
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

A. Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134₂₀₀₄

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 134₂₀₀₄, 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 119₂₀₀₄(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 BERHADCompany 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		9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
<u>Segment Revenue</u>	RM'000	RM'000	RM'000	RM'000
Trading in hardware & building materials	205,909	173,968	562,501	462,727
Manufacturing & trading of IT related products	14,181	14,667	41,367	42,069
Investment holding	1,996	830	4,118	2,235
Trading in properties	1,180	39	1,385	131
Total revenue including inter-segment sales	223,266	189,504	609,371	507,162
Elimination of inter segment sales	(50,955)	(37,970)	(145,245)	(107,927)
Total revenue	172,311	151,534	464,126	399,235

	3 months ended		9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
<u>Profit/ (loss) from operations</u>				
Trading in hardware & building materials	4,560	3,547	15,042	9,255
Manufacturing & trading of IT related products	306	(278)	744	(793)
Investment holding	(351)	620	(1,009)	(448)
Trading in properties	322	(18)	272	21
	4,837	3,871	15,049	8,035

	3 months ended		9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
<u>Profit/ (loss) before taxation</u>				
Trading in hardware & building materials	2,870	2,094	10,226	5,750
Manufacturing & trading of IT related products	305	(280)	727	(766)
Investment holding	(382)	582	(1,109)	(553)
Trading in properties	322	(18)	272	21
	3,115	2,378	10,116	4,452

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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		9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
	RM'000	RM'000	RM'000	RM'000
<u>Ordinary Shares</u>				
(a) Interim dividend paid			981	
(YE2007- 3.0 sen gross per ordinary (RM1.00) share, less income tax at 27%)				
(b) First and final dividend paid			1,143	
(YE2006- 1.25 sen gross per ordinary share (50 sen) , less income tax at 27%)	1,143		1,143	
(YE2005- 1.0 sen gross per ordinary (RM1.00) share, less income tax at 28%)		322		322
	<u>1,143</u>	<u>322</u>	<u>2,124</u>	<u>322</u>

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.

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**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.

A12 Capital Commitments

The Group has commitments as follows:

	30/09/07 RM'000	31/12/06 RM'000	Changes RM'000
Capital expenditure approved and contracted for	87	1,407	(1,320)

A13 Changes in Contingent Liabilities/Contingent Assets

	30/09/07 RM'000	31/12/06 RM'000	Changes RM'000
Corporate guarantees in respect of banking facilities granted to subsidiary Companies	183,791	182,750	1,041
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 Sep 2007 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

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 (CHRBUT), a 90.3% owned subsidiary
- ii) CHRB Selatan Sdn Bhd (CHRBSEL), 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) Disccomp 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 (CHRBMBM), 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.

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The significant related party transactions are as follows:

	9 months ended 30/09/07 RM'000	9 months ended 30/09/06 RM'000
a) Sale of goods to		
<u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	11,668	13,086
<u>Subsidiaries</u>		
CHRBU	12,375	7,157
CHRBS	6,989	4,691
CHM	1,419	1,184
CHSRC	1,651	1,463
KLC	2,230	593
CHRBBM	556	1,696
b) Purchase of goods from		
<u>Other related parties</u>		
Acsan Steel Service Centre Sdn Bhd	5,878	4,019
<u>Subsidiaries</u>		
CHRBU	-	96
CHSRC	504	1,499
DCB Group	1	23
KLC	931	1,045
CHM	652	97
c) Others		
<u>Other related parties</u>		
Rental of house paid to LKC & Sons	-	9
Management fee received from associated company	3	5
<u>Subsidiaries</u>		
Rental income received from subsidiaries	264	330
Security, water & electricity charges received from Subsidiaries	76	77
Management fee and incentive received from Subsidiaries	52	25
Interest expenses	205	-

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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

	9 months ended	
	30/09/07	30/09/06
	RM'000	RM'000
Fixed deposit with a licensed bank	751	1,911
Cash and bank balances	12,244	13,079
Bank overdraft	(2,549)	(1,308)
	<u>10,446</u>	<u>13,682</u>
Less : Fixed Deposits pledged	(436)	(369)
	<u>10,010</u>	<u>13,313</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		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
	RM'000	RM'000	RM'000	RM'000
Revenue				
- continuing operations	172,311	151,534	464,126	399,235
Profit before taxation				
- continuing operations	3,116	2,378	10,116	4,452

The Group's revenue for the third quarter and nine (9) months financial period ended 30 September 2007 have increased by approximately 13.7% and 16.3% respectively, as compared to the preceding year's corresponding financial period ended 30 September 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 RM3,116,000 and RM10,116,000 for the third quarter and nine (9) months financial period ended 30 September 2007, as compared to the corresponding financial period in the preceding financial year of approximately RM2,378,000 and RM4,452,000. The improved profit was mainly due to increased gross profit from the sale of inventory-in-hand at the increasing price of steel products during the current 9 months period.

B2 Comment on Material Change in Profit Before Taxation

	3 months ended	
	30/09/07	30/06/07
	RM'000	RM'000
Profit before taxation	3,116	4,755

The profit before taxation of RM3,116,000 in the financial quarter under review was lower compared to the preceding quarter ended 30 June 2007 of approximately RM4,755,000. This was mainly due to reduced profit margin achieved during the quarter under review.

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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 sustain favourably the position of the Group's core division of Hardware and Building Material Division.

The Information Technology ("IT") Division have strategically consolidated the operations of the "ESYINK" range of IT consumable products viz. compatible ink cartridges and coated paper. The move has enabled an effective business focus on the more stable range of products in terms of profitability. The IT Division will continue to draw on the strength of a ready network of distribution/retail outlets throughout the country with the aim of maintaining the "ESYINK" brand leadership in the compatible ink market of the country. In view of the discouraging prospect of the Micro Floppy Diskettes ("MFD") sector, the Group has in the mean time reduced the operations to a minimal level while aiming to relocate or dispose of the MFD manufacturing activity in the near future.

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		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
- current	771	825	2,482	2,088
- under/(over) provision in prior years	8	10	38	6
	<u>779</u>	<u>835</u>	<u>2,520</u>	<u>2,094</u>
Deferred taxation	166	(4)	501	2
TOTAL	<u>945</u>	<u>831</u>	<u>3,021</u>	<u>2,096</u>

The effective tax rate for the financial period ended 30 September 2007 and 30 September 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.

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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 September 2007 were as follows:-

	9 months ended	
	30/09/07	30/09/06
	RM'000	RM'000
At cost	18	18
At book value	11	18
At market value	6	6

B8 Corporate Proposals

The Group does not have any corporate proposals announced but not completed as at 20 November 2007 (the latest practical date which is not earlier than 7 days from the date of this report).

B9 Borrowings

	9 months ended	
	30/09/07	30/09/06
	RM'000	RM'000
<u>Short Term</u>		
Bank overdrafts (unsecured)	2,549	1,308
Bills payable (unsecured)	164,554	130,893
Term loans (amount payable within 12 months)	2,660	2,719
	<u>169,763</u>	<u>134,920</u>
<u>Long Term</u>		
Term Loans (secured)	9,152	6,616
Less : amount payable within 12 months	(2,660)	(2,719)
	<u>6,492</u>	<u>3,897</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.

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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 1.25 sen gross per ordinary (50 sen) share, less income tax at 27% in respect of the financial year ended 31 December 2006 (2005: 1 sen gross per ordinary (RM1.00) 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 was paid on 5 September 2007.

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		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
Profit after tax and minority interest (RM'000)	2,054	1,594	6,647	2,639
Total number of ordinary shares in issue ('000)	125,367	44,774	125,367	44,774
Basic earnings per share (sen)	1.64	3.56	5.30	5.89
Diluted earnings per share (sen)	1.64	3.56	5.30	5.89

As a result of the Share Split and Bonus Issue exercise which were completed on 17 July 2007, the issued and paid-up share capital of the Company was enlarged to RM62,683,000 comprising of 125,367,200 ordinary shares of RM0.50 each

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

BY ORDER OF THE BOARD

DATO' LIM LOONG HENG
DEPUTY MANAGING DIRECTOR

Date: 26 November 2007