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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

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**A. Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134<sub>2004</sub>**

**A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad and in compliance with the requirements of FRS 134<sub>2004</sub>, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board.

This interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. It contains condensed consolidated financial statements and selected explanatory notes. These notes include 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 2006. The condensed consolidated interim financial statements and notes thereon do not include all information required for the full set of financial statements prepared in accordance with FRSs.

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

**A2 Changes in Accounting Policies**

This interim financial statements has been prepared in accordance with the same accounting policies adopted in audited financial statements for the financial year ended 31 December 2006 except for the adoption of the following new/revised FRS effective for financial periods beginning on or after 1 January 2007:

- i) FRS 6 : Exploration for And Evaluation of Mineral Resources

This FRS is not relevant to the Group’s operation and hence no further disclosure is necessary.

- ii) FRS 119<sub>2004</sub>(Revised) : Employee Benefits – Actuarial Gains and Losses, Group plan and Disclosures

As the Group does not intend to change the accounting policy adopted for the recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

The adoptions of these FRSs do not have significant financial impact on the Group for the current quarter under review.

**CHUAN HUAT RESOURCES BERHAD**Company No. 290729-W  
(Incorporated in Malaysia)**A3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

**A4 Segment Information**

	3 months ended		6 months ended	
	30.06.07	30.06.06	30.06.07	30.06.06
<u>Segment Revenue</u>	RM'000	RM'000	RM'000	RM'000
Trading in hardware & building materials	173,575	160,670	356,592	288,759
Manufacturing & trading of IT related products	13,370	13,068	27,186	27,402
Investment holding	369	1,019	2,122	1,405
Trading in properties	166	43	205	92
Total revenue including inter-segment sales	187,480	174,800	386,105	317,658
Elimination of inter segment sales	(48,306)	(39,957)	(94,290)	(69,957)
Total revenue	139,174	134,843	291,815	247,701

	3 months ended		6 months ended	
	30.06.07	30.06.06	30.06.07	30.06.06
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
<u>Profit/ (loss) from operations</u>				
Trading in hardware & building materials	6,244	4,302	10,482	5,708
Manufacturing & trading of IT related products	482	(218)	438	(515)
Investment holding	(310)	(450)	(658)	(1,068)
Trading in properties	(80)	23	(50)	39
	6,336	3,657	10,212	4,164

	3 months ended		6 months ended	
	30.06.07	30.06.06	30.06.07	30.06.06
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
<u>Profit/ (loss) before taxation</u>				
Trading in hardware & building materials	4,705	3,177	7,356	3,656
Manufacturing & trading of IT related products	473	(204)	422	(486)
Investment holding	(343)	(483)	(727)	(1,135)
Trading in properties	(80)	23	(50)	39
	4,755	2,513	7,001	2,074

**CHUAN HUAT RESOURCES BERHAD**

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**A5 Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

**A6 Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter under review.

**A7 Comments about Seasonal or Cyclical Factors**

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

**A8 Dividends Paid**

	3 months ended		6 months ended	
	30.06.07	30.06.06	30.06.07	30.06.06
	RM'000	RM'000	RM'000	RM'000
<u>Ordinary Shares</u>				
Interim dividend paid	981	-	981	-
(YE2007- 3.0 sen gross per ordinary share, less income tax at 27%)				

**A9 Carrying Amount of Revalued Assets**

There were no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group did not adopt a revaluation on its property, plant and equipment.

**A10 Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

**A11 Changes in Composition of the Group**

There were no changes in the composition of the Group during the current financial quarter and financial year to date.

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**A12 Capital Commitments**

The Group has commitments as follows:

	30/06/07 RM'000	31/12/06 RM'000	Changes RM'000
Capital expenditure approved and contracted for	504	1,407	(903)

**A13 Changes in Contingent Liabilities/Contingent Assets**

	30/06/07 RM'000	31/12/06 RM'000	Changes RM'000
Corporate guarantees in respect of banking facilities granted to subsidiary Companies	190,719	182,750	7,969
Corporate guarantees in respect of the Supply of goods to subsidiary companies	13,100	13,100	-

**A14 Subsequent Events**

There were no material events subsequent to the financial quarter ended 30 June 2007 up to the date of this report which is likely to substantially affect the results of the operations of the Group, save as disclosed below:-

On 27 February 2007, the Board of Company announced that the Company proposes the following corporate exercise and was approved by the shareholders at the Thirteen Annual General Meeting of CHRB held on 26 June 2007.

- (i) a share split of every one (1) existing ordinary share of RM1.00 each held in CHRB on entitlement date to be determined later, into two (2) ordinary shares of RM0.50 each ("Subdivided CHRB Shares")("Proposed Share Split");
- (ii) a bonus issue of 35,819,200 new Subdivided CHRB Shares to be credited as fully-paid on the basis of two (2) new Subdivided CHRB Shares for every five (5) Subdivided CHRB Shares held after Proposed Share split: and

Both the Proposed Share Split and Bonus Issue were completed on 17 July 2007, resulting in an enlarged issued and paid-up share capital of the Company of RM62,683,00 (125,367,200 ordinary shares of RM0.50 each)

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### A15 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) CHRB Utara Sdn Bhd (CHRBU), a 90.3% owned subsidiary
- ii) CHRB Selatan Sdn Bhd (CHRBS), a 80% owned subsidiary
- iii) Chuan Huat Metal Sdn Bhd (CHM), a 80% owned subsidiary
- iv) CH Steel Recycle Centre Sdn Bhd (CHSRC), 90.6% owned subsidiary
- v) Discomp Berhad (DCB), a 63.85% owned subsidiary and it's subsidiary companies (DCB Group)
- vi) Keyline Consulting Sdn Bhd (KLC), a 70% owned subsidiary
- vii) CHRB Building Materials Sdn Bhd (CHRBBM), a 66% owned subsidiary

Other related parties being an associated company of the Chuan Huat Resources Berhad Group of companies and companies in which Directors of the Company and Directors of subsidiary companies have an interest.

The significant related party transactions are as follows:

	6 months ended 30/06/07 RM'000	6 months ended 30/06/06 RM'000
a) Sale of goods to		
<u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	8,429	7,621
<u>Subsidiaries</u>		
CHRBU	6,542	1,707
CHRBS	4,055	3,478
CHM	1,419	977
CHSRC	992	813
KLC	1,542	92
CHRBBM	118	898
b) Purchase of goods from		
<u>Other related parties</u>		
Acsan Steel Service Centre Sdn Bhd	3,971	2,396
<u>Subsidiaries</u>		
CHRBU	-	90
CHSRC	-	1,266
DCB Group	375	21
KLC	723	876
CHM	302	73

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## c) Others

Other related parties

Rental of house paid to LKC & Sons	-	8
Management fee received from associated company	3	3

Subsidiaries

Rental income received from subsidiaries	180	238
Security, water & electricity charges received from Subsidiaries	51	51
Management fee and incentive received from Subsidiaries	35	149

Ahmad Zaki Sdn Bhd is a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda, a Director of the Company, has a substantial financial interest.

Lim Kim Chuan & Sons Holdings Sdn Bhd ("LKC & Sons") is a company owned by Dato' Lim Khoon Heng, Dato' Lim Loong Heng, Dato' Lim Khoon Hock, Lim Kim Chuan and Hew Kwee Won ("The Lim Family"). The Lim Family is deemed interested in the related party transactions between the CHRB group and LKC & Sons.

Acsan Steel Service Centre Sdn Bhd is a company in which Dato' Lim Khoon Heng is a Director and has indirect interest through Chuan Huat Hardware Holdings Sdn Bhd, a 100% owned subsidiary of CHRB.

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.

**A16 Cash and cash equivalents**

	6 months ended	
	30/06/07	30/06/06
	RM'000	RM'000
Fixed deposit with a licensed bank	2,747	1,218
Cash and bank balances	12,353	12,401
Bank overdraft	(1,079)	(2,015)
	<u>14,021</u>	<u>11,604</u>
Less : Fixed Deposits pledged	(436)	(369)
	<u>13,585</u>	<u>11,235</u>

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**B. Explanatory Notes Pursuant to paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****B1 Performance Review**

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
	RM'000	RM'000	RM'000	RM'000
Revenue				
- continuing operations	139,174	134,843	291,815	247,701
Profit before taxation				
- continuing operations	4,755	2,513	7,001	2,074

The Group's revenue for the second quarter and six (6) months financial period ended 30 June 2007 have increased by approximately 3.2% and 17.8% respectively, as compared to the preceding year's corresponding financial period ended 30 June 2006. The increase was mainly due to the increase in the demand and the selling price of all steel products. The strategic marketing plans and policies also contributed towards the better performance.

The Group recorded a profit before taxation of approximately RM4,755,000 and RM7,001,000 for the second quarter and six (6) months financial period ended 30 June 2007, as compared to the corresponding financial period in the preceding financial year of approximately RM2,513,000 and RM2,074,000. The improved profit was mainly due to higher profit margin contributed by the increasing price of steel products.

**B2 Comment on Material Change in Profit Before Taxation**

	3 months ended	
	30/06/07	31/03/07
	RM'000	RM'000
Profit before taxation	4,755	2,246

The profit before taxation of RM4,755,000 in the financial quarter under review was higher compared to the preceding quarter ended 31 March 2007 of approximately RM2,246,000. The increase in profit during the quarter under review was mainly due to improved performance from both the Hardware and Building Material Division and the IT Retailing Division.

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### B3 Commentary on Prospects

The Board is optimistic of the Group's performance for the financial year 2007 in view of the country's improving economic fundamentals and resilient domestic demand. The buoyant property market and the roll-out of infrastructure projects under the 9th Malaysian Plan are expected to favourably position the Group's core division of Hardware and Building Material Division to contribute positively.

The Information Technology ("IT") Division have shifted the business focus back to the more stable "ESYINK" range of IT consumable products viz. compatible ink cartridges and coated paper to manage the adverse effects arising from the sharp decline in prices of flash memory products which were the Division's core focus previously. The Division will continue to draw on the strength of a ready network of distribution/retail outlets through out the country to maintain the "ESYINK" brand leadership in the compatible ink market. The Group aims to relocate/dispose the loss making division of manufacturing of micro floppy discs in the near future to stop the losses from this division.

### B4 Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

### B5 Income Tax Expenses

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
- current	1,225	805	1,711	1,263
- under/(over) provision in prior years	30	(4)	30	(4)
	<u>1,255</u>	<u>801</u>	<u>1,741</u>	<u>1,259</u>
Deferred taxation	133	(88)	335	6
TOTAL	<u>1,388</u>	<u>713</u>	<u>2,076</u>	<u>1,265</u>

The effective tax rate for the financial period ended 30 June 2007 and 30 June 2006 was not reflective of the statutory tax rate principally 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.

### B6 Sale of Unquoted Investment and Properties

There were no sales of unquoted investments and properties during the quarter under review and financial year-to-date.



**CHUAN HUAT RESOURCES BERHAD**

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**B7 Quoted Securities**

- (a) There were no purchase or disposal of quoted securities during the quarter under review and financial year-to-date.
- (b) Total investment in quoted securities by the Group as at 30 June 2007 were as follows:-

	6 months ended	
	30/06/07	30/06/06
	RM'000	RM'000
At cost	18	18
At book value	11	18
At market value	6	7

**B8 Corporate Proposals**

The Group does not have any corporate proposals announced but not completed as at 25 August 2007 (the latest practical date which is not earlier than 7 days from the date of this report).

**B9 Borrowings**

	6 months ended	
	30/06/07	30/06/06
	RM'000	RM'000
<u>Short Term</u>		
Bank overdrafts (unsecured)	1,079	2,015
Bills payable (unsecured)	162,712	120,338
Term loans (amount payable within 12 months)	2,284	1,579
	<u>166,075</u>	<u>123,932</u>
<u>Long Term</u>		
Term Loans (secured)	9,333	5,826
Less : amount payable within 12 months	(2,284)	(1,579)
	<u>7,049</u>	<u>4,247</u>

**B10 Off Balance Sheet Financial Instruments**

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

**B11 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 2006.

## CHUAN HUAT RESOURCES BERHAD

Company No. 290729-W  
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### B12 Dividends

On 1 March 2007, the Board of Directors declared an interim dividend of 3.0 sen gross per ordinary share, less income tax at 27% in respect of the financial year ending 31 December 2007. The dividend was paid on 3 April 2007.

The Board of Directors further recommends a first and final dividend of 2.5 sen gross per ordinary share, less income tax at 27% in respect of the financial year ended 31 December 2006 (2005: 1 sen gross per ordinary share, less income tax at 28%) and was approved by the shareholders at the Thirteen Annual General Meeting of CHRB held on 26 June 2007. The dividend will be paid on 5 September 2007.

The entitlement date was fixed on 8 August 2007 and a Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into Depositor's Securities Account before 4.00 p.m. on 8 August 2007 in respect of ordinary transfers;
- (b) Share bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

### B13 Earnings per share

Basic and diluted earnings per share

The basic and diluted earnings per share is calculated by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue for the respective period as follows:

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
Profit after tax and minority interest (RM'000)	3,050	1,834	4,593	1,045
Total number of ordinary shares in issue ('000)	44,774	44,774	44,774	44,774
Basic earnings per share (sen)	6.81	4.10	10.26	2.33
Diluted earnings per share (sen)	6.81	4.10	10.26	2.33

There were no potential dilutive components in the shareholdings of the Company as at 30 June 2007.

### BY ORDER OF THE BOARD

**DATO' LIM LOONG HENG**  
**DEPUTY MANAGING DIRECTOR**

Date: 27 August 2007