

The figures have not been audited  
Explanatory Notes to the Accounts for Financial Period Ended 31 March 2006

## **Part A – Explanatory Notes Pursuant to FRS134**

### **A1. Accounting Policies**

The condensed interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standards (FRS)134 “Interim Financial Reporting” and Part A of Appendix 9B of the Listing Requirements of Bursa Securities and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2005.

### **A2. Qualification of audit report**

There were no audit qualifications on audited report of the preceding audited financial statements.

### **A3. Seasonality or cyclicity**

The operations of the business are not seasonal or cyclical in nature.

### **A4. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of Group during the current quarter.

### **A5. Material changes in estimates**

There were no changes in estimates that have had a material effect in the current quarter.

### **A6. Debt and Equity Securities**

On 25 July 2005, RM7,200 nominal value of 5.5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 were converted in 5,034 new ordinary shares of RM1.00 each at a conversion price of RM1.43 per share.

### **A7. Dividend Paid**

No dividend was paid for the financial year ended 30 June 2005.

### **A8. Segmental Reporting**

There is no segmental reporting as the Group’s activities are confined to the trading of office furniture, and all the operating companies are located geographically in Malaysia.

### **A9. Valuation of Property, Plant and Equipment**

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 30 June 2005.

### **A10. Subsequent Materials Events**

There were no material events subsequent to the end of the quarter under review.

### **A11. Changes in Composition of the Group**

There were no changes in the composition of the Company during the current quarter and financial year-to-date except for as mentioned in B8(b) below.

### **A12. Contingent Liabilities**

There were no material claims for and against the Company as at 31 March 2006 except as disclosed in Note B8(a).

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**Part B – Additional Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of KLSE**

**B1. Review of Performance of the Company and its Principal Subsidiaries for the Group**

For the 9 months ended 31 March 2006, the Group registered RM26.3 million revenue and pretax profit of RM3.5 million as compared with RM43.0 million revenue and pretax profit of RM3.2 million, respectively in the corresponding period last year. Despite the decrease in revenue of 39%, pretax profit improved due to the disposal of shares of associate company, Steelcase Artwright Manufacturing Sdn Bhd (“SAM”) in previous quarter which resulted a gain of RM3.579 million

On a quarterly basis, the Group recorded revenue of RM6.6 million and pretax profit of RM365,000 compared with RM14.1 million revenue and RM1.4 million pretax profit in the same quarter last year. The drop in revenue was resulted from the process to build the new business model after the divestment of associated company, SAM.

**B2. The results of the current quarter as compared with immediate preceding quarter for the Group**

As compared to the preceding quarter, the Group recorded lower revenue at RM6.6 million, representing a decrease of 21% compared with RM8.408 million and pretax profit of RM365,000 compared with RM2.7 million. The disposal of shares of associate company, SAM has improved the results of preceding quarter by a gain of RM3.579 million.

**B3. Prospects**

Barring any unforeseen circumstances, Artwright Holdings Berhad (“AHB”) is optimistic about improvements in financial performances in near future. AHB’s business model is asset-light, and focuses on trade competitiveness in industry. We have recently secured some significant new orders from our existing key account customers.

**B4. Profit Forecast or Profit Guarantee**

(a) Profit Forecast : Not applicable

(b) Profit Guarantee

“We refer to the announcement made on 15 December 2004 in relation to the approval of the Securities Commission (SC) for the Proposed Settlement.

On behalf of the Board of Directors of AHB, Southern Investment Bank Berhad (SIBB) wishes to announce that the SC has, vide its letter dated 20 December 2005 which was received on 21 December 2005, approved the Company's application for an extension of time until 7 June 2006 to complete the Proposed Settlement subject to SIBB providing the SC a monthly status update on the implementation of the Proposed Settlement until the completion of the Proposed Settlement.

This announcement is dated 21 December 2005.”

**B5. Taxation**

	Quarter ended		3 months ended	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	RM'000	RM'000	RM'000	RM'000
Current Taxation				
Current Deferred Taxation	-	-	-	-
	=====	=====	=====	=====

There is no taxation for the current quarter as there are accumulated tax losses brought forward available to set off the profits.

**B6. Unquoted investments and/or properties**

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

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**B7. Quoted Securities**

There were no purchases or sale of quoted securities for the current quarter.

**B8. Status of Corporate Proposals**

- a) On 10 March 2006, the Board of Directors of AHB announced that AHB and its wholly-owned subsidiary, Artwright Technology Sdn Bhd (collectively "the Company") had engaged KPMG Financial Services Sdn Bhd ("KPMG") as financial advisors to propose a voluntary debt restructuring scheme ("VDR") to all termed-out lenders for acceptance in relation to the Supplementary Debt Restructuring Agreement dated 17 August 2001 ("SDRA").

In relation to the VDR, the Company had on 9 March 2006 been served with a Summons In Chambers filed by OCBC Bank (Malaysia) Berhad ("OCBC Bank") in relation to a claim by OCBC Bank for the amounts due and owing by Artwright Technology Sdn Bhd to OCBC Bank under a Term Loan Account in the sum of RM1,199,178.88 as at 30 April 2005 with interest thereon as provided for in the SDRA.

AHB will continue to work with KPMG to arrive at a settlement with all termed-out lenders.

- b) On 31 October 2005, with reference to the announcements dated 24 May 2005, 13 July 2005 and 15 August 2005 with regards to the followings:
- i) Proposed Disposal Of 25% Equity In Steelcase Artwright Manufacturing Sdn Bhd ("Sam"), Comprising 25,000 Ordinary Shares Of Rm1.00 Each In Sam For A Sale Consideration Of Usd4,491,536 (Equivalent To Rm17,067,837) ("Proposed Disposal")
  - ii) Proposed Waiver Of The Conditions Imposed On The Company By The Securities Commission ("Proposed Waiver Of Sc Conditions")
  - iii) Private Placement Of Up To 8,300,000 New Ordinary Shares Of Rm1.00 Each In The Company ("Placement Shares") At An Issue Price Of Rm1.00 Each Together With Up To 8,300,000 Detachable Warrants At No Additional Cost ("Placement Warrants") On The Basis Of One (1) Placement Share With One (1) Placement Warrant ("Private Placement")

Affin Merchant Bank ("Affin Merchant"), on behalf of the Board of Directors, announced that the Securities Commission ("SC") has, vide its letter dated 26 October 2005, which we received on 31 October 2005, approved under Section 32(5) of the Securities Commission Act, 1993, the following:-

- i) Waiver from complying with approval conditions as set out in the SC's letter dated 28 January 2002, as follows:
  - (a) AHB should ensure full compliance with paragraph 11.12 of the Policies and Guidelines on Issue/Offer of Securities ("SC Issues Guidelines") with regard to the listing of a trading/retailing company on the Main Board of Bursa Securities Berhad ("Bursa Securities") or operate a core business for which listing on the Second Board of Bursa Securities is allowed, within 2 years from the date of the decision letter; and
  - (b) AHB should eliminate its accumulated losses within 2 1/2 years from the date of the decision letter;
- ii) Extension of time to 24 February 2006 to implement the proposed private placement with warrants;
- iii) Disposal of the entire 25% equity interest in SAM for a total disposal consideration of US\$4,491,536; and
- iv) Utilisation of the disposal proceeds of SAM amounting to US\$4,491,536 for the settlement of the loan from Steelcase Inc. and/or outstanding interest accruing on the loan.

The SC's approval is subject to the condition that Affin Merchant/AHB should submit a detailed proposal to the SC on AHB's plan to eliminate the accumulated losses and the said proposal should also be announced to Bursa Securities. The Board of Directors of AHB has taken note of the condition imposed by the SC and will deliberate on the same and/or the next course of action to be taken by the Company.

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The SC has also, vide the same letter, approved the extension of time up to 30 June 2006 for compliance of the Bumiputera equity condition, which was imposed under the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, vide the SC's letters dated 9 December 2004 and 25 February 2005. The equity condition was imposed on the requirement to increase the Bumiputera equity up to 30% (equivalent to 6,955,000 shares) of the enlarged issued and paid-up share capital of AHB.

On 30 November 2005, Affin Merchant, on behalf of the Board of Directors announced that the Proposed Disposal has been completed on 30 November 2005 in accordance with the terms of the conditional SSA dated 24 May 2005.

On 23 February 2006, further to the announcement dated 31 October 2005, in relation to, inter-alia, the Proposed Private Placement, the Board of Directors of AHB announced that the Company has decided not to proceed with the implementation of the Proposed Private Placement after taking into consideration, *inter-alia*, the prevailing weak performance of AHB's share prices.

**B9. Group Borrowings and Debt Securities**

The Group's borrowings are as follows:-

		RM'000
Secured loan		8,483
Unsecured overdraft		151
		-----
		8,634
		=====
Short Term Borrowings		151
(1) Term Out Loan	5,700	
(2) Term Loan	1,128	
(3) Trust Receipts	1,655	8,483
	-----	-----
		8,634
		=====

(1) Term Out Loans initially amounting to RM6,839,500.00 is from various financial institutions. This termed-out loan bears interest at 1.0% above the BLR or 1.5% above the cost of funds per annum.

(2) Five-year term loan from Alliance Bank Malaysia Bhd (initially amounting to RM1,250,000.00) and Bumiputera-Commerce Bank Bhd (initially amounting to RM1,250,000.00) at an interest rate ranging from 5.30% to 7.40% per annum.

**B10. Off Balance Sheet Financial Instruments**

There were no material financial instruments with off balance sheet risk during the current financial period under review.

**B11. Material Litigation**

There were no material litigations.

**B12. Dividend**

No dividend is recommended for the current quarter and financial year under review.

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**B13. Earnings Per Share**

	Quarter ended		9 Months ended	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
<b>Basic Earnings Per Share</b>				
Net profit	381,451	1,368,360	3,418,797	3,169,777
Weighted average number of ordinary shares in issue	41,858,633	41,596,838	41,858,633	41,596,838
Basic earnings per share (sen)	0.91	3.29	8.17	7.62
<b>Diluted Earnings Per Share</b>				
Net profit	381,451	1,368,360	3,418,797	3,169,777
Adjustment for interest savings on 5.5% ICULS 2002/2007 (there is no impact as the ICULS are equity in nature)	-	-	-	-
	381,451	1,368,360	3,418,797	3,169,777
Weighted average number of ordinary shares in issue (including ICULS)	48,131,013	52,785,151	48,131,013	52,785,151
Fully diluted earnings per ordinary share (sen)	0.79	2.59	7.10	6.01