
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

A. Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134

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, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board.

This interim financial statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007. 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 2007. 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 statement has been prepared in accordance with the same accounting policies adopted in audited financial statements for the financial year ended 31 December 2007 except for the adoption of the following new/revised FRS which are applicable to the Group effective for financial periods beginning on or after 1 January 2008:

- | | | |
|------|---------|--|
| i) | FRS 107 | Cash Flow Statements |
| ii) | FRS 112 | Income Taxes |
| iii) | FRS 118 | Revenue |
| iv) | FRS 134 | Interim Financial Reporting |
| v) | FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |

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

A3 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2007 was not qualified.

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(Incorporated in Malaysia)**A4 Segment Information**

	3 months ended	
	31.03.08	31.03.07
	RM'000	RM'000
<u>Segment Revenue</u>		
Trading in hardware & building materials	228,695	183,017
Manufacturing & trading of IT related products	10,570	13,816
Investment holding	361	1,753
Trading in properties	0	39
Total revenue including inter-segment sales	<u>239,626</u>	<u>198,625</u>
Elimination of inter segment sales	(67,682)	(45,984)
Total revenue	<u>171,944</u>	<u>152,641</u>

	3 months ended	
	31.03.08	31.03.07
	RM'000	RM'000
<u>Segment Results</u>		
<u>Profit/ (loss) from operations</u>		
Trading in hardware & building materials	9,465	4,238
Manufacturing & trading of IT related products	126	(44)
Investment holding	(418)	(348)
Trading in properties	(38)	30
	<u>9,135</u>	<u>3,876</u>

	3 months ended	
	31.03.08	31.03.07
	RM'000	RM'000
<u>Profit/ (loss) before taxation</u>		
Trading in hardware & building materials	7,736	2,651
Manufacturing & trading of IT related products	142	(51)
Investment holding	(443)	(384)
Trading in properties	(37)	30
	<u>7,398</u>	<u>2,246</u>

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.

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**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

No dividend has been paid in the current quarter and the financial year-to-date.

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.

A12 Capital Commitments

There were no capital commitments for the current financial year to date.

A13 Changes in Contingent Liabilities/Contingent Assets

	31/03/08 RM'000	31/12/07 RM'000	Changes RM'000
Corporate guarantees in respect of banking facilities granted to subsidiary Companies	196,653	187,403	9,250
Corporate guarantees in respect of the Supply of goods to subsidiary companies	15,600	15,600	-

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A14 Subsequent Events

There were no material events subsequent to the financial quarter ended 31 March 2008 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 (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 (CHRB BM), 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:

	3 months ended 31/03/08 RM'000	3 months ended 31/03/07 RM'000
a) Sale of goods to		
<u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	3,878	3,683
<u>Subsidiaries</u>		
CHRBU	6,836	3,774
CHRBS	2,798	2,222
CHM	1	752
CHSRC	1,019	398
KLC	153	451
CHRB BM	3,487	95

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b) Purchase of goods from

Other related parties

Anshin Steel Processor Centre Sdn Bhd	1,697	1,579
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Subsidiaries

CHRBU	249	-
CHSRC	25	290
KLC	88	236
CHM	3,458	197
CHRB BM	1	-

c) Others

Other related parties

Management fee received from associated company	-	2
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Subsidiaries

Rental income received from subsidiaries	88	90
Security, water & electricity charges received from Subsidiaries	24	26
Management fee and incentive received from Subsidiaries	16	17

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.

Anshin Steel Processor 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

	3 months ended	
	31/03/08	31/03/07
	RM'000	RM'000
Fixed deposit with a licensed bank	5,831	520
Cash and bank balances	22,422	10,734
Bank overdraft	(585)	(1,509)
	<u>27,668</u>	<u>9,745</u>
Less : Fixed Deposits pledged	(436)	(436)
	<u>27,232</u>	<u>9,309</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	
	31/03/08	31/03/07
	RM'000	RM'000
Revenue		
- continuing operations	171,944	152,641
Profit before taxation		
- continuing operations	7,398	2,246

The Group's revenue for the first quarter has increased by approximately 13% as compared to the preceding year's corresponding financial period year 31 March 2007. The increase of Group's revenue was largely due to the increase in the selling price and the sustainable demand of all steel products. The strategic marketing plans and policies of the Group have contributed to the improving performance.

The Group recorded an improved profit before taxation of approximately RM7,398,000 for the three months financial period ended 31 March 2008, as compared to the corresponding financial period in the preceding financial year of approximately RM2,246,000. The better results were mainly due to the increased gross profit from the sale of inventory-in-hand at the increasing price of steel products during the period.

B2 Comment on Material Change in Profit before Taxation

	3 months ended	
	31/03/08	31/12/07
	RM'000	RM'000
Profit before taxation	7,398	2,549

During the financial quarter under review, the Group recorded a profit before taxation of approximately RM7,398,000, as compared to the preceding quarter ended 31 December 2007 of approximately RM2,549,000. The increase of profit before taxation is mainly due to the increase in revenue and coupled with higher gross profit margin.

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B3 Commentary on Prospects

The Group's performance for the financial year should improve significantly in view of the country's stable economic fundamentals and strong domestic demand. The continuing 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 maintain the growth trend of the Group's performances.

The Information Technology ("IT") Division will focus on the "ESYINK" range of IT consumable products viz. compatible ink cartridges and coated paper, and will continue the efforts to streamline the Group's network of distribution/retail outlets throughout the country by critically identifying the performing locations while shifting the non-performing operations to better locations. These strategies have proven to contribute positive results to the performance of the 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	
	31/03/08	31/03/07
	RM'000	RM'000
Malaysia income tax		
- current	2,133	486
- under/(over) provision in prior years	-	-
	<u>2,133</u>	<u>486</u>
Deferred taxation	(49)	202
TOTAL	<u>2,084</u>	<u>688</u>

The effective tax rate for the financial periods ended 31 March 2008 and 31 March 2007 are 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 31 March 2008 were as follows:-

	3 months ended	
	31/03/08 RM'000	31/03/07 RM'000
At cost	18	18
At book value	7	18
At market value	6	8

B8 Corporate Proposals

Save as disclosed below, the Group does not have any corporate proposals announced but not completed as at 20 May 2008 (the latest practical date which is not earlier than 7 days from the date of this report).

On 28 April 2008, the Board of Company announced that the Company proposes to seek the approval of its shareholders at the forthcoming Fourteen Annual General Meeting ("AGM") of the Company on the renewal of shareholders' mandate to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature which are necessary for the day-to-day operations of the Company and its subsidiary companies and new shareholders' mandate for additional RRPT from the period commencing from the conclusion of the forthcoming AGM to the date of the next AGM.

B9 Borrowings

	3 months ended	
	31/03/08 RM'000	31/03/07 RM'000
<u>Short Term</u>		
Bank overdrafts (unsecured)	585	1,509
Bills payable (unsecured)	160,129	163,667
Term loans (amount payable within 12 months)	2,730	2,261
	<u>163,444</u>	<u>167,437</u>
<u>Long Term</u>		
Term Loans (secured)	7,780	9,883
Less : amount payable within 12 months	(2,730)	(2,261)
	<u>5,050</u>	<u>7,622</u>

B10 Off Balance Sheet Financial Instruments

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

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**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 2007.

B12 Dividends

On 26 February 2008, the Board of Directors declared an interim dividend of 1.5 sen gross per ordinary share, less income tax at 26% in respect of the financial year ending 31 December 2008. The dividend was paid on 9 April 2008.

The Board of Directors further recommends a final dividend of 1.5 sen gross per ordinary share, less income tax at 26% in respect of the financial year ended 31 December 2007 (2006: 2.5 sen gross per ordinary share, less income tax at 27%) and will be tabled for the approval by the shareholders at the forthcoming Fourteen Annual General Meeting of CHRB at a date to be determined later. This was duly announced on 28 April 2008

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 total average number of ordinary shares in issue for the respective period as follows:

	3 months ended	
	31/03/08	31/03/07
Profit after tax and minority interest (RM'000)	5,186	1,546
Total number of ordinary shares in issue ('000)	125,367	44,774
Basic earnings per share (sen)	4.14	3.45
Diluted earnings per share (sen)	4.14	3.45

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 RM62,683,600 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 31 March 2008.

BY ORDER OF THE BOARD

DATO' LIM LOONG HENG
DEPUTY MANAGING DIRECTOR

Date: 26 May 2008