

CHG INDUSTRIES BERHAD
(Company No: 195911-T)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
CONDENSED CONSOLIDATED INCOME STATEMENT

*Interim financial report on consolidated results for the second financial quarter ended 30 June 2005.
(The figures have not been audited.)*

			INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
			Current Year Quarter 30/06/2005 RM'000	Preceding Year Corresponding Quarter 30/06/2004 RM'000	Current Year To Date 30/06/2005 RM'000	Preceding Year Corresponding Period 30/06/2004 RM'000
1.	(a)	Revenue	20,128	28,248	44,289	47,934
	(b)	Cost of sales	(19,607)	(25,390)	(42,288)	(46,494)
2.	(a)	Gross (loss)/profit	521	2,858	2,001	1,440
	(b)	Other operating income	32	16	101	111
	(c)	Selling and distribution costs	(2,245)	(3,757)	(6,157)	(5,564)
	(d)	Administrative expenses	(1,232)	(1,690)	(2,360)	(3,057)
	(e)	Other operating expenses	(3)	(12)	(8)	(17)
3.	(a)	Profit/(loss) from operations	(2,927)	(2,585)	(6,423)	(7,087)
	(b)	Finance cost	(3,262)	(3,177)	(6,582)	(6,339)
	(c)	Profit/(Loss) before income tax and minority interest	(6,189)	(5,762)	(13,005)	(13,426)
	(d)	Income tax	52	0	52	0
	(e)	Profit/(Loss) after income tax before deducting minority interests	(6,137)	(5,762)	(12,953)	(13,426)
	(f)	Less: minority interests	0	0	0	0
	(g)	Net profit/(Loss) attributable to members of the company	(6,137)	(5,762)	(12,953)	(13,426)
4.	(a)	Earnings per share(sen) based on 3(g) above after deducting any provision for preference dividends, if any:-	(12.83)	(12.04)	(27.07)	(28.06)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

CONDENSED CONSOLIDATED BALANCE SHEET

*Interim financial report on consolidated results for the second financial quarter ended 30 June 2005.
(The figures have not been audited.)*

		As At End Of Current Quarter 30/06/2005 RM'000	As At Preceding Financial Year End 31/12/2004 RM'000
1.	Property, plant and equipment	64,479	66,699
2.	Investments	0	0
3.	Deferred tax assets	0	0
4.	Current Assets		
	Inventories	10,804	14,654
	Receivables, deposits and prepayments	16,973	16,982
	Cash and bank balances	171	257
		27,948	31,893
5.	Current Liabilities		
	Trade & other payables	77,501	70,766
	Short term borrowings	183,435	183,235
	Hire purchase creditors	421	421
	Provision for taxation	0	0
		261,357	254,422
6.	Net Current Liabilities	(233,409)	(222,529)
		(168,930)	(155,830)
7.	Shareholders' Funds		
	Share capital	47,850	47,850
	Reserves		
	Share premium	53,461	53,461
	Revaluation reserve	18,806	18,806
	Consolidation reserve	1,646	1,646
	Accumulated loss	(291,964)	(279,011)
		(170,201)	(157,248)
8.	Minority interests	0	0
9.	Long term borrowings	0	0
10.	Other long term liabilities	319	466
11.	Deferred taxation	952	952
		(168,930)	(155,830)
12.	Net Tangible Assets per Share (RM)	(3.56)	(3.29)

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

Interim financial report on consolidated results for the second financial quarter ended 30 June 2005.

(The figures have not been audited.)

		As At End Of 30/06/2005 RM'000	As At End Of 30/06/2004 RM'000
1.	Cash flows from operating activities		
	Receipts from debtors	44,307	52,878
	Payments to suppliers and employees	(44,440)	(51,687)
	Cash flow from operations	(133)	1,191
	Interest paid	(142)	(141)
	Income taxes refund	136	0
	Net cash generated from operating activities	(139)	1,050
2.	Cash flows from investing activities		
	Proceeds from disposal of subsidiary	0	0
	Proceeds from disposal of property, plant and equipment	0	15
	Purchase of property, plant and equipment	0	(54)
	Net cash used in investing activities	0	(39)
3.	Cash flows from financing activities		
	Repayment of term loan	0	0
	Repayment of hire purchase and lease creditors	(147)	(186)
	Receipt/(Repayment) of bank borrowings	200	486
	Net cash from in financing activities	53	300
4.	Net decrease in cash and cash equivalents during the interim reporting period	(86)	1,311
5.	Cash and cash equivalents at beginning of interim reporting period	257	230
6.	Cash and cash equivalents at end of interim reporting period	171	1,541
7.	Cash and cash equivalent comprise:		
	Bank overdrafts	0	0
	Cash and bank balances	171	1,541
		171	1,541

(The Condensed Consolidated Cash flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Interim financial report on consolidated results for the second financial quarter ended 30 June 2005.
(The figures have not been audited.)*

	Issued and fully paid ordinary shares of RM 1 each		Non-distributable			Accumulated losses RM'000	Total RM'000
	Numbers of shares '000	Nominal value RM'000	Share premium RM'000	Reserve on consolidation RM'000	Revaluation reserves RM'000		
At 1 January 2004	47,850	47,850	53,461	1,646	18,806	(248,001)	(126,238)
Movement during the period:	0	0	0	0	0	(13,426)	(13,426)
At 30 June 2004	47,850	47,850	53,461	1,646	18,806	(261,427)	(139,664)

	Issued and fully paid ordinary shares of RM 1 each		Non-distributable			Accumulated losses RM'000	Total RM'000
	Numbers of shares '000	Nominal value RM'000	Share premium RM'000	Reserve on consolidation RM'000	Revaluation reserves RM'000		
At 1 January 2005	47,850	47,850	53,461	1,646	18,806	(279,011)	(157,248)
Movement during the period	0	0	0	0	0	(12,953)	(12,953)
At 30 June 2005	47,850	47,850	53,461	1,646	18,806	(291,964)	(170,201)

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

NOTES TO INTERIM FINANCIAL STATEMENT

*Interim financial report on consolidated results for the second financial quarter ended 30 June 2005.
(The figures have not been audited.)*

1. ***Accounting policies and methods of computation***
The interim report is prepared in accordance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Listing requirement of the Bursa Malaysia Securities Berhad, and should read in conjunction with the Group’s financial statement for the year ended 31 December 2004.

The accounting policies and presentation adopted for the interim report are consistent with those adopted for the annual financial statement for the year ended 31 December 2004.
2. ***Declaration of audit qualification***
The preceding annual financial statements of the Group were reported on without any qualification.
3. ***Seasonal or cyclical factors***
The Group’s activities involve mainly in timber materials of which to a certain extent its availability is affected by weather conditions especially the monsoon season.
4. ***Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence***
There are no extraordinary items for the current interim period.
5. ***Nature and amount of changes in estimates of amounts reported in prior interim periods of current financial year, which give a material effect in the current interim report***
There are no changes in estimates of amount, which give a material effect in the current interim period.
6. ***Issuance, cancellation, repurchases, resale and repayment of debt and equity securities***
There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year to date.
7. ***Dividend Paid***
There was no divided payment for the current interim period.

8. *Segmental Reporting*

(For Period Ended 30 June 2005)

	Plywood and other veneer product		Furniture		Others		Elimination		Consolidation	
	Period Ended		Period Ended		Period Ended		Period Ended		Period Ended	
	Jun 05 RM'000	Jun 04 RM'000	Jun 05 RM'000	Jun 04 RM'000	Jun 05 RM'000	Jun 04 RM'000	Jun 05 RM'000	Jun 04 RM'000	Jun 05 RM'000	Jun 04 RM'000
Revenue										
External sales	42,517	45,507	1,667	2,335	105	92	0	0	44,289	47,934
Inter-segment sales	(25)	(56)	0	0	0	0	0	0	(25)	(56)
Total revenue	42,542	45,563	1,667	2,335	105	92	0	0	44,314	47,990
Result										
Segment result	(5,626)	(6,347)	(546)	(464)	(56)	32	0	0	(6,228)	(6,779)
Unallocated corporate expenses									(195)	(308)
Finance cost									(6,582)	(6,339)
Income taxes									52	0
Net Profit/(loss)	(5,626)	(6,347)	(546)	(464)	(56)	32	0	0	(12,953)	(13,426)

9. **Valuation of property, plant and equipment**
The valuation of land and buildings has been brought forward without amendment from the previous annual report.
10. **Material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period, made up to a date not earlier than 7 days from the date of issue of the quarterly report.**
There is no material event subsequent to the end of the period reported on that have not been reflected in the financial statements for the said period.
11. **Changes in the composition of the Group**
There is no change in the composition of the Group for the current quarter and financial year-to-date.
12. **Contingent liabilities or contingent assets**
There are no material contingent liabilities for the current financial year to date.
13. **Review of Performance**
The Group's revenue for the current year to-date was RM44.3 million, a reduction of RM3.6million or 8% as compared with the same period of the previous year. Pre-tax loss for the current year to-date is RM13.0 million as compared to RM13.4 million recorded in the same period of the previous year. The reduced pre-tax loss is mainly attributable to the implementation of continuous cost cutting program.
14. **Material Changes in the Quarterly Results compared to the results of the Preceding Quarter**

	Current Quarter 30/06/2005 RM' 000	Immediate Preceding Quarter 31/03/2005 RM'000
Revenue	20,128	24,161
Loss before taxation	(6,189)	(6,816)

The pre-tax loss for the current quarter reduces to RM6.2 million as compared to the immediate preceding quarter of RM6.8 million mainly due to some marginal improvement in gross margin attributable to increase sales mix of value added products and effect of continuous cost cutting measures taken.

15. **Prospects for Current Year**
Demand for plywood in the main export markets are expected to be steady but highly competitive. However, the prospect for the Company will depend on the successful implementation of the Proposed Debt and Corporate Exercise.
16. **(a) Explanatory note for any variance of actual profit after tax and minority interest and the forecast profit after tax and minority interest (where variance exceeds 10%)**
Not applicable.
- (b) Explanatory note for any shortfall in the profit guarantee**
Not applicable.

17. **Breakdown of tax charge and explanation on variance between effective and statutory tax rate for the current quarter and financial year to date**

	Current Year Quarter 30/06/2005 RM'000	Current Year-to-date 30/06/2005 RM'000
- Income tax	52	52
- Deferred tax	0	0
	<hr/> <hr/>	<hr/> <hr/>
	52	52

Current year quarter and current year-to-date

There is no income tax charge provided for the quarter as the Company and its subsidiaries have sufficient business losses carried forward to set off the business income.

18. **Amount of profits on sale of unquoted Investments and/or Properties**

There was no sale of unquoted investments or properties for the current quarter and financial year-to-date.

19. **Particulars of purchase or disposal of quoted securities**

- (a) There was no purchase or disposal of quoted securities during the financial period under review.
- (b) The Company has no investment in quoted securities as at the financial period under review.

20. **Status of Corporate Proposals**

Proposed Restructuring Exercise

The Ministry of International Trade and Industry has no objections to the Company's proposed corporate and debt restructuring exercise as detailed in its announcement released on 22 June 2005. Meanwhile, the Securities Commission and other relevant authorities are presently processing the Company's application submitted on 24 December 2004.

21. **Group Borrowings and Debt Securities**

Total group borrowings as at 30 June 2005 is as follows:-

	RM'000
Short Term Bank Borrowings – Unsecured	183,435

22. **Off Balance Sheet Financial Instruments**

The Group has no off balance sheet financial instruments as at current date.

23. **Material Litigation**

The Group is not engaged in any material litigation as at current date

24. **Dividend**

No dividend has been declared or proposed for the period under review.

25. *Earning Per Share*

(a) **Basic earnings per share**

	Current Year Quarter 30/06/2005	Preceding Year Corresponding Quarter 30/06/2004	Current Year To Date 30/06/2005	Preceding Year Corresponding Period 30/06/2004
Net loss attributable to ordinary shareholders (RM'000)	(6,137)	(5,762)	(12,953)	(13,426)
Weighted Average Number of Ordinary Shares ('000)	47,850	47,850	47,850	47,850
Basic Earning cent per share	(12.83)	(12.04)	(27.07)	(28.06)

(b) **Diluted Earning Per Share**

Not Applicable

26. *Compliance with minimum paid-up capital requirement*

The Company's proposed restructuring exercise will ensure that the minimum paid up capital requirement of RM60 million is met upon its implementation.

BY ORDER OF THE BOARD

Francis Foo See Yuen
Managing Director

Date: 29 August 2005
Selangor