765	-14.12

The reasons for the changes in various sector are as follow:

i) Trading of steel & building materials

Profit reduced to RM2.11 million from RM3.14 million due mainly to variance in the closing stock valuation

ii) Steel service centre

Losses improved to RM0.78 million from previous loss of RM1.52 million due mainly to variance in the closing stock valuation

iii) Trading of IT related products

No material changes

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

iv) Food and Beverage (F&B) Division

No material changes

18. Commentary on Prospects

With the unity government in place after the conclusion of GE15 in November 2022, the domestic economy is projected to improve with more spending and injection of foreign investments into the country. The recent announcement by the Government on the resumption of the MRT3 line and the Pan Borneo Highway and the relaxation on intake of foreign workers will spur the construction industry further. The reopening of international borders will boost the tourism industry and local economy which augurs well for the Food and Beverage (F&B) industry. We are cautiously optimistic on the overall performance for the Group during this financial year.

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 31/12/22 (RM'000)	Preceding year quarter 3 months 31/12/21 (RM'000)	Current year to date 6 months 31/12/22 (RM'000)	Preceding year to date 6 months 31/12/21 (RM'000)
Malaysia income tax				
- current	645	935	1,500	2,298
- under/ (over) provision in prior years	2	-	2	-
- real property gain tax	207		207	
Deferred taxation	854 (210)	935 927	1,709 (417)	2,298 685
TOTAL	644	1,862	1,292	2,983

The effective tax rate for the financial year ended 31st December 2022 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 31/12/22 (RM'000)	As at 30/06/22 (RM'000)
<u>Amount due within one year</u>		
Bank overdrafts	1,978	1,207
Bankers' acceptance	191,658	207,861
Invoice financing	310	-
Term loans	1,286	2,296
	195,232	211,364
<u>Amount due more than one year</u>		
Term Loans	12,382	17,160
Less : amount payable within 12 months	(1,286)	(2,295)
	11,096	14,865
	206,328	226,229

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 2022.

24. 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 31/12/22 (RM'000)	Preceding year quarter 3 months 31/12/21 (RM'000)	Current year to date 6 months 31/12/22 (RM'000)	Preceding year to date 6 months 31/12/21 (RM'000)
(Loss) / Profit attributable to the owners of the parent (RM'000)	(165)	5,036	(232)	7,094
Total number of ordinary shares in issue ('000)	168,670	168,670	168,670	168,670
Basic earnings/(loss) per share (sen)	(0.10)	2.99	(0.14)	4.21

25. 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: 22 February 2023