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## Corporate Information

### BOARD OF DIRECTORS

**Mirzan Mahathir**  
Non-Independent Non-Executive Chairman

**Yong Yoke Keong**  
Managing Director / Chief Executive Officer

**Yong Chew Keat**  
Executive Director

**Tan Seng Kee**  
Non-Independent Non-Executive Director

**Hee Teck Ming**  
Independent Non-Executive Director

**Dato' Ong Kim Hoay**  
Independent Non-Executive Director

### AUDIT COMMITTEE

**Dato' Ong Kim Hoay**  
Chairman  
Independent Non-Executive Director

**Tan Seng Kee**  
Non-Independent Non-Executive Director

**Hee Teck Ming**  
Independent Non-Executive Director

### COMPANY SECRETARIES

**Yeoh Chong Keat** (MIA 2736)  
**Chan Jie Huey** (MAICSA 7032958)

### PRINCIPAL BANKERS

**Bumiputra-Commerce Bank Berhad**  
**Alliance Bank Malaysia Berhad**

### REGISTRARS

**PFA Registration Services Sdn Bhd**  
Level 13, Uptown 1  
1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7725 4888 / 03-7725 8046  
Fax: 03-7722 2311

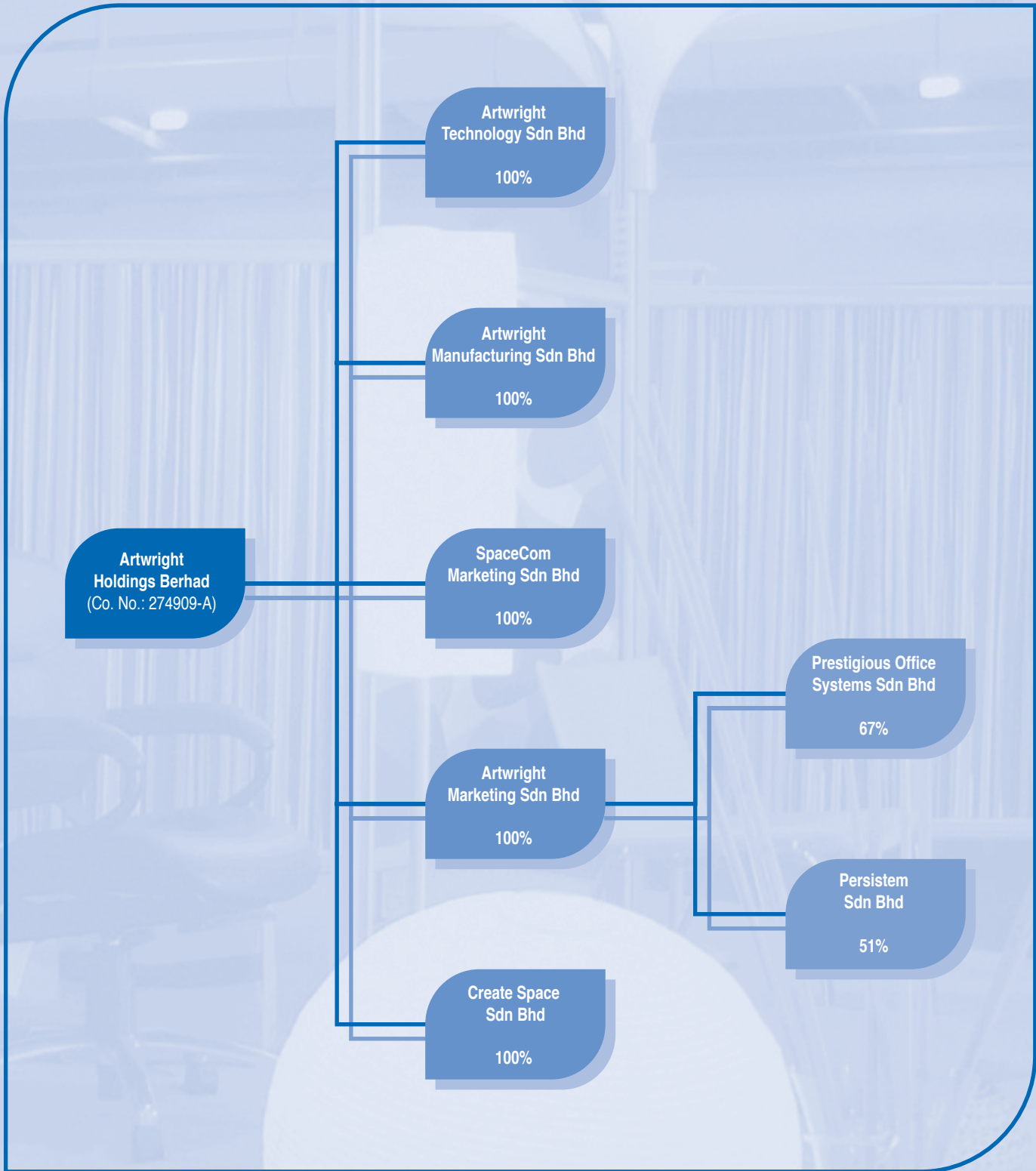
### AUDITORS

**Deloitte KassimChan**  
Level 19, Uptown 1  
1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7726 1833 / 03-7723 6500  
Fax: 03-7726 3986 / 03-7726 8986

### REGISTERED OFFICE

Suite 11.1A, Level 11  
Menara Weld  
76, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2031 1988  
Fax: 03-2031 9788

# Group Corporate Structure



## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the twelfth Annual Report and Financial Statements of Artwright Holdings Berhad for the financial year ended 30 June 2005.

We had highlighted last year that our strategies going forward are threefold. Firstly, we must ensure that our products and services meet our customers' quality expectations. Secondly, there must be design and functional consistency across our entire product range so that our customers get value throughout the life of their investment and thirdly, we must expand our existing customer base aggressively. We are confident that Artwright has the skills and experience to implement these strategies successfully.

The Artwright brand denotes high quality solutions. Having achieved a position built over the decades as one of the most sophisticated system furniture companies in the world, we continue to deliver this differentiation in a more competitive manner than most of our peers.

While we are committed to continue in this direction, the Group has faced some operational growth challenges during the year ended June 2005. However, we believe we would be able to overcome these growth challenges.

Artwright mainly addresses the export markets of the Middle East and Far East regions, and the furniture industry demand in these regions are quite healthy in the foreseeable future, with strong demand growth in India and the Middle East. The local office furniture industry is also healthy.

The turnover for the Group for the financial year ended 30 June 2005 was RM53.69million, an increase of 8% as compared to RM49.71 million in 2004. The turnover increase was generally due to a continued improvement in the Group's business direction in the new business model, popularly known within the Group as "the Nike of office furniture" because the company focuses on product and market development and also the quality assurance of the products, fulfilment cycle, customer experience, and customer satisfaction. The Group out-sources the furniture production for better cost leverage. Artwright plans to build a "high value-add" product finishing line facility in the near future, and these plans are now underway. This facility is to better prepare the Group for growth in terms of product quality assurances.



System MXV2™ installation in Toronto, Canada.



System MXi™ installation in Putrajaya, Malaysia.

## Chairman's Statement (cont.)

The Group recorded a profit before taxation of RM0.23million compared to RM4.02million in 2004 mainly due to our Group's share of loss in associate company Steelcase Artwright Manufacturing Sdn Bhd ('SAM') of RM3.58 million. We disposed of our 25% share in SAM on November 30th 2005 in line with our new business model. Without SAM, the Group's net profit after tax would have been RM3.70 million, an increase of 176% over last year's comparable result.

As before, we in Artwright believe that we must do business with integrity wherever we are. As such, we will continue our efforts to inculcate a strong culture of corporate governance within Artwright.

On behalf of the Board, I would like to extend my unreserved appreciation to the management and staff of Artwright group of companies, for their continuing hard work, commitment and dedication.

I take this opportunity to thank all our shareholders, bankers, advisors, business associates, customers and relevant government authorities for your invaluable support and confidence over the years and hope that you will continue to be there for us as we move forward into the future.

Let me also place on record my gratitude and appreciation to my colleagues on the Board for their wise counsel.

### Mirzan Mahathir

Chairman



SpaceCom Pronto™ installation in Hyderabad, India.



SpaceCom System 46™ installation in Manila, Philippines.

## Board of Directors

**Mirzan Mahathir**, Malaysian, aged 47, is the Non-Independent Non-Executive Chairman of the Artwright Holdings Berhad (AHB) Group. He was appointed to the Board of AHB on 13 March 1996. He holds a Masters in Business Administration from the Wharton School, University of Pennsylvania, Philadelphia, United States of America and a Bachelor of Science (Honours) Degree in Computer Science from Brighton Polytechnic, England. After obtaining his Masters in Business Administration in 1987, he worked for two years with Salomon Brothers Inc., an investment bank based in New York, USA, as an Investment Banking Associate. From April 1989 to February 1990, he was seconded to the Asia Pacific Investment Banking Department of Salomon Brothers Hong Kong Ltd., where he provided intensive investment banking advice on mergers and acquisitions, privatizations and capital raising. Since his return to Malaysia in March 1990, he was appointed director to several public listed companies such as Worldwide Holdings Berhad, Dolomite Corporation Berhad, Konsortium Logistik Berhad, Dataprep Holdings Berhad and Nakamichi Corporation Berhad. He is also the President of the Container Hauliers Association of Malaysia, Chairman of the Malaysian Youth Orchestra Foundation and President of the Asian Strategy and Leadership Institute.

En. Mirzan Mahathir attended three (3) of the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

**Yong Yoke Keong**, Malaysian, aged 46, was appointed as Director of AHB on 3 May 1994 and is currently the Managing Director/Chief Executive Officer of the Group. He graduated from McGill University, Canada with a Bachelor of Engineering Degree majoring in Mechanical Engineering in 1982. He also obtained his Masters in Business Administration in 1985 from the same university with multiple concentrations in Finance, Management Information Systems and International Business. Upon graduation, he took charge of the administration and product development of the Group. By 1988, he was in charge of the Group's overall operations. Through his leadership and innovative management style, he has been the catalyst for numerous technological advancements experienced by the Group. He previously was a council member of the Federation of Malaysian Manufacturers (FMM) and he was also the founding Joint Chairman of Institut Perekabentuk Dalam Malaysia Industry Partners (IPDM-ip).

Mr. Yong Yoke Keong is the brother of Mr. Yong Chew Keat, an Executive Director of the Group. Mr. Yong Yoke Keong attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

**Yong Chew Keat**, Malaysian, aged 56, was appointed to the Board of AHB on 3 May 1994. He is one of the founder members of the Artwright business. Over the past 30 years, he had jointly managed the companies in the AHB Group with his late father until 1988. He has extensive experience in the furniture industry and his entrepreneurial skills have helped steer the Group into one of the leading office furniture companies in Malaysia.

Mr. Yong Chew Keat is the brother of Mr. Yong Yoke Keong, the Managing Director/Chief Executive Officer of the Group. Mr. Yong Chew Keat attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

**Dato' Ong Kim Hoay**, Malaysian, aged 71, was appointed as an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee on 28 March 2002. He is also the Chairman of the Nomination and Remuneration Committee. He is an Associate Member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Secretaries and Administrators Australia. He is also a member of the Malaysian Institute of Accountants. He started his career as an Auditor with Terquand Young & Co. (now known as Ernst & Young), a public accounting firm, in 1969. He subsequently joined Malayan Banking Berhad ("Maybank") in 1970 and had held various senior positions in Maybank before retiring as the General Manager. He had also served on the Board of Directors of Maybank for several years. He currently sits on the Board of Ann Joo Resources Berhad, Atlan Holdings Berhad, Kimble Corporation Berhad and Multivest Resources Berhad.

Dato' Ong Kim Hoay attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

## Board of Directors (cont.)

**Tan Seng Kee**, Malaysian, aged 48, was appointed as a Non-Independent Non-Executive Director and an Audit Committee member on 13 March 1996. He is also a member of the Nomination and Remuneration Committee. He obtained a Bachelor of Law (Honours) degree from University Malaya in 1980. He practised as an assistant in several law firms before setting up his own legal practice. He has been a partner of Messrs Lee, Perara & Tan since 1988. He is also a Director of Pahanco Corporation Berhad, Kia Lim Berhad and Ajija Berhad.

Mr. Tan Seng Kee attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

**Hee Teck Ming**, Malaysian, aged 46, appointed as an Independent Non-Executive Director and an Audit Committee member on 13 March 1996. He is also a member of the Nomination and Remuneration Committee. He has several years of aluminium fabrication experience in the United Kingdom after his graduation in engineering in 1982. On his return to Malaysia, he was with United Technologies Carriers from 1988 to June 2000, where he last held the post of General Manager. Currently, he holds the position of a Chief Operating Officer in Paracorp Technology Sdn Bhd.

Mr. Hee Teck Ming attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2005.

# Audit Committee Report

## COMPOSITION

Dato' Ong Kim Hoay - Chairman, Independent Non-Executive Director  
 Hee Teck Ming - Member, Independent Non-Executive Director  
 Tan Seng Kee - Member, Non-Independent Non-Executive Director

## TERMS OF REFERENCE

### Constitution

The Board has established a Committee of the Board to be known as the Audit Committee.

### Membership

- The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall consist of not less than three (3) members, a majority of whom shall be independent non-executive directors. A quorum requires the majority of members present to be independent non-executive directors.
- At least one member of the Committee
  - (a) must be a member of the Malaysian Institute of Accountants; or
  - (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:-
    - (i) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (ii) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (c) must fulfill such other requirements as prescribed by the Exchange from time to time.
- No alternate director is appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their members who shall be an independent non-executive director.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### Review of the Audit Committee

The Board of Directors shall review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### Authority

- The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders to attend the meetings where necessary.
- The Committee shall have unrestricted access to both the internal and external auditors and is able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### Functions and Duties

The functions of the Committee shall be amongst others:-

- (1) To review the following and report the same to the Board of Directors:-
  - (a) with the external auditor, the audit plan and the nature and scope of the audit before commencement;
  - (b) with the external auditor, the evaluation of the system of internal controls;
  - (c) with the external auditor, the audit reports, management letters and management response;
  - (d) the assistance given by the Company's employees to the external auditor;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;



## Audit Committee Report (cont.)

- (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements;
  - (h) any related party transactions and conflict of interest situation that may arise within the Company or Group.
  - (i) any letter of resignation from the external auditors; and
  - (j) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- (2) To recommend the nomination of a person or persons as external auditors.
- (3) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year and to prepare a statement verifying such allocation in the annual reports.

### Meetings

- Meetings shall be held not less than four times a year.
- The Financial Controller, the head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other Board members and employees may also attend the Audit Committee meeting upon the invitation of the Committee.
- The Company Secretary shall be the Secretary of the Committee.

### Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

### Audit Committee Meetings and Attendance

During the financial year ended 30 June 2005, five (5) Audit Committee Meetings were held and the details of attendance of each members are as follows:-

Audit Committee Members	Dates of Audit Committee Meetings held during the financial year					Total meetings attended	Percentage of Attendance (%)
	25/08/04	29/9/04	30/11/04	23/02/05	31/05/05		
Dato' Ong Kim Hoay	V	V	V	V	V	5/5	100
Tan Seng Kee	V	V	V	V	V	5/5	100
Hee Teck Ming	V	V	V	V	V	5/5	100

### Activities of the Audit Committee

During the financial year ended 30 June 2005, the Audit Committee, in discharging its functions and duties, had carried out the following activities:-

- i. Reviewed the quarterly unaudited financial results prior to the Board of Directors' approval for submission to Bursa Malaysia Securities Berhad;
- ii. Reviewed the annual audited financial statements of the Group with the external auditors prior to the Board of Directors' approval for submission to Bursa Malaysia Securities Berhad;
- iii. Reviewed the annual audit plan to ensure the adequacy of the scope and resources of the internal audit function;
- iv. Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations; and
- v. Discussed the audit findings and reviewed the audit report with the external auditors.

The Audit Committee had reviewed the allocation of options during the financial year ended 30 June 2005 under the Company's Employees' Share Option Scheme and noted that the allocation of options is in order.

### Internal Audit Function

The Group had outsourced its internal audit function to an independent party. It is the intention of the internal audit unit to provide the Audit Committee of the Company, with an independent assessment of the efficiency and adequacy of the internal control systems of the Group. This is done by reviewing and reporting on any material deviations and non-compliances of policies and control procedures implemented by management and the Board. The internal audit unit will also strive to recommend sound and practical improvement to management on existing control system wherever necessary after conducting an audit of the various department and operational systems, so as to safeguard the assets of the Company.

During the financial year ended 30 June 2005, the Internal Auditors conducted audit on the following areas:

- i. warehouse management;
- ii. invoicing;
- iii. human resources;
- iv. credit management; and
- v. information technology management.

# Corporate Governance Statement

## Introduction

The Board of Directors (“the Board”) of Artwright Holdings Berhad (“the Company”) is committed to ensuring the highest standards of Corporate Governance are practiced throughout the organisation as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Company. Currently, the Board is working towards ensuring full application of all principles in the Malaysian Code on Corporate Governance (“the Code”) and is also committed to ensuring compliance with the best practices as recommended in the Code.

This statement below details out the commitment of the Board towards good corporate governance principles set out in Part 1 of the Code and the extent to which it has applied and complied with the best practices set out in Part 2 of the Code throughout the financial year ended 30 June 2005.

## BOARD OF DIRECTORS

### The Board

The Company is led and managed by an experienced Board comprising members with wide range of experience in relevant fields such as manufacturing, marketing, merchandising, secretarial, finance, accounting, etc. Together the Directors bring a broad range of skills, experiences and knowledge required to successfully direct and supervise the Company’s business activities, which are vital to the success of the Group.

#### a) Board Composition

The Board consists of a Non-Independent Non-Executive Chairman, a Group Managing Director, an Executive Director, two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The roles of the Chairman of the Board and Managing Director are segregated.

The two (2) Independent Non-Executive Directors of the Company who form one-third (1/3) of the Board provide the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group’s strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity are maintained by the Group.

#### b) Board Responsibilities

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management’s responsibilities, which the Executive Directors are aware and are responsible for meeting. The Board had an understanding of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval for major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

#### c) Supply of Information

Prior to Board meetings, an agenda together with the relevant documents and information are distributed to all Directors. The Group Managing Director and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations by the management. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making.

Apart from the above, the Board members are updated on the Company’s activities and its operations on a regular basis. All Directors whether as a full board or in their individual capacity have access to all information of the Company on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretary and to obtain independent professional advice, whenever necessary, at the expense of the Group.

## Corporate Governance Statement (cont.)

### d) Board Meetings

There were six (6) Board of Directors' Meetings held during the financial year ended 30 Jun 2005. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:-

Directors	Dates of Board of Directors' Meetings held during the financial year						Total meetings attended	Percentage of Attendance (%)
	25/08/04	29/9/04	30/11/04	23/02/05	25/03/05	31/05/05		
Mirzan Mahathir	X	V	V	X	X	V	3/6	50
Yong Yoke Keong	V	V	V	V	V	V	6/6	100
Yong Chew Keat	V	V	V	V	V	V	6/6	100
Tan Seng Kee	V	V	V	V	V	V	6/6	100
Hee Teck Ming	V	V	V	V	V	V	6/6	100
Dato' Ong Kim Hoay	V	V	V	V	V	V	6/6	100

### e) Appointment to the Board

A Nomination Committee has been established by the Board comprising wholly Non-Executive Directors, the majority of whom are independent, as follows:-

Dato' Ong Kim Hoay	(Chairman, Independent Non-Executive Director)
Hee Teck Ming	(Member, Independent Non-Executive Director)
Tan Seng Kee	(Member, Non-Independent Non-Executive Director)

The Committee is generally responsible to:-

- (i) assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- (ii) assess the size of the Board and review the mix of skills and experience and other qualities of the Board members required for the Board to function completely and efficiently.
- (iii) assess and recommend new nominees for appointment to the Board for the Board's final decision-making.

The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

The Nomination Committee met once during the financial year ended 30 June 2005 to review the structures and effectiveness of the Board and to deliberate on the re-election and re-appointment of the Directors at the Annual General Meeting of the Company.

### f) Re-election

In accordance with the provisions of the Articles of Association of the Company, one-third (1/3) of the Board of Directors for the time being or if their number is not three (3) or multiples of three (3), then the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting and shall be eligible for re-election.

### g) Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia (RIIAM).

The Directors have also attended various courses accredited by Bursa Malaysia Securities Berhad under the Continuing Education Programme ("CEP"). The Directors acknowledge their duty to comply with the CEP requirements and shall assess their training needs on a regular basis in order to keep themselves updated on regulatory and corporate governance developments in enabling them to discharge their duty more effectively.

## Corporate Governance Statement (cont.)

### h) Directors' Remuneration

A Remuneration Committee has been established by the Board comprising wholly Non-Executive Directors, the majority of whom are independent, as follows:-

Dato' Ong Kim Hoay	(Chairman, Independent Non-Executive Director)
Hee Teck Ming	(Member, Independent Non-Executive Director)
Tan Seng Kee	(Member, Non-Independent Non-Executive Director)

The Remuneration Committee shall ensure that the levels of remuneration is sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the executive directors. In the case of non-executive directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the non-executive directors concerned.

Details of Directors' remuneration for the financial year ended 30 June 2005 are set out below:

Group	Fees RM'000	Salaries and Emoluments RM'000	Bonus and Red Packet RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors	24	518	-	18	560
Non-Executive Directors	48	18	-	-	66

The number of Directors whose total remuneration falls within the respective bands are as follows:

	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	2	-
	2	4

## SHAREHOLDERS

### a) Dialogue with Investors

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:

- (i) the Annual Report; and
- (ii) the various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly financial results and annual financial results.

### b) General Meetings

The Company's Annual General Meeting serves as a principle forum for dialogue with shareholders. Extraordinary General Meetings is held as and when required.

## ACCOUNTABILITY AND AUDIT

### a) Financial Reporting

The Directors are responsible to present a true and fair assessment of the Group's position and prospects in the annual reports and quarterly reports. The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors prior to the submission to Bursa Malaysia Securities Berhad.

### b) Directors' Responsibility Statement in respect of the Audited Financial Statements for the financial year ended 30 June 2005

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

## Corporate Governance Statement (cont.)

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2005, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

### c) Internal Control

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines. The Statement on Internal Control is set out on page 14 of this Annual Report.

### d) Relationship with the Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring the compliance with the appropriate accounting standards. The Audit Committee met with the external auditors to discuss their audit plan, audit findings and the financial statements.

## ADDITIONAL INFORMATION

### a) Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2005 involving the Directors' and/or major shareholders' interest.

### b) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

### c) Utilisation of Proceeds

Proposal	Proceeds (RM)	Utilisation (RM)	Balance (RM)
Private Placement of 878,000 ordinary shares of RM1.00 each at an issue price of RM1.00 per share	878,000	878,000	-

### d) Statement on Revaluation Policy

The Group has not adopted a policy of regular revaluation on the Group's landed property.

### e) Non-Audit Fees

There were no non-audit fees paid to the external auditors for the financial year ended 30 June 2005.

### f) Securities Commission Conditions Imposed On Artwright

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) Artwright should ensure full compliance with paragraph 11.12 of the Policies and Guidelines on Issue/Offer of Securities with regard to the listing of a trading/retailing company on the Main Board of Bursa Malaysia 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) Artwright 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 of up to 8,300,000 new ordinary shares of RM1.00 each in the Company ("Placement Shares") at an issue price of RMM1.00 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;
- (iii) Disposal of the entire 25% equity interest in Steelcase Artwright Manufacturing Sdn Bhd "(SAM)" for a total disposal consideration of US\$4,491,536; and

## Corporate Governance Statement (cont.)

- (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 Bank Berhad/Artwright should submit a detailed proposal to the SC on Artwright's plan to eliminate the accumulated losses and the said proposal should also be announced to Bursa Securities. The Board of Directors of Artwright 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.

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 Artwright.

### Statement on Internal Control

#### a) Responsibility

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

#### b) Key Processes

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to date of approval of the annual report and financial statements.

#### c) Internal Audit Function

The Group had outsourced its internal audit function to an independent party who assists the Audit Committee as well as the Board of Directors in discharging their responsibilities by providing an independent, objective assurance and advisory services that add value and improve the operations by:

- ensuring existence of processes to monitor the effectiveness and efficiency of operations and the achievement of business objectives;
- ensuring adequacy and effectiveness of internal control systems for safeguarding of assets, providing consistent, accurate financial and operational data;
- promoting risk awareness and the value and nature of an effective internal control system;
- ensuring compliance with laws, regulations, corporate policies and procedures; and
- assisting management in accomplishing its objectives by adopting a systematic and disciplined audit approach to evaluating and improving the effectiveness of risk management, control and governance processes within the companies' operations.

The internal audit function has focused on high priority activities determined by risk assessment and in accordance with the audit planning memorandum approved by the Audit Committee. Details of activities carried out by the Internal Auditors during the financial year ended 30 June 2005 are set out in the Audit Committee Report on page 9 of this Annual Report.

#### d) Internal Control System

The key elements of the Group's internal control system are described below:

- Organisation structure with clearly defined delegation of responsibilities to the Committees of the Board.
- Regular meetings are held at operational and management levels to identify and resolve business, financial, operational and management issues;
- Regular information are provided by the management to the Board on financial performance and key business indicators;
- Monthly monitoring of results by the management through financial reports such as monthly management accounts and cash flow statements; and
- Audit Committee holds regular meetings with management on the actions taken on internal control issues identified through reports prepared by the internal auditors, external auditors and/or management.

There are no material losses incurred during the financial year as a result of weaknesses in internal control. The management will continue to take adequate measures to strengthen the control environment in which the Group operates.

Statement made in accordance with the resolution of the Board of Directors dated 30.11.2005.