

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 fourth financial quarter ended 31 December 2005.
(The figures have not been audited.)

			INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
			Current Year Quarter 31/12/2005 RM'000	Preceding Year Corresponding Quarter 31/12/2004 RM'000	Current Year To Date 31/12/2005 RM'000	Preceding Year Corresponding Period 31/12/2004 RM'000
1.	(a)	Revenue	10,937	20,847	72,216	108,782
	(b)	Cost of sales	(12,753)	(23,306)	(72,803)	(103,069)
2.	(a)	Gross (loss)/profit	(1,816)	(2,459)	(587)	5,713
	(b)	Other operating income	(72)	(5)	301	86
	(c)	Selling and distribution costs	(1,303)	(3,734)	(9,408)	(15,804)
	(d)	Administrative expenses	(1,268)	(1,232)	(4,748)	(5,778)
	(e)	Other operating expenses	(4)	(596)	(22)	(624)
3.	(a)	Profit/(loss) from operations	(4,463)	(8,026)	(14,464)	(16,407)
	(b)	Finance cost	(3,338)	(5,003)	(13,262)	(14,603)
	(c)	Profit/(Loss) before income tax and minority interest	(7,801)	(13,029)	(27,726)	(31,010)
	(d)	Income tax	0	0	52	0
	(e)	Profit/(Loss) after income tax before deducting minority interests	(7,801)	(13,029)	(27,674)	(31,010)
	(f)	Less: minority interests	0	0	0	0
	(g)	Net profit/(Loss) attributable to members of the company	(7,801)	(13,029)	(27,674)	(31,010)
4.	(a)	Earnings per share(sen) based on 3(g) above after deducting any provision for preference dividends, if any:-	(16.30)	(27.23)	(57.83)	(64.81)

(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 fourth financial quarter ended 31 December 2005.
(The figures have not been audited.)*

		As At End Of Current Quarter 31/12/2005 RM'000	As At Preceding Financial Year End 31/12/2004 RM'000
1.	Property, plant and equipment	62,303	66,699
2.	Investments	0	0
3.	Deferred tax assets	0	0
4.	Current Assets		
	Inventories	8,288	14,654
	Receivables, deposits and prepayments	16,087	16,982
	Cash and bank balances	117	257
		24,492	31,893
5.	Current Liabilities		
	Trade & other payables	86,666	70,766
	Short term borrowings	183,435	183,235
	Hire purchase creditors	446	421
	Provision for taxation	0	0
		270,547	254,422
6.	Net Current Liabilities	(246,055)	(222,529)
		(183,752)	(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	(306,685)	(279,011)
		(184,922)	(157,248)
8.	Minority interests	0	0
9.	Long term borrowings	0	0
10.	Other long term liabilities	218	466
11.	Deferred taxation	952	952
		(183,752)	(155,830)
12.	Net Assets per Share (RM)	(3.86)	(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 fourth financial quarter ended 31 December 2005.
(The figures have not been audited.)*

		As At End Of 31/12/2005 RM'000	As At End Of 31/12/2004 RM'000
1.	Cash flows from operating activities		
	Receipts from debtors	73,124	117,839
	Payments to suppliers and employees	(73,117)	(117,827)
	Cash flow from operations	7	12
	Interest paid	(261)	(297)
	Income taxes refund	136	0
	Net cash generated from operating activities	(118)	(285)
2.	Cash flows from investing activities		
	Proceeds from disposal of subsidiary	0	0
	Proceeds from disposal of property, plant and equipment	0	17
	Purchase of property, plant and equipment	0	(6)
	Net cash used in investing activities	0	11
3.	Cash flows from financing activities		
	Repayment of term loan	0	0
	Repayment of hire purchase and lease creditors	(222)	(325)
	Receipt/(Repayment) of bank borrowings	200	626
	Net cash from in financing activities	(22)	301
4.	Net decrease in cash and cash equivalents during the interim reporting period	(140)	27
5.	Cash and cash equivalents at beginning of interim reporting period	257	230
6.	Cash and cash equivalents at end of interim reporting period	117	257
7.	Cash and cash equivalent comprise:		
	Bank overdrafts	0	0
	Cash and bank balances	117	257
		117	257

(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 fourth financial quarter ended 31 December 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	(31,010)	(31,010)
At 31 December 2004	47,850	47,850	53,461	1,646	18,806	(279,011)	(157,248)

	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	(27,674)	(27,674)
At 31 December 2005	47,850	47,850	53,461	1,646	18,806	(306,685)	(184,922)

(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 fourth financial quarter ended 31 December 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 dividend payment for the current interim period.

8. **Segmental Reporting**

(For Period Ended 31 December 2005)

	Plywood and other veneer product		Furniture		Others		Elimination		Consolidation	
	Period Ended		Period Ended		Period Ended		Period Ended		Period Ended	
	Dec 05 RM'000	Dec 04 RM'000	Dec 05 RM'000	Dec 04 RM'000	Dec 05 RM'000	Dec 04 RM'000	Dec 05 RM'000	Dec 04 RM'000	Dec 05 RM'000	Dec 04 RM'000
Revenue										
External sales	68,527	103,832	3,479	4,753	210	197	0	0	72,216	108,782
Inter-segment sales	(50)	(141)	0	0	(120)	(120)	0	0	(170)	(261)
Total revenue	68,577	103,973	3,479	4,753	330	317	0	0	72,386	109,043
Result										
Segment result	(12,959)	(14,464)	(1,159)	(1,439)	50	(32)	0	0	(14,070)	(15,935)
Unallocated corporate expenses									(394)	(472)
Finance cost									(13,262)	(14,603)
Income taxes	52								52	0
Net Profit/(loss)	(12,907)	(14,464)	(1,159)	(1,439)	50	(32)	0	0	(27,674)	(31,010)

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 RM72.2 million, a reduction of RM36.6 million or 34% as compared with the same period of the previous year. Lower revenue recorded for current year is mainly due lower production volume. Despite lower turnover, the pre-tax loss for the current year to-date reduced to RM27.7 million as compared to pre-tax loss of RM31.0 million recorded in previous year due primarily to the use of plantations species, therefore resulting in lower material cost.

14. **Material Changes in the Quarterly Results compared to the results of the Preceding Quarter**

	Current Quarter 31/12/2005 RM' 000	Immediate Preceding Quarter 30/09/2005 RM'000
Revenue	10,937	16,990
Loss before taxation	(7,801)	(6,920)

The revenue for current quarter reduced by RM6.1 million or 36% as compared to the immediate preceding quarter due to the reason as reported in note 13. Consequently, the pre-tax loss for current quarter increased by RM881,000 or 13% as compared to the immediate preceding quarter.

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 31/12/2005 RM'000	Current Year-to-date 31/12/2005 RM'000
- Income tax	0	52
- Deferred tax	0	0
	<u>0</u>	<u>52</u>

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 Proposals are now pending the approval of the Securities Commission and the Securities Commission (on behalf of the Foreign Investment Committee).

21. **Group Borrowings and Debt Securities**

Total group borrowings as at 31 December 2005 is as follows:-

Short Term Bank Borrowings – Unsecured	RM'000 183,435
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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 31/12/2005	Preceding Year Corresponding Quarter 31/12/2004	Current Year To Date 31/12/2005	Preceding Year Corresponding Period 31/12/2004
Net loss attributable to ordinary shareholders (RM'000)	(7,801)	(13,029)	(27,674)	(31,010)
Weighted Average Number of Ordinary Shares ('000)	47,850	47,850	47,850	47,850
Basic Earning cent per share	(16.30)	(27.23)	(57.83)	(64.81)

(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 Yuan

Managing Director

Date: 27 February 2006

Selangor Darul Ehsan