



CHUAN HUAT GROUP
CHUAN HUAT RESOURCES BERHAD
(290729-W)



Annual Report
2007

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BOARD OF DIRECTORS

Dato' Sri 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)

Dato' 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
CIMB Bank Berhad
OCBC Bank (Malaysia) 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



BOARD OF DIRECTORS

Non-Executive Chairman

Dato' Sri Haji Wan Zaki
Bin Haji Wan Muda

CEO / Group Managing Director

Dato' Lim Khoo Heng

Deputy Managing Director

Dato' Lim Loong Heng

Executive Director

Dato' Lim Khoo 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' Sri Haji Wan Zaki Bin Haji Wan Muda
Dato' Lim Khoo Heng
Tai Keat Chai
Leow Bock Lim

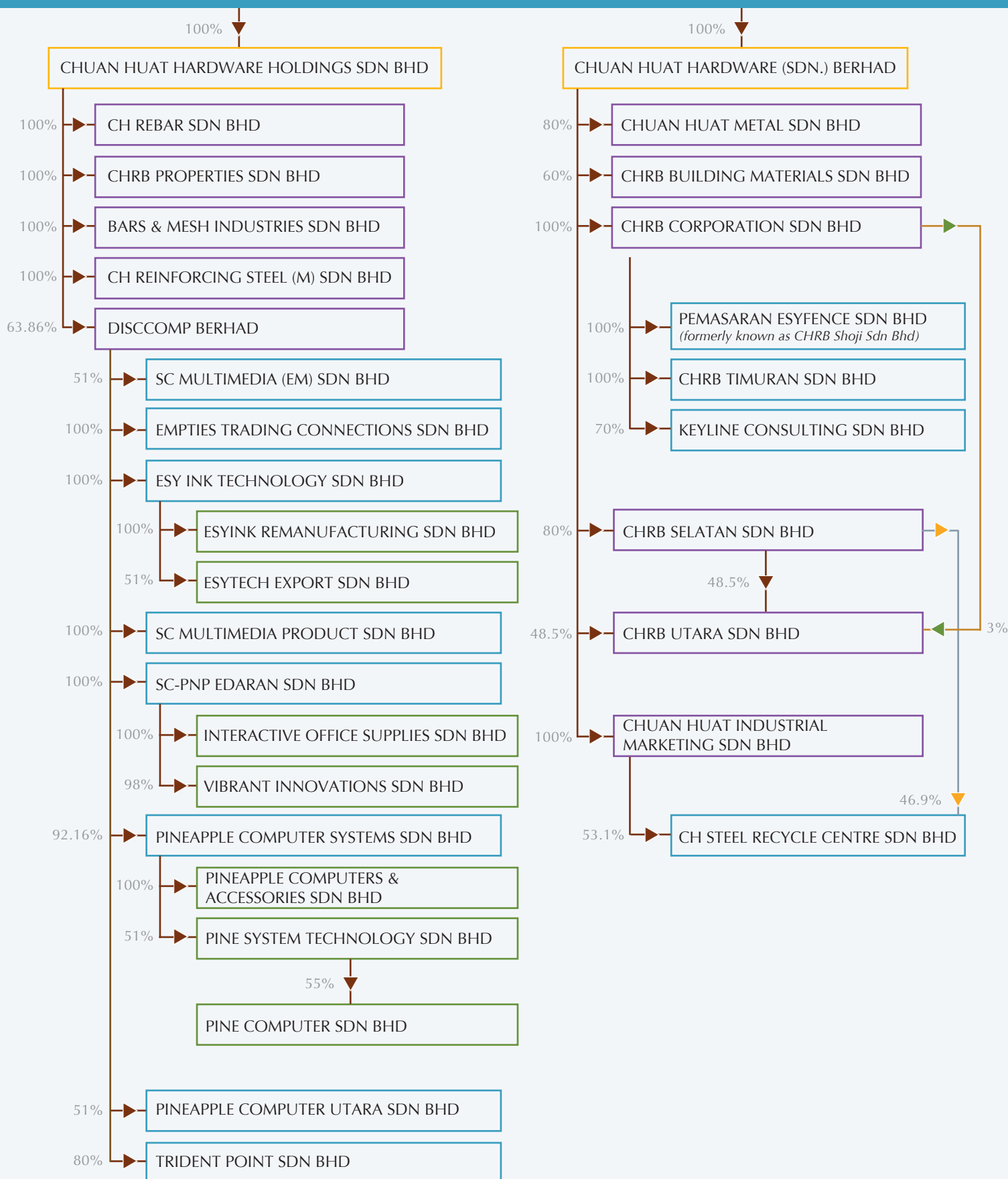
NOMINATION COMMITTEE

Dali Kumar @ Dali Bin Sardar (Chairman)
Dato' Sri 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

CHUAN HUAT RESOURCES BERHAD



**CHUAN HUAT RESOURCES BERHAD**

(290729-W)



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

DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA

(Non-Executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)

59 years of age

Malaysian

SSAP, SIMP, DPMT, PPN, PJK

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 Perakayuan 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. He was conferred with the SSAP award which carries the title of "Dato' Sri" by the Sultan of Pahang on 28 October 2006.

Dato' Sri Haji Wan Zaki is also the Executive Vice Chairman in Ahmad Zaki Resources Berhad. He attended three out of five Board Meetings held in the financial year ended 31 December 2007.

**DATO' LIM KHOON HENG**

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

55 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 and the Advisor of the Metal Dealers Association (Selangor and Kuala Lumpur) and a Director of Anshin Steel Processor Sdn Bhd.

Dato' Lim Khoo 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 2007.



DATO' LIM LOONG HENG**(Deputy Managing Director)**

*53 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 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 five out of five Board Meetings held in the financial year ended 31 December 2007.

DATO' LIM KHOON HOCK**(Executive Director)**

*51 years of age
Malaysian
DIMP*

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 Engineering 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. He was conferred with the DIMP award which carries the title of "Dato" by the Sultan of Pahang on 14 May 2007.

Dato' Lim Khoo Hock is also the Non-Independent and Non-Executive Director in Disccomp Berhad. He attended four out of five Board Meetings held in the financial year ended 31 December 2007.

TAI KEAT CHAI

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

*53 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 Investment 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 Investment Sdn Bhd. He is presently a director of Fiscal Corporate Services Sdn Bhd.

Mr. Tai Keat Chai is also a Director in Discomp Berhad, MESB Berhad, Cuscapi Berhad (formerly known as Datascan Berhad), Toyochem Corporation Berhad, MIDF Amanah Investment Bank Berhad, PECD Berhad, Imaspro Corporation Berhad and Opensys (M) Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2007.

**DALI KUMAR @ DALI BIN SARDAR**

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

*49 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 (MOF).

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 three out of five Board Meetings held in the financial year ended 31 December 2007.



LEOW BOCK LIM

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

*65 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 an Independent Non-Executive Director in Discomp Berhad, Voir Holdings Berhad and NEP Holdings (Malaysia) Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2007.

***Family Relationship***

Except for Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' 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 offences (excluding traffic offences) within the last 10 years.



*On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of **CHUAN HUAT RESOURCES BERHAD** for the financial year ended 31 December 2007.*

PERFORMANCE OVERVIEW

The year 2007 has been an eventful year both globally and domestically. We see oil and steel prices sky rocketing to record highs and the US subprime crisis that affected the economy in general and the financial sector in particular.

At the local front, public investment is expected to be an important driving force this year, with the planned take-off of a number of major infrastructure projects which the Group is poised to capitalise through the supply of structural steel and building materials.

Year 2007 was just as challenging for the Group's IT division with the unexpected quick changes and drop in the prices of computer products. The price of USB Flash products, which is one of the group's main products, came down by as much as 50% due to an excess supply and changes of storage capacity from 1GB to 8GB. However, the Group's core ESYINK products for printing ink and coated papers managed to do well with introduction of new range of products, especially with CISS (Continuous Ink Supply System) and glossy photo papers. The retail front further expanded with the opening of its latest branch in JUSCO (Bukit Tinggi, Klang)

Amidst the tough path laced with price hike and fierce competition, the performance of the Group has been commendable in 2007.

FINANCIAL OVERVIEW

For the financial year ended 31 December 2007, Group revenue surged to all time high of RM 600.9 million an increase of 9.9% or RM 54.4 million from year 2006. Profit after tax registered another record increase of 310.5% amounting to RM 8.89 million as compared to RM 2.9 million in year 2006. The high turnover and profit margin were attributed mainly to the increase in steel prices.

Earning per share of the Group has also rose to of 6.70 sen for the year 2007 compared to 2.90 sen for year 2006. The Group's, Hardware and Building Materials Division continue to spearhead the overall revenue of the Group by contributing close to 89.8% of the Group Total Revenue.

The Group IT division under DISCCOMP BERHAD registered a turnover of RM32.7 million for the financial year ended 31 December 2007 which was relatively unchanged compared to year 2006. However, there was an improvement for the profit before tax which amounted to RM 0.55 million compared to a loss of RM1.8 million in the preceding year. This was mainly due to better margin achieved on selling the ESYINK range of products.

CORPORATE DEVELOPMENT

The Company successfully carried out the Share Split and Bonus Issue in the year 2007.

The Share Split into 2 new 50 sen ordinary shares for every 1 existing ordinary share of RM1.00 each have resulted in the Company's shares being more affordable on a per share basis and is expected to increase the liquidity of the Company Split Shares.

The Bonus Issue of 2 ordinary shares of 50 sen each for every 5 existing ordinary shares of 50 sen each after the Share Split has increased the capital base of the Company which is more reflective of the Company's existing level of operations and assets employed. In addition, the Bonus Issue will allow shareholders greater participation in the equity of the Company in terms of number of shares held.

PROSPECTS

The Group's performance for the forth coming financial year should improve significantly in view of the country's stable economic fundamentals and strong domestic demand. The continuing roll-out of infrastructure projects under the 9th Malaysian Plan are expected to favourably position the Group's core division of Hardware and Building Material Division to maintain the growth trend of the Group's performances.

On the IT front the Group will continue to focus on the less volatile ESYINK range of products by improving the product quality and packaging and also introducing more variety to the existing products list. The retail division will continue to work closely with JUSCO and to organize and participate in more IT Road Shows and trade fairs.

DIVIDEND

The Board is pleased to further recommend a final dividend of 3.0% (1.5 sen) gross per ordinary share of 50 sen each less income tax at 26% in respect of the financial year ended 31 December 2007 subject to the shareholders' approval at the forthcoming Company's Fourteenth Annual General Meeting. This is in addition to the interim dividend of 3.0% (3.0 sen) gross per ordinary share of RM1.00 each less income tax at 27% which was paid on 3 April 2007. If approved by the shareholders, the total gross dividend for the financial year ended 31 December 2007 would be 6.0%.

The Board is also pleased to inform that an interim dividend of 3.0% (1.5 sen) gross per ordinary share of 50 sen each less income tax at 26% in respect of the financial year ending 31 December 2008 has been paid on 9 April 2008.

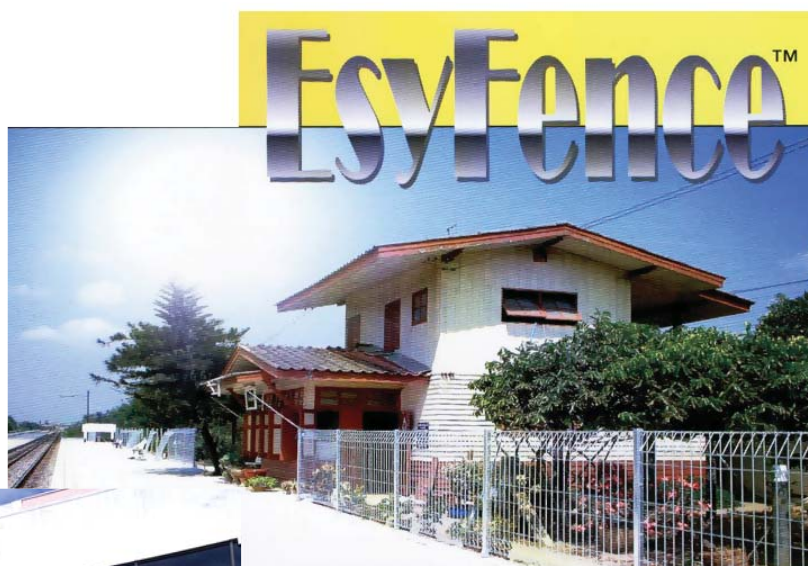
ACKNOWLEDGMENT AND APPRECIATION

The Group's commendable performance would not have been attained without the combined efforts of a dynamic Management especially in the discipline of prudent credit control management, staff teamwork and vision.

On behalf of the Board, I would like to take this opportunity to express and extend my personal thanks to my fellow Board members for their untiring support and advice in steering me to carry out my responsibilities and contributions to the effective management of the Group.

Appreciation also goes out to our shareholders for their continued confidence in the company, the loyal and dedicated staff, our ever supportive customers and suppliers, bankers and business partners.

Dato' Sri Wan Zaki bin Haji Wan Muda
Chairman



The Group has long recognised and acknowledged the importance of a corporate culture that emphasises good corporate citizenship but such incentives have not yet been “formalised”. However as a result of recent developments, deriving from the Corporate Social Responsibility (“CSR”) initiatives, the Group now aims not only to increase the stakeholder value through its core business but also of its responsibilities for the betterment of the community and the environment.

The CSR contributions of the Group includes:-

ENVIRONMENT

The Group complies to environmental laws and regulations. During the year, the Group was not penalised for any instance of non-compliance with environment laws and regulations.

The Group has during the year obtained the ISO 14001 certification of a subsidiary. ISO 14001 is the international specification for an environmental management system (EMS). It specifies requirements for establishing an environmental policy, determining environmental aspects and impacts of products/activities/services, planning environmental objectives and measurable targets, implementation and operation of programs to meet objectives and targets, checking and corrective action, and management review.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community whenever the need arises. The Group shall continue to uphold and support by providing assistance in cash and in kind to governmental agency annual events, for development and promotion of sports and recreation, and to community at large of various non-profitable organisations, schools and individuals.

WORKPLACE

The Group recognises the importance of ensuring a conducive and safe environment for employees to work in. The Group through its Occupational, Safety and Health committee headed by the Group’s CEO is actively ensuring safety, health and welfare of all employees are not being compromised. Consistent education, training, counselling or industrial accident prevention programmes are held to ensure a high level of awareness of safety requirements being disseminated to all employees at all levels.

The Group constantly upgrades the employees’ skill, knowledge and experiences which would enhance the individual employee’s competency. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

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 2007 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 2007, 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 meeting can be found in the Directors' Profile.

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.

A. Board Of Directors (cont'd)**(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 "Directors' Profile".

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 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.

There is a clear division of responsibilities at the head of the Group to ensure a balance of authority and power.

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. 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' Sri Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman

A. Board Of Directors (cont'd)**(f) Board committee (cont'd)****ii. Nomination Committee (cont'd)**

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 2007 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.

iii. Remuneration Committee

The Remuneration 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' Sri Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman
Dato' Lim Khoon Heng	CEO / 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

All the Directors have completed both the Mandatory Accreditation Programme and the Continuous Education Programme as prescribed by Bursa Malaysia Securities Berhad.

The Board recognises the need to broaden the Board's perspectives, skills and knowledge and to keep abreast with the development in the corporate environment. In line with this aspiration, the Company has organised a seminar cum workshop on "THE WINNING WAYS OF A CORPORATE CHAMPION" held on 8 and 9 September 2007. This seminar cum workshop was attended by the Board and senior management of the Group.

(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 Directors' Profile.

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 practised policy 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 2007.

(b) Details of the directors' remuneration

The aggregate remuneration of directors who served during the financial year ended 31 December 2007 are as follows:

Element of remuneration	Executive Directors	Non-Executive Directors	Total
Salaries & other emoluments	1,069,878	-	1,069,878
Fees	52,000	148,000	200,000
	1,121,878	148,000	1,269,878

The numbers 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
50,001 – 100,000	-	2	2
100,001 – 150,000	-	-	-
150,001 – 200,000	-	-	-
200,001 – 250,000	-	-	-
250,001 – 300,000	-	-	-
300,001 – 350,000	1	-	1
350,001 – 400,000	1	-	1
400,001 – 450,000	-	-	-
450,001 – 500,000	1	-	1

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 the 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's 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 Director are also present at the press conference to clarify and explain any issue.

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 Chairman's 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.

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

There is no material contracts subsisting as at 31 December 2007 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 dated 4 June 2008.

(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 2007.

(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 2007.

(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 2007.

(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 2007.

(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 comprises:

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 <i>(He has subsequently resigned from the Audit Committee on 26 February 2008 in Compliance with the Revised Malaysian Code on Corporate Governance)</i>

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 2007, 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	3/5
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 statements.

Objectives

The primary objectives of the Audit Committee includes 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 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 Bursa Malaysia Listing Requirements.

Any vacancy resulting in the non-compliance of subparagraph 15.10(1) of Bursa Malaysia Listing Requirements 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.

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 transactions, procedures or course of conducts that raise 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.

INTRODUCTION

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

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 7 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
Profit for the financial year	8,895,304	27,528,350
Attributable to:		
Equity holders of the Company	8,394,725	27,528,350
Minority interests	500,579	-
	8,895,304	27,528,350

DIVIDENDS

The Company has paid a first and final dividend of 1.25 sen gross per ordinary share of RM0.50 each less income tax rate at 27% amounting to RM1,143,975 in respect of the financial year ended 31 December 2006. This is an increase of RM326,849 over the amount disclosed in the previous Directors' Report due to share split and bonus issue exercised during the financial year.

An interim dividend of 3 sen gross per ordinary share less income tax rate at 27% amounting to RM980,551 was paid in respect of the financial year ended 31 December 2007.

Subsequent to the financial year end, an interim dividend of 1.5 sen gross per ordinary share less income tax rate at 26% amounting to RM1,391,576 was paid on 9 April 2008 in respect of the financial year ending 31 December 2008.

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.

SHARE CAPITAL

On 17 July 2007, the Company sub-divided its existing 44,774,000 ordinary shares of RM1.00 each into 89,548,000 ordinary shares of RM0.50 each.

Subsequent to the share split, the issued and paid-up share capital of the Company was further increased from RM44,774,000 to RM62,683,600 by way of bonus issue of 35,819,200 new ordinary shares of RM0.50 each on the basis of two (2) bonus shares for every five (5) existing ordinary shares of RM0.50 each held in the Company, by way of capitalisation of accumulated profits and share premium.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS

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

Dato' Sri Haji Wan Zaki Bin Haji Wan Muda
 Dato' Lim Khoon Heng
 Dato' Lim Loong Heng
 Dato' 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, Mr. Leow Bock Lim and Mr. Tai Keat Chai retire by rotation at the forthcoming Annual General Meeting of the Company, and being eligible, offer themselves for re-election.

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 as disclosed in Note 32 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 in the Company during the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2007	Additions	Disposals	Balance prior to share split^
Direct Interests				
Dato’ Sri 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
Dato’ Lim Khoon Hock	4,768,174	-	-	4,768,174
Dali Kumar @ Dali Bin Sardar	244,000	-	-	244,000
Indirect Interests				
Dato’ Lim Khoon Heng #	2,277,628	-	-	2,277,628
Dato’ Lim Loong Heng #	2,277,628	-	-	2,277,628
Dato’ Lim Khoon Hock #	2,277,628	-	-	2,277,628

DIRECTORS' INTERESTS (cont'd)

	Balance after share split [^]	Number of ordinary shares of RM0.50 each Bonus issue*	Additions	Disposals	As at 31.12.2007
Direct Interests					
Dato' Sri Haji Wan Zaki					
Bin Haji Wan Muda	7,670,394	3,068,157	-	-	10,738,551
Dato' Lim Khoon Heng	9,536,350	3,814,540	-	-	13,350,890
Dato' Lim Loong Heng	9,536,348	3,814,539	-	-	13,350,887
Dato' Lim Khoon Hock	9,536,348	3,814,539	-	-	13,350,887
Dali Kumar @ Dali Bin Sardar	488,000	195,200	-	-	683,200
Indirect Interest					
Dato' Lim Khoon Heng #	4,555,256	1,822,101	-	-	6,377,357
Dato' Lim Loong Heng #	4,555,256	1,822,101	-	-	6,377,357
Dato' Lim Khoon Hock #	4,555,256	1,822,101	-	-	6,377,357

[^] Share split into two (2) ordinary shares of RM0.50 each for every one (1) existing ordinary share of RM1.00 each held

* Bonus issue on the basis of two (2) ordinary shares of RM0.50 each for every five (5) existing ordinary shares of RM0.50 each held after the share split

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

Other than as disclosed above, the Directors of the Company do not have any other interest in shares in the Company or its related companies during the financial year.

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:

- to ascertain that proper 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
- 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 had 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:

- 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
- which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- 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.

OTHER STATUTORY INFORMATION (cont'd)

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.

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.

SIGNIFICANT EVENTS

Details of significant events during the financial year are disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

Details of a subsequent event is disclosed in Note 37 to the financial statements.

AUDITORS

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

Signed in accordance with resolution of the Directors dated 28 April 2008.



DATO' LIM KHOON HENG
Director



DATO' LIM KHOON HOCK
Director

Kuala Lumpur

Statement By Directors

We, **DATO' LIM KHOON HENG** and **DATO' LIM KHOON HOCK**, 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 32 to 72 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting 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 2007 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 28 April 2008.



DATO' LIM KHOON HENG
Director



DATO' LIM KHOON HOCK
Director

Kuala Lumpur

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 32 to 72 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 abovenamed **DATO' LIM LOONG HENG** at Kuala Lumpur in the Federal Territory on 28 April 2008.



DATO' LIM LOONG HENG

Before me
M. NAMASIVAYAM P.P.N
No. W 299

Commissioner for Oaths
Kuala Lumpur



REPORT OF THE AUDITORS TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD Company No: 290729 W

We have audited the financial statements set out on pages 32 to 72. 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 Financial Reporting 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 2007 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



LIM KOK BENG
588/02/09(J)
Partner of the Firm

Kuala Lumpur
28 April 2008

Balance Sheets

as at 31 December 2007

		GROUP		COMPANY	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	44,261,263	43,723,116	-	-
Investment properties	5	5,338,000	5,338,000	-	-
Prepaid land lease payments	6	12,065,885	12,371,238	-	-
Subsidiary companies	7	-	-	43,743,927	43,743,927
Associated company		-	1,818,737	-	-
Investments	8	3,055,502	3,128,052	-	-
Goodwill	9	-	-	-	-
		64,720,650	66,379,143	43,743,927	43,743,927
Current assets					
Inventories	10	79,902,066	64,753,748	-	-
Trade receivables	11	127,003,379	153,990,011	-	-
Other receivables, deposits and prepayments	12	32,836,703	5,704,613	11,139	7,810
Amount due from subsidiary companies	13	-	-	45,315,011	19,919,363
Tax recoverable		683,663	1,484,329	-	2,999
Fixed deposits with licensed banks	14	4,857,233	515,958	-	-
Cash and bank balances		14,874,789	17,875,940	103,256	46,040
		260,157,833	244,324,599	45,429,406	19,976,212
TOTAL ASSETS		324,878,483	310,703,742	89,173,333	63,720,139
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	15	62,683,600	44,774,000	62,683,600	44,774,000
Share premium		-	16,972,092	-	16,972,092
Capital reserves	16	21,074,454	13,074,454	-	-
Accumulated profits		13,007,713	15,674,551	26,329,298	1,862,982
		96,765,767	90,495,097	89,012,898	63,609,074
Minority interests		10,906,151	10,415,793	-	-
Total equity		107,671,918	100,910,890	89,012,898	63,609,074
Non-current liabilities					
Term loans	17	5,778,715	6,973,470	-	-
Hire purchase liabilities	18	1,420,267	1,203,597	-	-
Deferred tax liabilities	19	2,268,384	1,630,126	-	-
		9,467,366	9,807,193	-	-
Current liabilities					
Trade payables	20	41,631,655	54,137,147	-	-
Other payables and accruals	21	4,268,758	2,002,791	155,997	111,065
Hire purchase liabilities	18	1,280,052	2,097,494	-	-
Bank overdrafts	22	871,409	1,465,404	-	-
Short term borrowings	23	159,093,491	140,281,650	-	-
Tax liabilities		593,834	1,173	4,438	-
		207,739,199	199,985,659	160,435	111,065
Total liabilities		217,206,565	209,792,852	160,435	111,065
TOTAL EQUITY AND LIABILITIES		324,878,483	310,703,742	89,173,333	63,720,139

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

Income Statements

for the financial year ended 31 December 2007

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	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	24	600,963,813	546,551,596	38,003,561	445,500
Other operating income		2,641,780	1,775,805	232,800	232,800
Changes in inventories of finished goods and work-in-progress		6,314,443	4,237,207	-	-
Purchases of finished goods		(489,109,552)	(458,287,869)	-	-
Raw materials and consumables used		(62,470,446)	(45,166,194)	-	-
Employee benefits costs	25	(17,788,948)	(17,247,894)	(130,000)	(130,000)
Depreciation and amortisation expenses		(4,687,169)	(4,894,206)	-	-
Other operating expenses		(15,364,841)	(14,779,203)	(288,989)	(141,783)
Finance costs	26	(7,834,909)	(5,808,876)	-	-
Share in results of an associated company		-	(678,817)	-	-
Profit before taxation	27	12,664,171	5,701,549	37,817,372	406,517
Taxation	28	(3,768,867)	(2,751,750)	(10,289,022)	(133,322)
Profit for the financial year		8,895,304	2,949,799	27,528,350	273,195
Attributable to:					
Equity holders of the Company		8,394,725	3,629,996	27,528,350	273,195
Minority interests		500,579	(680,197)	-	-
Profit for the financial year		8,895,304	2,949,799	27,528,350	273,195
Earnings per share attributable to equity holders of the Company (sen)					
- Basic and diluted	29	6.70	2.90	-	-

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

Consolidated Statement Of Changes In Equity

for the financial year ended 31 December 2007

	<----- Attributable to equity holders of the Company ----->						
	Share capital RM	Non-distributable		Distributable		Minority interests RM	Total equity RM
		Share premium RM	Capital reserves RM	Accumulated profits RM	Total RM		
Balance at 1 January 2006	44,774,000	16,972,092	13,074,454	12,366,928	87,187,474	10,826,402	98,013,876
Profit for the financial year, representing total recognised income and expense for the financial year	-	-	-	3,629,996	3,629,996	(680,197)	2,949,799
Issue of shares in subsidiary companies to minority interests	-	-	-	-	-	220,500	220,500
Acquisition of a subsidiary company	-	-	-	-	-	49,088	49,088
Dividends (Note 30)	-	-	-	(322,373)	(322,373)	-	(322,373)
Balance at 31 December 2006	44,774,000	16,972,092	13,074,454	15,674,551	90,495,097	10,415,793	100,910,890

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

(cont'd) **Consolidated Statement Of Changes In Equity**
for the financial year ended 31 December 2007

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	<----- Attributable to equity holders of the Company ----->						
	Share capital RM	Non-distributable		Distributable		Minority interests RM	Total equity RM
		Share premium RM	Capital reserves RM	Accumulated profits RM	Total RM		
Balance at 31 December 2006	44,774,000	16,972,092	13,074,454	15,674,551	90,495,097	10,415,793	100,910,890
Partial disposal of a subsidiary company	-	-	-	471	471	15,535	16,006
Net income recognised directly in equity	-	-	-	471	471	15,535	16,006
Profit for the financial year	-	-	-	8,394,725	8,394,725	500,579	8,895,304
Total recognised income and expense for the financial year	-	-	-	8,395,196	8,395,196	516,114	8,911,310
Acquisition of additional shares in a subsidiary company from minority interest	-	-	-	-	-	(25,756)	(25,756)
Capitalisation of bonus issue by a subsidiary company	-	-	8,000,000	(8,000,000)	-	-	-
Bonus issue	17,909,600	(16,972,092)	-	(937,508)	-	-	-
Dividends (Note 30)	-	-	-	(2,124,526)	(2,124,526)	-	(2,124,526)
Balance at 31 December 2007	62,683,600	-	21,074,454	13,007,713	96,765,767	10,906,151	107,671,918

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

Statement Of Changes In Equity

for the financial year ended 31 December 2007

	Note	Share capital RM	Non-distributable	Distributable	Total equity RM
			Share premium RM	Accumulated profits RM	
Balance at 1 January 2006		44,774,000	16,972,092	1,912,160	63,658,252
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	273,195	273,195
Dividends	30	-	-	(322,373)	(322,373)
Balance at 31 December 2006		44,774,000	16,972,092	1,862,982	63,609,074
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	27,528,350	27,528,350
Dividends	30	-	-	(2,124,526)	(2,124,526)
Bonus issue		17,909,600	(16,972,092)	(937,508)	-
Balance at 31 December 2007		62,683,600	-	26,329,298	89,012,898

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2007

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	Note	2007 RM	2006 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		12,664,171	5,701,549
Adjustments for non-cash items, interests and dividends	31(a)	13,965,951	13,202,824
Operating profit before working capital changes		26,630,122	18,904,373
Increase in inventories		(16,094,390)	(5,323,764)
Increase in trade and other receivables		(2,204,102)	(49,206,704)
(Decrease)/Increase in trade and other payables		(10,239,525)	11,884,002
Cash used in operations		(1,907,895)	(23,742,093)
Tax paid		(1,737,282)	(2,225,511)
Interest paid		(7,834,909)	(5,808,876)
Interest received		1,119,955	765,309
Net cash outflow from operating activities		(10,360,131)	(31,011,171)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	31(b)	(4,369,624)	(2,086,948)
Proceeds from issue of shares to minority interests		-	220,500
Proceeds from disposal of property, plant and equipment		1,655,297	182,101
Proceeds from disposal of an associated company		1,867,500	-
Proceeds from partial disposal of a subsidiary company		12,000	-
Proceeds from disposal of an investment property		-	18,600
Proceeds from disposals of investments		-	55,529
Acquisition of subsidiary companies		-	21,303
Purchase of additional shares in a subsidiary company		(25,649)	-
Interest received		26,703	48,591
Dividend received		-	388,800
Net cash outflow from investing activities		(833,773)	(1,151,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment of)/proceeds from term loans		(428,914)	2,185,135
Repayments of hire purchase liabilities		(2,364,537)	(2,438,272)
Net proceeds from short term borrowings		18,046,000	34,698,356
Dividends paid		(2,124,526)	(322,373)
Increase in fixed deposits pledged		(241,274)	(67,214)
Net cash inflow from financing activities		12,886,749	34,055,632
Net increase in cash and cash equivalents		1,692,845	1,892,937
Cash and cash equivalents at beginning of the financial year		16,490,536	14,597,599
Cash and cash equivalents at end of the financial year	31(c)	18,183,381	16,490,536

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

Cash Flow Statement *(cont'd)*

for the financial year ended 31 December 2007

	Note	2007 RM	2006 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		37,817,372	406,517
Adjustments for non-cash items, interests and dividends	31(a)	(38,003,561)	(445,500)
Operating loss before working capital changes		(186,189)	(38,983)
(Increase)/Decrease in other receivables		(3,329)	2,390
Increase/(Decrease) in other payables		44,932	(30,412)
Cash used in operations		(144,586)	(67,005)
Tax paid		(20,624)	(9,150)
Net cash outflow from operating activities		(165,210)	(76,155)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Advances to)/Repayments from subsidiary companies		(25,395,648)	91,000
Dividend received		27,742,600	320,760
Net cash inflow from investing activities		2,346,952	411,760
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(2,124,526)	(322,373)
Net cash outflow from financing activity		(2,124,526)	(322,373)
Net increase in cash and cash equivalents		57,216	13,232
Cash and cash equivalents at beginning of the financial year		46,040	32,808
Cash and cash equivalents at end of the financial year	31(d)	103,256	46,040

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical basis unless otherwise indicated in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM).

1.2 Summary of significant accounting policies

(a) Subsidiary companies and basis of consolidation

(i) Subsidiary companies

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entities.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiary companies are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since then.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**1.2 Summary of significant accounting policies (cont'd)****(b) Investment in an associated company**

Associated company is entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When an associate holds an ownership interest in the Group, any profit or loss and any increment or decrement of net assets of the Group which the associate are accounted for in its financial statements, would be disregarded when the Group applies the equity method to account for its investment in the associate.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.2 Summary of significant accounting policies (cont'd)

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 1.2(h) to the financial statements.

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1.2(h).

Freehold land is not amortised as it has an infinite life. Capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

Expenditure incurred on the installation of construction and extension of buildings, plant and machinery is capitalised as capital work-in-progress until the buildings and plant are fully completed and operational.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in income statement.

(e) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are initially stated at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value represent open-market value determined annually by external valuers based on an active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

1.2 Summary of significant accounting policies *(cont'd)*

(e) Investment properties *(cont'd)*

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in income statement in the period of the retirement or disposal.

(f) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance lease

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 1.2(d).

(iii) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payment and are amortised on a straight-line basis over the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.2 Summary of significant accounting policies (cont'd)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises costs of raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(h) Impairment of assets

The carrying amounts of assets, other than investment properties and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are group together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses, if any, recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reversed the effect of that event.

(i) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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 a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

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

1.2 Summary of significant accounting policies *(cont'd)*

(i) Financial instruments *(cont'd)*

(ii) Other non-current investments

Non-current investments other than investment in subsidiary companies, associated company and investment properties are stated at cost less allowance for diminution in value of investment to recognised any decline, other than a temporary decline in the value of the investments.

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increase or decrease in the carrying amount of marketable securities are credited or charged to the income statement respectively.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statement.

(iii) Trade receivables

Trade receivables are carried at invoice amount less allowance for doubtful debts. The allowance is established when there is sufficient doubt that the Group will not be able to collect all amounts due according to the original terms of receivables.

(iv) Trade payables

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

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period on which they are declared.

(j) Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.2 Summary of significant accounting policies (cont'd)

(k) Income tax

Income tax on the 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. 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 accounting 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 as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

Defined contribution plans are post-employment plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employees benefits relating to employee services in the current and preceding financial years.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

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

1.2 Summary of significant accounting policies *(cont'd)*

(m) Foreign currencies *(cont'd)*

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(n) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rental income

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

(iii) Dividend income

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

(o) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where the liability cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**1.2 Summary of significant accounting policies (cont'd)****(p) Segment reporting**

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

2. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2007:

FRS 6 Exploration for and Evaluation of Mineral Resources

Amendment to FRS 119²⁰⁰⁴ (Revised) Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the above mentioned FRSs does not result in significant changes in the accounting policies of the Group and of the Company.

At the date of authorisation of these financial statements, the following new and revised FRSs, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Standard/Interpretation	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 126: Accounting and Reporting by Retirement Benefits Plans	1 July 2007
FRS 129: Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above new and revised FRSs, amendment to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

2. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSS (cont'd)

The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions provided in the standard.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment except for freehold land and capital work-in-progress, is depreciated on a straight-line basis over the assets' useful lives up to its residual value. Management reviews the residual values, useful lives and depreciation methods at the end of each financial year and ensures consistencies with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives and residual values of property, plant and equipment may result in revision of future depreciation charges.

(ii) Impairment of assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and change the recoverable amounts of assets and impairment losses needed.

4. 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
As at 31 December 2007					
COST					
At 1 January 2007	29,390,230	30,313,438	5,489,518	1,916,479	67,109,665
Additions	163,420	3,768,716	458,115	1,804,294	6,194,545
Disposals	-	(2,272,936)	(2,499)	-	(2,275,435)
Written off	-	(22,200)	(17,509)	-	(39,709)
Transfer	1,761,247	557,051	-	(2,318,298)	-
At 31 December 2007	31,314,897	32,344,069	5,927,625	1,402,475	70,989,066

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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
As at 31 December 2007 (cont'd)					
ACCUMULATED DEPRECIATION					
At 1 January 2007	4,873,789	15,114,892	2,897,868	-	22,886,549
Charge for the financial year	831,027	3,130,585	420,204	-	4,381,816
Disposals	-	(1,012,131)	(292)	-	(1,012,423)
Written off	-	(13,680)	(14,459)	-	(28,139)
At 31 December 2007	5,704,816	17,219,666	3,303,321	-	26,227,803
ACCUMULATED IMPAIRMENT LOSS					
At 1 January 2007 and 31 December 2007	-	500,000	-	-	500,000
NET BOOK VALUE					
At 31 December 2007	25,610,081	14,624,403	2,624,304	1,402,475	44,261,263
As at 31 December 2006					
COST					
At 1 January 2006	29,341,546	30,444,702	5,262,308	570,595	65,619,151
Additions	48,684	788,264	330,116	1,345,884	2,512,948
Disposals	-	(406,871)	(8,432)	-	(415,303)
Written off	-	(512,657)	(94,474)	-	(607,131)
At 31 December 2006	29,390,230	30,313,438	5,489,518	1,916,479	67,109,665
ACCUMULATED DEPRECIATION					
At 1 January 2006	4,076,387	12,573,344	2,563,626	-	19,213,357
Charge for the financial year	797,402	3,364,024	425,043	-	4,586,469
Disposals	-	(370,095)	(6,612)	-	(376,707)
Written off	-	(452,381)	(84,189)	-	(536,570)
At 31 December 2006	4,873,789	15,114,892	2,897,868	-	22,886,549

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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
As at 31 December 2006 (cont'd)					
ACCUMULATED IMPAIRMENT LOSS					
Charge for the financial year	-	500,000	-	-	500,000
At 31 December 2006	-	500,000	-	-	500,000
NET BOOK VALUE					
At 31 December 2006	24,516,441	14,698,546	2,591,650	1,916,479	43,723,116
The net book value of property, plant and equipment acquired under hire purchase arrangements are as follows:					
NET BOOK VALUE					
At 31 December 2007	-	6,601,429	-	-	6,601,429
At 31 December 2006	-	9,297,533	-	-	9,297,533
COMPANY				Office equipment RM	
As at 31 December 2007					
COST					
At 1 January and 31 December 2007				4,500	
ACCUMULATED DEPRECIATION					
At 1 January and 31 December 2007				4,500	
NET BOOK VALUE					
At 31 December 2007				-	
As at 31 December 2006					
COST					
At 1 January and 31 December 2006				4,500	
ACCUMULATED DEPRECIATION					
At 1 January and 31 December 2006				4,500	
NET BOOK VALUE					
At 31 December 2006				-	

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Analysis of land and buildings as follows:

GROUP	Freehold land RM	Buildings RM	Total RM
As at 31 December 2007			
COST			
At 1 January 2007	5,892,105	23,498,125	29,390,230
Additions	-	163,420	163,420
Transfer	-	1,761,247	1,761,247
At 31 December 2007	5,892,105	25,422,792	31,314,897
ACCUMULATED DEPRECIATION			
At 1 January 2007	-	4,873,789	4,873,789
Charge for the financial year	-	831,027	831,027
At 31 December 2007	-	5,704,816	5,704,816
NET BOOK VALUE			
At 31 December 2007	5,892,105	19,717,976	25,610,081
As at 31 December 2006			
COST			
At 1 January 2006	5,892,105	23,449,441	29,341,546
Additions	-	48,684	48,684
At 31 December 2006	5,892,105	23,498,125	29,390,230
ACCUMULATED DEPRECIATION			
At 1 January 2006	-	4,076,387	4,076,387
Charge for the financial year	-	797,402	797,402
At 31 December 2006	-	4,873,789	4,873,789
NET BOOK VALUE			
At 31 December 2006	5,892,105	18,624,336	24,516,441

- (b) Certain landed properties with carrying values totalling RM11,847,908 (2006: RM10,245,575) have been pledged as securities for term loans and bank overdraft of certain subsidiary companies.
- (c) 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 2007.

5. INVESTMENT PROPERTIES

	GROUP	
	2007 RM	2006 RM
At 1 January - at fair value/cost	5,338,000	5,635,166
Disposal	-	(162,960)
Net loss from fair value adjustments	-	(134,206)
At 31 December - at fair value	5,338,000	5,338,000
Analysed as:		
Freehold land and buildings	3,008,000	3,008,000
Leasehold land and buildings	2,330,000	2,330,000
	5,338,000	5,338,000

Investment properties are state at fair value, which has been determined based on valuations as at 31 December 2006 performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidence of transaction prices for similar properties, and were performed in accordance to International Valuation Standards.

As disclosed in Note 27 the rental income earned by the Group for the financial year ended 31 December 2007 from its investment properties amounted to RM158,200 (2006: RM149,250). Direct operating expenses (including repairs and maintenance) arising from investment properties that generate rental income and from investment properties that did not generate rental income are RM31,953 (2006: RM34,389) and RM20,529 (2006: RM18,299) respectively.

6. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2007 RM	2006 RM
At 1 January	12,371,238	12,678,975
Amortisation during the financial year	(305,353)	(307,737)
At 31 December	12,065,885	12,371,238
Analysed as:		
Long term leasehold land	10,376,405	10,512,810
Short term leasehold land	1,689,480	1,858,428
	12,065,885	12,371,238

The Directors have applies the transitional provisions of FRS 117 where the Company retain the unamortised revalued amount of the short leasehold land as the surrogate carrying amount of prepaid land lease payment. The short leasehold land was revalued in 1997 by the Directors based on independent valuation report carried out by a firm of professional surveyors and valuers on a market value basis.

Certain leasehold land with an aggregate carrying value of RM6,282,197 (2006: RM6,416,396) have been pledged as securities for term loans and bank overdraft of certain subsidiary companies.

7. SUBSIDIARY COMPANIES

	COMPANY	
	2007 RM	2006 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
		2007 %	2006 %	
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	# 100	Trading of steel wire products
SC-PNP Edaran 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	Dormant
Vibrant Innovations Sdn Bhd	Malaysia	# 98.3	# 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

7. SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2007 %	2006 %	
Empties Trading Connections Sdn Bhd	Malaysia	# 100	# 100	Trading of empties cartridges
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 inkjet cartridges, toners and related accessories
Esyink Remanufacturing Sdn Bhd	Malaysia	# 100	# 100	Remanufacturing and trading of remanufactured inkjet cartridges
Pineapple Computers & Accessories Sdn Bhd	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
Pemasaran Esyfence Sdn Bhd (formerly known as CHRB Shoji Sdn Bhd)	Malaysia	# 100	# 100	Dormant
Esytech Export Sdn Bhd	Malaysia	# 51	# 51	Dormant
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	# 80	Property management
Keyline Consulting Sdn Bhd	Malaysia	# 70	# 70	Trading and retailing of ironmongery products and architectural hardware
CHRB Building Materials Sdn Bhd	Malaysia	# 60	# 66	Trading in building materials
Pine Computer Sdn Bhd	Malaysia	# 55	# 55	Retailing in computer hardware, software and computer related products

Holding in equity by subsidiary companies.

8. INVESTMENTS

	GROUP	
	2007 RM	2006 RM
Unquoted shares at cost	3,275,000	3,275,000
Allowance for diminution in value	(356,250)	(285,000)
	2,918,750	2,990,000
Quoted shares in Malaysia at cost	18,000	18,000
Accumulated impairment loss	(12,100)	(10,800)
	5,900	7,200
Quoted unit trusts in Malaysia at cost	5,363	5,363
	11,263	12,563
Club membership at cost	125,489	125,489
	3,055,502	3,128,052
Market value of:		
- quoted shares	5,900	7,200
- quoted unit trusts	4,807	3,596

9. GOODWILL

	GROUP	
	2007 RM	2006 RM
At 1 January	419,828	418,857
Acquisition of subsidiary companies	-	971
	419,828	419,828
Accumulated impairment loss	(419,828)	(419,828)
At 31 December	-	-

10. INVENTORIES

	GROUP	
	2007 RM	2006 RM
At cost:		
Raw materials	12,484,312	3,916,821
Finished goods	47,453,419	45,407,448
Work-in-progress	5,275,360	153,705
Consumables	70,735	125,840
Completed properties	14,441,927	11,304,141
Properties under construction	-	3,701,547
Goods in transit	13,757	146,495
	79,739,510	64,755,997
Allowance for inventories obsolescence - finished goods	(59,465)	(2,249)
	79,680,045	64,753,748
At net realisable value:		
Finished goods	222,021	-
	79,902,066	64,753,748

As at 31 December 2007, 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 RM10,970,209 (2006: RM10,484,671) has been pledged to a licensed bank for credit facilities granted to a subsidiary company.

11. TRADE RECEIVABLES

	GROUP	
	2007 RM	2006 RM
Trade receivables	149,878,104	175,974,623
Allowance for doubtful debts	(22,874,725)	(21,984,612)
	127,003,379	153,990,011

The Group's normal trade credit terms range from 7 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.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	30,174,462	3,338,571	-	-
Deposits	672,631	566,770	1,000	1,000
Prepayments	1,989,610	1,799,272	10,139	6,810
	32,836,703	5,704,613	11,139	7,810

Included in other receivables are deposits amounting to RM23.7 million paid to a supplier to secure the supply of finished goods.

13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies which arose mainly from inter-company transactions, advances and payments made on behalf is unsecured, interest free and is repayable in cash on demand.

14. FIXED DEPOSITS WITH LICENSED BANKS

The deposits of the Group carry interest rates ranging from 2.8% to 3.7% (2006: 3.0% to 3.7%) per annum and have maturity periods range from 7 days to 365 days (2006: 30 days to 365 days).

The Group's fixed deposits with carrying value of RM677,232 (2006: RM435,958) have been pledged to licensed banks for banking facilities granted to the subsidiary companies.

15. SHARE CAPITAL

	GROUP AND COMPANY	
	Number of ordinary shares	RM
Authorised:		
2007		
At 1 January 2007	100,000,000	100,000,000
Subdivision of ordinary shares of RM1.00 each into RM0.50 each on 17 July 2007	100,000,000	-
At 31 December 2007	200,000,000	100,000,000
2006		
Ordinary shares of RM1.00 each at 1 January 2006/ 31 December 2006	100,000,000	100,000,000
Issued and fully paid:		
2007		
At 1 January 2007	44,774,000	44,774,000
Subdivision of ordinary shares of RM1.00 each into RM0.50 each	44,774,000	-
Exercise of bonus issue after share split	35,819,200	17,909,600
At 31 December 2007	125,367,200	62,683,600
2006		
Ordinary shares of RM1.00 each at 1 January 2006/ 31 December 2006	44,774,000	44,774,000

On 17 July 2007, the Company sub-divided its existing 44,774,000 ordinary shares of RM1.00 each into 89,548,000 ordinary shares of RM0.50 each.

Subsequent to the share split, the issued and paid-up share capital of the Company was further increased from RM44,774,000 to RM62,683,600 by way of bonus issue of 35,819,200 new ordinary shares of RM0.50 each on the basis of two (2) bonus shares for every five (5) existing ordinary shares of RM0.50 each held in the Company, by way of capitalisation of accumulated profits and share premium.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

16. CAPITAL RESERVES

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

	GROUP	
	2007 RM	2006 RM
Accretion arising from change in equity interest in subsidiary companies	74,454	74,454
Capitalised for bonus issue by subsidiary companies	21,000,000	13,000,000
	21,074,454	13,074,454

17. TERM LOANS

	GROUP	
	2007 RM	2006 RM
Secured:		
Term loans	8,467,206	8,896,120
Portion repayable within one year (Note 23)	(2,688,491)	(1,922,650)
	5,778,715	6,973,470

The term loans are repayable over the following periods:

	GROUP	
	2007 RM	2006 RM
Within one year	2,688,491	1,922,650
From one to two years	2,830,285	2,021,016
From two to five years	2,948,430	4,332,849
After five years	-	619,605
	8,467,206	8,896,120

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 4.63% to 8.50% (2006: 6.00% to 8.00%) per annum.

18. HIRE PURCHASE LIABILITIES

	GROUP	
	2007 RM	2006 RM
Hire purchase liabilities		
- payable within one year	1,459,567	2,386,426
- payable between one and five years	1,602,985	1,382,385
	3,062,552	3,768,811
Interest-in-suspense	(362,233)	(467,720)
	2,700,319	3,301,091
Portion due within one year	(1,280,052)	(2,097,494)
Non-current portion	1,420,267	1,203,597

The net hire purchase liabilities are repayable as follows:

	GROUP	
	2007 RM	2006 RM
Within one year	1,280,052	2,097,494
Between one and five years	1,420,267	1,203,597
	2,700,319	3,301,091

The hire purchase liabilities carry interest rates ranging from 3.5% to 9.31% (2006: 0% to 10.68%) per annum.

19. DEFERRED TAX LIABILITIES

	GROUP	
	2007 RM	2006 RM
At 1 January	1,630,126	1,170,516
Change in tax rate	-	(45,987)
Origination and reversal of temporary differences	638,258	505,597
Net recognised in income statements (Note 28)	638,258	459,610
At 31 December	2,268,384	1,630,126

19. DEFERRED TAX LIABILITIES (cont'd)

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

GROUP				Accelerated capital allowances RM
Deferred tax liabilities				
At 1 January 2006				(2,399,893)
Recognised in income statements				97,512
At 31 December 2006				(2,302,381)
Recognised in income statements				(231,252)
At 31 December 2007				(2,533,633)
Deferred tax assets	Unabsorbed capital allowances RM	Unutilised tax losses RM	Total RM	
At 1 January 2006	1,010,690	218,687	1,229,377	
Recognised in income statements	(474,006)	(83,116)	(557,122)	
At 31 December 2006	536,684	135,571	672,255	
Recognised in income statements	(405,481)	(1,525)	(407,006)	
At 31 December 2007	131,203	134,046	265,249	
				RM
At 31 December 2007				(638,258)
Net recognised in income statements				(2,268,384)
Net deferred tax liabilities				
At 31 December 2006				(459,610)
Net recognised in income statements				(1,630,126)
Net deferred tax liabilities				
		GROUP		
		2007 RM	2006 RM	
Deferred tax assets not accounted for:				
- Unutilised tax losses		2,538,797	2,895,684	
- Unabsorbed capital allowances		655,265	891,154	
		3,194,062	3,786,838	
The tax effect on deferred tax assets not accounted for		758,300	984,578	

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. TRADE PAYABLES

The normal trade credit terms granted to the Group for trade purchase range from 7 days to 90 days.

21. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	2,123,114	1,005,841	21,247	18,065
Accruals	2,145,644	996,950	134,750	93,000
	4,268,758	2,002,791	155,997	111,065

22. BANK OVERDRAFTS

	GROUP	
	2007 RM	2006 RM
Unsecured	871,409	1,465,404

The bank overdrafts carry interest rates ranging from 7.75% to 8.50% (2006: 7.25% to 8.50%) per annum.

23. SHORT TERM BORROWINGS

	GROUP	
	2007 RM	2006 RM
Unsecured:		
Bills payable	156,405,000	138,359,000
Secured:		
Term loans		
- portion repayable within one year (Note 17)	2,688,491	1,922,650
	159,093,491	140,281,650

The short term borrowings carry interest rates ranging from 3.59% to 8.50% (2006: 3.55% to 8.00%) per annum.

24. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sale of goods	599,812,923	544,879,086	-	-
Rental income	1,150,890	1,132,510	-	-
Dividend income from:				
- subsidiary companies	-	-	38,003,561	445,500
- unquoted investments	-	540,000	-	-
	600,963,813	546,551,596	38,003,561	445,500

25. EMPLOYEE BENEFITS COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Salaries, wages and bonus	13,959,593	13,982,386	-	-
Defined contribution plans	1,420,005	1,458,048	-	-
Other employee benefits	2,409,350	1,807,460	130,000	130,000
	17,788,948	17,247,894	130,000	130,000

Included in employee benefits costs of the Group and of the Company is Directors remuneration as disclosed in Note 27(b).

26. FINANCE COSTS

	GROUP	
	2007 RM	2006 RM
Interest expenses on:		
- bills payable	6,849,201	5,030,852
- bank overdrafts	75,627	49,725
- term loans	592,269	406,072
- hire purchase	317,812	322,227
	7,834,909	5,808,876

27. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging:				
Directors' remuneration (Note 27(b))	1,269,878	1,344,550	130,000	130,000
Auditors' remuneration:				
- current year	100,010	102,700	8,000	8,000
- (over)/under accrued in prior year	(9,470)	(20,150)	-	2,500
Depreciation	4,381,816	4,586,469	-	-
Amortisation of prepaid				
land lease payments	305,353	307,737	-	-
Rental of premises	886,968	818,577	-	-
Bad debts written off	50,188	32,420	-	-
Property, plant and				
equipment written off	11,570	70,561	-	-
Allowance for doubtful debts	3,056,592	2,716,114	-	-
Allowance for diminution				
in value of:				
- unquoted investment	71,250	285,000	-	-
- quoted investment	1,300	10,800	-	-
Allowance for inventories				
obsolescence	57,216	2,249	-	-

27. PROFIT BEFORE TAXATION (cont'd)

(a) Profit before taxation is arrived at: (cont'd)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Impairment loss on:				
- goodwill:				
- subsidiary companies	-	419,828	-	-
- associated company	-	12,206	-	-
- property, plant and equipment	-	500,000	-	-
Inventories written off	770	-	-	-
Inventories written down	888,086	-	-	-
Loss on partial disposal of a subsidiary company	4,006	-	-	-
And crediting:				
Rental income from:				
- sublease receipts (Note 5)	158,200	149,250	-	-
- others	992,690	983,260	-	-
Gross dividend income from subsidiary companies	-	-	38,003,561	445,500
Gross dividend income from unquoted investment	-	540,000	-	-
Interest income from:				
- fixed deposits	26,703	48,591	-	-
- others	1,119,955	765,309	-	-
Allowance for doubtful debts written back	1,109,292	672,280	-	-
Gain on disposal of:				
- property, plant and equipment	392,285	143,505	-	-
- quoted investments	-	35,528	-	-
- investment property	-	23,040	-	-
Management fees from:				
- subsidiary companies	-	-	232,800	232,800
- others	3,000	6,000	-	-
Excess of the Group' interest in the net fair value of identifiable assets and liabilities and contingent liabilities over the cost of acquisition of additional shares in a subsidiary company from minority interests	107	-	-	-
Gain on disposal of an associated company	48,763	-	-	-

Notes To The Financial Statements (cont'd)

31 December 2007

27. PROFIT BEFORE TAXATION (cont'd)

- (b) The aggregate amount of remuneration receivable by Directors of the Company during the financial year were categorised as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive Directors:				
Salaries and other emoluments	955,182	1,041,210	-	-
Fees	52,000	30,000	30,000	30,000
Defined contributions plans	114,696	125,340	-	-
Non-executive Directors:				
Fees	148,000	148,000	100,000	100,000
	1,269,878	1,344,550	130,000	130,000

28. TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current year	3,165,843	2,285,405	10,279,448	133,322
Prior years	(35,234)	6,735	9,574	-
Deferred tax liabilities (Note 19)	638,258	459,610	-	-
	3,768,867	2,751,750	10,289,022	133,322

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	12,664,171	5,701,549	37,817,372	406,517
	%	%	%	%
Applicable tax rate	26	26	27	28
Expenses not deductible for tax purposes	13	36	1	5
Income not subject to tax	(2)	(1)	-	-
Utilisation of unabsorbed capital allowances and tax losses	(13)	(25)	-	-
Deferred tax assets not recognised	1	4	-	-
Prior years	-	-	-	-
Deferred tax liabilities	5	8	-	-
Average effective tax rate	30	48	28	33

With effect from year of assessment 2007, the corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008 and to 25% with effect from year of assessment 2009.

28. TAXATION (cont'd)

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

The Company has an estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM10,184,000 to frank the payment of dividend out of its accumulated profits as at 31 December 2007.

These amounts are subject to agreement with the tax authority.

29. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Basic and diluted earnings per share is calculated by dividing the net profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2007	2006 Restated
Net profit attributable to equity holders of the Company (RM)	8,394,725	3,629,996
Weighted average number of ordinary shares	125,367,200	125,367,200
Basic and diluted earnings per share (sen)	6.70	2.90

The earnings per share for the financial year 2006 has been restated as a result of a capitalisation of bonus issue and share split exercised during the financial year.

30. DIVIDENDS

	GROUP AND COMPANY			
	2007	2006		
	Gross dividend per share (sen)	Amount of dividend net of tax RM	Gross dividend per share (sen)	Amount of dividend RM
Interim dividend in respect of the financial year ended 31 December 2007	3	980,551	-	-
First and final dividend in respect of the financial year ended 31 December 2006	1.25	1,143,975	-	-
Final dividend in respect of the financial year ended 31 December 2005	-	-	1	322,373
		<u>2,124,526</u>		<u>322,373</u>

31. CASH FLOW STATEMENTS

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Amortisation of prepaid land lease payments	305,353	307,737	-	-
Bad debts written off	50,188	32,420	-	-
Depreciation	4,381,816	4,586,469	-	-
Dividend income	-	(540,000)	(38,003,561)	(445,500)
Gain on disposal of property, plant and equipment	(392,285)	(143,505)	-	-
Gain on disposal of an investment property	-	(23,040)	-	-
Interest income	(1,146,658)	(813,900)	-	-
Interest expenses	7,834,909	5,808,876	-	-
Share in results of an associated company	-	678,817	-	-
Property, plant and equipment written off	11,570	70,561	-	-
Allowance for doubtful debts written back	(1,109,292)	(672,280)	-	-
Allowance for diminution in value of:				
- unquoted investment	71,250	285,000	-	-
- quoted investment	1,300	10,800	-	-
Gain on disposal of quoted investments	-	(35,528)	-	-
Gain on disposal of an associated company	(48,763)	-	-	-
Loss on partial disposal of a subsidiary company	4,006	-	-	-
Allowance for doubtful debts	3,056,592	2,716,114	-	-
Inventories written off	770	-	-	-
Inventories written down	888,086	-	-	-
Excess of the Group' interest in the net fair value of identifiable assets and liabilities and contingent liabilities over the cost of acquisition of additional shares in a subsidiary company from minority interests	(107)	-	-	-
Allowance for inventories obsolescence	57,216	2,249	-	-
Impairment loss on:				
- goodwill:				
- subsidiary companies	-	419,828	-	-
- associated company	-	12,206	-	-
- property, plant and equipment	-	500,000	-	-
	13,965,951	13,202,824	(38,003,561)	(445,500)

31. CASH FLOW STATEMENTS (cont'd)

(b) Purchase of property, plant and equipment

	GROUP	
	2007 RM	2006 RM
Aggregate cost	6,194,545	2,512,948
Acquired by means of:		
- hire purchase	(1,763,765)	(270,000)
- contra against trade receivables	(61,156)	(156,000)
Cash payments made to purchase property, plant and equipment	4,369,624	2,086,948

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	4,857,233	515,958	-	-
Cash and bank balances	14,874,789	17,875,940	103,256	46,040
Bank overdrafts	(871,409)	(1,465,404)	-	-
	18,860,613	16,926,494	103,256	46,040
Fixed deposits pledged (Note 14)	(677,232)	(435,958)	-	-
	18,183,381	16,490,536	103,256	46,040

32. 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; and
- key management personnel includes the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or Company either directly or indirectly. Executive and Non-Executive Directors compensation is disclosed in Note 27(b).

The significant related party transactions are as follows:

(a) Sale of goods

	GROUP	
	2007 RM	2006 RM
Other related party		
- Ahmad Zaki Sdn Bhd	13,932,861	17,442,292

32. RELATED PARTY TRANSACTIONS (cont'd)

(b) Others

	COMPANY	
	2007 RM	2006 RM
Dividend income received from subsidiary companies:		
- Chuan Huat Hardware (Sdn) Berhad	30,503,561	445,500
- Chuan Huat Hardware Holdings Sdn Bhd	7,500,000	-
Management fees received from a subsidiary company:		
- Chuan Huat Hardware (Sdn) Berhad	232,800	232,800

Ahmad Zaki Sdn Bhd is company in which, Dato' Sri 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 not more favourable than those arranged with independent third parties.

33. CONTINGENT LIABILITIES

	COMPANY	
	2007 RM	2006 RM
Unsecured:		
Guarantees in respect of banking facilities granted to subsidiary companies	187,403,000	182,750,000
Corporate guarantees given to suppliers for supply of goods to subsidiary companies	15,600,000	13,100,000
	203,003,000	195,850,000

34. SEGMENTAL ANALYSIS - GROUP

The primary reporting format is based on business segments.

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.

34. SEGMENTAL ANALYSIS - GROUP (cont'd)

2007

BUSINESS SEGMENTS

	Trading in hardware and building materials RM	Trading RM	Technology related products Manufacturing RM	Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
REVENUE							
External sales	566,243,071	32,931,892	(14,090)	320,200	1,482,740	-	600,963,813
Inter-segment sales	160,852,274	19,490,245	374,685	39,159,161	24,000	(219,900,365)	-
	727,095,345	52,422,137	360,595	39,479,361	1,506,740	(219,900,365)	600,963,813
RESULTS							
Segment results	19,917,417	1,944,777	(1,371,256)	(1,391,679)	253,172	-	19,352,431
Finance costs							(7,834,918)
Interest income							1,146,658
Taxation							(3,768,867)
Profit for the financial year							8,895,304
OTHER INFORMATION							
Total segment assets	256,138,240	22,674,737	1,081,787	29,789,350	14,510,706		324,194,820
Unallocated corporate assets							683,663
Total assets							324,878,483
Total segment liabilities	210,570,011	1,899,166	2,623	1,811,261	61,286		214,344,347
Unallocated corporate liabilities							2,862,218
Total liabilities							217,206,565
Capital expenditure	4,934,269	430,652	-	827,431	2,193		6,194,545
Depreciation	3,044,276	436,751	369,438	531,184	167		4,381,816
Amortisation	77,486	-	-	227,867	-		305,353
Non-cash expenses other than depreciation and amortisation	3,884,248	199,488	57,242	-	-		4,140,978

34. SEGMENTAL ANALYSIS - GROUP (cont'd)

2006

BUSINESS SEGMENTS

	Trading in hardware and building materials RM	Technology related products Trading RM	Manufacturing RM	Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
REVENUE							
External sales	512,521,923	32,226,594	701,139	956,800	145,140	-	546,551,596
Inter-segment sales	124,702,976	21,260,712	1,095,114	2,000,100	24,000	(149,082,902)	-
	637,224,899	53,487,306	1,796,253	2,956,900	169,140	(149,082,902)	546,551,596
RESULTS							
Segment results	13,732,821	2,308,116	(3,955,141)	(730,645)	20,191	-	11,375,342
Finance costs							(5,808,876)
Interest income							813,900
Share in result of an associated company							(678,817)
Taxation							(2,751,750)
Profit for the financial year							2,949,799
OTHER INFORMATION							
Segment assets	241,188,390	16,091,647	8,147,982	26,922,659	15,049,998		307,400,676
Investment in an associated company	1,818,737						1,818,737
Total segment assets							309,219,413
Unallocated corporate assets							1,484,329
Total assets							310,703,742
Total segment liabilities	203,185,564	2,523,205	310,129	2,072,915	69,740		208,161,553
Unallocated corporate liabilities							1,631,299
Total liabilities							209,792,852
Capital expenditure	2,175,225	286,688	17,692	32,773	570		2,512,948
Depreciation	3,034,657	389,167	629,592	533,053	-		4,586,469
Non-cash expenses other than depreciation	2,846,617	138,607	823,469	548,222	-		4,356,915

35. CORPORATE INFORMATION

- (a) The Company is a public limited liability company incorporated and domiciled in Malaysia, and is 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) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2008.

36. SIGNIFICANT EVENTS

During the financial year, the Company has undertaken the following exercises:

- (i) Subdivision of every existing ordinary share of RM1.00 into 2 ordinary shares of RM0.50 each. The share split was completed on 17 July 2007.
- (ii) Bonus issue of 35,819,200 new ordinary shares of RM0.50 each on the basis of two (2) bonus shares of RM0.50 each for every five (5) existing ordinary shares of RM0.50 each held on 17 July 2007 by way of capitalisation of accumulated profits and share premium.

37. SUBSEQUENT EVENT

On 11 March 2008, Discomp Berhad, a subsidiary company of the Group, has disposed of its 240,000 ordinary shares of RM1.00 each in Trident Point Sdn Bhd ("TPSB"), which representing 80% equity interest in TPSB, to Mr Chuah Beng Lee for a total consideration of RM11,386. Upon the disposal, TPSB would ceased to be a subsidiary company of Discomp Berhad.

38. FINANCIAL INSTRUMENTS

Financial risk management objectives and 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.

(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 creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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.

38. FINANCIAL INSTRUMENTS (cont'd)**(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.

Fair values

The carrying amounts of financial assets and liabilities of the Group and Company as at 31 December 2007 approximated their fair values except as set out below:

	GROUP	
	Carrying amount RM	Fair value RM
Financial assets		
Investments - quoted	11,263	10,707 *

* Market value as at financial year end

No disclosure is made for unquoted shares because of the lack of market information and the assumptions used in valuation models to value these investments cannot be reasonably determined.

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

(a) 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.

(b) Marketable securities

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

(c) 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.

(d) 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.

(e) 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.

Authorised Share Capital	:	RM100,000,000.00 divided into 200,000,000 shares of 50 sen each
Issued and Paid-Up Capital	:	RM 62,683,600.00 divided into 125,367,200 shares of 50 sen each
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	On show of hands - one (1) vote
	:	On a poll - one (1) vote for each share held

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	11	0.42	390	0.00
100 to 1,000	30	1.15	17,740	0.01
1,001 to 10,000	1,889	72.49	7,847,298	6.26
10,001 to 100,000	611	23.45	15,176,431	12.11
100,001 to less than 5% of issued shares	60	2.30	43,530,714	34.72
5% and above of issued shares	5	0.19	58,794,627	46.90
Total	2,606	100.00	125,367,200	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2008

Name	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dato' Lim Khoon Heng	13,350,890	10.64	16,488,926 ^(a)	13.15
Dato' Lim Loong Heng	13,350,887	10.64	16,488,926 ^(a)	13.15
Dato' Lim Khoon Hock	13,350,887	10.64	16,488,926 ^(a)	13.15
Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	10,738,551	8.56	-	-
Tan Sri Wan Azmi Bin Wan Hamzah	8,003,412	6.38	-	-
Lim Kim Chuan & Sons Holdings Sdn Bhd	6,377,357	5.09	-	-

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2008

Name	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dato' Lim Khoon Heng	13,350,890	10.64	16,488,926 ^(a)	13.15
Dato' Lim Loong Heng	13,350,887	10.64	16,488,926 ^(a)	13.15
Dato' Lim Khoon Hock	13,350,887	10.64	16,488,926 ^(a)	13.15
Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	10,738,551	8.56	-	-
Dali Kumar @ Dali Bin Sardar	91,900	0.07	-	-
Tai Keat Chai	-	-	-	-
Leow Bock Lim	-	-	-	-

Note:

- (a) Deemed interest by virtue of their 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 30 April 2008

LIST OF 30 LARGEST SHAREHOLDERS AS AT 30 APRIL 2008

No.	Name	No. of Shares Held	%
1.	DATO' LIM KHOON HENG	13,350,890	10.64
2.	DATO' LIM LOONG HENG	13,350,887	10.64
3.	DATO' LIM KHOON HOCK	13,350,887	10.64
4.	DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	10,738,551	8.56
5.	TAN SRI WAN AZMI BIN WAN HAMZAH	8,003,412	6.38
6.	W MOHAMED @ NIK AZAM BIN WAN HAMZAH	5,448,688	4.34
7.	LIM KIM CHUAN	5,076,797	4.04
8.	HEW KWEE WON	5,034,772	4.01
9.	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	5,024,084	4.00
10.	CHONG MOAN LAM @ CHEONG MOON LAM	3,904,600	3.11
11.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEOW LEE FONG (REM 196)	3,545,180	2.82
12.	AU WENG KEONG	1,450,120	1.15
13.	EMINENT OASIS SDN BHD	1,400,000	1.11
14.	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	1,353,273	1.07
15.	CITIGROUP NOMINEES (ASING) SDN BHD - EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	935,200	0.74
16.	KHONG CHOOK CHONG	770,200	0.61
17.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEOW CHOW KUEN (REM 196)	676,460	0.53
18.	KHONG TSEE CHONG @ KHONG HOO CHONG	484,400	0.38
19.	LEE KOING @ LEE KIM SIN	466,200	0.37
20.	ESPOIR INVESTMENTS PTE LTD	427,000	0.34
21.	KHONG OW CHONG	389,200	0.31
22.	ANG ENG THAI	356,000	0.28
23.	CHAN FONG YAU	300,000	0.23
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR HOW LIN HONG (PB)	280,000	0.22
25.	LAI BEE KUEN	271,000	0.21
26.	HEW CHEE WAH	261,720	0.20
27.	CHEN THIAM KWEE @ TAN THIAM KWEE	224,000	0.17
28.	YOON KIM YOE	210,000	0.16
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEOH AH BAA @ TEOH BENG SUANG (IMO/M&A)	210,000	0.16
30.	RHB NOMINEES (ASING) SDN BHD - OCBC SECURITIES PRIVATE LIMITED FOR THAM WILLIE	200,000	0.15
		97,493,521	77.57

Description Of Properties / Usage	Location	Land Area / Build Up Area (in Sq.Metre)	Tenure / Approx Age of building	Net Book Value (RM)	Year Of Acquisition
Industrial Land with warehouse & office / OWN USE	Lot 135,Section 92A, Town Of Kuala Lumpur, Wilayah Persekutuan	3,457 / 2,052	Leasehold for 42 years expiring in 2017 / 3	3,302,481.66	1997
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 / 16	1,969,718.35	1997
Industrial Land with factory & office / OWN USE	Lot 1651, Nilai Industrial Area, Phase II, 71800 Nilai	15,570 / 7,041	Leasehold for 99 years expiring in 2090 / 13	5,122,218.11	1997
Industrial Land with factory, office & canteen / OWN USE	Lot 7401,PT 1888, Nilai Industrial Area, Phase II, 71800 Nilai	28,416 / 12,600	Leasehold for 99 years expiring in 2091 / 13	10,413,228.75	1997
2 Lots of land with 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 / 13	391,352.90	1997
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 / 36	215,384.50	1997
Industrial Land with warehouse / OWN USE	Lot 19,Section 92A, Kuala Lumpur, Wilayah Persekutuan	3,493.10/884	Leasehold for 42 years expiring in 2017 / 1	2,176,857.24	1997
Industrial Land / VACANT	Lot P204,Bukit Minyak Ind.Area, Mukim 13, Central District,Penang	14,164.10	Leasehold for 60 years expiring in 2058 / NA	1,628,534.71	1997
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	738,662.99	1997
1 Unit Office Lot / RENTED	Unit P5.04,5th Floor, BICMA Building,Lot 2, Jalan 243 / 51A, Petaling Jaya	89.8	Leasehold for 99 years expiring in 2073 / 17	245,154.00	1997
Ground & Mezzanine Floors in a 3 ½ storey Shopoffice / RENTED	Lot 66 Jalan SBC 3, Taman Sri Batu Caves, 68100 Batu Caves	193.4	Freehold / 11	570,000.00	1997
2 Units Apartment Lot / 1 RENTED 1 VACANT	Units A4-5 & A4-6, Tudor Court Apt, Taman Rasmi Jaya, Ampang	164	Leasehold for 99 years expiring in 2090 / 21	124,800.00	1997

List Of Properties *(cont'd)*

as at 31 December 2007

Description Of Properties / Usage	Location	Land Area / Build Up Area (in Sq.Metre)	Tenure / Approx Age of building	Net Book Value (RM)	Year Of Acquisition
1 Unit Apartment Lot / VACANT	Unit A3-10, Level 10, Amber Court, Genting Highlands, 69000 Pahang	60	Freehold / 18	156,000.00	1997
1 Unit Apartment Lot / VACANT	Unit 12/B2, Gold Mansion, Straits Court, Melaka	99.2	Freehold / 10	135,000.00	1997
1 Unit Bungalow House / VACANT	No.17, Jalan Serai, Taman Cheras, 56100 Kuala Lumpur	692 / 327	Freehold / 28	456,150.32	1997
Industrial Land with factory & office / RENTED	C43,Block C,Lot 1566, Nilai Industrial Area, 71800 Nilai	16,820 / 2,358	Leasehold for 99 years expiring in 2089 / 18	3,397,104.81	1998
Land-Warehouse & store / OWN USE	Lot 10464,5th Mile, Jalan Nenas, Off Jln Bukit Kemuning, Kg.Jawa, 41000 Klang	40645.82 / 5955	Freehold / 4	7,521,840.12	1998
2nd Floor of a 4 ½ storey Shop Lot / RENTED	34-2,Jalan Wangsa 2/5 Taman Wangsa Permai, 52200 Kuala Lumpur	113.5	Leasehold for 99 years expiring in 2098 / 10	130,000.00	1998
2 Floors in a 5 Storey Shop Lot / Level 1 - RENTED Level 2 - VACANT	Block B Unit 11 Level 1 & 2, Krystal Point, Commercial Centre, 11900 Bayan Lepas, Penang	L1-88.2 L2-97.5	Freehold / 10	850,000.00	1998
1 Unit Double Storey Terrace House / RENTED	PT 5590,Jalan BBN 9/2F, Desa Anggerik, Bandar Baru Nilai, 71800 Nilai	282.2 / 120.8	Freehold / 11	145,000.00	1998
1 Unit Apartment Lot / RENTED	No-3-14-4, Desa Bestari, Phase II Batu Uban, Penang	65.1	Freehold / 11	110,000.00	1998
4 Storey's Shopoffice / 1 Storey-OWN USE 3 Storey's-RENTED	19,Lorong Tiara 1B, Bandar Baru Klang, 41150 Klang	1,228	Leasehold for 99 years expiring in 2093 / 14	2,200,000.00	1999
Single Storey House / VACANT	12,Jalan Kenari 12E/8, Lembah Beringin, Kuala Kubu Bahru, 44110 Selangor	132.8	Freehold / 8	40,000.00	1999
1 Unit Condominium / VACANT	Unit 30-21-4,Reagan Tower, Pandan Heights, Taman Pandan Perdana, 56100 Kuala Lumpur	199.5	Freehold / 10	270,000.00	1999

Description Of Properties / Usage	Location	Land Area / Build Up Area (in Sq.Metre)	Tenure / Approx Age of building	Net Book Value (RM)	Year Of Acquisition
3 Storey Shop Lot / OWN USE	60,Jalan Melaka Raya 20, Taman Melaka Raya, Melaka	429	Leasehold for 99 years expiring in 2093 / 8	383,517.20	2000
3 Storey Shop Lot / RENTED	62,Jalan Melaka Raya 20, Taman Melaka Raya, Melaka	429	Leasehold for 99 years expiring in 2093 / 8	355,977.20	2000
1 Unit Condominium / VACANT	Unit 6B-12-1, Eden Fairway Condo, Jalan Sungai Emas, 11100 Penang	178.8	Freehold / 9	356,288.00	2000
1 Unit Shop Lot / RENTED	GL23,Aras 1,Block D, Dataran Usahawan Kelana, No.17, Jalan SS7/26, Kelana Jaya	130.1	Leasehold for 99 years expiring in 2100 / 7	856,000.00	2001
1 Unit Office Lot / RENTED	815,Aras 8,Block D, Dataran Usahawan Kelana, No.17, Jalan SS7/26, Kelana Jaya	115.7	Leasehold for 99 years expiring in 2100 / 7	444,000.00	2001
3 Storey Shopoffice / VACANT	No.1,Jalan PJS 1/2A, Section 1, Bandar Pinggiran Subang, 40150 Shah Alam	315	Leasehold for 99 years expiring in 2093 / 11	1,994,658.73	2001
1 Unit Apartment Lot / VACANT	Block M3-421, Merak Apartment, Subang Impian, Bandar Pinggiran Subang, Seksyen U5,Shah Alam	78.9	Freehold / 3	61,824.81	2002
1 Unit Apartment Lot / VACANT	B-4-4,Block Rumbia, Las Palmas, Bandar Country Homes, 48000 Rawang	64.2	Freehold / 7	45,000.00	2003
2 Units Apartment Lot / OWN USE	C-9-4 & C-9-5, Block C, Jalan Jati 1, Desa Jati Apartment, Fasa 1, Bandar Baru Nilai, 71800 Nilai	133.96	Freehold / 5	123,600.00	2003
4 Units Apartment Lot / 1 Unit RENTED 3 Units VACANT	B-02-05,B-02-06, B-10-05 & B-10-06, Pangsapuri Widuri, Raja Uda,Butterworth	328	Freehold / 4	380,000.00	2004
3 Units Apartment Lot / VACANT	A-3-2,A-3-3 & A-3-4, Block A, 3rd Floor, Desa Jati Phase II, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan	200.7	Freehold / 4	165,000.00	2004

List Of Properties *(cont'd)*

as at 31 December 2007

Description Of Properties / Usage	Location	Land Area / Build Up Area (in Sq.Metre)	Tenure / Approx Age of building	Net Book Value (RM)	Year Of Acquisition
6 Lots of vacant land / RENTED	Lot 120, 121, 122, 123, 124 & 175, Jalan Pudu, Kuala Lumpur, Wilayah Persekutuan	1,421.50	Freehold / NA	4,788,465.24	2005
1 Unit Apartment Lot / VACANT	A616, Block A, Palm Spring Damansara, Sec 13 Kota Damansara 47810 Petaling Jaya	1,259	Leasehold for 99 years expiring in 2101 / 5	202,983.94	2006
1 Unit Apartment Lot / VACANT	F-2003A, 20th Floor Block F, Palm Spring Damansara, Sec 13 Kota Damansara, 47810 Petaling Jaya	1,023	Leasehold for 99 years expiring in 2101 / 5	203,698.18	2006
1 Unit 7 Storey Office Block / 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	Leasehold for 99 years expiring in 2104 / 1	4,187,084.63	2005
4 ½ Storey Shopoffice / VACANT	53-C, 2nd Floor, Jalan BRP 6/10, Bukit Rahman Putra, Sek U20, Shah Alam	153.3	Freehold / 9	125,000.00	1999
2 Units Condominium / VACANT	Units 203 & 207 Phase 5, Block N, PD Perdana Condo Resort, Off Jalan Pantai, Sirusa, 71050 Port Dickson	155.4	Freehold / 10	173,000.00	2001
2 Lots of 3 Storey Shop House / VACANT	Lot 7251 & 7252, Jalan BBN 1/4, Bandar Baru Nilai, 71800 Nilai	334.4 / 903	Freehold / 12	648,360.15	1997
Work In Progress					
1 Unit Double Storey Shopoffice	Lot 5, The Crescent, Sector 10-1, Lembah Beringin, 44110 Kuala Kubu Bahru, Selangor	301.6 / 513.2	Leasehold for 99 years expiring in 2104	570,594.44	1996
1 Unit Shopoffice	Unit ACG 5, Block B, Pusat Komersil Seksyen 7, Jalan Plumbum AC 7/AC Seksyen 7, Shah Alam	146.5	Leasehold for 99 years expiring in 2103	483,830.00	2005

At the Annual General Meeting held on 26 June 2007, the Company had obtained shareholders' mandate to allow the Group to enter into recurrent related party transactions of 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 2007 pursuant to the shareholders' mandate are disclosed as follows:

(a) Recurrent Transactions involving trading in hardware, building materials and ironmongery products

CHRB Group	Nature of transactions	Aggregate Value (RM'000)	Interested related parties
1. CHIM	Sales of steel bars and building materials to		
	i. AZSB	13,839.11	Dato' Sri Haji Wan Zaki Muda is a Director and has 100% direct and indirect interests in AZSB
	ii. CHRB Selatan ¹	8,755.68	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' 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	12,888.66	
	iv. CHM ²	1,390.39	
	v. CHSRC	731.90	
	vi. CHRB BM	18.02	
	vii. Keyline	2,369.74	
2. 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. AZSB	93.75	Dato' Sri Haji Wan Zaki Muda is a Director and has 100% direct and indirect interests in AZSB
	ii. CHRB Selatan	900.68	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' 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	1,243.28	
	iv. CHM	28.83	
	v. CHSRC	2.78	
	vi. CHRB BM	234.91	
	(b) Purchase of mild steel plated from ASP	6,520.61	Dato' Lim Khoon Heng is a director and has 18% indirect interest in ASP
3. CH Rebar	Sales of cutting and bending of steel bars		Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies.
	i. CHSRC	772.073	
	ii. CHRB Utara	4.17	

Recurrent Related Party Transactions Of A Revenue Or Trading Nature *(cont'd)*

(a) Recurrent Transactions involving trading in hardware, building materials and ironmongery products (cont'd)

CHRB Group	Nature of transactions	Aggregate Value (RM'000)	Interested related parties
4. CHSRC	Sales of steel bars to i. CHH ii. CHIM iii. CH Rebar iv. CHHH	274.53 322.51 17.15 6.22	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
5. BMI	Sales of steel wire products to i. CHRB Selatan ii. CHRB Utara iii. CHSRC	 371.90 2,836.01 1,108.68	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
6. CHM	Sales of steel bars & cements to i. CHRB BM ii. CHRB Selatan	2,000.93 397.13	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
7. Keyline	Sales of ironmongery products to i. CHRB Selatan ii. CHRB Timuran iii. CHRB Utara iv. CHH v. CHIM vi. CHRB BM	19.23 26.25 144.22 0.10 946.85 26.42	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies

Notes:

Transaction 1

CHIM and CHRB Selatan maintain different set of customers. Upon request by CHRB Selatan customers, it will purchase from CHRB Group of companies depending on availability of steel bars and building materials for trading purposes.

Transaction 2

CHIM and CHM maintain different set of customers. Upon request by CHM customers, it will purchase from CHRB Group of companies depending on availability of steel bars and building materials for trading purposes.

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

CHRB Group	Nature of transactions	Aggregate Value (RM'000)	Interested related parties
	Management fees for provision of finance, administration and marketing services by personnel of		
1. CHH	i. CHM	9.60	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' 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 BM	6.00	
2. CHIM	i. CHSRC	18.00	
	ii. KEYLINE	36.00	
	Rental of office space to		
3. CHHH	i. CHRB Utara at RM1,500 per month	18.00	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' 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	9.60	
	iii. CHRB Selatan at RM1,500 per month	18.00	
	iv. CHSRC at RM1,000 per month	12.00	
4. CHH	CHRB BM at RM300 per month	3.60	
5. CHHH	Rental of factory space located at Kampung Jawa to CHSRC at RM6,000 per month	72.00	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies
6. CHRB Prop	Rental of office premise to CHRB Selatan at RM1,200 per month	14.40	Dato' Lim Khoon Heng, Dato' Lim Loong Heng and Dato' Lim Khoon Hock, being the directors of CHRB and deemed interested by virtue of its direct and indirect equity interest of these subsidiary companies

Recurrent Related Party Transactions Of A Revenue Or Trading Nature *(cont'd)*

Abbreviations:

ASP	-	Anshin Steel Processor 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
CHM	-	Chuan Huat Metal Sdn Bhd
CHRB BM	-	CHRB Building Materials Sdn Bhd
CHRB Prop	-	CHRB Properties Sdn Bhd
CHRB Selatan	-	CHRB Selatan Sdn Bhd
CHRB Timuran	-	CHRB Timuran Sdn Bhd
CHRB Utara	-	CHRB Utara Sdn Bhd
CHSRC	-	CH Steel Recycle Centre Sdn Bhd
CH Rebar	-	CH Rebar Sdn Bhd
Keyline	-	Keyline Consulting 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 4 June 2007 in relation to the proposed shareholders' mandate for recurrent related party transactions.

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Chuan Huat Resources Berhad will be held at Bukit Jalil Golf & Country Resort, Perdana 1 & 2, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 26 June 2008 at 10.00 a.m. for the following purposes:

AGENDA

Ordinary Business

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditor thereon. | (Ordinary Resolution 1) |
| 2. To approve the payment of a final dividend of 1.5 sen gross per ordinary share less income tax at 26% for the financial year ended 31 December 2007. | (Ordinary Resolution 2) |
| 3. To approve the payment of Directors' fees for the financial year ended 31 December 2007. | (Ordinary Resolution 3) |
| 4. To re-elect the following Directors who are retiring in accordance with Article 63 of the Company's Articles of Association: | |
| (i) Leow Bock Lim | (Ordinary Resolution 4) |
| (ii) Tai Keat Chai | (Ordinary Resolution 5) |
| 5. To re-appoint Messrs. Ong Boon Bah & Co. as Auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | (Ordinary Resolution 6) |

As Special Business:

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

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 6. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ("THE ACT") | (Ordinary Resolution 7) |
| <p>"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, pursuant to Section 132D of the Act, the Directors be and are hereby authorised to issue and allot shares in the Company from time to time, upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."</p> | |
| 7. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE | (Ordinary Resolution 8) |
| <p>"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 4 June 2008, 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:</p> <ul style="list-style-type: none"> • Recurrent related party transactions entered into by either of CHH, BMI, CHM, CHSRC, CHIM, CHRB Selatan, CHRB Utara, CHRB Timuran, CHRB BM and Keyline with one another; and • Recurrent related party transactions entered into by CHH with ASP. | |

Notice Of Annual General Meeting *(cont'd)*

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."

8. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

(Ordinary Resolution 9)

"THAT subject always to the Listing Requirements of Bursa Securities, 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 4 June 2008, 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 and CHH with AZSB

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 IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Fourteenth Annual General Meeting to be held on 26 June 2008, a Final Dividend of 1.5 sen gross per ordinary share less income tax at 26% in respect of the financial year ended 31 December 2007, will be paid on 12 August 2008.

The entitlement date shall be fixed on 31 July 2008 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 31 July 2008 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

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

Kuala Lumpur
4 June 2008

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 may but 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, 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.

Explanatory Notes To Special Business:

Ordinary Resolution 7

The proposed Ordinary Resolution under item 6 of the Agenda, if passed, will give power to the Directors of the Company to issue shares up to a maximum of ten percent (10%) of the issued share capital of the Company from the time being, for such purposes as the Directors consider would be in the best interest of the Company. This power, 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 under items 7 and 8 of the Agenda, 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 to Shareholders dated 4 June 2008.

Statement Accompanying Notice Of Meeting

Profile of the Directors standing for re-election as Directors of the Company under Resolutions 4 and 5 are shown on page 6 to 9 of the Company's 2007 Annual Report.

ANNUAL REPORT 2007

The Annual Report 2007 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.

The request must be directed to:

Chuan Huat Resources Berhad

Wisma Lim Kim Chuan

Lot 50A, Section 92A

3 ½ Miles, Off Jalan Sungei Besi

57100 Kuala Lumpur.

Contact person : Mr Simon Lee / Ms Carmen Chan
Telephone No. : 03-7983 3333
Facsimile No. : 03-7980 3333
E-mail : enquiries@chuanhuat.com.my



No. of ordinary shares	
CDS account no.	

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 No. _____
 CDS Account No./Name of beneficial owner* _____
 Of _____
 being a member(s) of **Chuan Huat Resources Berhad**, hereby appoint _____
 NRIC No./Passport No./Company No. _____
 Of _____

or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Bukit Jalil Golf & Country Resort, Perdana 1 and 2, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 26 June 2008 at 10.00 a.m. and at every adjournment thereof.

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution No. 1	To adopt the Directors' and Auditor's Reports and Audited Financial Statements		
Ordinary Resolution No. 2	To approve final dividend		
Ordinary Resolution No. 3	To approve payment of Directors' Fees		
Ordinary Resolution No. 4	To re-elect Director - Leow Bock Lim		
Ordinary Resolution No. 5	To re-elect Director - Tai Keat Chai		
Ordinary Resolution No. 6	To re-appoint Messrs Ong Boon Bah & Co. as auditor		
Ordinary Resolution No. 7	Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution No. 8	Proposed Shareholders' Mandate for <ul style="list-style-type: none"> Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by either of CHH, BMI, CHM, CHSRC, CHIM, CHRB Selatan, CHRB Utara, CHRB Timuran, CHRB BM and Keyline with one another; and Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHH with ASP 		
Ordinary Resolution No. 9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHIM and CHH with AZSB		

* To be completed by authorised nominees.

Please indicate with a "✓" in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit. However, if more than one proxy is appointed, please specify in the table below the number of shares represented by each proxy, failing which the appointment shall be invalid).

	Proportion of shares held
Name of proxy 1:	
Name of proxy 2:	
Total number of shares held	

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 may but 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, 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.

 Signature(s) / Common Seal of Shareholder(s)

Dated this ____ day of _____, 2008.

(FRONT)

Please send me a copy of the **CHUAN HUAT RESOURCES BERHAD** Annual Report 2007.
Sila hantar satu salinan Laporan Tahunan 2007 **CHUAN HUAT RESOURCES BERHAD** kepada saya.

Name / Nama : _____

Address / Alamat : _____

NRIC No. / No. K.P. : _____

Company No. / No. Syarikat : _____

Signature of Shareholder / Tandatangan Pemegang Saham

(BACK)

Affix
stamp
here

CHUAN HUAT RESOURCES BERHAD (290729-W)

WISMA LIM KIM CHUAN
LOT 50A, SEC 92A, 3 ½ MILES,
OFF JALAN SUNGEI BESI,
57100 KUALA LUMPUR,
MALAYSIA

