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

CHUAN HUAT RESOURCES BERHADCompany No. 290729-W
(Incorporated in Malaysia)**A4 Segment Information**

<u>Segment Revenue</u>	3 months ended		6 months ended	
	30.06.08 RM'000	30.06.07 RM'000	30.06.08 RM'000	30.06.07 RM'000
Trading in hardware & building materials	295,595	173,575	524,290	356,592
Manufacturing & trading of IT related products	11,402	13,370	21,972	27,186
Investment holding	347	369	708	2,122
Trading in properties	0	166	0	205
Total revenue including inter-segment sales	307,344	187,480	546,970	386,105
Elimination of inter segment sales	(99,734)	(48,306)	(167,416)	(94,290)
Total revenue	207,610	139,174	379,554	291,815

<u>Segment Results</u>	3 months ended		6 months ended	
	30.06.08 RM'000	30.06.07 RM'000	30.06.08 RM'000	30.06.07 RM'000
<u>Profit/ (loss) from operations</u>				
Trading in hardware & building materials	18,078	6,244	27,543	10,482
Manufacturing & trading of IT related products	157	482	283	438
Investment holding	(237)	(310)	(655)	(658)
Trading in properties	33	(80)	(5)	(50)
	18,031	6,336	27,166	10,212
<u>Profit/ (loss) before taxation</u>				
Trading in hardware & building materials	16,568	4,705	24,304	7,356
Manufacturing & trading of IT related products	182	473	324	422
Investment holding	(258)	(343)	(701)	(727)
Trading in properties	(96)	(80)	(133)	(50)
	16,396	4,755	23,794	7,001

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.

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**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	
	30.06.08 RM'000	30.06.07 RM'000	30.06.08 RM'000	30.06.07 RM'000
<u>Ordinary Shares</u>				
Interim dividend paid (YE2008- 1.5 sen gross per ordinary share, less income tax at 26%)	1,392		1,392	
(YE2007- 3.0 sen gross per ordinary share, less income tax at 27%)		981		981

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

	30/06/08 RM'000	31/12/07 RM'000	Changes RM'000
Corporate guarantees in respect of banking facilities granted to subsidiary Companies	195,903	187,403	8,500
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 30 June 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 (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 30/06/08 RM'000	6 months ended 30/06/07 RM'000
a) Sale of goods to		
<u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	10,175	8,429
<u>Subsidiaries</u>		
CHRBU	8,473	6,542
CHRBS	7,023	4,055
CHM	15	1,419
CHSRC	1,019	992
KLC	1,209	1,542
CHRB BM	3,538	118

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**b) Purchase of goods from**

<u>Other related parties</u>		
Anshin Steel Processor Centre Sdn Bhd	2,967	3,971
<u>Subsidiaries</u>		
CHRBU	451	-
CHSRC	25	-
KLC	482	723
CHM	3,525	302
DCB Group	-	375
CHRB BM	-	-

c) Others

<u>Other related parties</u>		
Management fee received from associated company	-	3
<u>Subsidiaries</u>		
Rental income received from subsidiaries	166	180
Security, water & electricity charges received from Subsidiaries	46	51
Management fee and incentive received from Subsidiaries	31	35

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

	6 months ended	
	30/06/08	30/06/07
	RM'000	RM'000
Fixed deposit with a licensed bank	1,561	2,747
Cash and bank balances	22,962	12,353
Bank overdraft	(1,504)	(1,079)
	<u>23,019</u>	<u>14,021</u>
Less : Fixed Deposits pledged	(436)	(436)
	<u>22,583</u>	<u>13,585</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	
	30/06/08	30/06/07	30/06/08	30/06/07
	RM'000	RM'000	RM'000	RM'000
Revenue				
- continuing operations	207,610	139,174	379,554	291,815
Profit before taxation				
- continuing operations	16,396	4,755	23,794	7,001

The Group's revenue for the second quarter and six months financial period ended 30 June 2008 have increased by approximately 49% and 30% respectively, as compared to the preceding year's corresponding financial period ended 30 June 2007. The increase of Group's revenue was largely due to the increase in the selling prices of the Group's core products.

The Group recorded an improved profit before taxation of approximately RM16,396,000 and RM23,794,000 for the second quarter and six (6) months financial period ended 30 June 2008, as compared to the corresponding financial period in the preceding financial year of approximately RM4,755,000 and RM7,001,000. The better results were mainly due to the higher gross profit margin and the global increase in prices of steel products during the periods under review.

B2 Comment on Material Change in Profit before Taxation

	3 months ended	
	30/06/08	31/03/08
	RM'000	RM'000
Profit before taxation	16,396	7,398

During the financial quarter under review, the Group recorded a profit before taxation of approximately RM16,396,000, as compared to the preceding quarter ended 31 March 2008 of approximately RM7,398,000. The increase of profit before taxation is mainly due to both the increase in revenue and higher gross profit margin.

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B3 Commentary on Prospects

The Group's performance for the financial year should remain positive in view of the country's stable domestic demand. The spread of infrastructure projects under the 9th Malaysian Plan are expected to create the sustainable demand of all construction materials including steel products thus positioning the Group's core division of Hardware and Building Material Division in maintaining the growth trend of the Group's performances.

The Information Technology ("IT") Division will continue with the strategies which have contributed positively to the performance of the Group. These includes the focus on the "ESYINK" range of IT consumable products viz. compatible ink cartridges and coated paper, streamlining the Group's network of distribution/retail outlets and participations in all major IT fairs throughout the country

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	
	30/06/08	30/06/07	30/06/08	30/06/07
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
- current	4,252	1,225	6,385	1,711
- under/(over) provision in prior years	-	30	-	30
	<u>4,252</u>	<u>1,255</u>	<u>6,385</u>	<u>1,741</u>
Deferred taxation	16	133	(33)	335
TOTAL	<u>4,268</u>	<u>1,388</u>	<u>6,352</u>	<u>2,076</u>

The effective tax rate for the financial periods ended 30 June 2008 and 30 June 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 30 June 2008 were as follows:-

	6 months ended	
	30/06/08	30/06/07
	RM'000	RM'000
At cost	18	18
At book value	6	11
At market value	6	6

B8 Corporate Proposals

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

B9 Borrowings

	6 months ended	
	30/06/08	30/06/07
	RM'000	RM'000
<u>Short Term</u>		
Bank overdrafts (unsecured)	1,504	1,079
Bills payable (unsecured)	171,080	162,712
Term loans (amount payable within 12 months)	2,744	2,284
	<u>175,328</u>	<u>166,075</u>
<u>Long Term</u>		
Term Loans (secured)	7,113	9,333
Less : amount payable within 12 months	(2,744)	(2,284)
	<u>4,369</u>	<u>7,049</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 2007.

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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 first and 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 was approved by the shareholders at the Fourteenth Annual General Meeting of CHRB held on 26 June 2008. The dividend was paid on 12 August 2007.

The entitlement date was fixed on 31 July 2008 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 31 July 2008 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 total average number of ordinary shares in issue for the respective period as follows:

	3 months ended		6 months ended	
	30/06/08	30/06/07	30/06/08	30/06/07
Profit after tax and minority interest (RM'000)	11,796	3,050	16,982	4,593
Total number of ordinary shares in issue ('000)	125,367	44,774	125,367	44,774
Basic earnings per share (sen)	9.41	6.81	13.55	10.26
Diluted earnings per share (sen)	9.41	6.81	13.55	10.26

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 30 June 2008.

BY ORDER OF THE BOARD

DATO' LIM LOONG HENG
DEPUTY MANAGING DIRECTOR

Date: 26 August 2008