



CHUAN HUAT GROUP

CHUAN HUAT RESOURCES BERHAD

(290729-W)

annual report

2005





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# Corporate Information

## BOARD OF DIRECTORS

Dato' Haji Wan Zaki Bin Haji Wan Muda  
(Non-Executive Chairman)

Dato' Lim Khoon Heng  
(CEO/Group Managing Director)

Dato' Lim Loong Heng  
(Deputy Managing Director)

Lim Khoon Hock  
(Executive Director)

Tai Keat Chai  
(Independent Non-Executive Director)

Dali Kumar @ Dali Bin Sardar  
(Independent Non-Executive Director)

Leow Bock Lim  
(Independent Non-Executive Director)

## SECRETARIES

Tay Lee Siang (LS 00129)  
Pan Kow Bah (LS 0008906)

## REGISTERED OFFICE

Wisma Lim Kim Chuan  
Lot 50A, Section 92A  
3 ½ Miles Off Jalan Sungei Besi  
57100 Kuala Lumpur  
Tel No: 03-7983 3333  
Fax No: 03-7980 3333

## PRINCIPAL BANKERS

RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad  
Malayan Banking Berhad  
Hong Leong Bank Berhad  
AmBank (M) Berhad  
EON Bank Berhad  
Bumiputra-Commerce Bank Berhad

## AUDITORS

Ong Boon Bah & Co.  
B-10-1, Megan Avenue 1  
189, Jalan Tun Razak  
50400 Kuala Lumpur

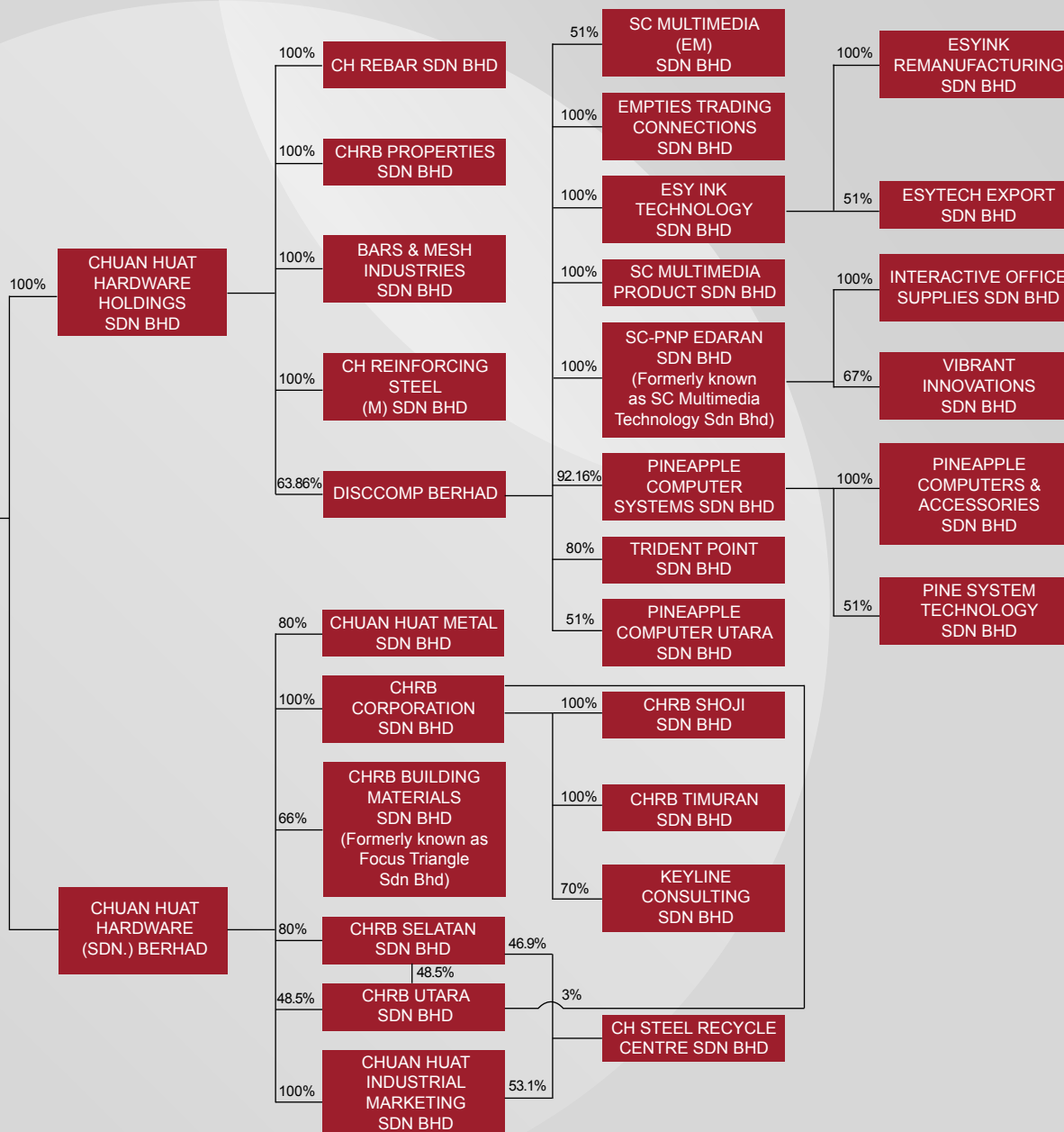
## REGISTRAR

Sectrars Services Sdn Bhd  
28-1, Jalan Tun Sambanthan 3  
Brickfields  
50470 Kuala Lumpur  
Tel No: 03-2274 6133  
Fax No: 03-2274 1016

## STOCK EXCHANGE LISTING

Second Board  
of Bursa Malaysia Securities Berhad

# Group Structure



# Organisation Structure

## BOARD OF DIRECTORS

Non-Executive Chairman  
**Dato' Haji Wan Zaki Bin Haji Wan Muda**

CEO / Group Managing Director  
**Dato' Lim Khoon Heng**

Deputy Managing Director  
**Dato' Lim Loong Heng**

Executive Director  
**Lim Khoon Hock**

Independent Non-Executive Directors  
**Tai Keat Chai**  
**Leow Bock Lim**  
**Dali Kumar @ Dali Bin Sardar**

## REMUNERATION COMMITTEE

Dali Kumar @ Dali Bin Sardar (Chairman)  
Dato' Haji Wan Zaki Bin Haji Wan Muda  
Dato' Lim Khoon Heng  
Tai Keat Chai  
Leow Bock Lim

## NOMINATION COMMITTEE

Dali Kumar @ Dali Bin Sardar (Chairman)  
Dato' Haji Wan Zaki Bin Haji Wan Muda  
Tai Keat Chai  
Leow Bock Lim

## AUDIT COMMITTEE

Tai Keat Chai (Chairman)  
Leow Bock Lim  
Dali Kumar @ Dali Bin Sardar  
Dato' Lim Loong Heng

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twelfth Annual General Meeting of Chuan Huat Resources Berhad will be held at Bukit Jalil Golf & Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 29 June 2006 at 11.00 a.m. for the following purposes:

## AGENDA

- |  |  |
|--|--|
| 1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon.                              | (Ordinary Resolution 1)                            |
| 2. To approve the payment of a first and final dividend of 1 sen gross per ordinary share less income tax at 28% for the financial year ended 31 December 2005.                  | (Ordinary Resolution 2)                            |
| 3. To approve the payment of Directors' fees in respect of the year ended 31 December 2005.  | (Ordinary Resolution 3)                            |
| 4. To re-elect the following Directors who are retiring pursuant to Article 63 of the Company's Articles of Association:<br>(i) Dato' Lim Khoo Heng<br>(ii) Dato' Lim Loong Heng | (Ordinary Resolution 4)<br>(Ordinary Resolution 5) |
| 5. To re-appoint Messrs. Ong Boon Bah & Co. as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.                   | (Ordinary Resolution 6)                            |

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

- |   |                         |
|---|-------------------------|
| 6. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 ("the Act")<br>"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such issue and allotment."   | (Ordinary Resolution 7) |
| 7. Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature<br>"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.2.2 of the Circular to Shareholders dated 7 June 2006 ("Circular"), which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:<br>• Recurrent related party transactions entered into by either of CHHH, CHH, BMI, CHM, CHSRC, CHIM, CHRS, CHRB Selatan, CHRB Utara, CH Rebar, CHRB Corp, CHRB Timuran, CHRB Prop, CHRB BM and Keyline with one another.<br>• Recurrent related party transactions entered into by CHH with ASSC. | (Ordinary Resolution 8) |

AND THAT the approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

AND FURTHER THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.



## Notice of Annual General Meeting (cont'd)

8. Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature
- "THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.2.2 of the Circular, which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:
- Recurrent related party transactions entered into by CHIM with AZSB.

(Ordinary Resolution 9)

AND THAT the approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

AND FURTHER THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.

9. To transact any other ordinary business of which due notice shall have been given.

## Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that the First and Final Dividend of 1 sen gross per ordinary share less income tax at 28% in respect of the financial year ended 31 December 2005, if approved by the shareholders at the Twelfth Annual General Meeting, will be paid on 7 September 2006.

The entitlement date shall be fixed on 10 August 2006 and a Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m on 10 August 2006 in respect of ordinary transfers;
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**TAY LEE SIANG [LS 00129]**  
**PAN KOW BAH [LS 0008906]**  
**Secretaries**

Kuala Lumpur  
7 June 2006



# Notice of Annual General Meeting (cont'd)

## Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised.
2. Where a member of the Company is an authorised nominee as defined under the Central Depository Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

## Explanatory Notes To Special Business:

### Ordinary Resolution 7

The proposed Ordinary Resolution if passed, will give the Directors of the Company authority to issue shares at any time in their absolute discretion without convening a general meeting. This authorisation, will unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

### Ordinary Resolutions 8 and 9

The proposed Ordinary Resolutions if passed, will allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations which shall expire at the next Annual General Meeting.

The class of related parties, the nature of the transactions, the rationale and the methods of determining the transaction prices with the related parties, are detailed out in the Circular.

## ANNUAL REPORT 2005

The Annual Report 2005 is in a CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders within 4 market days from the date of receipt of the verbal or written request. Shareholders who wish to receive the printed copy of the Annual Report, kindly contact Mr Simon Lee at TEL : 03-7983 3333 ext 221 or Ms Vivian Lew at ext 211 or fax the Request Form at FAX : 03-7980 3333 or send it to the Company's Registered Office at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur. You may also e-mail your request to [vivian@chuanhuat.com.my](mailto:vivian@chuanhuat.com.my) for printed copy of the Annual Report.

# Statement Accompanying Notice Of Annual General Meeting

1. Directors who are standing for re-election pursuant to Article 63 of the Company's Articles of Association at the Twelfth Annual General Meeting of Chuan Huat Resources Berhad are as follows:

Pursuant to Article 63 of the Company's Articles of Association

- i. Dato' Lim Khoon Heng
  - ii. Dato' Lim Loong Heng
2. Details of attendance of directors at Board meetings

There were 5 Board of Directors' Meetings held during the financial year ended 31 December 2005 and the number of meetings attended by each Director are as follows:

Name of Director	Attendance
Dato' Haji Wan Zaki Bin Haji Wan Muda	4/5
Dato' Lim Khoon Heng	5/5
Dato' Lim Loong Heng	4/5
Lim Khoon Hock	5/5
Dali Kumar @ Dali Bin Sardar	5/5
Tai Keat Chai	5/5
Leow Bock Lim	5/5

3. Place, date and time of the Twelfth Annual General Meeting

The place, date and time of the Twelfth Annual General Meeting are as follows:

Date	Time	Place
29 June 2006	11.00 a.m	Bukit Jalil Golf & Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur.

4. Further details of Directors who are standing for re-election are disclosed under the Profile of Directors. The Directors' securities holdings in the Company are disclosed under the Analysis of Shareholdings.

# Board of Directors



**Dato' Haji Wan Zaki Bin Haji Wan Muda**

(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)  
DPMT, PPN, PJK, SIMP



**Dato' Lim Khoon Heng**

(CEO/Group Managing Director and  
member of the Remuneration Committee)  
DSSA



**Dato' Lim Loong Heng**

(Deputy Managing Director and member of the  
Audit Committee)  
DIMP



**Lim Khoon Hock**

(Executive Director)



**Tai Keat Chai**

(Director, member of the Audit Committee,  
Remuneration Committee and Nomination Committee)



**Leow Bock Lim**

(Director, member of the Audit Committee, Nomination  
Committee and Remuneration Committee)



**Dali Kumar @ Dali Bali Sardar**

(Director, member of the Audit Committee,  
Remuneration Committee and Nomination Committee)

# Profile of Directors

## **Dato' Haji Wan Zaki Bin Haji Wan Muda**

(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)  
57 years of age  
DPMT, PPN, PJK, SIMP

Chairman and Director, holding a non-executive position since 2 May 1997.

He is the founder member of Ahmad Zaki Sdn Bhd ("AZSB") and began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd. He later joined Perkayuan Pahang Sdn Bhd in 1973 where he served until 1977 while holding the post of Marketing Manager. In the same year, he joined Pesaka Terengganu Bhd, as its Operations Manager and continued to serve until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to venture into the construction industry by founding AZSB.

Dato' Haji Wan Zaki is also the Executive Vice Chairman in Ahmad Zaki Resources Berhad. He attended four out of five Board Meetings held in the financial year ended 31 December 2005.

## **Dato' Lim Khoon Heng**

(CEO/Group Managing Director and member of the Remuneration Committee)  
53 years of age  
Malaysian  
DSSA

Chief Executive Officer and Group Managing Director, holding an executive and non-independent position since 2 May 1997.

He is the Managing Director of Chuan Huat Hardware (Sdn.) Berhad since 14 December 1976. He is responsible for the operation management and strategic planning of the Chuan Huat Resources Berhad Group. He was conferred with the DSSA award which carries the title of "Dato" by the Sultan of Selangor on 13 March 1999. He has been appointed as the Deputy President of the Malaysia Hardware, Machinery & Building Materials Dealers' Association, the Advisor of the Metal Dealers Association (Selangor and Kuala Lumpur) and a Director of Acsan Steel Service Centre Sdn Bhd.

Dato' Lim Khoon Heng is also the Non-Executive Chairman in Discomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2005.

### **Dato' Lim Loong Heng**

(Deputy Managing Director and member of the Audit Committee)

51 years of age

Malaysian

DIMP

Deputy Managing Director, holding an executive and non-independent position since 2 May 1997.

He was attached to Schinger Ltd in the UK as an Assistant Accountant for two years prior to his appointment to the Board of Directors of Chuan Huat Hardware Holdings Sdn Bhd. He currently takes charge of corporate planning matters of the Chuan Huat Resources Berhad Group. He was conferred with the DIMP award which carries the title of "Dato" by the Sultan of Pahang on 26 February 2005.

Dato' Lim Loong Heng is also the Managing Director in Disccomp Berhad. He attended four out of five Board Meetings held in the financial year ended 31 December 2005.

### **Lim Khoon Hock**

(Executive Director)

49 years of age

Malaysian

Director, holding an executive and non-independent position since 2 May 1997.

He is a Director of Chuan Huat Hardware (Sdn.) Berhad since 11 January 1980. He holds a Bachelor's Degree in Civil Engineering from Monash University, Australia. He was attached with Jabatan Kerja Raya from January 1980 to December 1981, in road construction supervision. He later joined a consultant firm as a Designing Engineer and was part of the team involved in the design of Shangri-La Hotel, Kuala Lumpur. Currently, he leads the Chuan Huat Resources Berhad Group's manufacturing, development and trading activities.

Mr. Lim Khoon Hock is also the Deputy Managing Director in Disccomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2005.

## Profile of Directors (cont'd)

### **Tai Keat Chai**

(Director, member of the Audit Committee, Remuneration Committee and Nomination Committee)

51 years of age

Malaysian

Director, holding a non-executive and independent position since 29 June 2001.

He is qualified as a Fellow of the Institute of Chartered Accountants in England & Wales and is also a member of the Malaysian Institute of Accountants. He worked at KPMG, London as an Audit Senior between 1977 and 1978, after which he returned to Malaysia and commenced working with PricewaterhouseCoopers in Kuala Lumpur. In 1981, he joined Alliance Merchant Bank Berhad where he worked in corporate finance for 7 years before he ventured into stockbroking, during which time he worked in SJ Securities Sdn Bhd, A.A Anthony Securities Sdn Bhd and ECM Libra Securities Sdn Bhd. He is presently a director of Fiscal Corporate Services Sdn Bhd.

Mr. Tai Keat Chai is also a Director in Discomp Berhad, Amanah Millenia Fund Berhad, MESB Berhad, Datascan Berhad, Toyochem Corporation Berhad, PECD Berhad and Imaspro Corporation Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2005.

### **Dali Kumar @ Dali Bin Sardar**

(Director, member of the Audit Committee, Remuneration Committee and Nomination Committee)

47 years of age

Malaysian

Director, holding a non-executive and independent position since 15 July 1999.

He was with Citibank/Citicorp (NY/KL) from 1982 to 1996. Prior to his departure, he was the Managing Director of Citicorp Capital Sdn Bhd, a venture capital subsidiary of Citicorp. He left to become the CEO of Utama Merchant Bank Berhad. He left the position at the end of 1996 and set up DTA Capital Partners Sdn Bhd. DTA is a boutique corporate finance set-up. DTA now has a fully-owned subsidiary, DTA Ventures, which is managing a venture capital fund of Mavcap which is fully-owned by the Ministry of Finance.

Encik Dali Kumar @ Dali Bin Sardar is also a Director in NTI International, Ltd (SGX main board) as well as numerous private companies. He attended five out of five Board Meetings held in the financial year ended 31 December 2005.

### **Leow Bock Lim**

(Director, member of the Audit Committee, Remuneration Committee and Nomination Committee)

63 years of age

Malaysian

Director, holding a non-executive and independent position since 29 June 2001.

He is an associate of The Institute of Chartered Secretaries and Administrators and an associate of the Institute of Canadian Bankers. He is a retired banker who has had over 35 years of working experience in various local and foreign banks. He began his banking career with the OCBC Bank in 1960. In 1962, he left to join United Malayan Banking Corporation Berhad as an operations officer. Between 1966 and 1970, he held various operational and treasury positions in The Chase Manhattan Bank. In 1971 and 1972, he served as the chief operating officer of the Oriental Bank Berhad. Between 1973 and 1977, he was the treasury head of The Bank of Nova Scotia. He joined the Security Pacific Asian Bank in 1978 and was its country head for 12 years. In 1994, he joined Alliance Bank Berhad as its Senior Vice President and served as its head of treasury and international banking prior to his retirement in 2000.

Mr. Leow Bock Lim is also the Chairman (Independent non-executive) of Autoair Holdings Berhad and a Director in Discomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2005.

#### **Family Relationship**

Except for Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Mr. Lim Khoon Hock who are brothers, none of the other Directors are related to one another, nor with any major shareholders.

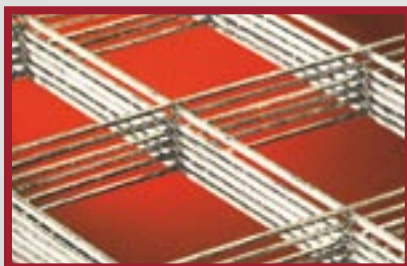
#### **Conviction for Offences**

None of the Directors have been convicted of any offence (excluding traffic offences) within the last 10 years.



# Chairman's Statement

On behalf of the Board of Directors of Chuan Huat Resources Berhad, I am pleased to present the Group and Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2005.



## PERFORMANCE OVERVIEW

The year under review saw a contraction of the construction sector of the Malaysian Economy resulting in slower demand in structural steel and building materials which is a major contributor to the Group's revenue. Whilst the IT Sector continues to see stiff competition with the rapid change in the industry including sharp decline in prices and introduction of new products. Overall, while operating in a highly competitive environment, the Group was able to remain prudent in minimizing exposure through inventory management and in tighter credit control.

## FINANCIAL OVERVIEW

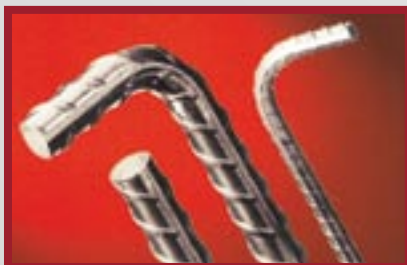
Despite the slowdown in the construction sector during the year, the Hardware and Building Materials Division remains as the major contributor at 92% to the Group's turnover of RM403 million, while the IT Division consisting of manufacturing, trading and retail of IT products made up of about 7% of the total turnover.

Overall, the Group recorded a marginal 1% drop in turnover of RM403 million compared to the previous year's turnover of RM407 million. The Group registered a loss after tax and minority interest RM1.18 million during the year under review against a net profit after tax and minority interest of RM7.4 million in the preceeding year. The drop was largely attributed to lower profit margin of steel products as a result of the sharp decline in global steel prices during the year.

## CORPORATE DEVELOPMENT

The Group, through its wholly owned subsidiary company, CHRB Corporation Sdn Bhd acquired majority (70%) shareholding in Keyline Consulting Sdn Bhd ("Keyline") on the 4 July 2005 whose principal activity is in the trading and retailing of ironmongery products and architectural hardware.

To further widen the Group's representation nationwide, a subsidiary CHRB Building Materials Sdn Bhd (formerly known as Focus Triangle Sdn Bhd) was established on 1 October 2005, to market building materials in Sabah. Another subsidiary, SC-PNP Edaran Sdn Bhd (formely known as SC Multimedia Technology Sdn Bhd) opened four branch offices in Alor Setar, Kuala Terengganu, Kuantan and Kota Kinabalu to strengthen the distribution of IT products.



# Chairman's Statement (cont'd)

## PROSPECTS

The Group anticipates better results in the period ahead as the global prices of steel has picked up and continue to rise. This augurs well for the Group's core division of the Hardware and Building Materials Division being a stockist for steel products. This positive outlook would further be strengthened by the expected increase in demand for construction steel with the recently announced 9th Malaysian Plan which should have a favourable impact on the direction and outcome of the Group's earnings.

Recently in May 2006, Keyline has signed an exclusive distributorship agreement with ECO Schulte GmbH & Co, to distribute ECO's range of premium door locks and hinges in Malaysia and South East Asia. This new venture will be synergistic to the existing business and operations and is expected to contribute positively to the Group's Hardware and Building Materials Division.

Nevertheless, the Group will continue its effort in seeking more synergistic partnerships and carrying more value added products to supplement its existing range.

## DIVIDEND

The Board is pleased to recommend a first and final dividend of 1 sen gross per ordinary share, less income tax at 28%, in respect of the current financial year ended 31 December 2005, subject to shareholders' approval at the forthcoming Annual General Meeting on 29 June 2006.

## ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to extend our sincere appreciation to all our staff for their contribution and continuing effort towards the growth of the Group. I would also like to take this opportunity to record our appreciation to our shareholders and customers, financiers and business associates for their unfailing support and confidence in the Group.

Last but not least, I wish to thank my fellow Board members and the Management for their untiring support.

**DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA**  
**Chairman**



# Corporate Governance Statement

The Board of Directors of Chuan Huat Resources Berhad ("Board") is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("Code") respectively.

The Board has directed and managed the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' values whilst taking into account the interests of other stakeholders.

The Board is pleased to provide the following statements, which outlines the main corporate governance practices that were in place throughout the financial year.

## **Compliance Statement**

The Group has complied throughout the year ended 31 December 2005 with all the best practices of corporate governance set out in Part 2 of the Code.

## **Principles Statements**

The following statement sets out how the Group has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings: (A) Board of Directors, (B) Directors' remuneration, (C) Shareholders and (D) Accountability and audit.

### **A. Board Of Directors**

#### **(a) Board responsibilities**

The Group is controlled and led by a dynamic Board. It has a balanced board composition with effective independent directors. The Board acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

#### **(b) Division of roles and responsibilities between the Chairman and the Chief Executive Officer**

There is a distinct and clear division of the roles and responsibilities between the Chairman of the Board and the Group's Chief Executive Officer ("CEO") to ensure that there is a proper balance of power and authority. The Chairman is primarily responsible for the effective conduct of the Board and ensuring that all Directors have full and timely access to all relevant information necessary for informed decision-making. The Chairman encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings in order to reflect the consensus of the whole Board and not the views of any individual or group. The Group's CEO has overall responsibilities over the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions.

#### **(c) Board meetings**

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2005, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, corporate proposals, the business plan and direction of the Group. Directors' attendance to these meetings can be found in the Statement Accompanying Notice of Annual General Meeting.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers providing updates on operational, financial and corporate developments as well as minutes of meetings of the Board are circulated prior to the meeting are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting. The Board has full access to senior management and the advice and services of the Company Secretary, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may also seek independent professional advice, at the Company's expense, if required. The Directors may also consult with the Group Managing Director and other Board members prior to seeking any independent professional advice.

#### **(d) Board balance**

As at the date of this statement, the Board consists of seven (7) members; comprising one (1) Managing Director, one (1) Deputy Managing Director, one (1) Executive Director, one (1) Non-Executive Director and, three (3) Independent Non-Executive Directors. A brief profile of each Director can be found in the "Profile of Directors".

# Corporate Governance Statement (cont'd)

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Group. The Board complied with paragraph 15.02 of the Listing Requirements which requires that at least two (2) directors or one-third of the Board, whichever is the higher, are independent directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the deliberation.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Group.

**(e) Supply of information**

The members of the Board in their individual capacity have full and timely access to information with Board papers distributed in advance of meetings for the discharge of their duties and responsibilities. Prior to the meetings of the Board, Board papers which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all the directors. The Board meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Securities. Besides direct access to management staff, external professional advisers as well as Company Secretary are also made available to render their independent views and advice to the Board.

**(f) Board committee**

**i. Audit Committee**

The Audit Committee of the Board has been in place since 1997. It presently comprises three (3) Independent Non-Executive Directors and one (1) Deputy Managing Director. A brief report on Audit Committee can be found in the "Audit Committee Report".

**ii. Nomination Committee**

The Nomination Committee of the Board has been in place since 2001, which comprised the following members:

Name of directors	Designation
Dali Kumar @ Dali Bin Sardar (Chairman)	Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman

The Nomination Committee is empowered by the Board for recommending board appointments and assessment of directors on an on-going basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning. There was no meeting conducted during the financial year ended 31 December 2005 as there is currently no necessity to appoint any new members to the Board since the establishment of Nomination Committee. The Board is of the opinion that the present mix of experience and expertise is adequate, optimal and sufficiently capable in overseeing and ensuring that the strategies of the Group are thoroughly deliberated, considered and properly implemented.



# Corporate Governance Statement (cont'd)

## (iii) **Remuneration Committee**

The Remuneration Committee of the Board has been in place since 2001, which comprised the following members:

<b>Name of directors</b>	<b>Designation</b>
Dali Kumar @ Dali Bin Sardar (Chairman)	Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman
Dato' Lim Khoon Heng	Group Managing Director

The remuneration committee is responsible for recommending the remuneration packages of executive directors to the Board. None of the executive directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive director with individual directors abstaining from decisions in respect of their individual remuneration.

## (g) **Directors' training**

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately. All directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP"), a training prescribed by Bursa Securities. The directors also attended other relevant training programmes to further enhance their skills, to keep abreast with relevant developments as well as new regulatory requirements on a continuous basis in compliance with Paragraph 15.09 of the Listing Requirements of Bursa Securities.

## (h) **Retirement and Re-election**

The Articles of Association provide that at least one-third of the Board, including the Group Managing Director, are subject to retirement by rotation at each Annual General Meeting. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.

The Article of Association also provides that the Group Managing Director who shall be elected from amongst the Board members shall also retire once at least in each three (3) years and shall be eligible for re-election. These provide an opportunity for the shareholders to renew their mandates. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings' attendance and the shareholdings in the Company of each director standing for election are furnished in the Statement Accompanying Notice of Annual General Meeting.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## **B. Directors' Remuneration**

### (a) **Remuneration Procedure**

The policy practised on directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate directors of the quality required to manage the business of the Group and to align the interest of the directors with those of the shareholders. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages.

There was one (1) meeting convened during the financial year ended 31 December 2005.

# Corporate Governance Statement (cont'd)

## (b) Details of the directors' remuneration

The aggregate remuneration of directors who served during the financial year ended 31 December 2005 are as follows:

Element of remuneration	Executive Directors	Non-Executive Directors	Total
Salaries & other emoluments	1,021,772	-	1,021,772
Fees	30,000	145,000	175,000
	<b>1,051,772</b>	<b>145,000</b>	<b>1,196,772</b>

The number of directors whose remuneration fall into the respective bands are as follows:

Band of remuneration	Executive Directors	Non-Executive Directors	Total
0 – 50,000	-	2	2
50,000 – 100,000	-	2	2
100,000 – 150,000	-	-	-
150,000 – 200,000	-	-	-
200,000 – 250,000	-	-	-
250,000 – 300,000	1	-	1
300,000 – 350,000	1	-	1
350,000 – 400,000	-	-	-
400,000 – 450,000	1	-	1

## (c) Employees' Share Option Scheme (ESOS)

Each of the executive directors was granted a maximum allowable entitlement of 500,000 options in accordance with ESOS's Bye-Law approved by authorities and shareholders. All executive directors have yet to exercise their options based on first ESOS allocation as at 31 December 2005. Some salient features regarding the ESOS have been included in the Directors' Report under the heading of "ESOS".

## C. Shareholders

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, Company's website and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders a clear and complete picture of the Company's performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. It has also been the Company's practice to send the Notice of Annual General Meeting and related papers to shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference is held immediately after the Annual General Meeting where the Group Managing Director advises the press of the resolutions passed, and answers questions on the Group's operation. The Group Deputy Managing Director and the Executive Directors are also present at the press conference to clarify and explain any issue.

# Corporate Governance Statement (cont'd)

The Company also responded to fund managers, institutional investors, investment analysts and members of media upon request, to brief them on key events of the Company. Investors' and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

## D. Accountability And Audit

### (a) Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders as well as the Group's Chairman Statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### (b) Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have (1) ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied, and (2) selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### (c) Directors' responsibility statement in respect of the state of internal controls

The Board acknowledges its responsibility for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business unit particular need and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be completely eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

### (d) Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is authorised by shareholders to be fixed by the Board.

Key features underlying the relationship of the Audit Committee with the auditors including the role of both the external and internal auditors are further described in the Audit Committee Report.

A summary activity of the Audit Committee during the year, including the evaluation of the independent audit process, is set out in the Audit Committee Report.



# Corporate Governance Statement (cont'd)

## Additional Compliance Information

(a) **Statement on material contracts involving directors' or major shareholders' interest**

There is no material contracts subsisting as at 31 December 2005 or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors or major shareholders other than those disclosed under notes to the account on Related Party Transactions of revenue in nature.

The Company is also seeking shareholders' mandate on Recurrent Related Party Transactions of a revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties in the ordinary course of business in the forthcoming Annual General Meeting. The details of Recurrent Related Party Transactions of a revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties are included in the Circular.

(b) **Non-audit fee**

As at the date of this statement, there is no non-audit fee incurred and paid to external auditors.

(c) **Utilisation of Proceeds**

There were no proceeds raised from any corporate proposals as at the date of this statement.

(d) **Shares Buy-Backs**

There were no share buy-backs during the financial year ended 31 December 2005.

(e) **Options, Warrants or Convertible Securities Exercised**

The Company has not issued any options, warrants or convertible securities in respect of the financial year ended 31 December 2005.

(f) **American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")**

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 December 2005.

(g) **Sanctions and/or Penalties**

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by any regulatory bodies.

(h) **Profit Guarantee**

The Company did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2005.

(i) **Revaluation Policy**

The Company has not adopted a regular revaluation policy on landed properties.

# Audit Committee Report

## Membership

The present members of the Audit Committee comprise:

Name	Designation
Tai Keat Chai (Chairman)	Independent Non-Executive Director
Dali Kumar @ Dali bin Sardar	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Lim Loong Heng	Deputy Managing Director

## Terms of reference

The terms of reference of the Committee are detailed in this annual report under the heading of "Terms of reference of the Audit Committee".

## Meeting and attendance

During the year ended 31 December 2005, the Committee held 5 meetings, which were appropriately structured through the use of agendas, and the attendance details of the members were as follows:

Name	No. of meetings attended
Tai Keat Chai	5/5
Dali Kumar @ Dali bin Sardar	5/5
Leow Bock Lim	5/5
Dato' Lim Loong Heng	5/5

The Company Secretary and the Finance General Manager were also present by invitation at all the meetings, whilst the internal and external auditors also attended when invited to do so.

## Summary of activities

The main activities undertaken by the Committee during the year included the following:

- reviewed the quarterly reports of the Company prior to their submission to the Board and public release;
- reviewed the audited financial statements of the Company prior to their submission to the Board for its consideration and approval;
- reviewed the external auditor's scope of work and audit plans for the year;
- reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- reviewed and discussed on the internal audit reports to assess the effectiveness of the system of internal controls in the areas audited;
- reviewed the related party transactions entered into by the Group;
- evaluated and recommended the re-appointment of the external auditor.

## Internal audit function

The Company outsourced its internal audit functions to a professional services firm, which is tasked with the aim of assisting the Committee to discharge its duties and responsibilities.

The firm has conducted ongoing review of the adequacy and effectiveness of the system of internal control. Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement.

# Terms of Reference of the Audit Committee

## Objectives

The primary objectives of the Audit Committee include the following:

- a) to safeguard the interests of all shareholders including the minority shareholders;
- b) to assist in discharging the responsibilities of the Board of Directors as they relate to the Company's management and internal controls, accounting policies and financial reporting; and
- c) to provide, by way of regular meetings, a line of communication between the Board and the internal and external auditors.

## Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of no fewer than three members, none of whom shall be alternate directors.

The majority of the members, including the Chairman of the Committee, shall be independent directors.

At least one member shall be a member of the Malaysian Institute of Accountants or a person approved under subparagraph 15.10 (1)(c)(ii) of the Listing Requirements of Bursa Securities.

Any vacancy resulting in the non-compliance of subparagraph 15.10(1) of the Listing Requirements of Bursa Securities shall be filled within three months, and the Board shall review the terms of office and performance of the Committee and each of its members at least once every three years to determine whether they have carried out their duties in accordance with their terms of reference.

## Authority

The Committee shall have the authority to investigate any matter within its terms of reference, and the resources required to perform its duties.

It shall also have full and unrestricted access to any information pertaining to the Company, and have direct communication channels with the external and internal auditors.

The Committee should be able to obtain independent professional or other advice, and be able to convene meetings with the external auditor, excluding the attendance of its executive members, whenever deemed necessary.

## Meetings

The Committee shall meet at least four times a year, and as many times as it deems necessary.

The majority of members present shall be independent directors in order to form a quorum.

The Company Secretary of the Company shall act as the Secretary of the Committee, and shall draw up an agenda for circulation together with the relevant support papers at least one week prior to each meeting to the members.

The Company Secretary shall also be responsible for keeping the minutes of the meetings, which shall be circulated to the members of the Board as well.

The Committee shall meet at least once a year with the management and the internal and external auditors in separate sessions without the presence of any executive Board member.

# Terms of Reference of the Audit Committee (cont'd)

## Functions

The functions of the Committee include the following:

1. To review, and report the same to the Board:
  - a) with the external auditor, the nature and scope of its audit plan, its evaluation of the system of internal controls and its audit report;
  - b) the assistance given by the Company's employees to the external auditor;
  - c) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - e) the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements;
  - f) any problems or reservations arising from the interim and final audits, and any matter which the external auditor may wish to discuss (in the absence of management where necessary);
  - g) the external auditor's management letter and management's response;
  - h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
  - i) the appointment of the external auditor, its audit fee and any questions of its dismissal or resignation.
2. To recommend the nomination of the external auditor.
3. To consider other matters as defined by the Board.

# Statement on Internal Control

## INTRODUCTION

Consistent with paragraph 15.27 (b) of the Listing Requirements of Bursa Securities and in compliance to the Malaysian Code on Corporate Governance, the Board is pleased to provide the following statement on internal control of the Group with regards to the financial year under review.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal controls and risk management practices to good corporate governance. However, the Board recognizes that reviewing the effectiveness of the Group's system of internal control is a concerted and continuous process, designed to manage rather than to eliminate the risk of failure to achieve business objectives.

In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

## RISK MANAGEMENT FRAMEWORK

The Board is aware that a sound system of internal control should be embedded in the operations of the Group and form part of its culture. The system of internal control not only covers financial controls but also operational and compliance controls and risk management. It involves key management in each business, including the Board and is designed to meet the Group's particular needs, manage the risks they are exposed to and ensure compliance with the applicable laws and regulations. Key commercial and financial risks are reviewed together with other more general risks as those relating to compliance with laws and regulation. These monitoring, reviewing and reporting process have been and are aimed to give assurance that the structure of controls and operations is appropriate to the Group's operations and that there is an acceptable level of risks throughout the Group's business.

The above risk management framework facilitates the ability of the Board and management to manage risks within the risk parameters and risk standards. Continuous effort is made to improve policies, processes, people and structure within the Group. Besides improving the management of existing risks, the framework also manages potential risks in the light of changes in risk profile experience by the industry and the Group.

## KEY PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- An operational structure with defined lines of responsibility or delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.
- A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions.
- Detailed budgeting process established requiring all business units to prepare budget and business plan on an annual basis.
- Effective reporting systems which expose significant variances against budget and plan are in place to monitor performance; key variances are followed-up by the management and reported to the Board on a quarterly basis.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilization and cash flow performance.
- Regular visits to operating units by members of the Board and senior management.

## INTERNAL AUDIT

The Group has engaged a professional consulting firm to provide outsourced internal audit services, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, internal auditor carried out audit based on the internal audit plan approved by the Audit Committee. The audit findings are deliberated and resolved with the management. The Audit Committee on behalf of the Board, reviews internal control issues identified and recommendations from reports by the internal and external auditors on a regular basis.

Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's Annual Report.

# Financial Statements

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# Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 4 to the financial statements.

There have been no significant changes in the activities of the Company and of its subsidiary companies during the financial year.

## FINANCIAL RESULTS

	GROUP RM	COMPANY RM
(Loss)/Profit after taxation	(1,767,937)	1,577,741
Minority interests	586,969	-
Net (loss)/profit for the financial year	(1,180,968)	1,577,741

## DIVIDEND

During the financial year, the Company has paid a first and final dividend of 5 sen gross per ordinary share, less income tax at 28% amounting to RM1,611,864 in respect of the financial year ended 31 December 2004.

The Directors propose a first and final dividend of 1 sen gross per ordinary share, less income tax at 28% amounting to RM322,373 in respect of the current financial year. This dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

## DIRECTORS

The Directors who served since the date of last report are:

Dato' Haji Wan Zaki Bin Haji Wan Muda  
Dato' Lim Khoon Heng  
Dato' Lim Loong Heng  
Lim Khoon Hock  
Dali Kumar @ Dali Bin Sardar  
Tai Keat Chai  
Leow Bock Lim

In accordance with Article 63 of the Company's Articles of Association, Dato' Lim Khoon Heng and Dato' Lim Loong Heng retire by rotation at the forthcoming Annual General Meeting of the Company, and being eligible, offer themselves for re-election.



# Directors' Report (cont'd)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and warrants of the Company during the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2005	Additions	Disposals	As at 31.12.2005
<b>Direct Interest</b>				
Dato' Haji Wan Zaki Bin Haji Wan Muda	3,835,197	-	-	3,835,197
Dato' Lim Khoon Heng	4,768,175	-	-	4,768,175
Dato' Lim Loong Heng	4,768,174	-	-	4,768,174
Lim Khoon Hock	4,768,174	-	-	4,768,174
Dali Kumar @ Dali Bin Sardar	244,000	-	-	244,000
<b>Indirect Interest</b>				
Dato' Lim Khoon Heng *	2,177,628	100,000	-	2,277,628
Dato' Lim Loong Heng *	2,177,628	100,000	-	2,277,628
Lim Khoon Hock *	2,177,628	100,000	-	2,277,628

\* Indirect interest held through Lim Kim Chuan & Sons Holdings Sdn Bhd

## DIRECTORS' INTERESTS (cont'd)

In addition to the above, the following Directors are deemed to have interest in shares of the Company by virtue of options granted pursuant to the Employees Share Option Scheme of the Company:

	Maximum Allowable Allotment	Number of options over ordinary shares of RM1.00 each			
		As at 1.1.2005	Granted	Exercised	As at 31.12.2005
Dato' Lim Khoon Heng	500,000	196,000	-	-	196,000
Dato' Lim Loong Heng	500,000	196,000	-	-	196,000
Lim Khoon Hock	500,000	196,000	-	-	196,000

Other than as disclosed above, the Directors of the Company do not have any other interest in the shares of the Company.

## EMPLOYEES' SHARE OPTION SCHEME

Under the Company's Employees' Share Option Scheme ("ESOS"), which became effective on 19 July 2001 and expires on 18 July 2006, options to subscribe for unissued new ordinary shares of RM1.00 each at prices of RM1.10 and RM1.23 each in the Company were made available to eligible Directors and employees of the Company and its subsidiary companies.

The main features of the ESOS were as follows:

- (I) The total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the exercise of the Scheme.
- (II) Eligible persons are confirmed Malaysian employees including full-time executive directors of the Group who have been employed for at least 12 full months of continuous service, including service during the probation period and whose employment has been confirmed in writing prior to the date of offer, and for at least 2 years of continuous service and current employment contract should be not less than 1 year before the date of offer for Non-Malaysian employees.
- (III) The actual entitlement of eligible employees shall essentially be based on the length of service and seniority of job position and shall not less than 1,000 shares nor more than their maximum allowable allotment and shall always be in multiples of 1,000 shares.
- (IV) The option price subscribe for shares under the ESOS shall be the higher of:
  - the weighted average market price of the Shares for the five (5) market days immediately preceding the Date of Offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or
  - the par value of the shares.

The movements of number of options granted and exercised pursuant to the ESOS during the financial year are as follows:

Granted on	Subscription price per share	Balance as at 1.1.2005	Granted	Exercised	Lapsed	No. of shares unissued as at 31.12.2005
19.7.2001	RM1.23	1,706,000	-	-	-	1,706,000
3.7.2003	RM1.10	1,099,000	-	-	-	1,099,000
		2,805,000	-	-	-	2,805,000

# Directors' Report (cont'd)

## EMPLOYEES' SHARE OPTION SCHEME (cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of options holders, who were granted less than 40,000 options during the financial year.

Other than the Executive Directors whose interest are disclosed separately in Directors' Interest, eligible employees who were granted options under the ESOS for and in excess of 40,000 ordinary shares each are as follows:

	Number of options over ordinary shares of RM1.00 each			
	As at 1.1.2005	Granted	Exercised	As at 31.12.2005
Chin Yee Hong	97,000	-	-	97,000
Lim Kean Seng	95,000	-	-	95,000
Siaw Hum Kiow	83,000	-	-	83,000
Tan Boon Kian	84,000	-	-	84,000
Teh Sang Kean	94,000	-	-	94,000
Wong Wing Keong	95,000	-	-	95,000
See Chok Hock	101,000	-	-	101,000

## OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION (cont'd)

Except as disclosed in the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors:

- (a) other than as disclosed in the financial statements, the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) other than as disclosed in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## AUDITORS

The auditors, Ong Boon Bah & Co, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 27 April 2006.

**DATO' LIM KHOON HENG**

Director

**TAI KEAT CHAI**

Director

Kuala Lumpur

# Statement by Directors

We, DATO' LIM KHOON HENG and TAI KEAT CHAI, being two of the Directors of CHUAN HUAT RESOURCES BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 69 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 27 April 2006.

**DATO' LIM KHOON HENG**  
Director

Kuala Lumpur

**TAI KEAT CHAI**  
Director

# Statutory Declaration

I, DATO' LIM LOONG HENG, the Director primarily responsible for the financial management of CHUAN HUAT RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 69 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named DATO' LIM LOONG HENG at Kuala Lumpur in the Federal Territory on 27 April 2006.

**DATO' LIM LOONG HENG**

Before me  
**P. SETHURAMAN**  
No. W217

Commissioner for Oaths  
Kuala Lumpur

# Report of the Auditors

to the Members of Chuan Huat Resources Berhad

We have audited the financial statements set out on pages 34 to 69. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174 (3) of the Companies Act, 1965.

**ONG BOON BAH & CO**  
**AF: 0320**  
**Chartered Accountants**

Kuala Lumpur  
27 April 2006

**LIM KOK BENG**  
**588/02/07(J)**  
**Partner of the Firm**

# Balance Sheet

as at 31 December 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	59,084,769	55,610,653	-	225
INVESTMENT PROPERTIES	3	5,635,166	6,068,466	-	-
SUBSIDIARY COMPANIES	4	-	-	43,743,927	43,743,927
ASSOCIATED COMPANY	5	2,509,760	2,506,876	-	-
INVESTMENTS	6	3,443,853	3,559,551	-	-
GOODWILL	7	418,857	108,429	-	-
CURRENT ASSETS					
Inventories	8	59,356,490	62,300,268	-	-
Trade receivables	9	106,376,935	93,327,873	-	-
Other receivables deposits and prepayments	10	6,126,894	6,441,713	10,200	3,978
Tax recoverable		1,403,849	1,030,481	2,431	6,681
Amount due from a subsidiary company		-	-	20,010,363	20,015,363
Fixed deposits with licensed banks	11	1,407,359	1,834,000	-	-
Cash and bank balances		14,093,982	13,431,866	32,808	6,818
		188,765,509	178,366,201	20,055,802	20,032,840
CURRENT LIABILITIES					
Trade payables	12	41,442,689	29,715,394	-	-
Other payables and accruals	13	2,715,373	4,609,584	141,477	84,617
Hire purchase liabilities	14	2,400,667	1,833,060	-	-
Bank overdrafts	15	534,998	608,951	-	-
Short term borrowings	16	105,384,731	96,004,580	-	-
Tax liabilities		5,264	113,273	-	-
		152,483,722	132,884,842	141,477	84,617
NET CURRENT ASSETS		36,281,787	45,481,359	19,914,325	19,948,223
		107,374,192	113,335,334	63,658,252	63,692,375
<b>Financed by:</b>					
SHARE CAPITAL	17	44,774,000	44,774,000	44,774,000	44,774,000
RESERVES	18	42,547,680	45,834,635	18,884,252	18,918,375
SHAREHOLDERS' FUNDS		87,321,680	90,608,635	63,658,252	63,692,375
MINORITY INTERESTS		10,826,402	13,148,487	-	-
HIRE PURCHASE LIABILITIES	14	3,068,696	2,975,815	-	-
TERM LOANS	19	4,986,898	4,975,469	-	-
DEFERRED TAXATION	20	1,170,516	1,626,928	-	-
		107,374,192	113,335,334	63,658,252	63,692,375
Net assets per share (RM)		1.95	2.02		

The accompanying notes form an integral part of the financial statements.



# Income Statements

for the financial year ended 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue					
- continuing operations		403,715,455	407,486,159	2,257,200	1,564,417
- discontinued operations	21	-	1,094,294	-	-
Other operating income		403,715,455	408,580,453	2,257,200	1,564,417
Changes in inventories of finished goods and work-in-progress		1,261,139	1,645,904	232,800	232,800
Purchases of finished goods		(4,768,703)	9,094,703	-	-
Raw materials and consumables used		(357,265,382)	(308,902,035)	-	-
Staff costs		(8,087,501)	(58,716,235)	-	-
Depreciation and amortisation expenses	22	(15,744,370)	(15,400,749)	(127,000)	(104,000)
Other operating expenses		(4,104,921)	(5,853,002)	(225)	(450)
		(11,580,309)	(17,683,786)	(142,041)	(172,098)
Profit from operations	23				
- continuing operations		3,425,408	15,235,029	2,220,734	1,520,669
- discontinued operations		-	(2,469,776)	-	-
Finance costs	24	3,425,408	12,765,253	2,220,734	1,520,669
(Loss)/Profit before share in results of an associated company		(4,646,553)	(3,999,727)	(548)	(603)
Share in results of an associated company		(1,221,145)	8,765,526	2,220,186	1,520,066
(Loss)/Profit before taxation		7,296	(15,844)	-	-
Taxation	25	(1,213,849)	8,749,682	2,220,186	1,520,066
- company and subsidiary companies		(549,676)	(2,257,701)	(642,445)	(21,652)
- associated company		(4,412)	(9,702)	-	-
(Loss)/Profit after taxation		(1,767,937)	6,482,279	1,577,741	1,498,414
Minority interests		586,969	921,864	-	-
Net (loss)/profit for the financial year		(1,180,968)	7,404,143	1,577,741	1,498,414
Basic (loss)/earnings per share (sen)	26	(2.64)	17.34		
Fully diluted (loss)/earnings per share (sen)	26	(2.64)	17.31		

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

for the financial year ended 31 December 2005

	Note	Share Capital RM	Reserves (Note 18) RM	Total RM
<b>GROUP</b>				
Balance at 1 January 2004		41,147,000	39,636,493	80,783,493
Shares issued		3,627,000	8,300	3,635,300
Net profit for the financial year		-	7,404,143	7,404,143
Realisation of reserve on disposal of a subsidiary company		-	(82,500)	(82,500)
Amortisation of negative goodwill		-	(496,156)	(496,156)
Dividend	27	-	(635,645)	(635,645)
Balance as at 31 December 2004		44,774,000	45,834,635	90,608,635
Net loss for the financial year		-	(1,180,968)	(1,180,968)
Accretion arising from change in equity interest in a subsidiary company		-	2,034	2,034
Amortisation of negative goodwill		-	(496,157)	(496,157)
Dividend	27	-	(1,611,864)	(1,611,864)
Balance as at 31 December 2005		44,774,000	42,547,680	87,321,680
<b>COMPANY</b>				
Balance as at 1 January 2004		41,147,000	18,047,306	59,194,306
Shares issued		3,627,000	8,300	3,635,300
Net profit for the financial year .		-	1,498,414	1,498,414
Dividend	27	-	(635,645)	(635,645)
Balance as at 31 December 2004		44,774,000	18,918,375	63,692,375
Net profit for the financial year		-	1,577,741	1,577,741
Dividend	27	-	(1,611,864)	(1,611,864)
Balance as at 31 December 2005		44,774,000	18,884,252	63,658,252

The accompanying notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2005

	Note	2005 RM	2004 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxation		(1,213,849)	8,749,682
Adjustment for non-cash items, interests and dividends	28(a)	8,582,835	15,528,831
Operating profit before working capital changes		7,368,986	24,278,513
Decrease/(Increase) in inventories		3,353,319	(13,919,004)
Increase in trade and other receivables		(14,027,297)	(1,587,298)
Increase/(Decrease) in trade and other payables		9,018,316	(880,242)
Cash generated from operations		5,713,324	7,891,969
Tax paid		(1,336,153)	(3,008,398)
Interest paid		(4,444,905)	(3,754,857)
Interest received		784,351	257,910
Net cash inflow from operating activities		716,617	1,386,624
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	28(b)	(5,225,454)	(10,905,160)
Purchase of investments		-	(21,363)
Proceeds from disposal of property, plant and equipment		581,289	3,090,988
Proceeds from disposal of investment properties		413,000	1,482,782
Proceeds from disposals of investments		-	590,126
Acquisition of subsidiary companies	29(a)	330,486	(41,610)
Purchase of additional shares in subsidiary companies		(2,187,052)	-
Disposal of a subsidiary company		-	(66,497)
Capital distribution from an unquoted investment		-	86,800
Dividend received		389,088	294,097
Net cash outflow from investing activities		(5,698,643)	(5,489,837)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from term loans		2,089,066	5,278,637
Repayments of term loans		(1,370,432)	(606,250)
Repayments of hire purchase liabilities		(2,548,262)	(1,675,450)
Net proceeds from/(repayment of) short term borrowings		8,672,946	(3,061,302)
Proceeds from issuance of shares to minority shareholders		60,000	142,750
Proceeds from issuance of shares		-	3,635,300
Dividend paid to minority shareholders		-	(82,780)
Dividend paid		(1,611,864)	(635,645)
Increase in fixed deposits pledged		(368,744)	-
Net cash inflow from financing activities		4,922,710	2,995,260
Net decrease in cash and cash equivalents		(59,316)	(1,107,953)
Cash and cash equivalents at beginning of the financial year		14,656,915	15,764,868
Cash and cash equivalents at end of the financial year	28(c)	14,597,599	14,656,915

The accompanying notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement (cont'd)

for the financial year ended 31 December 2005

	Note	2005 RM	2004 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		2,220,186	1,520,066
Adjustment for non-cash items, interests and dividends	28(a)	(2,256,975)	(1,563,967)
Operating loss before working capital changes		(36,789)	(43,901)
(Increase)/Decrease in other receivables		(6,222)	4,340
Increase/(Decrease) in other payables		56,860	(5,549)
Cash generated from/(used in) operations		13,849	(45,110)
Tax paid		(6,179)	(21,923)
Net cash inflow/(outflow) from operating activities		7,670	(67,033)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Repayments from/(Advances to) subsidiary companies		5,000	(4,567,263)
Dividend received		1,625,184	1,564,417
Net cash inflow/(outflow) from investing activities		1,630,184	(3,002,846)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		-	3,635,300
Dividend paid		(1,611,864)	(635,645)
Net cash (outflow)/inflow from financing activities		(1,611,864)	2,999,655
Net increase/(decrease) in cash and cash equivalents		25,990	(70,224)
Cash and cash equivalents at beginning of the financial year		6,818	77,042
Cash and cash equivalents at end of the financial year	28(c)	32,808	6,818

The accompanying notes form an integral part of the financial statements.

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Subsidiary companies are consolidated using the acquisition method of accounting. All inter-company balances and transactions and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

Minority interest is measured at the minorities share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

Goodwill and negative goodwill represents the difference between the purchase price and the Group's share of the fair value of the net assets of subsidiary and associated companies at the date of acquisition. Goodwill and negative goodwill are amortised over a period of twenty five years. Goodwill is written down immediately through the income statements if there is a permanent diminution of its value.

On disposal of a subsidiary company, the difference between the net disposal proceeds and the carrying amount of the subsidiary company disposed off is charged or credited to the income statements.

### (c) Investment properties

Investment properties are investments in land and buildings held for long term purposes and are not occupied substantially for use by, or in the operations of the Group. Investment properties are stated at cost less impairment losses and are not depreciated.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statements.

### (d) Associated company

Associated company is a company in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies. Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of associated company for the financial year. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and which includes goodwill on acquisition (net of accumulated amortisation) less unamortised reserve on acquisition, where applicable. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gain on transactions between the Group and its associated company is eliminated to the extent of the Group's interest in the associated company. Unrealised loss is also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustment is made to the financial statements of the associated company to ensure consistency of accounting policies within the Group.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Investments

Investment in subsidiary and associated companies in the Company's financial statements are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other non-current investments are stated at cost less allowance for diminution in value of investments to recognised any decline other than a temporary decline in the value of the investments.

### (f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are written down to recoverable amount if the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

Gains or losses arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised over the period of the leases ranging from 13 to 99 years.

Depreciation of the other property, plant and equipment is provided on the straight line basis to write off the cost of each asset over its estimated useful life. The principal annual depreciation rates used are:

Buildings	2%
Plant, machinery and cabin	10% - 15%
Motor vehicles	10% - 20%
Renovation	10% - 20%
Furniture and equipments	10%

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the first-in first-out basis. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour, direct charge and a proportion of production overheads. Inventories of completed properties is stated at the lower of cost and net realisable value and is determined using the specific identification method.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

### (h) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

### (i) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Leases

A lease is recognised as finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Finance leases are capitalised at the inception of the lease at lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in liabilities. The interest element of the finance charge is charged to the income statement over the lease period. Leases which do not meet such criteria are classified as operating leases and the related rental are charged to income statements, as incurred.

Property, plant and equipment acquired under finance leases/hire purchase are capitalised and depreciated in accordance with the depreciation policy set out in Note 2(f).

### (k) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates or at contracted rate where applicable. Monetary assets and liabilities in foreign currencies at the financial year end are translated into Ringgit Malaysia at the rates of exchange ruling at the date. All exchange differences are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	31.12.2005 RM	31.12.2004 RM
1 USD	3.780	3.80
1 SGD	2.271	2.322
1 AUD	2.772	2.961

### (l) Revenue recognition

Revenue from sale of goods is recognised upon delivery of goods and customers acceptance net of returns, discounts and allowances.

Rental income is recognised on an accrual basis in accordance with the substance of the rental agreement.

Dividend income is recognised when the shareholders' right to receive payment is established.

### (m) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Impairment of assets

The carrying amounts of property, plant and equipment and other non-current assets, including intangible assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The impairment loss is charged to the income statement.

Any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements.

### (o) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short-term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash in hand and at bank, deposits with financial institutions and bank overdrafts.

### (q) Employee benefits

#### Short term benefits

Wages, salaries, bonuses and social contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### Defined contribution plans

The Company's contributions to the statutory pension schemes are recognised as an expense in the income statement in the year to which they relate.

#### Equity compensation benefits

The Company has in place an Employees' Share Option Scheme for granting of share options to eligible Directors and employees of the Group to subscribe for ordinary shares in the Company. The Company does not make a charge to the income statement in connection with share options granted. When such options are exercised, the nominal value of the shares subscribed for is credited to the share capital account and balance of the proceeds net of any transaction costs is credited to the share premium account.

### (r) Borrowing costs

Borrowings costs are recognised as an expense in the period in which they are incurred.

Interest incurred in specific and identifiable borrowings used to acquire plant and machinery is capitalised until the assets are ready for their intended use.



# Notes to the Financial Statements (cont'd)

31 December 2005

## 2. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings RM	Plant, machinery, cabin, renovation and motor vehicles RM	Furniture and fittings and office equipment RM	Capital work-in-progress RM	Total RM
<b>COST</b>					
At 1 January 2005	37,024,000	23,611,442	3,729,243	9,086,436	73,451,121
Additions	27,655	2,752,766	1,430,553	4,315,230	8,526,204
Additions through acquisition of subsidiary companies	-	1,180	30,421	-	31,601
Disposals	-	(651,151)	(55,891)	(221,686)	(928,728)
Written off	-	(231,074)	(24,318)	-	(255,392)
Transfers	7,495,546	4,961,539	152,300	(12,609,385)	-
At 31 December 2005	44,547,201	30,444,702	5,262,308	570,595	80,824,806
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2005	5,702,648	9,923,927	2,213,893	-	17,840,468
Charge for the financial year	900,419	3,295,185	394,704	-	4,590,308
Additions through acquisition of subsidiary companies	-	10	2,160	-	2,170
Disposals	-	(426,531)	(23,647)	-	(450,178)
Written off	-	(219,247)	(23,484)	-	(242,731)
At 31 December 2005	6,603,067	12,573,344	2,563,626	-	21,740,037
<b>NET BOOK VALUE</b>					
At 31 December 2005	37,944,134	17,871,358	2,698,682	570,595	59,084,769
At 31 December 2004	31,321,352	13,687,515	1,515,350	9,086,436	55,610,653
Depreciation charge for the financial year ended 31 December 2004	758,663	5,242,880	349,460	-	6,351,003
(a) Included in net book value above are assets acquired under hire purchase:					
<b>NET BOOK VALUE</b>					
At 31 December 2005	-	11,197,511	-	-	11,197,511
At 31 December 2004	-	8,392,499	-	-	8,392,499

# Notes to the Financial Statements (cont'd)

31 December 2005

## 2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Analysis of land and buildings as follows:

	Freehold land and buildings RM	Long leasehold land and buildings RM	Short leasehold land and buildings RM	Buildings RM	Total RM
<b>GROUP COST</b>					
At 1 January 2005	6,159,605	20,994,925	7,380,890	2,488,580	37,024,000
Additions	-	-	27,655	-	27,655
Transfer	-	4,146,187	3,349,359	-	7,495,546
At 31 December 2005	6,159,605	25,141,112	10,757,904	2,488,580	44,547,201
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2005	42,801	2,318,672	3,065,575	275,600	5,702,648
Charge for the financial year	5,350	350,087	495,210	49,772	900,419
At 31 December 2005	48,151	2,668,759	3,560,785	325,372	6,603,067
<b>NET BOOK VALUE</b>					
At 31 December 2005	6,111,454	22,472,353	7,197,119	2,163,208	37,944,134
At 31 December 2004	6,116,804	18,676,253	4,315,315	2,212,980	31,321,352
Depreciation charge for the financial year ended 31 December 2004	6,307	315,611	386,973	49,772	758,663

(c) Certain landed properties with carrying values totalling RM16,698,248 (2004: RM11,799,865) have been pledged as securities for term loans and bank overdraft of certain subsidiary companies.

(d) The issuance of title deeds of certain pieces of freehold and leasehold land of the subsidiary companies are pending from the relevant authorities as at 31 December 2005.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RM
<b>COMPANY</b>	
COST	4,500
At 1 January and 31 December 2005	
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2005	4,275
Charge for the financial year	225
At 31 December 2005	4,500
<b>NET BOOK VALUE</b>	
At 31 December 2005	-
At 31 December 2004	225
Depreciation charge for the financial year ended 31 December 2004	450

## 3. INVESTMENT PROPERTIES

	GROUP	
	2005 RM	2004 RM
At cost:		
Freehold land and buildings	3,042,206	3,475,506
Leasehold land and buildings	2,592,960	2,592,960
	5,635,166	6,068,466

The issuance of title deeds of certain investment properties of subsidiary companies are pending from relevant authorities as at 31 December 2005.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 4. SUBSIDIARY COMPANIES

	GROUP	
	2005 RM	2004 RM
Unquoted shares at cost	43,743,927	43,743,927

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2005 %	2004 %	
Chuan Huat Hardware Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Chuan Huat Hardware (Sdn) Berhad	Malaysia	100	100	Hardware Merchant
Disccomp Berhad	Malaysia	# 63.9	# 63.9	Manufacturing and marketing of computer diskettes of all kind and investment holding
Bars & Mesh Industries Sdn Bhd	Malaysia	# 100	# 65.2	Trading of steel wire products
SC-PNP Edaran Sdn Bhd (formerly known as SC Multimedia Technology Sdn Bhd)	Malaysia	# 100	# 100	Retailers and supplier of computer hardware, software, accessories and services
CH Reinforcing Steel (M) Sdn Bhd	Malaysia	# 100	# 100	Processing and trading of steel wire products
SC Multimedia Product Sdn Bhd	Malaysia	# 100	# 100	Manufacturing and trading in magnetic media products and replacement of inkjet cartridges
Chuan Huat Metal Sdn Bhd	Malaysia	# 80	# 80	Trading in building materials
Interactive Office Supplies Sdn Bhd	Malaysia	# 100	# 100	Multimedia publication services and retailing in computer and related accessories
Vibrant Innovations Sdn Bhd	Malaysia	# 67	# 67	Dormant
CH Steel Recycle Centre Sdn Bhd	Malaysia	# 100	# 100	Steel service centre
Chuan Huat Industrial Marketing Sdn Bhd	Malaysia	# 100	# 100	Trading as hardware merchant, retailers, importers and exporters and suppliers of building and construction materials of all kind
CHRB Selatan Sdn Bhd	Malaysia	# 80	# 80	Hardware merchants, retailers and suppliers of building and construction materials of all kind
CHRB Utara Sdn Bhd	Malaysia	# 100	# 100	Trading in building materials
Empties Trading Connections Sdn Bhd	Malaysia	# 100	# 100	Trading of empties cartridges

# Notes to the Financial Statements (cont'd)

31 December 2005

## 4. SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2005 %	2004 %	
Pineapple Computer Systems Sdn Bhd	Malaysia	# 92.2	# 92.2	Retailing in computers and related accessories
Esy Ink Technology Sdn Bhd	Malaysia	# 100	# 100	Importing and distribution of full range of compatible ink jet cartridges, toner and related accessories.
Esyink Remanufacturing Sdn Bhd	Malaysia	# 100	# 100	Manufacturing and trading of remanufactured inkjet cartridges
Pineapple Computers & Accessories	Malaysia	# 100	# 100	Retailing in computers and related accessories
CH Rebar Sdn Bhd	Malaysia	# 100	# 100	Cutting and bending of steel bars
CHRB Corporation Sdn Bhd	Malaysia	# 100	# 100	Investment Holding
CHRB Properties Sdn Bhd	Malaysia	# 100	# 100	Trading in properties
CHRB Timuran Sdn Bhd	Malaysia	# 100	# 100	Dealing and marketing in building materials
SC Multimedia (EM) Sdn Bhd	Malaysia	# 51	# 51	Trading and distribution of full range of computer peripherals and accessories
Pine System Technology Sdn Bhd	Malaysia	# 51	# 51	Dealers of computer hardware, software and related products
CHRB Shoji Sdn Bhd	Malaysia	# 100	# 100	Dormant
Esytech Export Sdn Bhd	Malaysia	# 51	# 51	Export and distribution of full range of compatible ink jet cartridges, toners and related accessories
Pineapple Computer Utara Sdn Bhd	Malaysia	# 51	# 51	Retailing and distribution of full range of computer peripherals and accessories
Trident Point Sdn Bhd	Malaysia	# 80	# 100	Property Management
Keyline Consulting Sdn Bhd	Malaysia	# 70	# -	Trading and retailing of ironmongery products and architectural hardware
CHRB Building Materials Sdn Bhd (formerly known as Focus Triangle Sdn Bhd)	Malaysia	# 66	# -	Trading in building materials

# Holding in equity by subsidiary companies

# Notes to the Financial Statements (cont'd)

31 December 2005

## 5. ASSOCIATED COMPANY

	GROUP	
	2005 RM	2004 RM
Unquoted shares at cost	2,250,000	2,250,000
Share of post-acquisition profits	259,760	256,876
	2,509,760	2,506,876

The Group's interest in the associated company is analysed as follows:

	GROUP	
	2005 RM	2004 RM
Share of net assets	2,497,554	2,494,670
Premium on acquisition	12,206	12,206
	2,509,760	2,506,876

The associated company is as follow:

Name of Company	Country of Incorporation	Holding in Equity		Accounting year end	Principal Activities
		2005 %	2004 %		
Vintage Consolidated Sdn Bhd	Malaysia	# 25	# 25	31 December	Dormant

# Holding in equity by a subsidiary company.

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## 6. INVESTMENTS

	GROUP	
	2005 RM	2004 RM
Unquoted shares	3,280,363	3,424,985
Allowance for diminution in value	-	(28,924)
	3,280,363	3,396,061
Quoted shares in Malaysia at cost	38,001	38,001
Club membership at cost	125,489	125,489
	3,443,853	3,559,551
Market value of quoted shares	32,101	86,702

# Notes to the Financial Statements (cont'd)

31 December 2005

## 7. GOODWILL

	GROUP	
	2005 RM	2004 RM
Goodwill on consolidation at 1 January	145,745	141,673
Increase in shareholding in subsidiary companies	251,498	-
Acquisition of subsidiary companies	69,699	4,072
At 31 December	466,942	145,745
Accumulated amortisation	(48,085)	(37,316)
Net	418,857	108,429

## 8. INVENTORIES

	GROUP	
	2005 RM	2004 RM
At cost:		
Raw materials	4,994,483	14,339,334
Finished goods	38,555,367	42,088,517
Work-in-progress	2,092,562	386,529
Consumables	31,266	62,802
Completed properties	10,690,324	5,423,086
Properties under construction	2,733,200	-
Goods in transit	259,288	-
	59,356,490	62,300,268

As at 31 December 2005, the strata titles of the completed properties have not been registered in the name of the subsidiary company.

A completed property with carrying value amounted to RM1,994,659 (2004: RM1,994,659) has been pledged to a licensed bank for credit facilities granted to a subsidiary company.

## 9. TRADE RECEIVABLES

	GROUP	
	2005 RM	2004 RM
Trade receivables	128,367,534	114,181,604
Allowance for doubtful debts	(21,990,599)	(20,853,731)
	106,376,935	93,327,873

The Group's normal trade credit terms range from 7 days to 90 days (2004: 14 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single customer or to groups of customers.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	3,915,829	3,805,292	-	-
Allowance for doubtful debts	-	(100,264)	-	-
	3,915,829	3,705,028	-	-
Deposits	570,836	1,741,410	1,000	1,000
Prepayments	1,640,229	995,275	9,200	2,978
	6,126,894	6,441,713	10,200	3,978

## 11. FIXED DEPOSITS WITH LICENSED BANKS

The deposits of the Group carry interest rates ranging from 3.0% to 3.7% (2004: 3% to 3.2%) per annum and have maturity periods range from 30 days to 365 days (2004: 30 days to 365 days).

The Group's fixed deposits with carrying value of RM368,744 have been pledged to licensed banks for banking facilities granted to the subsidiary companies.

## 12. TRADE PAYABLES

The normal trade credit period granted to the Group for trade purchase range from 14 days to 90 days (2004: 14 days to 90 days).

## 13. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	1,372,734	2,973,670	17,227	8,117
Accruals	1,342,639	1,635,914	124,250	76,500
	2,715,373	4,609,584	141,477	84,617

## 14. HIRE PURCHASE LIABILITIES

	GROUP	
	2005 RM	2004 RM
Hire purchase liabilities		
- payable within one year	2,718,020	2,180,078
- payable between one and five years	3,509,028	3,347,964
	6,227,048	5,528,042
Interest-in-suspense	(757,685)	(719,167)
	5,469,363	4,808,875
Portion due within one year	(2,400,667)	(1,833,060)
Non-current portion	3,068,696	2,975,815



# Notes to the Financial Statements (cont'd)

31 December 2005

## 14. HIRE PURCHASE LIABILITIES (cont'd)

	GROUP	
	2005 RM	2004 RM
The net hire purchase liabilities are repayable as follows:		
Within one year	2,400,667	1,833,060
Between one and five years	3,068,696	2,975,815
	5,469,363	4,808,875

The hire purchase liabilities carry interest rates ranging from 0% to 10.87% (2004: 0% to 10.91%) per annum.

## 15. BANK OVERDRAFTS

	GROUP	
	2005 RM	2004 RM
Secured	280,025	-
Unsecured	254,973	608,951
	534,998	608,951

The secured bank overdraft is secured by way of a legal charge over a long leasehold land of a subsidiary company.

The bank overdrafts carry interest rates ranging from 7.25% to 7.75% (2004: 7.0% to 7.5%) per annum.

## 16. SHORT TERM BORROWINGS

	GROUP	
	2005 RM	2004 RM
Unsecured:		
Bills payable	103,660,644	94,987,698
Secured:		
Term loans	1,724,087	1,016,882
- portion repayable within one year (Note 19)	105,384,731	96,004,580

The short term borrowings carry interest rates ranging from 3.21% to 8.00% (2004: 3.36% to 7.25%) per annum.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 17. SHARE CAPITAL

	GROUP AND COMPANY	
	2005 RM	2004 RM
Authorised:		
100,000,000 Ordinary shares of RM1.00 each	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each At 1 January	44,774,000	41,147,000
Issued during the financial year	-	3,627,000
At 31 December	44,774,000	44,774,000

The ESOS for the eligible Directors and employees of the Group became effective on 19 July 2001 and will expire on 18 July 2006.

The main features of the ESOS are as follows:

- (I) The total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid up share capital of the Company at any point of time during the exercise of the Scheme.
- (II) Eligible persons are confirmed Malaysian employees including full-time executive directors of the Group who have been employed for at least 12 full months of continuous service, including service during the probation period and whose employment has been confirmed in writing prior to the date of offer, and for at least 2 years of continuous service and current employment contract should be not less than 1 year before the date of offer for Non-Malaysian employees.
- (III) The actual entitlement of eligible employees shall essentially be based on the length of service and seniority of job position and shall not less than 1,000 shares nor more than their maximum allowable allotment and shall always be in multiples of 1,000 shares.
- (IV) The option price subscribe for shares under the ESOS shall be the higher of :
  - the weighted average market price of the Shares for the five (5) market days immediately preceding the Date of Offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or
  - the par value of the shares.

The movements of number of options granted and exercised pursuant to the ESOS during the financial year are as follows:

Granted on	Subscription price per share	Balance as at 1.1.2005	Granted	Exercised	Lapsed	No. of shares unissued as at 31.12.2005
19.7.2001	RM1.23	1,706,000	-	-	-	1,706,000
3.7.2003	RM1.10	1,099,000	-	-	-	1,099,000
		2,805,000	-	-	-	2,805,000

# Notes to the Financial Statements (cont'd)

31 December 2005

## 18. RESERVES

	Non-distributable			Distributable	2005 Total RM	2004 Total RM
	Share premium RM	Negative goodwill RM	Capital reserves RM	Retained profits RM		
<b>GROUP</b>						
Balance as at 1 January	16,972,092	8,442,290	13,072,420	7,347,833	45,834,635	39,636,493
Shares issued	-	-	-	-	-	8,300
Accretion arising from change in equity Interest in a subsidiary company	-	-	2,034	-	2,034	-
Realisation of reserve on disposal of a subsidiary company	-	-	-	-	-	(82,500)
Amortisation of negative goodwill	-	(496,157)	-	-	(496,157)	(496,156)
Net (loss)/profit for the financial year	-	-	-	(1,180,968)	(1,180,968)	7,404,143
Dividend (Note 27)	-	-	-	(1,611,864)	(1,611,864)	(635,645)
Balance as at 31 December	16,972,092	7,946,133	13,074,454	4,555,001	42,547,680	45,834,635

	Non-Distributable	Distributable	2005 Total RM	2004 Total RM
	Share premium RM	Retained profits RM		
<b>COMPANY</b>				
Balance as at 1 January	16,972,092	1,946,283	18,918,375	18,047,306
Shares issued	-	-	-	8,300
Net profit for the financial year	-	1,577,741	1,577,741	1,498,414
Dividend (Note 27)	-	(1,611,864)	(1,611,864)	(635,645)
Balance as at 31 December	16,972,092	1,912,160	18,884,252	18,918,375

# Notes to the Financial Statements (cont'd)

31 December 2005

## 18. RESERVES (cont'd)

Details of capital reserves as at 31 December are as follows:

	GROUP	
	2005 RM	2004 RM
Accretion arising from change in equity interest in subsidiary companies	74,454	72,420
Capitalised for bonus issue by subsidiary companies	13,000,000	13,000,000
	13,074,454	13,072,420

## 19. TERM LOANS

	GROUP	
	2005 RM	2004 RM
Secured:		
Term loans	6,710,985	5,992,351
Portion repayable within one year (Note 16)	(1,724,087)	(1,016,882)
	4,986,898	4,975,469

The term loans are repayable over the following periods:

	GROUP	
	2005 RM	2004 RM
Within one year	1,724,087	1,016,882
From one to two years	1,511,907	2,890,748
From two to five years	3,474,991	2,084,721
	6,710,985	5,992,351

The term loans are secured by way of charges over the landed properties of certain subsidiary companies. The term loans carry interest rates ranging from 6.00% to 8.00% (2004: 7.00% to 8.02%) per annum.

## 20. DEFERRED TAXATION

	GROUP	
	2005 RM	2004 RM
At 1 January	1,626,928	2,667,791
Net transfer to income statements (Note 25)	(456,412)	(874,266)
Disposal of a subsidiary company	-	(166,597)
At 31 December	1,170,516	1,626,928

# Notes to the Financial Statements (cont'd)

31 December 2005

## 20. DEFERRED TAXATION (cont'd)

The Group's movements in deferred tax liabilities and assets during the financial year prior to offsetting comprise the following:

<b>GROUP</b>		<b>Accelerated capital allowances RM</b>	
<b>Deferred tax liabilities</b>			
At 1 January 2004		(3,080,249)	
Transfer to income statements		810,433	
Disposal of a subsidiary company		166,597	
At 31 December 2004		(2,103,219)	
Transfer from income statements		(296,674)	
At 31 December 2005		(2,399,893)	
		<b>Unabsorbed capital allowances RM</b>	<b>Unutilised tax losses RM</b>
<b>Deferred tax assets</b>		<b>RM</b>	<b>Total RM</b>
At 1 January 2004		230,489	181,969
Transfer to income statements		37,794	26,039
At 31 December 2004		268,283	208,008
Transfer to income statements		742,407	10,679
At 31 December 2005		1,010,690	218,687
At 31 December 2005			
Net transfer to income statements			456,412
Net deferred tax liabilities			(1,170,516)
At 31 December 2004			
Net transfer to income statements			874,266
Net deferred tax liabilities			(1,626,928)
		<b>GROUP</b>	
		<b>2005</b>	<b>2004</b>
Deferred tax assets not accounted for:			
- Unabsorbed tax losses		2,486,173	394,817
- Unabsorbed capital allowances		3,207,076	76,906
		5,693,249	471,723
The tax effect on deferred tax assets not accounted for		1,480,245	122,648

The unabsorbed tax losses and capital allowances are subject to agreement with the tax authority.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 21. REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	402,008,773	407,260,646	-	-
Rental income	1,166,282	911,340	-	-
Dividend income from:				
- subsidiary companies	-	-	2,257,200	1,564,417
- unquoted investments	540,400	408,467	-	-
	403,715,455	408,580,453	2,257,200	1,564,417

## 22. STAFF COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Salaries, wages and bonus	12,696,602	12,541,883	-	-
Defined contribution plans	1,320,904	1,284,132	-	-
Other staff related expenses	1,726,864	1,574,734	127,000	104,000
	15,744,370	15,400,749	127,000	104,000

Included in staff costs of the Group and of the Company is Directors remuneration as disclosed in Note 23.

## 23. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit from operations is arrived at:				
After charging:				
Directors' remuneration	1,196,772	1,213,788	127,000	104,000
Auditors' remuneration:				
- current year	112,100	106,800	8,000	5,500
- under/(over) accrued in prior year	6,210	(4,042)	3,000	-
Depreciation	4,590,308	6,351,003	225	450
Amortisation of:				
- goodwill on consolidation	10,769	6,923	-	-
- license fees	-	13,656	-	-
Rental of premises	800,762	346,162	-	-
Allowance for doubtful debts	2,209,007	7,254,435	-	-
Bad debts written off	138,806	89,096	-	-
Property, plant and equipment written off	12,661	56,110	-	-

# Notes to the Financial Statements (cont'd)

31 December 2005

## 23. PROFIT FROM OPERATIONS (cont'd)

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for diminution in value of unquoted investment	-	28,924	-	-
Loss on disposal of investment properties	20,300	-	-	-
Unquoted investment written off	144,622	-	-	-
And crediting:				
Rental income from:				
- Directors	-	-	-	-
- others	1,166,282	911,340	-	-
Dividend income from a subsidiary company:				
- Tax exempt	-	-	-	1,564,417
- Gross	-	-	2,257,200	-
Gross dividend income from:				
- unquoted investment	540,000	407,767	-	-
- quoted investment	400	700	-	-
Amortisation of negative goodwill	496,157	496,156	-	-
Interest income from:				
- fixed deposit	55,227	122,296	-	-
- others	729,124	135,614	-	-
Allowance for doubtful debts written back	1,028,676	199,458	-	-
Gain on disposal of property, plant and equipment	102,739	498,885	-	-
Gain on disposal of a subsidiary company	-	129,920	-	-
Gain on disposal of investment properties	-	48,680	-	-
Gain on disposal of quoted shares	-	2,541	-	-

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Management fees from subsidiary companies	-	-	232,800	232,800
Allowance for diminution in value of unquoted investment written back	28,924	-	-	-

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# Notes to the Financial Statements (cont'd)

31 December 2005

## 23. PROFIT FROM OPERATIONS (cont'd)

\* The aggregate amount of remuneration receivable by Directors of the Company during the financial year were categorised as follows:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Executive Directors:</b>				
Salaries and other emoluments	911,972	947,668	-	-
Fees	30,000	24,000	30,000	24,000
Defined contributions plans	109,800	114,120	-	-
<b>Non-executive Directors:</b>				
Fees	145,000	128,000	97,000	80,000
	1,196,772	1,213,788	127,000	104,000

## 24. FINANCE COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest expenses on:				
- bills payable	3,661,213	3,357,611	-	-
- bank overdrafts	56,620	66,625	-	-
- term loans	397,228	77,990	-	-
- hire purchase	329,844	252,503	-	-
- others	-	128	-	-
Bank charges	201,648	244,870	548	603
	4,646,553	3,999,727	548	603

## 25. TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Current year	2,193,620	3,546,477	642,487	21,600
(Over)/Under accrued in prior years	(29,116)	(85,426)	(42)	52
Recovery of tax deducted at source on dividend received and receivable from subsidiary companies and an associated company	(1,158,416)	(329,084)	-	-
Deferred taxation (Note 20)	(456,4120)	(874,266)	-	-
	549,676	2,257,701	642,445	21,652
Share in taxation of an associated company	4,412	9,702	-	-
	554,088	2,267,403	642,445	21,652



# Notes to the Financial Statements (cont'd)

31 December 2005

## 25. TAXATION (cont'd)

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

	GROUP		COMPANY	
	2005 %	2004 %	2005 %	2004 %
Applicable tax rate	(26)	26	28	28
Non-allowable expenses	123	21	1	1
Double deduction	(1)	-	-	-
Income not subject to tax	(11)	(3)	-	(28)
Utilisation of unabsorbed capital allowances and tax losses	(27)	(10)	-	-
Deferred tax assets not recognised	28	3	-	-
Under provision in prior years	(2)	(1)	-	-
Deferred taxation	(38)	(10)	-	-
Average effective tax rate	46	26	29	1

The Company has estimated tax exempt account amounting to RM359,000 available for the distribution of tax exempt dividends.

The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM671,000 to frank the payment of dividend out of its retained profits as at 31 December 2005. The amount is subject to agreement with the tax authority.

## 26. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2005 RM	2004 RM
Net (loss)/profit attributable to shareholders (RM)	(1,180,968)	7,404,143
Weighted average number of ordinary shares	44,774,000	42,688,222
Basic (loss)/earnings per share (sen)	(2.64)	17.34

There is no further dilution for the loss per share for the financial year ended 31 December 2005 and the fully diluted loss per share remains the same as the basic loss per share at 2.64 sen per share.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 27. DIVIDEND

	GROUP AND COMPANY			
	2005		2004	
	Gross dividend per share (sen)	Amount of dividend RM	Gross dividend per share (sen)	Amount of dividend RM
First and final tax exempt dividend paid	5	1,611,864	1.5	635,645

The Company proposed a first and final dividend of 1 sen gross per ordinary share, less income tax at 28%, amounting to RM322,373 in respect of the current financial year. The dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## 28. CASH FLOW STATEMENTS

(a) Adjustment for non-cash items, interests and dividends

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Amortisation of goodwill on consolidation	10,769	6,923	-	-
Amortisation of license fees	-	13,656	-	-
Amortisation of negative goodwill	(496,157)	(496,156)	-	-
Bad debts written off	138,806	89,096	-	-
Depreciation	4,590,308	6,351,003	225	450
Dividend income	(540,400)	(408,467)	(2,257,200)	(1,564,417)
Gain on disposal of property, plant and equipment	(102,739)	(498,885)	-	-
Loss/(Gain) on disposal of an investment properties	20,300	(48,680)	-	-
Interest income	(784,351)	(257,910)	-	-
Interest expenses	4,444,905	3,754,857	-	-
Share in results of an associated company	(7,296)	15,844	-	-
Allowance for doubtful debts	2,209,007	7,254,435	-	-
Property, plant and equipment written off	12,661	56,110	-	-
Allowance for doubtful debts written back	(1,028,676)	(199,458)	-	-
Allowance for diminution in value of unquoted investment	-	28,924	-	-
Gain on disposal of a subsidiary company	-	(129,920)	-	-
Gain on disposal of quoted shares	-	(2,541)	-	-
Unquoted investment written off	144,622	-	-	-
Allowance for diminution in value of unquoted investment written back	(28,924)	-	-	-
	8,582,835	15,528,831	(2,256,975)	(1,563,967)

# Notes to the Financial Statements (cont'd)

31 December 2005

## 28. CASH FLOW STATEMENTS (cont'd)

### (b) Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM8,526,204 (2004: RM13,126,931) of which RM3,208,750 (2004: RM2,126,053) was acquired by means of hire purchase and RM92,000 (2004: RM95,718) was acquired by means of contra against trade receivables balances. Cash payments of RM5,225,454 (2004: RM10,905,160) were made to purchase property, plant and equipment.

### (c) Cash and cash equivalents at end of the financial year

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	1,407,359	1,834,000	-	-
Cash and bank balances	14,093,982	13,431,866	32,808	6,818
Bank overdrafts	(534,998)	(608,951)	-	-
	14,966,343	14,656,915	32,808	6,818
Fixed deposits pledged	(368,744)	-	-	-
	14,597,599	14,656,915	32,808	6,818

## 29. ACQUISITION OF SUBSIDIARY COMPANIES

During the financial year, the Group has completed the following acquisitions:

- (i) on 4 July 2005, subscribed for 245,000 ordinary shares of RM1.00 each, representing 70% of total paid up share capital, in Keyline Consulting Sdn Bhd for a cash consideration of RM245,000 to be satisfied entirely from internally generated funds; and
- (ii) on 1 October 2005, subscribed for 132,000 ordinary shares of RM1.00 each, representing 66% of total paid up share capital, in CHRB Building Materials Sdn Bhd (formerly known as Focus Triangle Sdn Bhd) for a cash consideration of RM132,000 to be satisfied entirely from internally generated funds.

### (a) Details of net assets acquired at the date of acquisition are as follows:

	GROUP	
	2005 RM	2004 RM
Property, plant and equipment	(29,431)	(13,386)
Inventories	(409,541)	(109,393)
Receivables	(118,083)	(17,873)
Cash and bank balances	(707,486)	(9,392)
Payables	814,768	62,543
Minority interests	142,472	40,571
Net assets acquired	(307,301)	(46,930)
Goodwill	(69,699)	(4,072)
Purchase consideration	(377,000)	(51,002)
Cash and bank balances acquired	707,486	9,392
Net cash inflow/(outflow) from acquisition of subsidiary companies	330,486	(41,610)

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# Notes to the Financial Statements (cont'd)

31 December 2005

## 29. ACQUISITION OF SUBSIDIARY COMPANIES (cont'd)

(b) The effect of the acquisition of subsidiary companies on the financial results of the Group during the financial year are as follows:

	GROUP	
	2005 RM	2004 RM
Revenue	1,700,315	437,614
Other operating income	229	4,580
Changes in inventories	306,318	(19,382)
Purchases of finished goods	(1,750,495)	(320,233)
Staff costs	(216,565)	(58,058)
Depreciation	(4,820)	(2,062)
Other operating expenses	(140,152)	(95,815)
Loss from operations	(105,170)	(53,356)
Finance costs	(845)	(84)
Loss before taxation	(106,015)	(53,440)
Taxation	(644)	-
Net loss for the financial year	(106,659)	(53,440)

(c) The effect of the acquisition of subsidiary companies on the financial position of the Group at the end of the financial year are as follows:

	GROUP	
	2005 RM	2004 RM
Goodwill	68,381	3,922
Property, plant and equipment	123,376	8,982
Inventories	430,341	85,505
Receivables	984,274	66,216
Cash and bank balances	281,661	37,471
Payables	(518,915)	(160,180)
Hire purchase liabilities	(64,900)	-
Deferred taxation	(644)	-
Minority interests	(110,920)	(7,188)
Increase in Group's net assets	1,192,654	34,728

# Notes to the Financial Statements (cont'd)

31 December 2005

## 30. RELATED PARTY TRANSACTIONS

Related parties and relationship

The related parties of the Group and of the Company comprise the following:

- related companies being subsidiary companies of Chuan Huat Resources Berhad.
- 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:

### (a) Sale of goods

	GROUP	
	2005 RM	2004 RM
Other related parties		
- Ahmad Zaki Sdn Bhd	5,908,369	13,306,555
- Basic Electronic (S) Pte Ltd	-	377,220
	5,908,369	13,683,775

### (b) Others

	COMPANY	
	2005 RM	2004 RM
Dividend income received from a subsidiary Companies		
- Chuan Huat Hardware (Sdn) Berhad	2,257,200	831,600
- Chuan Huat Hardware Holdings Sdn Bhd	-	732,817
Management fees received from subsidiary companies:		
- Chuan Huat Hardware (Sdn) Berhad	116,400	116,400
- Chuan Huat Hardware Holdings Sdn Bhd	116,400	116,400

Ahmad Zaki Sdn Bhd and AZSB Industrial Marketing Sdn Bhd are companies in which, Dato' Haji Wan Zaki Bin Haji Wan Muda, a Director of the Company, has a substantial financial interest.

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.

The amount due from a subsidiary company which arose mainly from inter-company advances and payments made on behalf is unsecured, interest free and has no fixed repayment terms.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 31. CAPITAL COMMITMENTS

The Group has commitments as follows:

	GROUP	
	2005 RM	2004 RM
Capital expenditure approved and contracted for	1,332,800	2,328,360

## 32. CONTINGENT LIABILITIES

	COMPANY	
	2005 RM	2004 RM
Unsecured:		
Guarantees in respect of banking facilities granted to subsidiary companies	159,689,000	145,503,904
Corporate guarantees given to suppliers for supply of goods to subsidiary companies	12,100,000	7,100,000
	171,789,000	152,603,904

## 33. SEGMENTAL ANALYSIS - GROUP

The Group is organised into two major business segments:

- (i) Hardware and building materials - Trading in steel and all types of building materials.
- (ii) Technology related products - Manufacturing of computer diskettes, magnetic media products and ink cartridges and retailing in computers and related accessories.

Other business segments comprise investment holding and trading in properties.

No segment information by geographical area has been presented as the Group operates predominantly in Malaysia.

### 2005 BUSINESS SEGMENT

	Trading hardware and building materials RM	Technology related products Trading RM	Manufacturing RM	Investment Holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
<b>REVENUE</b>							
External sales	373,209,141	26,040,226	2,863,448	1,526,900	75,740	-	403,715,455
Inter-segment sales	97,756,509	20,277,541	1,877,103	3,355,600	4,400	(123,271,153)	-
	470,965,650	46,317,767	4,740,551	4,882,500	80,140	(123,271,153)	403,715,455

# Notes to the Financial Statements (cont'd)

31 December 2005

## 33. SEGMENTAL ANALYSIS - GROUP (cont'd)

### 2005 BUSINESS SEGMENT (cont'd)

	Trading hardware and building materials RM	Technology related products		Investment Holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
		Trading RM	Manufacturing RM				
<b>RESULTS</b>							
Segment results	4,364,198	3,396,873	(4,248,172)	(875,445)	3,603		2,641,057
Finance costs							(4,646,553)
Interest income							784,351
Share in result of an associated company							7,296
Taxation							(554,088)
Loss after taxation							(1,767,937)
Minority interests							586,969
Net loss for the financial year							(1,180,968)
<b>OTHER INFORMATION</b>							
Segment assets	188,781,567	14,062,582	11,586,904	28,055,668	13,457,584		255,944,305
Investment in an associated company	2,509,760						2,509,760
Total segment assets							258,454,065
Unallocated corporate assets							1,403,849
Total assets							259,857,914
Total segment liabilities	155,139,509	2,040,768	697,621	2,622,464	33,690		160,534,052
Unallocated corporate liabilities							1,175,780
Total liabilities							161,709,832
Capital expenditure	5,988,967	1,084,053	859,765	593,419	-		8,526,204
Depreciation	2,894,601	342,187	744,441	609,079	-		4,590,308
Non-cash expenses other than depreciation	2,271,053	188,831	399	55,582	-		2,515,865

# Notes to the Financial Statements (cont'd)

31 December 2005

## 33. SEGMENTAL ANALYSIS - GROUP (cont'd)

### 2004 BUSINESS SEGMENT

	Trading in hardware and building materials RM	Technology related products		Discontinued Operation Technology related product		Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
		Trading RM	Manufacturing RM	Trading RM	Manufacturing RM				
REVENUE									
External sales	378,493,867	21,965,013	5,901,196	229,206	570,004	1,319,807	101,360		408,580,453
Inter-segment sales	53,138,224	-	21,948	-	-	2,528,017	-	(55,688,189)	-
	431,632,091	21,965,013	5,923,144	229,206	570,004	3,847,824	101,360	(55,688,189)	408,580,453
RESULTS									
Segment results	14,082,872	2,063,471	(1,563,102)	359,811	(2,932,599)	454,415	42,475		12,507,343
Finance costs									(3,999,727)
Interest income									257,910
Share in result of an associated company	(15,844)								(15,844)
Taxation									(2,267,403)
Profit after taxation									6,482,279
Minority interests									921,864
Net profit for the financial year									7,404,143
OTHER INFORMATION									
Segment assets	180,613,426	11,904,318	15,996,077	-	-	28,721,861	5,447,137		242,682,819
Investment in an associated company	2,506,876								2,506,876
Total segment assets									245,189,695
Unallocated corporate assets									1,030,481
Total assets									246,220,176
Total segment liabilities	134,874,742	1,355,945	2,066,077	-	-	2,402,219	23,870		140,722,853
Unallocated corporate liabilities									1,740,201
Total liabilities									142,463,054



# Notes to the Financial Statements (cont'd)

31 December 2005

## 33. SEGMENTAL ANALYSIS - GROUP (cont'd)

### 2004 BUSINESS SEGMENT (cont'd)

	Trading in hardware and building materials RM	Technology related products		Discontinued Operation Technology related product		Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
		Trading RM	Manufacturing RM	Trading RM	Manufacturing RM				
Capital expenditure	10,619,924	261,368	123,468	3,180	1,250	2,501,741	-		13,510,931
Depreciation	2,500,111	308,772	821,548	9,791	2,177,143	533,638	-		6,351,003
Non-cash expenses other than depreciation	6,944,915	124,586	70,835	124,714	13,656	170,438	-		7,449,144

## 34. CORPORATE INFORMATION

- (a) The Company is a public limited liability company incorporated and domiciled in Malaysia, and listed on the Second Board of Bursa Malaysia.
- (b) The registered office and principal place of business of the Company are both located at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur.
- (c) The principal activity of the Company is investment holding.
- (d) Number of employees

	GROUP		COMPANY	
	2005	2004	2005	2004
Total number of employees, including Directors, employed by the Group and the Company as at end of the financial year	574	530	7	7

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- (e) The financial statements were authorised for issued by the Board of Directors in accordance with resolution of the Directors on 27 April 2006.

## 35. FINANCIAL INSTRUMENTS

### Financial risk management policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guideline that are approved by the Board and the Group's policy is not to engage in speculative transactions. The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

#### (a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities where the currency denomination differs from the local currency, Ringgit Malaysia (RM). Exposures to foreign currency risks are monitored on an ongoing basis and the Group does not hedge its foreign currency risk.

# Notes to the Financial Statements (cont'd)

31 December 2005

## 35. FINANCIAL INSTRUMENTS (cont'd)

### (b) Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

### (c) Credit risk

The Group controls its credit risk by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis.

Generally, the Group does not require collateral in respect of its financial assets. The Group is not exposed to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial assets.

### (d) Market risk

The Group's principal exposure to market risk arises mainly from the changes in equity prices. The Group manages disposal of its investments to optimise returns on realisation.

### (e) Liquidity and Cash Flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

In addition, the Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings. Short-term flexibility is achieved through credit facilities and short-term borrowings.

### (f) Fair values

The carrying amounts of financial assets and liabilities of the Group and Company as at 31 December 2005 approximated their fair values except as set out belows:

	GROUP	
	Carrying Amount RM	Fair Value RM
<b>2005</b>		
<b>Financial assets:</b>		
Marketable securities	38,001	32,101
Other investments	3,405,852	*
<b>2004</b>		
<b>Financial assets:</b>		
Marketable securities	38,001	86,702
Other investments	3,521,550	*

\* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.

## 35. FINANCIAL INSTRUMENTS (cont'd)

### (f) Fair values (cont'd)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### i. Deposits, cash and bank balances

The carrying amounts of deposits, cash and bank balances approximate fair values due to the relatively short term maturity of these instruments.

#### ii. Marketable securities

The fair values of publicly traded instruments are estimated based on the quoted market prices.

The Directors are of the opinion that the excess carrying amount of the quoted investments over their fair value at the balance sheet date is temporary in nature as the market price of these quoted investments subsequent to the financial year increased significantly.

#### iii. Trade and other receivables and payables

The carrying amounts of trade receivables and payables subject to normal trade credit terms approximate fair values. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

#### iv. Borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

#### v. Amount due from a subsidiary company

The carrying amount of the amount due from a subsidiary company is a reasonable estimate of fair value because of its short maturity.

## 36. COMPARATIVE FIGURES

Certain comparative figures have been changed for a better presentation in the financial statements.

	GROUP	
	As restated RM	As previously reported RM
<b>Income statements</b>		
Revenue - continue operations		
Other operating income	407,486,159	406,962,802
Purchases of finished goods	1,645,904	2,169,261
Finance costs	(308,902,035)	(311,232,916)
	(3,999,727)	(1,668,846)
<b>Cash flow statements</b>		
Adjustment for non cash items, interests and dividends:		
Interest expenses	3,754,857	1,423,976
Cash flow from operating activities:		
Interest paid	(3,754,857)	(1,423,976)

# Statement of Shareholdings

as at 8 May 2006

Authorised Share Capital	:	RM 100,000,000
Issued and Paid-Up Capital	:	RM 44,774,000
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

## ANALYSIS OF SHAREHOLDINGS AS AT 8 MAY 2006

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	4	0.14	11	0.00
100 to 1,000	1,434	51.92	1,421,400	3.18
1,001 to 10,000	1,141	41.31	4,209,600	9.40
10,001 to 100,000	156	5.65	4,496,044	10.05
100,001 to less than 5% of issued shares	22	0.80	13,648,863	30.48
5% and above of issued shares	5	0.18	20,998,082	46.89
Total	<b>2,762</b>	<b>100.00</b>	<b>44,774,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 8 MAY 2006

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Lim Khoon Heng	4,768,175	10.64	5,888,903 (a)	13.15
Dato' Lim Loong Heng	4,768,174	10.64	5,888,903 (a)	13.15
Lim Khoon Hock	4,768,174	10.64	5,888,903 (a)	13.15
Dato' Haji Wan Zaki Bin Haji Wan Muda	3,835,197	8.56	-	-
Tan Sri Wan Azmi Bin Wan Hamzah	2,858,362	6.38	-	-
Lim Kim Chuan & Sons Holdings Sdn Bhd	2,277,628	5.09	-	-

## DIRECTORS' SHAREHOLDINGS AS AT 8 MAY 2006

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Lim Khoon Heng	4,768,175	10.64	5,888,903 (a)	13.15
Dato' Lim Loong Heng	4,768,174	10.64	5,888,903 (a)	13.15
Lim Khoon Hock	4,768,174	10.64	5,888,903 (a)	13.15
Dato' Haji Wan Zaki Bin Haji Wan Muda	3,835,197	8.56	-	-
Dali Kumar @ Dali Bin Sardar	244,000	0.54	-	-
Tai Keat Chai	-	-	-	-
Leow Bock Lim	-	-	-	-

Note:-

(a) Deemed interest by virtue of their substantial interests in Lim Kim Chuan & Sons Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and by virtue of their parents' (Lim Kim Chuan and Hew Kwee Won) shareholding in Chuan Huat Resources Berhad.

# Statement of Shareholdings (cont'd)

as at 8 May 2006

## LIST OF 30 LARGEST SHAREHOLDERS AS AT 8 MAY 2006

No.	Name	No. of Share Held	%
1.	Dato' Lim Khoon Heng	4,768,175	10.64
2.	Dato' Lim Loong Heng	4,768,174	10.64
3.	Lim Khoon Hock	4,768,174	10.64
4.	Dato' Haji Wan Zaki Bin Haji Wan Muda	3,835,197	8.56
5.	Tan Sri Wan Azmi Bin Wan Hamzah	2,858,362	6.38
6.	W Mohamed @ Nik Azam Bin Wan Hamzah	1,997,360	4.46
7.	Lim Kim Chuan	1,813,142	4.04
8.	Hew Kwee Won	1,798,133	4.01
9.	Lim Kim Chuan & Sons Holdings Sdn Bhd	1,794,316	4.00
10.	Chong Moan Lam @ Cheong Moon Lam	1,394,500	3.11
11.	Lembaga Tabung Haji	600,000	1.34
12.	Eminent Oasis Sdn Bhd	500,000	1.11
13.	Au Weng Keong	497,900	1.11
14.	Lim Kim Chuan & Sons Holdings Sdn Bhd	483,312	1.07
15.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Leow Lee Fong (Rem 196)	459,000	1.02
16.	Citigroup Nominees (Asing) Sdn Bhd	334,000	0.74
17.	Ng Chooi Guan	295,900	0.66
18.	Dali Kumar @ Dali Bin Sardar	244,000	0.54
19.	Khong Chook Chong	230,000	0.51
20.	Koay Keng Ling	217,000	0.48
21.	Ooi Bin Keong	215,000	0.48
22.	Khong Tsee Chong @ Khong Hoo Chong	173,000	0.38
23.	Espoir Investments Pte Ltd	152,500	0.34
24.	Tan Mui Mui	123,000	0.27
25.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Leow Quai Seong (Rem 196)	121,500	0.27
26.	Koh Mei Lee	103,200	0.23
27.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Leow Chow Kuen (Rem 196)	102,100	0.22
28.	Ying Tian Soong	100,000	0.22
29.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Chew Pick Ching (Margin-MY0108)	100,000	0.22
30.	Chen Chin Sang	96,000	0.21
		<b>34,942,945</b>	<b>77.90</b>

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# List of Properties

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
Leasehold industrial land with warehouse & office own use	Lot 135, Section 92A, Town of Kuala Lumpur, Wilayah Persekutuan.	3,333/ -	Leasehold for 42 years expiring in 2017 / 1	3,902	1997
Leasehold industrial land with warehouse & office / own use	Lot 50, Section 92A, Kuala Lumpur. Wilayah Persekutuan	4,919/3,257	Leasehold for 42 years expiring in 2017 / 14	2,358	1997
Leasehold industrial land with factory cum office / own use	Lot 1651, Nilai Industrial Area, Phase II, 71800 Nilai.	15,570/7,041	Leasehold for 99 years expiring in 2090 / 11	5,316	1997
Leasehold industrial land with factory cum office and canteen / own use	Lot 7401, PT 1888, Nilai Industrial Area, Phase II, 71800 Nilai.	28,416/6,297	Leasehold for 99 years expiring in 2091 / 11	10,816	1997
2 lots of leasehold land with a factory each / rented	Lot 3017 & 3018, 64 & 65 Jalan PJS 3/2, Taman Medan, Petaling Jaya.	334/301	Leasehold for 99 years expiring in 2097 / 11	404	1997
Leasehold industrial land with a 2 storey building / rented	No.302A, Jalan Tiga Off Jalan Sungai Besi Kuala Lumpur, Wilayah Persekutuan	4,047/2,500	Leasehold for 42 years expiring in 2009 / unknown	431	1997
Leasehold industrial land used as open arehouse / own use	Lot 19, Section 92A, Kuala Lumpur Wilayah Persekutuan	3,493.1	Leasehold for 42 years expiring in 2017 / NA	343	1997
Industrial land / vacant	Lot P204, Bukit Minyak Ind. Area, Mukit 13, Central District, Penang.	14,164.1	Leasehold for 60 years expiring in 2058 / NA	1,694	1997
Leasehold industrial land / vacant	No. 3, Jalan Zurah 1, Pusat Perindustrian Zurah, Mukim Rasa, Hulu Selangor.	10,927	Leasehold for 99 years expiring in 2095 / NA	755	1997
1 unit in an office building / rented	Unit P5.04, 5th Floor, BICMA Building, Lot 2, Jalan 243/51A, Petaling Jaya.	89.8/ 89.8	Leasehold for 99 years expiring in 2073/ 15	258	1997

## List of Properties (cont'd)

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
Ground & Mezzanine Floors In a 3 1/2 storey shop-office/ rented	Lot 66 Jalan SBC 3, Taman Sri Batu Caves, 68100 Batu Caves.	193.4 / 193.4	Freehold / 9	458	1997
2 Lots of 3 storey shop-houses/ vacant	Lot 7251 & 7252, Jalan BBN 1/4, Bandar Baru Nilai, 71800 Nilai.	334.4/903	Freehold / 10	682	1997
2 Apartment/ rented	Units A4-5 & A4-6, Tudor Court Apt. Taman Rasmi Jaya, Ampang.	164/164	Leasehold for 99 years expiring in 2090/ 19	131	1997
Apartment / vacant	Units A3-10, Level 10, Amber Court, Genting Highlands, 69000 Pahang.	60 / 60	Freehold / 16	164	1997
Apartment / vacant	Unit 12/B2, Gold Mansion, Straits Court, Melaka	99.2/99.2	Freehold / 8	154	1997
Land with a bungalow house/ rented	No.17, Jalan Serai, Taman Cheras, 56100 Kuala Lumpur	692/ 327	Freehold / 8	467	1997
Leasehold industrial land with factory cum office / rented	C43, Blk C, Lot 1566, Nilai Industrial Area, 71800 Nilai.	16,820 / 2,358	Leasehold for 99 years expiring in 2089 / 16	3,514	1998
Land used as open warehouse and store/ own use	Lot 10464, 5th Mile, Jalan Nenas, Off Jln Bukit Kemuning, Kg. Jawa, 41000 Klang	40,645.82	Freehold/ NA	5,645	1998
2nd Floor of a 4 1/2 storey shop-lot/ vacant	34-2 Jalan Wangsa 2/5, Taman Wangsa Permai, 52200 Kuala Lumpur.	113.5/ 113.5	Leasehold for 99 years expiring in 2098 / 8	130	1998
2 floors in a 5-storey shop lot / rented	Block B Unit 11, Level 1 & 2, Krystal Point, Commercial Centre, 11900 Bayan Lepas.	L1- 88.2/88.2 L2- 97.5/97.5	Freehold / 8	817	1998

# List of Properties (cont'd)

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
Land with a double storey terrace house / own use	PT5590, Jalan BBN 9/2F, Desa Anggerik, Bandar Baru Nilai, 71800 Nilai.	282.2/ 120.8	Freehold / 9	170	1998
Apartment / rented	No 3-14-4, Desa Bistari, Phase II, Batu Uban, Penang.	65.1/ 65.1	Freehold / 8	111	1998
2nd Floor in 4 1/2 storey Shop-office / vacant	53-C, 2nd Floor, Jalan BRP 6/10, Bukit Rahman Putra, Sek U20, Shah Alam.	153.3/ 153.3	Freehold / 7	149	1999
4 storey shop-office / Ground Floor – rented 1st Floor – own use 2nd & 3rd Floors – vacant	19, Lorong Tiara 1B, Bandar Baru Klang, 41150 Klang.	1,228/1,228	Leasehold for 99 years expiring in 2093 / 12	2,300	1999
Single storey terrace house / vacant	12, Jalan Kenari 12E/8, Lembah Beringin, Kuala Kubu Bahru, 44110 Selangor.	132.8/ 132.8	Freehold / 6	90	1999
Condominium / vacant	Unit 30-21-4, Reagon Tower, Pandan Heights, Tmn Pandan Perdana, 56100 Kuala Lumpur.	199.5/ 199.5	Freehold / 8	264	1999
3 storey shop-lot / own use	60, Jalan Melaka Raya 20, Taman Melaka Raya, Melaka.	429/429	Leasehold for 99 years expiring in 2093 / 6	383	2000
3 storey shop-lot / rented	62, Jalan Melaka Raya 20, Taman Melaka Raya, Melaka.	429/429	Leasehold for 99 years expiring in 2093 / 6	356	2000
Condominium / vacant	Unit 6B-12-1, Eden Fairway Condo, Jalan Sungai Emas, 11100 Penang.	178.8/ 178.8	Freehold / 7	356	2000



## List of Properties (cont'd)

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
Ground Floor in 12 storey shop-office/ vacant	GL23, Aras 1, Blk D, Dataran Usahawan Kelana, No.17, Jalan SS7/26, Kelana Jaya.	130.1/ 130.1	Leasehold for 88 years expiring in 2089 / 5	856	2001
7th Floor in 12 storey shop-office/ rented	815, Aras 8, Blk D, Dataran Usahawan Kelana, No.17, Jalan SS7/26, Kelana Jaya.	115.7/ 115.7	Leasehold for 88 years expiring in 2089 / 5	444	2001
2 1/2 storey semi-detached factory/ rented	No.4, Jalan PJS 1/4 Section 1, Bandar Pinggiran Subang, 40150 Shah Alam.	711/ 711	Leasehold for 99 years expiring in 2095 / 9	847	2001
3 storey shop-office/ vacant	No.1, Jalan PJS 1/2A, Section 1, Bandar Pinggiran Subang, 40150 Shah Alam.	315/ 315	Leasehold for 99 years expiring in 2093 / 9	1,995	2001
Condominium / vacant	Unit 203, Phase 5, Block N, PD Perdana Condo Resort, Off Jalan Pantai, Sirusa, 71050 Port Dickson.	77.7/ 77.7	Freehold / 8	102	2001
Condominium / vacant	Unit 207, Phase 5, Block N, PD Perdana Condo Resort, Off Jalan Pantai, Sirusa, 71050 Port Dickson.	77.7/ 77.7	Freehold / 8	109	2001
Apartment/ vacant	Block M3-421, Merak Apartments, Subang Impian, Bdr Pinggiran Subang, Sek. U5, Shah Alam.	78.9/ 78.9	Freehold / 1	62	2002
Apartment/ vacant	B-4-4, Block Rumbia, Las Palmas Apts., Bdr. Country Homes, 48000 Rawang.	64.2/ 64.2	Freehold / 5	51	2003

# List of Properties (cont'd)

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
Apartment/ own use	C-9-4, Block C, Jalan Jati 1 Desa Jati Apartment, Fasa 1, Bandar Baru Nilai, 71800 Nilai.	66.98/66.98	Freehold / 3	62	2003
Apartment/ own use	C-9-5, Block C, Jalan Jati 1 Desa Jati Apartment, Fasa 1, Bandar Baru Nilai, 71800 Nilai.	66.98/66.98	Freehold / 3	62	2003
4 units Apartments / 1 unit rented 3 units vacant	B-02-05, B-02-06 B-10-05 & B-10-06 Pangsapuri Widuri Raja Uda, Butterworth	139/139 164/164	Freehold / 2	176 208	2004 2004
Double Storey Terrace House / vacant	Unit No 5549 Tmn Bachang Baru Lot PT 4775 Mukim Bachang Melaka	111/111	Leasehold for 99 years expiring 2101 / 2	163	2004
3 units Apartments / vacant	A-3-2, A-3-3 & A-3-4, Block A 3rd Floor, Desa Jati Phase 2, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan	200.7	Freehold / 2	183	2004
6 lots of vacant land / rented	Lot 120,121,122,123, 124 & 175, Jalan Pudu, Kuala Lumpur, Wilayah Persekutuan	1,421.50	Freehold / NA	4,783	2005

## List of Properties (cont'd)

Description of properties/ Usage	Location	Land area/ Build-up area (in sq. metre)	Tenure / approx age of building	Net book value (RM'000)	Year of acquisition
<b>WORK IN PROGRESS</b>					
7 units shop office in a commercial complex / vacant	Lots A-12-01, A-12-02, A-12-03, A-12-3A, A-12-05, A-12-06 & A-12-07, Three Two Square, Section 14 Petaling Jaya, Selangor	1,149 / 1,149	Leasehold for 61 years expiring in 2066 / NA	2,733	2005
1 unit shopoffice / vacant	Unit ACG 5, Block B, Pusat Komersil Seksyen 7, Jalan Plumbum AC 7/ AC Seksyen 7, Shah Alam	146.5 / 146.5	Leasehold for 99 years expiring in 2103 / NA	484	2005
1 unit double storey shopoffice / vacant	Lot 5, The Crescent, Sector 10-1, Lembah Beringin, 44110 Kuala Kubu Bahru, Selangor	301.6 / 513.2	Freehold / NA	571	1996

# Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 29 June 2005, the Company had obtained shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Group.

In accordance with paragraph 10.09(1)(b) of the Listing Requirements of Bursa Securities, the details of the recurrent related party transactions conducted during the financial year ended 31 December 2005 pursuant to the shareholders' mandate are disclosed as follows:

(a) Recurrent transactions involving trading in hardware and building materials

CHRB Group	Nature of transactions	Aggregate Value (RM)	Interested related parties
CHIM	Sales of steel bars and building materials to		
	i. AZSB	5,900,069	Dato' Haji Wan Zaki Muda is a Director and has 100% direct and indirect interests in AZSB
	ii. CHRB Selatan	6,324,002	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	iii. CHRB Utara	5,113,601	
	iv. CHM	18,896	
	v. CHSRC	1,289,213	
CHH	(a) Sales of structural steel, steel bar and other steel related products such as steel plated, beams, rectangular hollow section, square hollow section, lipped channel and flat bar to		
	i. CHRB Selatan	78,665	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	ii. CHRB Utara	146,446	
	iii. CHM	267,918	
	iv. CHSRC	2,052	
	(b) Purchase of mild steel plated from ASSC	5,794,209	Dato' Lim Khoon Heng is a director and has 18% indirect interest in ASSC
CHRB Selatan	Sales of building materials to CHRB Utara	12,219	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
CH Rebar	Sales of cutting and bending of steel bars to		
	i. CHRB Utara	74,923	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	ii. CHSRC	582,354	

# Recurrent Related Party Transactions of a Revenue or Trading Nature (cont'd)

CHRB Group	Nature of transactions	Aggregate Value (RM)	Interested related parties
CHSRC	Sales of steel bars to		
	i. CHH	115,820	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	ii. CHIM	854,820	
	iii. CH Rebar	870,290	
BMI	Sales of steel wire products to		
	I. CHRB Selatan	790,514	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	II. CHRB Utara	415,154	
	III. CHSRC	581,360	

(b) Recurrent transactions involving management fees and rental of office and factory space

CHRB Group	Nature of transactions	Aggregate Value (RM)	Interested related parties
	Management fees for provision of finance, administration and marketing services by personnel of		
CHH	I. CHH to CHM	9,600	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
CHRB Corp	I. CHRB Corp to CHRB Utara	123,000	
	II. CHRB Corp to CHRB Selatan	123,000	
CHIM	I. CHIM to CHSRC	18,000	
CHHH	Rental of office space to		
	I. CHRB Utara at RM1,500 per month	18,000	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
	II. CHM at RM800 per month	9,600	
	III. CHRB Selatan at RM1,500 per month	18,000	
	IV. CHSRC at RM1,000 per month	12,000	

# Recurrent Related Party Transactions of a Revenue or Trading Nature (cont'd)

CHRB Group	Nature of transactions	Aggregate Value (RM)	Interested related parties
CHHH	Rental of factory space located at Kampung Jawa to CHSRC at RM6,000 per month	72,000	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
CHRB Prop	Rental of office premise to CHRB Selatan at RM1,200 per month	14,400	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies

## Abbreviations:

ASSC	-	Acsan Steel Service Centre Sdn Bhd
AZSB	-	Ahmad Zaki Sdn Bhd
BMI	-	Bars & Mesh Industries Sdn Bhd
CHH	-	Chuan Huat Hardware (Sdn) Berhad
CHHH	-	Chuan Huat Hardware Holdings Sdn Bhd
CHIM	-	Chuan Huat Industrial Marketing Sdn Bhd
CH Rebar	-	CH Rebar Sdn Bhd
CHM	-	Chuan Huat Metal Sdn Bhd
CHRB Corp	-	CHRB Corporation Sdn Bhd
CHRB	-	Chuan Huat Resources Berhad
CHRB Group	-	CHRB and its associated and subsidiary companies
CHRB Prop	-	CHRB Properties Sdn Bhd
CHRB Selatan	-	CHRB Selatan Sdn Bhd
CHRB Utara	-	CHRB Utara Sdn Bhd
CHSRC	-	CH Steel Recycle Centre Sdn Bhd

The shareholdings of the respective interested related parties as shown above are based on the information disclosed in the Circular to Shareholders dated 7 June 2005 in relation to the proposed shareholders' mandate for recurrent related party transactions.



**Chuan Huat Resources Berhad**  
(Company No. 290729-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

## PROXY FORM

I/We \_\_\_\_\_  
NRIC No./Passport No./Company \_\_\_\_\_  
CDS Account No./Name of beneficial owner\* \_\_\_\_\_  
Of \_\_\_\_\_  
being a member(s) of Chuan Huat Resources Berhad, hereby appoint \_\_\_\_\_  
NRIC No./Passport No./Company \_\_\_\_\_  
Of \_\_\_\_\_  
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Bukit Jalil Golf & Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 29 June 2006 at 11.00 a.m. and at every adjournment thereof.

RESOLUTIONS		FOR	AGAINST
No. 1	Adoption of Audited Financial Statements		
No. 2	Approval of First and Final Dividend		
No. 3	Approval of Payment of Directors' Fees		
No. 4	Re-election of the following Directors: Dato' Lim Khoon Heng		
No. 5	Dato' Lim Loong Heng		
No. 6	Re-appointment of Auditors		
No. 7	Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
No. 8	Proposed Shareholders' Mandate for • Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by either of CHHH, CHH, BMI, CHM, CHSRC, CHIM, CHRS, CHRB Selatan, CHRB Utara, CH Rebar, CHRB Corp, CHRB Timuran, CHRB Prop, CHRB BM and Keyline with one another • Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHH with ASSC		
No. 9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHIM with AZSB		

\* To be completed by authorised nominees.

Please indicate with an "X" in the spaces as to how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.

No. of shares	
---------------	--

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

### Notes:-

- A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised.
- Where a member of the Company is an authorised nominee as defined under the Central Depository Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3 ½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Affix  
Stamp  
Here

The Company Secretary

CHUAN HUAT RESOURCES BERHAD  
Wisma Lim Kim Chuan  
Lot 50A, Section 92A  
3½ Miles Off Jalan Sungei Besi  
57100 Kuala Lumpur





**Chuan Huat Resources Berhad** (290729-W)

Wisma Lim Kin Chuan, Lot 50A, Sec92A, 31½ Miles, Off Jalan Sungai Besi, 57100 Kuala Lumpur, Malaysia

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