
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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		9 months ended	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
Trading in hardware & building materials	253,219	205,909	777,509	562,501
Manufacturing & trading of IT related products	12,690	14,181	34,662	41,367
Investment holding	354	1,996	1,062	4,118
Trading in properties	198	1,180	198	1,385
Total revenue including inter-segment sales	266,461	223,266	813,431	609,371
Elimination of inter segment sales	(86,613)	(50,955)	(254,029)	(145,245)
Total revenue	179,848	172,311	559,402	464,126

<u>Segment Results</u>	3 months ended		9 months ended	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
<u>Profit/ (loss) from operations</u>				
Trading in hardware & building materials	9,995	4,560	37,538	15,042
Manufacturing & trading of IT related products	266	306	549	744
Investment holding	(415)	(351)	(1,070)	(1,009)
Trading in properties	39	322	34	272
	9,885	4,837	37,051	15,049
<u>Profit/ (loss) before taxation</u>				
Trading in hardware & building materials	8,315	2,870	32,619	10,226
Manufacturing & trading of IT related products	276	305	600	727
Investment holding	(434)	(382)	(1,135)	(1,109)
Trading in properties	(23)	322	(156)	272
	8,134	3,115	31,928	10,116

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		9 months ended	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
<u>Ordinary Shares</u>				
(a) <u>Interim dividend paid</u>				
(YE2008- 1.50 sen gross per ordinary share (50 sen), less income tax at 26%)	-	-	1,392	-
(YE2007- 3.00 sen gross per ordinary share (RM1.00), less income tax at 27%)	-	-	-	981
(b) <u>First and final dividend paid</u>				
(YE2007- 1.50 sen gross per ordinary share (50 sen), less income tax at 26%)	1,391	-	1,391	-
(YE2006- 1.25 sen gross per ordinary share (50 sen), less income tax at 27%)	-	1,143	-	1,143
	<u>1,391</u>	<u>1,143</u>	<u>2,783</u>	<u>2,124</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.

A11 Changes in Composition of the Group

During the current financial quarter, Chuan Huat Hardware (Sdn.) Berhad ("CHH") a wholly-owned subsidiary of the Company, had on 7 July 2008, entered into a Sale and Purchase Agreement of shares ("SPA") with See Chok Hock ("SCH"), for the acquisition by CHH of 200,000 ordinary shares of RM1.00 each in CHRB Selatan Sdn. Bhd. ("CHRB Selatan"), representing the remaining 20% equity interest in CHRB Selatan held by the SCH, for a total cash consideration of RM2,000,000.00 The acquisition of CHRB Selatan by CHH was completed on the 12 August 2008, hence CHRB Selatan is a wholly-owned subsidiary of the Company.

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**A12 Capital Commitments**

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

A13 Changes in Contingent Liabilities/Contingent Assets

	30/09/08 RM'000	31/12/07 RM'000	Changes RM'000
Corporate guarantees in respect of banking facilities granted to subsidiary Companies	185,153	187,403	(2,250)
Corporate guarantees in respect of the Supply of goods to subsidiary companies	15,600	15,600	-

A14 Subsequent Events

There were no material events subsequent to the financial quarter ended 30 September 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 (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) 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 (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 30/09/08 RM'000	9 months ended 30/09/07 RM'000
a) Sale of goods to		
<u>Other related parties</u>		
Ahmad Zaki Sdn Bhd	13,825	11,668
<u>Subsidiaries</u>		
CHRB	13,478	12,375
CHRBS	10,031	6,989
CHM	23	1,419
CHSRC	1,019	1,651
KLC	2,557	2,230
CHRB BM	4,552	556
b) Purchase of goods from		
<u>Other related parties</u>		
Anshin Steel Processor Centre Sdn Bhd	4,335	5,878
<u>Subsidiaries</u>		
CHRB	453	-
CHSRC	25	504
KLC	988	931
CHM	4,056	652
DCB Group	-	1
c) Others		
<u>Other related parties</u>		
Management fee received from associated company	-	3
<u>Subsidiaries</u>		
Rental income received from subsidiaries	242	264
Security, water & electricity charges received from Subsidiaries	67	76
Management fee and incentive received from Subsidiaries	50	52
Interest expenses	-	205

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 Centre Sdn Bhd is a company in which Dato' Lim Khoo 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.

CHUAN HUAT RESOURCES BERHADCompany No. 290729-W
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	9 months ended	
	30/09/08	30/09/07
	RM'000	RM'000
Fixed deposit with a licensed bank	2,685	751
Cash and bank balances	20,518	12,244
Bank overdraft	(618)	(2,549)
	<hr/>	<hr/>
	22,585	10,446
Less : Fixed Deposits pledged	(436)	(436)
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	22,149	10,010

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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	
	30/09/08	30/09/07	30/09/08	30/09/07
	RM'000	RM'000	RM'000	RM'000
Revenue				
- continuing operations	179,848	172,311	559,402	464,126
Profit before taxation				
- continuing operations	8,134	3,115	31,928	10,116

The Group's revenue for the third quarter and nine (9) months financial period ended 30 September 2008 have increased by approximately 4.4% and 20.5% respectively, as compared to the preceding year's corresponding financial period ended 30 September 2007. The increase of Group's revenue was mainly due to higher selling prices of the steel products and increased demand.

The Group recorded an improved profit before taxation of approximately RM8,134,000 and RM31,928,000 for the third quarter and nine (9) months financial period ended 30 September 2008, as compared to the corresponding financial period in the preceding financial year of approximately RM3,115,000 and RM10,116,000. The better results were mainly due to the higher gross profit margins generated from the sale of the stock in hand which were bought in at lower prices.

B2 Comment on Material Change in Profit before Taxation

	3 months ended	
	30/09/08	30/06/08
	RM'000	RM'000
Profit before taxation	8,134	16,396

During the financial quarter under review, the Group recorded a profit before taxation of approximately RM8,134,000, as compared to the preceding quarter ended 30 June 2008 of approximately RM16,396,000. The decrease of profit before taxation was mainly due to the dropped in steel prices during the quarter under review which resulted the gross margin to be comparatively lower than the previous quarter ended 30 June 2008.

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B3 Commentary on Prospects

Despite the collapse of the global commodities prices, where steel is one of the product which saw the prices dropping by as much as 40% and the uncertainties ahead, the Group will strive to achieve breakeven result for the last quarter of the current financial year. The domestic construction sector is expected to slow down but with the recent economic stimulus packages announced by the Malaysian Government, it is expected to sustain the industry.

The Information Technology ("IT") Division will remain focus on the strategies which have contributed positively to the performance of the Group. These includes 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		9 months ended	
	30/09/08	30/09/07	30/09/08	30/09/07
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
- current	2,273	771	8,658	2,482
- under/(over) provision in prior years	231	8	231	38
	<u>2,504</u>	<u>779</u>	<u>8,889</u>	<u>2,520</u>
Deferred taxation	195	166	162	501
TOTAL	<u>2,699</u>	<u>945</u>	<u>9,051</u>	<u>3,021</u>

The effective tax rate for the financial periods ended 30 September 2008 and 30 September 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.

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 September 2008 were as follows:-

	9 months ended	
	30/09/08	30/09/07
	RM'000	RM'000
At cost	18	18
At book value	6	11
At market value	5	6

B8 Corporate Proposals

The Group does not have any corporate proposals announced but not completed as at 18 November 2008 (the latest practical date which is not earlier than 7 days from the date of this report).

B9 Borrowings

	9 months ended	
	30/09/08	30/09/07
	RM'000	RM'000
<u>Short Term</u>		
Bank overdrafts (unsecured)	618	2,549
Bills payable (unsecured)	140,324	164,554
Term loans (amount payable within 12 months)	2,785	2,660
	<u>143,726</u>	<u>169,763</u>
<u>Long Term</u>		
Term Loans (secured)	6,428	9,152
Less : amount payable within 12 months	(2,785)	(2,660)
	<u>3,643</u>	<u>6,492</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 recommended 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 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		9 months ended	
	30/09/08	30/09/07	30/09/08	30/09/07
Profit after tax and minority interest (RM'000)	5,176	2,054	22,158	6,647
Total number of ordinary shares in issue ('000)	125,367	125,367	125,367	125,367
Basic earnings per share (sen)	4.13	1.64	17.67	5.30
Diluted earnings per share (sen)	4.13	1.64	17.67	5.30

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 September 2008.

BY ORDER OF THE BOARD

DATO' LIM LOONG HENG
DEPUTY MANAGING DIRECTOR

Date: 25 November 2008