

A NOTES TO THE INTERIM FINANCIAL REPORT (MASB 26)

A1 Basis of Preparation, Accounting Policies and Methods of Computation

The Interim Financial Report is unaudited and has been prepared in compliance with FRS 134 (Interim Financial Reporting), and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The Interim Financial Report should be read in conjunction with the Annual Financial Statements of the Group for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with the most recent Annual Audited Financial Statements for the year ended 31 December 2004.

A2 Declaration of Audit Qualification

The auditors' report of the audited financial statements of the Group for the financial year ended 31 December 2004 was qualified. The qualification from the auditors, as extracted from the auditor's report is as follows:-

1. As disclosed in Note 10 to the financial statements, the Group and the Company have failed to make payment due for various bank borrowings and consequently, the Group and the Company may cross default the entire borrowings of RM133,802,000 and RM36,027,000 respectively pursuant to the borrowing facilities agreements.

In addition, as disclosed in Note 20 to the financial statements, there are also various contingent liabilities where the Company is contingently liable.

We are unable to ascertain whether the contingent liabilities will crystallize and whether any further liabilities may arise or legal claims may be brought against the Group and the Company.

2. As disclosed in Note 1(a), the Group and the Company incurred net losses for the year of RM29,498,000 and RM19,367,000 respectively for the year ended 31 December 2004, and as of the date, the current liabilities of the Group and of the Company exceeded current assets by RM98,493,000 and RM63,639,000 respectively.
3. As a result of the above matters, the carrying value of property, plant and equipment of the Group and the Company of RM70,545,000 and RM358,000 respectively and deferred expenditure of the Group of RM4,160,000 may be impaired because of uncertainty in future cash flows and recoverable amounts.

Accordingly, we are unable to ascertain the carrying value of the property, plant and equipment and deferred expenditure and the quantum of impairment loss, if any, should these be stated at recoverable amounts.

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4. In view of the above matters, the going concern basis of preparing the financial statements of the Group and the Company as stated in Note 1(a) to the financial statements may be inappropriate. The continuation of the group and the Company as a going concern will be dependent on the Group and the Company achieving future profitable operations, obtaining continuing financial support of shareholders, bankers and creditors. Without the continuing financial support of shareholders, bankers and creditors and the achievement of future profitable operations by the Group and the Company, there is a substantial doubt that the Group and the Company would be able to operate as a going concern and therefore as appropriate, realize their assets and discharging their liabilities in the normal course of business. Consequently, adjustments will have to be made to reduce the carrying values of the assets to their recoverable amounts, to provide for further liabilities that may arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities should the Group and the Company be unable to continue as a going concern.

The Board of Directors is still in the process of outlining the Regulation Plan.

A3 Seasonal or Cyclical Factors

Traditionally, the demand of the Group's products is seasonal with sales mainly concentrating in the second half of the year.

A4 Exceptional Items

There are no exceptional items for the financial period under review.

A5 Changes in Estimates

There were no significant changes in the estimates of amounts reported in prior interim periods of the current or previous financial year, which have a material effect in the current interim period.

A6 Debt and Equity Securities

There were no issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares by the Company for the financial period under review.

A7 Dividend

No dividend has been declared and/or paid for the financial year ended 31 December 2005.

A8 Segmental Information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments

The Group's business segment is mainly comprised of the manufacture of furniture.

Business segmental information has not been prepared as the Group's revenue and operating profit are mainly confined to one business segment.

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A9 Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial report.

A10 Material Subsequent Events

As at 22 February 2006, the latest practicable date which is not earlier than 7 days from the date of this report, there were no material events subsequent to the end of the quarter under review.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 December 2005.

A12 Contingent Liabilities

The Company has issued corporate guarantees to financial institutions amounting to RM132.3 million as security for the financing facilities granted to its subsidiaries of which RM99.2 million were utilised as at the balance sheet date of the current financial year under review.

A13 Capital Commitments

The Group has no material capital commitment as at the date of this report.

**B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

B1 Review of Performance

The Group's turnover for the fourth quarter and the year ended 31 December 2005 have decreased by 53.8% and 28.1% respectively as compared to the preceding year corresponding period. The overall decrease is mainly due to the current uncertain financial situation of the Group.

For the current quarter and year ended 31 December 2005, the Group recorded a loss before taxation of RM13.88 million and RM28.37 million as compared to a loss before taxation of RM25.22 million and RM29.56 million in the preceding year respectively. The losses during the quarter under review were mainly due to provision for doubtful debts of foreign customers and obsolete stocks written off.

B2 Variation of Results against Preceding Quarter

For the quarter under review, the Group recorded a loss before taxation of RM13.88 million as compared to a loss before taxation of RM7.68 million in the immediate preceding quarter. The loss of the quarter under review was mainly due to the decreased in turnover as a result of financial constraints and uncertainties of the Group and provision of doubtful debts.

B3 Current Financial Year Prospects

The outlook for the remaining period of current financial year remains weak. Nevertheless, the Group will persevere to look for new businesses and to finalise its regularization scheme.

B4 Variance from Profit Forecast

Not applicable as no profit forecast was published.

B5 Taxation

	Individual Quarter		Cumulative Period	
	Current Year Fourth Quarter 31/12/2005 RM'000	Preceding Year Corresponding Quarter 31/12/2004 RM'000	Current Period Ended 31/12/2005 RM'000	Preceding Year Ended 31/12/2004 RM'000
Current taxation				
Based on results for the period	(560)	190	-	760
Prior years	-	-	-	(252)
	(560)	190	-	508

The Group's effective tax rate for the preceding year is higher than the prima facie tax rate as the tax charge relates to tax on profit of a certain subsidiary company which cannot be set-off against losses of other subsidiaries for tax purposes.

For the current quarter under review, the provision for taxation of RM560,000 was written back as the subsidiary company which the taxation was provided has incurred losses for the year ended 31 December 2005.

B6 Unquoted Investments and / or Properties

There were no disposals of unquoted investments and / or properties during the financial period under review save and except for:-

- (i) the completion of the disposal of a piece of leasehold land held under title HS(M) 5721, No. P.T. 4051, Mukim Tanjung Dua Belas, Tempat Olak Lempit, Daerah Kuala Langat, Negeri Selangor together with one (1) unit single storey factory and one (1) unit of double storey office building erected thereon for a cash consideration of RM3,200,000 by Patent Collection Sdn Bhd, a subsidiary company of the Group that was announced in the interim financial report for the financial period ended 30 September 2003; and
- (ii) the disposal of a vacant industrial land, Lot No. 7366, Pajakan Negeri PN No. 97738 Mukim Parit Buntar, Daerah Kerian, Negeri Perak by a subsidiary company for the consideration of RM825,731.82. The property is currently charged to HSBC Bank (Malaysia) Berhad and the entire disposal proceeds will be utilized to redeem the property from the chargor.

B7 Quoted Investments

There were no purchases or disposals of quoted investments for the financial year under review.

B8 Status of Corporate Proposals Announced

The Company is currently in the midst of outlining the Regularisation Plan pursuant to Practice Note No. 17/2005 and will make available to the Bursa Malaysia Securities Berhad once completed.

B9 Group Borrowings

	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
Borrowings	34,694	49,046	83,740
Term Loan	46,987	13,796	60,783
	<hr/> 81,681	<hr/> 62,842	<hr/> 144,523
Current Portion	81,681	62,842	144,523
Long Term Portion	<hr/> -	<hr/> -	<hr/> -

The above borrowings are denominated in Ringgit Malaysia.

B10 Off Balance Sheet Financial Instrument

There were no off balance sheet financial instruments at the date of this report.

B11 Material Litigation

There is no material litigation pending at the date of this report.

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B12 Dividend

No dividend has been declared and/or paid for the financial year ended 31 December 2005

B13 (Loss)/Earnings Per Share

(a) Basic (Loss)/Earnings Per Share

Basic (Loss)/Earnings Per Share of the Group is calculated by dividing the net (loss)/profit attributable to shareholders for the financial periods under review by the number of ordinary shares for the financial period of 60,500,000 (previous corresponding period : 60,500,000).

(b) Diluted earnings per share

Not applicable.

By Order of the Board of
POHMAY HOLDINGS BERHAD

Lee Peng Joo
Group Managing Director

28th February 2006