

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 final financial quarter ended 31 December 2004.
(The figures have not been audited.)*

			INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
			Current Year Quarter 31/12/2004 RM'000	Preceding Year Corresponding Quarter 31/12/2003 RM'000	Current Year To Date 31/12/2004 RM'000	Preceding Year Corresponding Period 31/12/2003 RM'000
1.	(a)	Revenue	20,863	17,277	108,798	124,007
	(b)	Cost of sales	(23,424)	(39,830)	(103,187)	(141,835)
2.	(a)	Gross (loss)/profit	(2,561)	(22,553)	5,611	(17,828)
	(b)	Other operating income	(30)	641	61	778
	(c)	Selling and distribution costs	(3,734)	(1,709)	(15,804)	(10,015)
	(d)	Administrative expenses	(1,224)	(1,521)	(5,770)	(7,245)
	(e)	Other operating expenses	21	(12,077)	(7)	(12,114)
3.	(a)	Profit/(loss) from operations	(7,528)	(37,219)	(15,909)	(46,424)
	(b)	Finance cost	(3,268)	(4,013)	(12,868)	(16,092)
	(c)	Profit/(Loss) before income tax and minority interest	(10,796)	(41,232)	(28,777)	(62,516)
	(d)	Income tax	0	(2,408)	0	0
	(e)	Profit/(Loss) after income tax before deducting minority interests	(10,796)	(43,640)	(28,777)	(62,516)
	(f)	Less: minority interests	0	0	0	0
	(g)	Net profit/(Loss) attributable to members of the company	(10,796)	(43,640)	(28,777)	(62,516)
4.	(a)	Earnings per share(sen) based on 3(g) above after deducting any provision for preference dividends, if any:-	(22.56)	(91.20)	(60.14)	(130.65)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)

CONDENSED CONSOLIDATED BALANCE SHEET

*Interim financial report on consolidated results for the final financial quarter ended 31 December 2004.
(The figures have not been audited.)*

		As At End Of Current Quarter 31/12/2004 RM'000	As At Preceding Financial Year End 31/12/2003 RM'000
1.	Property, plant and equipment	66,698	73,576
2.	Investments	0	0
3.	Deferred tax assets	0	0
4.	Current Assets		
	Inventories	14,563	17,349
	Receivables, deposits and prepayments	17,572	25,624
	Cash and bank balances	217	230
		32,352	43,203
5.	Current Liabilities		
	Trade & other payables	68,991	58,244
	Short term borrowings	183,235	182,609
	Hire purchase creditors	377	420
	Provision for taxation	0	0
		252,603	241,273
6.	Net Current Liabilities	(220,251)	(198,070)
		(153,553)	(124,494)
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	(276,778)	(248,001)
		(155,015)	(126,238)
8.	Minority interests	0	0
9.	Long term borrowings	0	0
10.	Other long term liabilities	510	792
11.	Deferred taxation	952	952
		(153,553)	(124,494)
12.	Net Tangible Assets per Share (RM)	(3.24)	(2.64)

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

*Interim financial report on consolidated results for the final financial quarter ended 31 December 2004.
(The figures have not been audited.)*

		As At End Of 31/12/2004 RM'000	As At End Of 31/12/2003 RM'000
1.	Cash flows from operating activities		
	Receipts from debtors	117,856	138,739
	Payments to suppliers and employees	(117,884)	(133,413)
	Cash flow from operations	(28)	5,326
	Interest paid	(287)	(10,844)
	Income taxes paid	0	0
	Net cash generated from operating activities	(315)	(5,518)
2.	Cash flows from investing activities		
	Proceeds from disposal of subsidiary	0	1,922
	Proceeds from disposal of property, plant and equipment	17	257
	Purchase of property, plant and equipment	(6)	(199)
	Net cash used in investing activities	11	1,980
3.	Cash flows from financing activities		
	Repayment of term loan	0	0
	Repayment of hire purchase and lease creditors	(335)	(325)
	Receipt/(Repayment) of bank borrowings	626	88
	Net cash from in financing activities	291	(237)
4.	Net decrease in cash and cash equivalents during the interim reporting period	(13)	(3,775)
5.	Bank overdraft converted to short term loan	0	24,585
6.	Cash and cash equivalents at beginning of interim reporting period	230	(20,580)
7.	Cash and cash equivalents at end of interim reporting period	217	230
8.	Cash and cash equivalent comprise:		
	Bank overdrafts	0	0
	Cash and bank balances	217	230
		217	230

(The Condensed Consolidated Cash flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Interim financial report on consolidated results for the final financial quarter ended 31 December 2004.
(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 2003							
- as previously reported	47,850	47,850	53,461	1,646	16,991	(185,485)	(65,537)
- prior year adjustment					(935)	0	(935)
At 1 January 2003	47,850	47,850	53,461	1,646	16,056	(185,485)	(66,472)
Surplus arising from revaluation of land and buildings							
- gross	0	0	0	0	2,767	0	2,767
- tax	0	0	0	0	(17)	0	(17)
Net gain not recognized in income statement	0	0	0	0	2,750	0	2,750
Movement during the period:	0	0	0	0	0	(62,516)	(62,516)
At 31 December 2003	47,850	47,850	53,461	1,646	18,806	(248,001)	(126,238)

	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	(28,777)	(28,777)
At 31 December 2004	47,850	47,850	53,461	1,646	18,806	(276,778)	(155,015)

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)

NOTES TO INTERIM FINANCIAL STATEMENT

*Interim financial report on consolidated results for the final financial quarter ended 31 December 2004.
(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 2003.

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 2003.

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 can be 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 31 December 2004)

	Plywood and other veneer product		Furniture		Others		Elimination		Consolidation	
	Period Ended		Period Ended		Period Ended		Period Ended		Period Ended	
	Dec 04 RM'000	Dec 03 RM'000	Dec 04 RM'000	Dec 03 RM'000	Dec 04 RM'000	Dec 03 RM'000	Dec 04 RM'000	Dec 03 RM'000	Dec 04 RM'000	Dec 03 RM'000
Revenue										
External sales	103,989	119,908	4,753	3,896	317	323	0	0	109,059	124,127
Inter-segment sales	(141)	0	0	0	(120)	(120)	0	0	(261)	(120)
Total revenue	103,848	119,908	4,753	3,896	197	203	0	0	108,798	124,007
Result										
Segment result	(14,565)	(38,250)	(839)	(6,393)	(32)	(229)	0	0	(15,436)	(44,872)
Unallocated corporate expenses									(473)	(1,552)
Finance cost									(12,868)	(16,092)
Income taxes									0	0
Net Profit/(loss)	(14,565)	(38,250)	(839)	(6,393)	(32)	(229)	0	0	(28,777)	(62,516)

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 year to date was RM108.8 million, decline of RM15.2 million or 12% as compared with the same period of the previous year. Pretax loss for the current year to-date reduces to RM28.8 million as compared to RM62.5 million recorded in the same period of the previous year. The reduced losses is mainly attributable to some improvement in both demand and prices of plywood. Other factors include lower finance cost incurred for the current year.
14. **Material Changes in the Quarterly Results compared to the results of the Preceding Quarter**

	Current Quarter 31/12/2004 RM' 000	Immediate Preceding Quarter 30/09/2004 RM'000
Revenue	20,863	40,001
Loss before taxation	(10,796)	(4,555)

The revenue for the current quarter decreased by RM19.1 million or 48% as compared to the immediate preceding quarter mainly due to the shortage of timber raw materials. Meantime, the Group's key market experienced a decline in both prices and demand of plywood during the quarter. Consequently, higher pre-tax losses for the current quarter of RM10.8 million was recorded as compared to the immediate preceding quarter pre-tax losses of RM4.6 million.

15. **Prospects for Current Year**
The prospects of the Company will depend on the successful implementation of the Proposed Debt and Corporate Restructuring Exercise. Demand for plywood in the main export markets are expected to be steady for the year 2005 with price levels better than those of the last quarter of year 2004. Environmental concerns in some of our key markets necessitate that a raw material procurement plan focus on inputs from sustainable and plantation sources.
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 31/12/2004 RM'000	Current Year-to-date 31/12/2004 RM'000
- Income tax	0	0
- Deferred tax	0	0
	<hr/> <hr/>	<hr/> <hr/>
	0	0

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

In relation to the proposed corporate and debt restructuring exercise to address CHG's position as an affected listed issuer pursuant to Practice Note 4/2001 of the Listing Requirements of Bursa Securities, the Company had on 24 December 2004 made the submission on its applications on the Proposed Debt and Corporate Restructuring to the Securities Commission and other relevant authorities. Presently, the Company is awaiting for the decision of the Securities Commission and other relevant authorities on its submission. Meanwhile, the Company together with two of its wholly owned subsidiary companies, CHG Plywood Sdn Bhd and Cheng Hin Timber Industries Sdn Bhd are currently preparing for the necessary applications to the High Court for an Order pursuant to Section 176(1) of the Companies Act, 1965 to hold the Court Convened Meetings for their respective Creditors and Members (for CHG only).

Application for an extension of the Restraining Order which expired on 28th January 2005 was filed to the High Court and the application is presently fixed for hearing on 22nd March 2005.

21. **Group Borrowings and Debt Securities**

Total group borrowings as at 31 December 2004 is as follows:-

	RM'000
Short Term Bank Borrowings – Unsecured	183,235

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 31/12/2004	Preceding Year Corresponding Quarter 31/12/2003	Current Year To Date 31/12/2004	Preceding Year Corresponding Period 31/12/2003
Net loss attributable to ordinary shareholders (RM'000)	(10,796)	(43,640)	(28,777)	(62,516)
Weighted Average Number of Ordinary Shares ('000)	47,850	47,850	47,850	47,850
Basic Earning Sen per share	(22.56)	(91.20)	(60.14)	(130.65)

(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 : 25 February 2005

Selangor