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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of Federal Furniture Holdings (M) Berhad will be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 3.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon. **RESOLUTION 1**

2. To approve Directors' fees for the financial year ended 31 December 2009. **RESOLUTION 2**

3. To consider and if thought fit, to pass the following ordinary resolution in accordance with Section 129(6) of the Companies Act, 1965:- **RESOLUTION 3**

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Dr. Choy Fook On who has exceeded the age of 70 years be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

4. To re-elect the Director, Mr. Choy Wai Hin, who shall retire in accordance with Article 98 of the Company's Articles of Association and who being eligible, offered himself for re-election. **RESOLUTION 4**

5. To re-elect the Director, Encik Mohd. Arif Bin Mastol, who shall retire in accordance with Article 103 of the Company's Articles of Association and who being eligible, offered himself for re-election. **RESOLUTION 5**

6. To re-appoint GEP Associates as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **RESOLUTION 6**

7. **As Special Business:-**

To consider and, if thought fit, to pass the following ordinary resolution:-

Ordinary Resolution

- Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

RESOLUTION 7

"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Special Resolution

- Proposed amendment to the Articles of Association of the Company

RESOLUTION 8

"THAT Article 135 of the Articles of Association of the Company be deleted in its entirety and be substituted with the following new Article 135:

"Any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent, and payment of the cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be a good and full discharge to the Company of the dividend to which it relates, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented."



Notice of Annual General Meeting (cont'd)

8. To transact any other business for which due notice has been given.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)
Company Secretaries

Selangor Darul Ehsan
7 June 2010

Explanatory Notes to Special Business:-

1. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The above Ordinary Resolution, if passed, will empower the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the 'General Mandate').

The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

The General Mandate is a renewal. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Twenty-Sixth Annual General Meeting held on 30 June 2009 and which will lapse at the conclusion of the Twenty-Seventh Annual General Meeting.

2. Proposed Amendment to the Articles of Association of the Company

The proposed Special Resolution would allow the Company to amend its Articles of Association in line with the implementation of Electronic Dividend Payment ("e-Dividend") by Bursa Malaysia Securities Berhad.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies (who may but need not be a member(s) of the Company) to attend and vote in his stead. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. If a member appoints two (2) or more proxies, the appointments shall be invalid unless he states the percentage of his holdings to be represented by each proxy.
3. The Proxy Form duly completed, must be deposited at the Registered Office of the Company at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. In case of a corporation, the Proxy Form must either be executed under common seal or signed by a duly authorised officer or attorney.
5. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.



Corporate Information

BOARD OF DIRECTORS

Dato' Dr. Choy Fook On	- Non-Independent Non-Executive Chairman
Choy Wai Hin	- Managing Director
Datin Tan Geok Foong	- Executive Director
Choy Wai Ceong	- Executive Director
Haji Hussein bin Hamzah	- Independent Non-Executive Director
Mohd. Arif Bin Mastol	- Independent Non-Executive Director

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Level P1, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin
46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 603-7955 9937 Fax: 603-7956 2812
Website: <http://www.federal-furniture.com>

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-7841 8000 Fax: 603-7841 8151/8152

AUDITORS

GEP Associates
Chartered Accountants
Block F2 Dataran Prima
25-3 Jalan PJU 1/42A
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 603-7803 3390 Fax: 603-7803 3603

PRINCIPAL BANKERS

CIMB Bank Berhad
RHB Bank Berhad
Malayan Banking Berhad

SOLICITORS

Lee, Ling & Partners
Lee, Ong & Kandiah
Raslan Loong
Surend Zeffree & Partners

STOCK EXCHANGE

Bursa Malaysia Securities Berhad – Main Market

Audit Committee Report



1. MEMBERSHIP

The present members of the Audit Committee of the Company are:

Name	Position
(a) Mohd. Arif Bin Mastol *# (Appointed w.e.f. 30 January 2010)	Chairman
(b) Haji Hussein bin Hamzah *	Member
(c) Dato' Dr Choy Fook On **	Member
(d) Haji Md Abdul Wahab bin Md Shahir*# (Resigned w.e.f. 01 September 2009)	

* Independent Non-Executive Director

** Non-Independent Non-Executive Director

Member of Malaysian Institute of Accountants

2. COMPOSITION OF MEMBERS

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

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

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

3. CHAIRMAN

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

Audit Committee Report (cont'd)

4. SECRETARY

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

5. MEETINGS

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Group Financial Controller, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

The Audit Committee held three (3) meetings in the financial year ended 31 December 2009. In addition, the Audit Committee also met with the external auditors without the presence of any of the executive directors, management staff of the Company. The details of attendance of each Audit Committee member are as follow:-

Haji Md Abdul Wahab bin Md Shahir (Chairman)	3/3
Haji Hussein bin Hamzah (Member)	3/3
Dato' Dr. Choy Fook On (Member)	2/3

6. INSTANTANEOUS TELECOMMUNICATION DEVICE

For the purpose of contemporaneous linking together by an instantaneous telecommunication device of a number of the members of the Audit Committee no less than the quorum required, whether or not any one or more of the members of the Audit Committee is out of Malaysia, is deemed to constitute a meeting of the Audit Committee. The Audit Committee will apply to such meeting held by instantaneous telecommunication device so long as the following conditions are met:-

- (a) all members of the Audit Committee shall have received notice of a meeting by instantaneous telecommunication device for the purpose of such meeting. Notice of any such meeting will be given on the instantaneous telecommunication device or in any other manner permitted;
- (b) each of the members of the Audit Committee taking part in the meeting by instantaneous telecommunication device must be able to hear and/or see each of the other members of the Audit Committee taking part at the commencement and for the duration of the meeting; and
- (c) at the commencement of the meeting, each of the members of the Audit Committee must acknowledge his presence for the purpose of the meeting to all of the other members of the Audit Committee taking part.

7. MINUTES

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

8. QUORUM

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

9. OBJECTIVES

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and,
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

10. AUTHORITY

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

11. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditors his evaluation of the system of internal controls and his audit report;

Audit Committee Report (cont'd)

11. DUTIES AND RESPONSIBILITIES (cont'd)

The duties and responsibilities of the Audit Committee are as follows:- (cont'd)

- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To do the following, in relation to the internal audit function:-
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit Committee considers appropriate.

12. SUMMARY OF ACTIVITIES

During the financial year, the summary of activities of the Audit Committee is as follows:

- Reviewed and recommended the quarterly consolidated results for Board of Directors' approval.
- Reviewed and recommended the annual audited accounts for Board of Directors' approval.
- Reviewed with the external auditors their audit plan and the findings and recommendations during the course of their audit.
- Reviewed and approved the internal audit program and reports prepared by the Internal Audit Department.
- Oversee the internal audit function.
- Reviewed and approved the implementation plan of the Risk Management Framework for the management of risk with the Company and the Group.
- Meet with the external auditors with and without the presence of the management and staff.
- Reviewed all related party transactions.

13. INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the Internal Audit Department that reports directly to the Audit Committee. During the financial year, the Internal Audit Department conducted two internal audits:

Company	Area of audit
Federal Furniture Holdings (M) Berhad	Company records and internal controls.
Federal Furniture Industries Sdn Bhd	Work flow process, internal controls and operational efficiencies.



Corporate Governance Disclosure and Other Information

A. STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors recognises the importance of corporate governance and is taking steps to continuously evaluate and improve management practices and systems for the enhancement of the standard of corporate governance applied by the Group. In doing so, the Board has taken guidance from the Malaysian Code on Corporate Governance.

Board of Directors

The members of the Board reflect a broad range of experience, skills and knowledge required to successfully direct and supervise the Group's business activities. The Board is headed by a Non-Independent Non-Executive Chairman who has intimate knowledge of the business and who is capable of providing the leadership expected of the position. The day-to-day management of the operations is entrusted to the Managing Director. There is a clearly accepted division of responsibilities at the head of the Company, which will ensure a balance of power and responsibility, such that no one individual has unfettered powers of decision.

Board Balance

The Board consists of one Non-Independent Non-Executive Chairman, three Executive Directors and two Independent Non-Executive Directors. The Independent Non-Executive Directors, who constitute one third of the Board, have the skills and experience to exert their independent judgement to bear on issues of strategy, performance and resources including standards of conduct. With one third of the Board composition being non-executive and independent, the interests of the shareholders are adequately represented and protected.

Board Meetings

The Board holds meetings at least four times in each financial year and will hold additional meetings if the situation requires. At each meeting, the Board will consider: -

- an operational report from the Managing Director;
- a report on the financial performance;
- specific proposals for capital expenditure and acquisitions, if any;
- major issues and opportunities for the Company; and
- approve the Interim Financial Reports for announcement to relevant authorities.

During the financial year ended 31 December 2009, there were 4 board meetings held and details of attendance by Directors who held office during the financial year are as follows:-

Name of director	No. of meetings attended
Dato' Dr. Choy Fook On	3/4
Choy Wai Hin	3/4
Datin Tan Geok Foong	3/4
Choy Wai Ceong	4/4
Haji Hussein bin Hamzah	4/4
Haji Md Abdul Wahab bin Md Shahir (Resigned w.e.f. 01/09/2009)	3/4
Mohd. Arif Bin Mastol (Appointed w.e.f. 30/01/2010)	0/0

Corporate Governance Disclosure and Other Information (cont'd)

A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's affairs. All Directors receive relevant board papers prior to board meetings. The contents of the board papers include agenda for the meeting, minutes of previous board meeting, reports on performance of key operating units, announcements released to Bursa Malaysia Securities Berhad and matters arising for Board deliberations.

All Directors have access to the advice and services of the Company Secretaries and the advice of such other independent professional as may be deemed necessary at the Company's expense.

Appointments to the Board

New appointment to the Board is recommended by the Nomination Committee. The members of the Nomination Committee during the financial year ended 31 December 2009 were as follows:-

1. Haji Hussein bin Hamzah (Chairman, Independent Non-Executive Director)
2. Haji Md Abdul Wahab bin Md Shahir (Member, Independent Non-Executive Director) (Resigned w.e.f. 01/09/2009)
3. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)
4. Mohd. Arif Bin Mastol (Member, Independent Non-Executive Director) (Appointed w.e.f. 30/01/2010)

The composition of the Nomination Committee is a team of wholly Non-Executive Directors. The Nomination Committee ensures that the Board has an appropriate balance of skills and experience. For this purpose, the Committee regularly assesses the effectiveness of the Board as a whole and the performance of the Directors of the Company on an on-going basis. Terms of reference of the Committee are also clearly defined.

Re-election

In accordance to the Company's Articles of Association, all Directors, including the Managing Director, shall retire from office once at least in each three-year period. Additionally, where the Managing Director is appointed for a fixed term, that term shall not exceed three years.

Directors' Remuneration

The Remuneration Committee reviews, assesses and recommends to the Board the remuneration packages of Executive Directors. The members of the Remuneration Committee during the financial year ended 31 December 2009 are as follows:

1. Haji Hussein bin Hamzah (Chairman, Independent Non-Executive Director)
2. Haji Md Abdul Wahab bin Md Shahir (Member, Independent Non-Executive Director) (Resigned w.e.f. 01/09/2009)
3. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)
4. Mohd. Arif Bin Mastol (Member, Independent Non-Executive Director) (Appointed w.e.f. 30/01/2010)

The composition of the Remuneration Committee is a team of wholly Non-Executive Directors. As recommended by the revised Malaysian Code on Corporate Governance, the Executive Directors play no part in decisions on their own remuneration.

The remuneration packages of Non-Executive Directors are determined by the Board as a whole with the individuals concerned abstaining from discussion on their own remuneration.

Corporate Governance Disclosure and Other Information (cont'd)



A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Directors' Remuneration (cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2009 are as follows:

	Executive RM	Non-Executive RM
Fees	54,000	61,000
Salaries and other emoluments	875,520	216,240

The number of Directors of the Company whose total remuneration during the year fall within the following bands is as follows:

Less than RM50,000	2
RM200,001 – RM250,000	2
RM250,001 – RM300,000	1
RM300,001 – RM350,000	1

Details of remuneration of each Director is not disclosed as the Board is of the view that the above disclosure by banding adequately achieve the remuneration disclosure objective.

Directors' training

All the Directors have attended the Bursa Malaysia Securities Berhad's Mandatory Accreditation Program ("MAP"). They will attend further training program from time to time to keep abreast with the relevant changes and development in laws and regulations as well as the business development.

The Board on a continuous basis, evaluate and determine the training needs of all Directors to enable the Directors to effectively discharge their duties. All Directors will be considered for continuous training on yearly rotation basis.

Audit Committee

The full Audit Committee report including its membership, composition, roles and responsibilities are laid out in the Audit Committee Report.



Corporate Governance Disclosure and Other Information (cont'd)

A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Shareholders

The Board believes in maintaining an effective communication policy that encourages feedback and comments from shareholders during the AGM. Each item of special business included in the notice is accompanied by full explanation of the effects of a proposed resolution. In case of re-election of Directors, the relevant particulars relating to the Directors are stated to assist shareholders in making an informed decision. Communication with shareholders and the general public is also maintained through various announcements released to Bursa Malaysia Securities Berhad including the mandatory announcement of interim financial reports.

Financial Reporting

The Board endeavours to present a balanced and understandable assessment of the Group's position and prospects when releasing the annual financial statements, Chairman's Statements and quarterly interim reports on consolidated results. All financial reports are reviewed by the Audit Committee before approval by the Board. One of the members of the Audit Committee is a qualified accountant and a member of the Malaysian Institute of Accountants. The responsibility of the Audit Committee in relation to the financial reporting is detailed in the Audit Committee Report.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. An integral part of this system of internal control is the establishment of an internal audit department that is independent of the activities they audit and is able to exercise due professional care. Further elaboration on this can be found on the Statement of Internal Control on page 15 of the Annual Report.

Relationship with the Auditors

The duties of the Audit Committee include keeping under review the scope and results of the external audit and its effectiveness and the independence and objectivity of the auditors. The external auditors have unrestricted access to the Audit Committee and the findings of the external auditors are reported to the Audit Committee at least twice a year.

B. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have overall responsibility under the Companies Act, 1965 for the preparation of annual financial statements in accordance with applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the affairs of the Company and the Group at the end of the financial year and of the results and cash flows for the year. The Directors are also required to ensure that proper accounting and other records are maintained to sufficiently explain the transactions and cause these records to be kept in such a manner as to enable them to be conveniently and properly audited.

The Listing Requirements of Bursa Malaysia Securities Berhad require that the annual audited financial statements be prepared in accordance with applicable Financial Reporting Standards in Malaysia and the Ninth Schedule of the Companies Act 1965.

In preparing the annual audited financial statements, the Directors have:-

- Selected appropriate accounting policies and applied them consistently
- Ensured that accounting standards adopted are in compliance with applicable Financial Reporting Standards in Malaysia and where applicable the International Accounting Standard Committee (IASB)
- Made judgements and estimates that are reasonable and prudent
- Ensured complete disclosures of all information required under the Companies Act 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad



Corporate Governance Disclosure and Other Information (cont'd)

C. OTHER INFORMATION

Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities converted during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the year.

Sanctions and/or Penalties Imposed by Relevant Regulatory Bodies

There were no sanctions and/or penalties imposed by the relevant regulatory bodies during the financial year.

Non-audit fees

Save as disclosed in Note 27 Profit/(Loss) from Operations of the Notes to the Financial Statements on page 66 of the Annual Report, there were no non-audit fees paid to external auditors for the financial year ended 31 December 2009.

Variation in Profit Estimate, Forecast or Projection

There were no profit estimate, forecast or projections previously made.

Material Contracts Involving Directors' or Major Shareholders' Interest

Transactions that involve the interests of Directors and major shareholders are disclosed in Note 36 Significant Related Party Transactions of the Notes to the Financial Statements on page 72 and 73 of the Annual Report. Save as disclosed therein there are no material contracts still subsisting that involve the interests of Directors and major shareholders.

Revaluation of Landed Properties

The Company's policy on revaluation of properties is stated in Note 4.5 Property, Plant and Equipment of the Notes to the Financial Statements on page 43 and 44 of the Annual Report.



Corporate Social Responsibility

During the financial year ended 31 December 2009, the Company has carried out the following activities as part of its corporate social responsibility.

EMPLOYEES

The Company believes that employees being the valuable assets needs to be provided with the necessary training and development to enhance their skill and knowledge. In this respect, employees are nominated to attend a wide variety of training programmes that will enable them to upgrade themselves. In addition to that the Company has also continued with its in-house Management Development Programme. The main objective of the Management Development Programme is to identify, train and develop a group of managers and leaders for the future.

The Company has organised weekly exercise classes for its employees as well as has in place an Adventure Club that organises recreational activities for staff on quarterly basis. All this activities would allow our employees to take time off from work and spend time with fellow colleagues.

ENVIRONMENTAL ACTIVITIES

The Company has a policy to introduce wherever possible work practices, manufacturing processes and substitution of raw materials with environmental friendly alternatives.

To this end, the Company will aim to observe the requirements of relevant environmental legislations and regulations as well as establishing objectives and targets in regards to reducing and recycling of waste, developing of environmental friendly products and services as well as purchasing of environmental friendly materials, items and commodities.

COMMUNITIES

The Company gives back to the communities by supporting events promoting various social causes. The Company also seeks to assist the less fortunate by contributions to charitable organization.

In support of National Cancer Society of Malaysia to join the fight against cancer, the Company had participated in the Relay for Life Kuala Lumpur 2009 at MSN Training Stadium, Bukit Jalil. To show our support, the Company sent our teams and COO as participants to the event that attracted over 5,000 participants. We took turns walking or running around the track for this noble cause to raise the bar on the awareness of cancer and understanding the importance of early detection and screening to reduce the risk of cancer.



Internal Control Statement

RESPONSIBILITY

The Board and the Company maintains a sound system of internal control in accordance to the Malaysian Code on Corporate Governance to safeguard the shareholder's investments and the company's assets.

The internal control system is designed to enable the Group to manage rather than to eliminate risks. The Board acknowledges that risks cannot be completely eliminated and the system can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

KEY PROCESSES

The internal control system continuously identify, evaluate and manage the significant risks faced by the Group and was operational for the financial year under review up to the date of approval of the annual report.

The processes within the internal control system are regularly reviewed by the Board and are in accordance with the guidance as contained in the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

The key processes employed by the Board include the following:

- The Group's internal audit department conducts regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group.
- The internal audit department reports to the Audit Committee who regularly reviews and holds discussions with the internal audit department and management on the findings and recommendations in reports prepared by the internal audit department.
- A Risk Management Framework has been implemented to identify the significant risks faced by the Group and plans are made to mitigate and manage the risks.
- The Board receives and reviews regular reports from management covering the financial performance and key business indicators of various business operating units.



Profile of Directors

DATO' DR. CHOY FOOK ON

Malaysian, aged 73, is the Non-Independent Non-Executive Chairman and founder of FFHB Group and was appointed to the Board of Directors on 2 February 1983. He was appointed Executive Chairman on 6 November 1992 and held the position of Managing Director from 12 February 1993 until 8 August 1996. Dato' Dr. Choy is also a member of the Nomination Committee and Remuneration Committee.

In 1996, the Pacific Western University in the United States of America awarded Dato' Dr. Choy a Degree in Doctor of Philosophy in Business Administration. He has been involved in the furniture and interior fit-out works industries for more than 30 years and has acquired extensive experience and knowledge in manufacturing, exporting, distribution and marketing of furniture, renovation, and interior design of offices and hotels. In 1990, he was appointed by the World Bank to act as a Project Consultant for the development of wood-based industry for the General Bureaux of Guangdong State Farms and Hainan State Farms in the People's Republic of China.

Dato' Dr. Choy is the spouse of Datin Tan Geok Foong, an Executive Director, and father of Messrs. Choy Wai Hin and Choy Wai Ceong who are Managing Director and Executive Director respectively as well as major shareholders of the Company. He is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted for any offences within the past 10 years. During the financial year ended 31 December 2009 he attended 3 out of the 4 board meetings held. Dato' Dr. Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 23 of the Annual Report.

DATIN TAN GEOK FOONG

Malaysian, aged 68, was appointed Executive Director of FFHB on 2 February 1983. She has more than 20 years experience in the interior fit-out works and in retailing, trading and manufacturing of wood-based products. Currently she is actively involved in the retailing operations of the Group. She also sits on the Board of other private limited companies involved in property development and property investments.

Datin Tan is the spouse of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman, and mother of Messrs. Choy Wai Hin and Choy Wai Ceong who are Managing Director and Executive Director respectively as well as major shareholders of the Company. She is also a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, a major shareholder of the Company. She has no conflict of interest with the Company and has no convictions for offences within the past 10 years. During the financial year ended 31 December 2009 she attended 3 out of the 4 board meetings held. Datin Tan's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 23 of the Annual Report.

MR CHOY WAI HIN

Malaysian, aged 46, has been the Group Managing Director of FFHB since 8 August 1996 and was first appointed to the Board on 1 November 1991.

Mr. Choy graduated with a Bachelor of Science (Honours) degree in Civil Engineering from the University of London, United Kingdom in 1986. He joined Alam Jurutera Perunding, a firm of Quantity Surveyors, as an engineer in 1987 and, in the same year, left to join the Group. Prior to his appointment as Group Managing Director, he was responsible for the production and domestic marketing for the FFHB Group. Presently, as the Group Managing Director of FFHB, he has overall responsibilities for the directions and profitability of the Group. In 1997, he attended the Program for Management Development at the School of Business Administration, Harvard Business School in the United States of America.

Mr. Choy Wai Hin is the son of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman and Datin Tan Geok Foong and brother of Mr. Choy Wai Ceong who are executive directors and major shareholders of the Company. He is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, a major shareholder of the Company. He has no conflict of interest with the Company and never been convicted for any offences within the past 10 years. During the financial year ended 31 December 2009 he attended 3 out of the 4 board meetings held. Mr. Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 23 of the Annual Report.

MR CHOY WAI CEONG

Malaysian, aged 45, has been the Executive Director of FFHB since 1 November 1991. He holds a Bachelor of Law (Hons) degree from University of London, United Kingdom and was called to the English Bar (Middle Temple) in 1986. Prior to joining the Group in 1987, he worked at the law firm of Nik Hussain & Partners for a period of one year. As a result of his active participation in the overseas market, he has acquired substantial experience in the international furniture market and has developed an intimate knowledge of the overseas market structure, distribution system, pricing and trade opportunities. Mr. Choy is also the Managing Director of the Masteron Group which is involved in property developments and property investments.

Mr. Choy Wai Ceong is the son of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman, and Datin Tan Geok Foong, Executive Director, and brother of Mr. Choy Wai Hin, the Managing Director and they are all major shareholders of the Company. He is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, a major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years. During the financial year ended 31 December 2009 he attended all 4 board meetings held. Mr. Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 23 of the Annual Report.

Profile of Directors (cont'd)

HAJI HUSSEIN BIN HAMZAH

Malaysian, aged 65, has been an Independent Non-Executive Director since 7 August 2004. He is a member of the Audit Committee and Chairman of the Nomination Committee and Remuneration Committee.

He holds Associateship in Architecture from Western Australian Institute of Technology and Diploma in Architecture from MARA Institute of Technology. He is a Professional Architect and Interior Designer registered with the Board of Architects, Malaysia. He held various positions in Professional Institutes including Pertubuhan Arkitek Malaysia ("PAM") serving as President from 1989 to 1990, and Institut Perekabentuk Dalaman Malaysia ("IPDM") serving as President from 1992 to 1994 and 2007 to 2009. Having previously served as a member representing PAM on the Board of Architects (1990 to 1992), he is currently re-appointed to the Board of Architects (2004 to present).

He has served in various government committees such as a member of the committee for GATT and Trade in Services (construction industry) in the Ministry of Finance, a member of the Consultative Panel for the National Housing Policy, the standing committee for amendments to the Uniform Building By-Laws in the Ministry of Housing and Local Government and Chairman for Architectural Examination Council of the Board of Architects. He was appointed by Ministry of Housing and Local Government as Chairman for the Standards Committee on Use of Buildings by the Handicapped. He is also a Director of Idaman Unggul Bhd and Idris Hydraulic (Malaysia) Bhd.

Haji Hussein does not hold any shares in the Company and has no relationship with any other directors and/or substantial shareholders of FFHB. He has no conflict of interests with FFHB and has no convictions for offences within the past 10 years. During the financial year ended 31 December 2009 he attended all of the 4 board meetings held.

MOHD. ARIF BIN MASTOL

Malaysian, aged 56, was appointed as an Independent Non-Executive Director on 30 January 2010. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mohd. Arif Bin Mastol graduated from MARA Institute of Technology in Accountancy. He is also a member of the Malaysian Institute of Accountants.

He began his career in 1977 as an Executive Account Officer. In 1985, he served as an Accountant with the Treasury Department of Kuala Lumpur City Hall after completing his Degree in Accounting from MARA Institute of Technology. From 1991 to 2001, he was attached with several companies, including a Japanese based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, Company Representative and Financial Controller before assuming his current position as Chief Operating Officer.

Currently he is an Independent Non-Executive Director of Leader Steel Holdings Berhad and SKB Shutter Holdings Berhad.

Mohd. Arif Bin Mastol does not hold any shares in the Company and has no relationship with any other directors and/or substantial shareholders of FFHB. He has no conflict of interests with FFHB and has no convictions for offences within the past 10 years.



Corporate Structure



Federal Furniture Holdings (M) Berhad
(97092-W) (Incorporated in Malaysia)
Investment Holding Company

Investment Division

- 100%** Layang Kaji Sdn Bhd
- 100%** Aspek Sensasi Sdn Bhd
- 100%** Pelantar Agresif (M) Sdn Bhd
- 100%** Federal Electric Company Sdn Bhd
 - 100%** Myanmar Electric Distributor Limited
- 100%** Mintwood Sdn Bhd
- 100%** Splenwood Sdn Bhd
- 70%** Anglo Frontier Sdn Bhd

Renovation & Fit-Out Division

- 100%** Federal Furniture Industries Sdn Bhd
 - 93%** Pathos Corporation Sdn Bhd
 - 55%** Cathay Interior Design (M) Sdn Bhd

Manufacturing & Trading Division

- 100%** Federal Furniture (1982) Sdn Bhd
- 100%** Federal Furniture Lifestyle Sdn Bhd
- 100%** Federal Furniture (M) Sdn Bhd
 - 55%** Avante Corporation Sdn Bhd
 - 100%** Trac Marketing Incorporated
- 100%** Qingdao Federal Furniture Industries Co.Ltd.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2009.

REVIEW OF GROUP FINANCIAL RESULTS

Group turnover fell by 32% from RM52.8 million a year ago to RM36.4 million for the year under review due to the severe global financial crisis triggered by the US subprime fiasco. The Manufacturing division was severely affected by the ensuing global recession as export revenue fell by more than half while the Kitchen Project operations was affected by the downturn in local property industry as property prices fell on weak demand causing delays to property completion and new launches.

Reflecting the effect of the lower turnover, operating profit before interest in 2009 fell by 70% to RM1.0 million from RM3.4 million in the corresponding period last year. Interest charge was lower by 70% as well to RM0.3 million from RM0.9 million as the Group continued to generate positive cashflow that was used to pay down its borrowings and also benefited from the reduction in interest rates.

Profit before tax was RM0.8 million compared to RM2.5 million a year ago and included an one-off gain of RM0.8 million from compulsory land compensation. Tax charge consisting mainly deferred tax was 80% lower at RM0.3 million from RM1.4 million previously. After accounting for minority interest, the profit attributable to shareholders was RM0.5 million compared to RM1.1 million in the previous year while basic earnings per share was 0.5 sen (2008: 1 sen).

DIVIDENDS

In view of the continuing uncertainties in the global economy and the need to conserve cash to fund business expansion and new opportunities, your Board is not recommending the payment of any dividend in respect of the financial year ended 31 December 2009.

REVIEW OF OPERATIONS

Revenue for the Manufacturing and Trading division fell by 56% to RM11.9 million from RM26.9 million a year ago. Sales to its key customer for the Asia Pacific market were negatively affected by the global recession that had a severe impact on new store opening in the region. Although export to newly developed market in Europe increased on higher orders secured it was not sufficient to make up the shortfall seen in the Asia Pacific and the US market. The furniture trading operations resumed its retail operations with the new imported kitchen brand during the year with moderate success considering the very weak economic condition at home. Operating profit for the division was down by 83% from RM5.4 million to RM0.9 million on account of the lower sale and lower margin yields.

The Renovation and Interior Fit-out division's revenue fell by 9% to RM24.5 million from RM26.8 million a year earlier. The traditional interior fit-out business grew by 37% on projects secured in the hospitality segment of the market that included a number of overseas projects. The local traditional interior fit-out industry remained challenging and competitive throughout the year under review with too many players chasing after the same projects. The kitchen project operations on the other hand was affected by delays to projects already secured following the downturn in the property market especially in the segment of the market that it targeted and revenue fell by 48% compared to the previous year. The division as a whole turned in a positive set of results with an operating profit of RM1.5 million compared to an operating loss of RM0.3 million a year earlier on better margin yield from projects completed during the year.

PROSPECTS FOR 2010

A year and a half after the most severe financial crisis since the Great Depression, global economic recovery, while gathering momentum remains largely fragile and fraught with risks and challenges. Monetary and fiscal stimulus packages in both developed and developing countries have mostly been successful in mitigating the severity of global recession and kick start their respective economies with varying success. One of the key concerns is unemployment rates in major developed countries that could impact consumer and business spending especially if stimulus packages are withdrawn prematurely. Emerging countries in Asia that depend heavily on these export markets are unlikely to be spared from this downdraft. International trade imbalance is the other concern that threatens economies in highly indebted countries and there is no concrete evidence of any strategy to address this. In the US, job loss continues to be a major issue in 2010 despite encouraging GDP growth in Q4 2009 and it is unlikely that any fiscal or monetary tightening measures will be taken until the economic recovery is firmly in place. In Japan, continued deflation and weak job market mean that GDP growth in 2010 will be sluggish. Europe's economy has bounced back with 0.2% growth in the Q1 2010 and improved world demand and steady government support policies will help boost economic growth in 2010. A recent rescue package worth almost US\$1 trillion to stave off the Greek debt crisis has helped restore confidence somewhat. While the world economy contracted in 2009 and most countries struggled to emerge from a severe recession, China reported a growth of 8.7% in 2009. The key driver to growth was public infrastructure investment coupled with a surge in real estate investment. Growth in 2010 will shift towards domestic demand although resisting pressure to let the renminbi appreciate will boost export as well. World economy is expected to expand by 3.1% in 2010 with the US projected at 1.5%, Europe at 0.3%, Japan at 1.7%

and Asia at 6.9% led by China at 9.0%. Back home, the Malaysian economy registered a robust growth of 10.1% in Q1 2010 on the back of higher private consumption and sustained public sector spending according to a report by Bank Negara Malaysia. The central bank has projected the growth to be sustained for the rest of the year, supported by continued expansion in domestic and external demand.

The weak demand seen for the Manufacturing division's Asia Pacific market in 2009 continued into the first quarter of 2010. The division is however hopeful that the spurt in orders registered in the second quarter will be sustained for the rest of the year as continuing improvement in consumer confidence boosts domestic consumption in the region. The prospect for the division will also hinge on the success of an ongoing negotiation with an American quick-service restaurant to supply commercial fixtures for their Asia Pacific Middle East Africa (APMEA) markets. The depreciation of the Euro and Pound Sterling vis-a-vis the US dollar and the Ringgit has eroded the price competitiveness of export to Europe. Meanwhile export to the US is expected to remain weak while the prospect for the local market is lifted by the supply of fixtures to a new telco customer.

The traditional Renovation and Interior Fit-out operations is expected to face another challenging year and the prospect for the year will hinge on the ability to secure a key project that will make up the slack in the hospitality segment of the market this year. The Kitchen Project operations is projected to register a better set of results on account of the projects already secured in hand that included those brought forward from last year. The prospect for the operations is in tandem with the property market, more particularly the high-end high-rise segment and while the operations may take comfort from the recent surge in the property market, the accompanying benefits will be realized only on completion of these properties a couple of years from now. With global economic growth still uneven and sluggish the prospect could still be clouded by any hiccups to global economic recovery during the year ahead.

APPRECIATION

It is with regret that we accept the resignation of Tuan Haji Md Abdul Wahab bin Md Shahir who resigned as an Independent and Non-Executive Director and Chairman of the Audit Committee on 1 September 2009. I wish to convey, on behalf my fellow directors and the management, our sincere thanks and gratitude for his services and wish him all the best in his future undertakings.

I also take this opportunity to welcome En. Mohd Arif bin Mastol who was appointed to the Board as an Independent and Non-Executive director on 30 January 2010. I am confident that with his collective experience and wisdom, he will be an asset to the Group.

On behalf of the Board, I wish to thank the management and employees for the dedicated services and co-operation throughout the year. The Group is also grateful for the continued support, confidence, understanding and trust of all our business and finance partners and various stakeholders. Last but not least, I extend my appreciation to my fellow colleagues on the Board for their valuable advice and contribution throughout the year.

DATO' DR CHOY FOOK ON
Chairman



Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the Subsidiary Companies are set out in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit / (Loss) for the year	469,243	(728,277)
Attributable to :-		
Equity holders of the Company	381,514	(728,277)
Minority interests	87,729	–
	469,243	(728,277)

DIVIDENDS

There was no dividend paid or declared since the last financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no shares or debentures were issued.

SHARE OPTIONS

During the financial year, no share options have been granted.

DIRECTORS

The Directors in office since the date of the last report are:-

DATO' DR. CHOY FOOK ON
 DATIN TAN GEOK FOONG
 CHOY WAI HIN
 CHOY WAI CEONG
 HAJI HUSSEIN BIN HAMZAH
 HAJI MD ABDUL WAHAB BIN MD SHAHIR (Resigned w.e.f. 1 September 2009)
 MOHD. ARIF BIN MASTOL (Appointed w.e.f. 30 January 2010)

DIRECTORS' INTERESTS

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, interests in shares and warrants of the Company and its related corporations as stated below:-

	<u>Number of ordinary shares of RM0.50 each</u>			31 December 2009
	1 January 2009	Bought	Sold	
The Company				
DIRECT INTEREST				
DATO' DR. CHOY FOOK ON	6,042,120	–	–	6,042,120
DATIN TAN GEOK FOONG	4,476,120	–	–	4,476,120
CHOY WAI HIN	3,004,800	–	–	3,004,800
CHOY WAI CEONG	2,500,800	–	–	2,500,800
INDIRECT INTEREST				
DATO' DR. CHOY FOOK ON	12,408,140	–	–	12,408,140
DATIN TAN GEOK FOONG	12,408,140	–	–	12,408,140
CHOY WAI HIN	11,047,340	–	–	11,047,340
CHOY WAI CEONG	11,047,340	–	–	11,047,340

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

	1 January 2009	Number of warrants		31 December 2009
		Acquired	Exercised	
The Company				
DIRECT INTEREST				
DATO' DR. CHOY FOOK ON	4,279,835	–	–	4,279,835
DATIN TAN GEOK FOONG	3,170,585	–	–	3,170,585
CHOY WAI HIN	2,128,400	–	–	2,128,400
CHOY WAI CEONG	1,771,400	–	–	1,771,400
INDIRECT INTEREST				
DATO' DR. CHOY FOOK ON	12,241,886	–	–	12,241,886
DATIN TAN GEOK FOONG	12,241,886	–	–	12,241,886
CHOY WAI HIN	11,277,986	–	–	11,277,986
CHOY WAI CEONG	11,277,986	–	–	11,277,986

By virtue of their interests in shares of the Company, DATO' DR. CHOY FOOK ON, DATIN TAN GEOK FOONG, CHOY WAI HIN and CHOY WAI CEONG are also deemed interested in the shares of the Subsidiary Companies to the extent the Company has an interest.

The other Directors in office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in Note 29 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements which object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than warrants.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances which would render:-

- the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

At the date of this report, there does not exist:-

- a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year other than as disclosed in Note 35 to the financial statements.

In the opinion of the Directors:-

- a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;
- b) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- c) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The Auditors, GEP Associates, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 28 April 2010.



DATO' DR. CHOY FOOK ON

Kuala Lumpur, Malaysia
28 April 2010



CHOY WAI HIN

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, DATO' DR. CHOY FOOK ON and CHOY WAI HIN, being two of the Directors of FEDERAL FURNITURE HOLDINGS (M) BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 29 to 77 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors dated 28 April 2010.



DATO' DR. CHOY FOOK ON

Kuala Lumpur, Malaysia
28 April 2010



CHOY WAI HIN

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, JAMES SHII LIHTON, being the officer primarily responsible for the financial management of FEDERAL FURNITURE HOLDINGS (M) BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 77 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
JAMES SHII LIHTON
at Kuala Lumpur in Wilayah Persekutuan
on 28 April 2010.



JAMES SHII LIHTON

Before me



COMMISSIONER FOR OATH



Lot 2.42, Tingkat 2, The Mall
100, Jalan Putra
50350 Kuala Lumpur, Malaysia
H/P: 019-283 9000



Independent Auditors' Report

to the Members of Federal Furniture Holdings (M) Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of FEDERAL FURNITURE HOLDINGS (M) BERHAD, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 77.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Subsidiary Companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the Auditors' Report of a Subsidiary Company of which we have not acted as auditors, which is indicated in Note 8 to the financial statements.
- c) We are satisfied that the accounts of the Subsidiary Companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the Subsidiary Companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



Independent Auditors' Report (cont'd)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



GEP ASSOCIATES
No : AF 1030
Chartered Accountants

Petaling Jaya, Malaysia
28 April 2010



ESTHER TAN CHOON HWA
No : 1023 / 03 / 12 (J)
Chartered Accountant

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 RM	2008 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,633,161	11,544,510
Prepaid land lease payments	6	2,000,720	2,026,045
Investment properties	7	2,064,000	2,065,600
Other investments	9	–	–
Deferred tax assets	10	4,277,534	4,818,886
		18,975,415	20,455,041
Current assets			
Inventories	11	2,891,028	3,576,128
Trade receivables	12	3,703,185	14,194,467
Amounts due from contract customers	13	3,411,292	2,440,926
Other receivables, deposits and prepayments	14	1,805,334	6,793,218
Marketable securities	16	55,931	23,276
Tax recoverable		–	26,137
Cash and bank balances	17	3,303,735	2,549,085
		15,170,505	29,603,237
TOTAL ASSETS		34,145,920	50,058,278
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	41,347,950	41,347,950
Share premium	19	3,440,941	3,440,941
Reserves	20	(25,921,882)	(26,303,396)
		18,867,009	18,485,495
Minority interests	21	451,542	363,813
Total equity		19,318,551	18,849,308
Non-current liabilities			
Long-term borrowings	22	102,597	132,914
Redeemable secured loan stock	23	1,900,000	1,900,000
Deferred tax liabilities	10	915,451	1,245,317
		2,918,048	3,278,231
Current liabilities			
Trade payables	24	4,079,406	6,313,752
Other payables, deposits and accruals	25	5,203,447	14,059,116
Amounts due to contract customers	13	207,916	2,138,637
Short-term borrowings	22	2,393,433	5,419,234
Provision for taxation		25,119	–
		11,909,321	27,930,739
Total liabilities		14,827,369	31,208,970
TOTAL EQUITY AND LIABILITIES		34,145,920	50,058,278

The accompanying Notes form an integral part of the Financial Statements.

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RM	2008 RM
Revenue	26	36,412,113	53,665,738
Cost of sales		(27,605,285)	(37,044,083)
Gross profit		8,806,828	16,621,655
Other income		1,121,409	889,658
Selling and distribution expenses		9,928,237 (3,690,014)	17,511,313 (3,990,496)
Administrative expenses		6,238,223 (5,215,302)	13,520,817 (10,108,273)
Profit from operations	27	1,022,921	3,412,544
Finance costs	30	(261,302)	(884,510)
Profit before taxation		761,619	2,528,034
Income tax expense	31	(292,376)	(1,445,189)
Profit for the year		469,243	1,082,845
Attributable to :-			
Equity holders of the Company		381,514	1,077,994
Minority interests		87,729	4,851
		469,243	1,082,845
Earnings per share attributable to equity holders of the Company (sen) :-			
Basic	32	0-46	1-30
Fully diluted earning per share (sen)	32	0-33	0-94

The accompanying Notes form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Attributable to equity holders of the Company							Total equity RM
		Non-distributable			Distributable				
		Share capital RM	Share premium RM	Revaluation reserve RM	Foreign exchange reserve RM	Accumulated losses RM	Minority interests RM	Total RM	
At 1 January 2008		41,347,950	3,440,941	211,100	19,578	(27,608,020)	17,411,549	358,962	17,770,511
Foreign currency translation Profit for the year	20	—	—	—	(4,048)	—	(4,048)	—	(4,048)
		—	—	—	—	1,077,994	1,077,994	4,851	1,082,845
At 31 December 2008		41,347,950	3,440,941	211,100	15,530	(26,530,026)	18,485,495	363,813	18,849,308
At 1 January 2009		41,347,950	3,440,941	211,100	15,530	(26,530,026)	18,485,495	363,813	18,849,308
Profit for the year		—	—	—	—	381,514	381,514	87,729	469,243
At 31 December 2009		41,347,950	3,440,941	211,100	15,530	(26,148,512)	18,867,009	451,542	19,318,551

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	761,619	2,528,034
Adjustments for :-		
Allowance for doubtful debts	59,323	310,596
Amortisation of prepaid land lease payments	25,325	25,325
Bad debts written off	10,372	23,311
Changes in value of marketable securities	(32,655)	25,360
Depreciation	1,153,226	1,106,497
Dividend income	(1,042)	–
Loss / (Gain) on disposal of property, plant and equipment	1,435	(868)
Interest expense	261,302	908,540
Interest income	(1,097)	–
Net unrealised foreign exchange gain	(11,719)	(42,813)
Property, plant and equipment written off	–	4,913
Provision for foreseeable losses	–	294,867
Provision for impairment loss of other investment	–	60,000
Reversal of allowance for doubtful debts	(8,473)	–
Write back of provision no longer required	(75,816)	(34,439)
Operating profit before working capital changes	2,141,800	5,209,323
Decrease in inventories	685,100	3,842,993
Decrease in receivables	14,447,578	1,659,129
Decrease in payables	(12,933,201)	(5,366,584)
Cash generated from operations	4,341,277	5,344,861
Income tax paid	(29,634)	(144,995)
Net cash generated from operating activities	4,311,643	5,199,866

Consolidated Cash Flow Statement (cont'd)



	Note	2009 RM	2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		1,042	–
Proceeds from disposal of property, plant and equipment		2,609	1,934
Purchase of property, plant and equipment		(244,321)	(693,684)
Interest received		1,097	–
Net cash used in investing activities		(239,573)	(691,750)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(261,302)	(786,940)
Repayments of short term borrowings		(3,008,721)	(210,000)
Repayments of hire purchase payables		(38,990)	(41,493)
Net cash used in financing activities		(3,309,013)	(1,038,433)
NET INCREASE IN CASH AND CASH EQUIVALENTS		763,057	3,469,683
Effects of foreign exchange rate changes		–	458
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		2,354,563	(1,115,578)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	17	3,117,620	2,354,563

The accompanying Notes form an integral part of the Financial Statements.

Balance Sheet

As at 31 December 2009

	Note	2009 RM	2008 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	28,253	63,607
Investment in Subsidiary Companies	8	14,789,247	14,789,247
		14,817,500	14,852,854
Current assets			
Other receivables, deposits and prepayments	14	286,224	607,431
Amounts due from Subsidiary Companies	15	52,722,366	53,821,809
Cash and bank balances	17	20,111	36,409
		53,028,701	54,465,649
TOTAL ASSETS		67,846,201	69,318,503
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	41,347,950	41,347,950
Share premium	19	3,440,941	3,440,941
Accumulated losses	20	(24,635,493)	(23,907,216)
Total equity		20,153,398	20,881,675
Non-current liabilities			
Long-term borrowings	22	24,459	41,748
Redeemable secured loan stock	23	1,900,000	1,900,000
Deferred tax liabilities	10	7,403	7,403
		1,931,862	1,949,151
Current liabilities			
Other payables, deposits and accruals	25	5,767,508	6,866,117
Amounts due to Subsidiary Companies	15	39,976,141	39,604,268
Short-term borrowings	22	17,292	17,292
		45,760,941	46,487,677
Total liabilities		47,692,803	48,436,828
TOTAL EQUITY AND LIABILITIES		67,846,201	69,318,503

The accompanying Notes form an integral part of the Financial Statements.



Income Statement

For the year ended 31 December 2009

	Note	2009 RM	2008 RM
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		1,716,351	1,668,237
		1,716,351	1,668,237
Administrative expenses		(2,313,413)	(14,672,106)
Loss from operations	27	(597,062)	(13,003,869)
Finance costs	30	(131,215)	(179,132)
Loss before taxation		(728,277)	(13,183,001)
Income tax expense	31	-	66,471
Loss after taxation		(728,277)	(13,116,530)

The accompanying Notes form an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RM	Non-distributable Share premium RM	Distributable Accumulated losses RM	Total RM
At 1 January 2008	41,347,950	3,440,941	(10,790,686)	33,998,205
Loss for the year	–	–	(13,116,530)	(13,116,530)
At 31 December 2008	41,347,950	3,440,941	(23,907,216)	20,881,675
At 1 January 2009	41,347,950	3,440,941	(23,907,216)	20,881,675
Loss for the year	–	–	(728,277)	(728,277)
At 31 December 2009	41,347,950	3,440,941	(24,635,493)	20,153,398

The accompanying Notes form an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(728,277)	(13,183,001)
Adjustments for:-			
Bad debts written off		–	23,311
Depreciation		42,224	45,900
Interest expense		131,215	179,132
Allowance for doubtful debts		–	4,817,587
Provision for impairment loss:			
- Subsidiaries		–	7,441,936
- Other investment		–	60,000
Write back of provision no longer required		(75,816)	(34,439)
Operating loss before working capital changes		(630,654)	(649,574)
Decrease / (Increase) in other receivables, deposits and prepayments		321,207	(22,296)
Decrease in other payables, deposits and accruals		(1,022,793)	(609,567)
Cash used in operations		(1,332,240)	(1,281,437)
Income tax paid		–	(99,365)
Net cash used in operating activities		(1,332,240)	(1,380,802)
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property, plant and equipment		(6,870)	(7,557)
Net cash used in investing activity		(6,870)	(7,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(131,215)	(57,532)
Repayment of hire purchase payable		(17,289)	(17,292)
Decrease in amounts due from Subsidiary Companies		1,471,316	1,493,870
Net cash generated from financing activities		1,322,812	1,419,046
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(16,298)	30,687
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		36,409	5,722
CASH AND CASH EQUIVALENTS CARRIED FORWARD	17	20,111	36,409

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

31 December 2009

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business are located at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in the business of investment holding.

The principal activities of the Subsidiary Companies are disclosed in Note 8 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2010.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

3. COMPARATIVE FIGURES

The comparative figures were extended to comply with the additional disclosure requirements of the new Financial Reporting Standards that are applicable for the financial year ended 31 December 2009.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise stated.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and applicable FRSs in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

4.2 Changes in accounting policies

The Group and the Company have not early adopted the following new and revised FRSs, Issues Committee Interpretations ("IC Int.") and amendments to FRSs which are mandatory for financial periods beginning on or after the respective dates as follows:-

i) Financial periods beginning on or after 1 July 2009

FRS 8 Operating Segments

ii) Financial periods beginning on or after 1 January 2010

FRS 4 Insurance Contracts
FRS 7 Financial Instruments : Disclosures
FRS 101 Presentation of Financial Statements (revised)
FRS 123 Borrowing Costs
FRS 139 Financial Instruments : Recognition and Measurement

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Changes in accounting policies (cont'd)

ii) Financial periods beginning on or after 1 January 2010 (cont'd)

IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 11	FRS 2 - Group and Treasury Share Transactions
IC Int. 13	Customer Loyalty Programmes
IC Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments : Presentation

Amendments to FRS 139 Financial Instruments : Recognition and Measurement, FRS 7 Financial Instruments : Disclosures and IC Int. 9 Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

iii) Financial periods beginning on or after 1 March 2010

Amendments to FRS 132 Financial Instruments : Presentation - Classification of Rights Issues

iv) Financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
IC Int. 12	Service Concession Arrangements
IC Int. 15	Agreements for the Construction of Real Estate
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Int. 9	Reassessment of Embedded Derivatives

v) Financial periods beginning on or after 1 January 2011

Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 7 Improving Disclosures about Financial Instruments

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:-

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Changes in accounting policies (cont'd)

a) FRS 3 : Business Combinations (revised) and FRS 127 : Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

b) FRS 8 : Operating Segment

FRS 8 replaces FRS 114₂₀₀₄ : Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

c) FRS 101 : Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income : presenting all items of income and expenses recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and of the Company.

d) FRS 139 : Financial Instruments : Recognition and Measurement, FRS 7 : Financial Instruments : Disclosures and Amendments to FRS 139 : Financial Instruments : Recognition and Measurement, FRS 7 Financial Instruments : Disclosures

The new Standard on FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132 : Financial Instruments : Presentation and the requirements for disclosing information about financial instruments are in FRS 7 : Financial Instruments : Disclosures.

FRS 7 is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of these standards in accordance with the respective transitional provisions.



4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Changes in accounting policies (cont'd)

e) IC Interpretation 10 : Interim Financial Reporting and Impairment

This IC prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

f) Amendments to FRSs 'Improvements to FRSs (2009)'

The 'Improvements to FRSs (2009)' contains amendments to several FRSs as described below:-

- FRS 7 : Financial Instruments : Disclosures clarifies on the presentation of finance costs whereby interest income is not a component of finance costs.
- FRS 8 : Operating Segments clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures of segment profit or loss that are reviewed or otherwise regularly used by the 'chief operating decision maker'.
- FRS 107 : Statement of Cash Flows (formerly known as Cash Flow Statements) clarifies that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
- FRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors clarifies that only implementation guidance that is an integral part of an FRS is mandatory when selecting accounting policies.
- FRS 116 : Property, Plant and Equipment replaces the term "net selling price" with "fair value less costs to sell". It also clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. This did not result in any reclassification.
- FRS 117 : Leases clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.
- FRS 118 : Revenue provides additional guidance on whether an entity is acting as a principal or an agent. It also aligns the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest by replacing the term 'direct costs' with 'transaction costs' as defined in FRS 139.
- FRS 119 : Employee Benefits revises the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. It clarifies that the costs of administering the plan may be either recognised in the rate of return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation. The amendment further clarifies that amendment to plans that result in a reduction in benefits related to future services are curtailments. It also deleted the reference to the recognition of contingent liabilities to ensure consistency with FRS 137 : Provisions, Contingent Liabilities and Contingent Assets.
- FRS 123 : Borrowing Costs aligns the definition of borrowing costs with FRS 139 by referring to the use of effective interest rate as a component of borrowing cost.
- FRS 127 : Consolidated and Separate Financial Statements clarifies that when a parent entity accounts for a subsidiary at fair value in accordance with FRS 130 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- FRS 134 : Interim Financial Reporting clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of FRS 133 : Earnings per Share.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Changes in accounting policies (cont'd)

f) Amendments to FRSs 'Improvements to FRSs (2009)' (cont'd)

- FRS 136 : Impairment of Assets clarifies that when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment further clarifies that the largest cash-generating unit for group of units to which goodwill should be allocated for purposes of impairment testing is an operating segment as defined in FRS 8.
- FRS 139 : Financial Instruments : Recognition and Measurement clarifies that changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The amendments remove the reference in FRS 139 to a 'segment' when determining whether an instrument qualifies as a hedge and requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting. The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of this standard.

4.3 Significant accounting estimates and judgements

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:-

a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portion could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

b) Income taxes

Judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Significant accounting estimates and judgements (cont'd)

d) Revenue recognition

The Group recognises contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contracts costs incurred for the work performed to date bear to the estimated total contracts cost and the recoverability of the contracts.

e) Allowance for doubtful debts of receivables

The Company makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary Companies as at the balance sheet date. The financial statements of the Subsidiary Companies are prepared for the same reporting date as the Company.

Subsidiary Companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Intragroup balances, transactions and unrealised gains and losses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

Acquisitions of Subsidiary Companies are accounted for by applying the purchase method. The purchase method of accounting involves allocating of the acquisition to the fair value of the identifiable assets, liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of the profit or loss or net assets in Subsidiary Companies not held by the Group. It is measured as the minorities' share of the fair value of the Subsidiary Companies' identifiable assets and liabilities at the date of acquisition and the minorities' share of changes in the Subsidiary Companies' equity since then. Separate disclosure is made for minority interests.

4.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Property, plant and equipment (cont'd)

Land and buildings stated at valuation are revalued at regular intervals of at least once in every five years by the Directors based on the valuation reports of independent professional valuers using the open market value basis.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying value is charged to the income statement. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statement to the extent that it offsets the previously recorded decrease.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost or the revalued amount of each asset to its residual value over the estimated useful life, at the following annual rates:-

Buildings	2%
Motor vehicles	20%
Furniture and fittings	5 - 15%
Plant and machinery	6.7 - 20%
Office equipment	10 - 20%
Renovation	10 - 20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement. Upon disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

4.6 Leases

i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the exception that land held under own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.6 Leases (cont'd)

ii) Finance leases - the Group as lessee (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as disclosed in Note 4.5 to the financial statements.

iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

4.7 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. In the absence of such market evidence, the valuation is performed by independent professional valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in income statement in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

4.8 Subsidiary Companies

Subsidiary Companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in Subsidiary Companies are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in the income statement.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Other investments

Other non-current investments are stated at cost less impairment loss.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

4.10 Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of raw materials is determined using the first in, first out method comprising the costs of purchase. The costs of manufactured inventories and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. The cost of finished goods comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

4.11 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

4.12 Due from customers on contracts

When the outcome of a contract can be reliably estimated, contract revenue and contract costs are recognised in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

When the outcome of a contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amounts due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amounts due to customers on contracts.

4.13 Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increase or decrease in the carrying amount of marketable securities are recognised in profit and loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit and loss.

4.14 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.15 Provisions for liabilities

Provisions are recognised where there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.16 Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

4.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably.

a) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

b) Contract work

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

c) Rental and interest income

Rental income and interest income are recognised in the income statement on an accrual basis unless collection is in doubt.

4.18 Impairment of non-financial assets

The carrying amounts of assets, other than investment properties, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An impairment loss of an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the income statement, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 Employee benefits

Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

4.20 Foreign currencies

i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii) Foreign operation

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken to the foreign currency translation reserve within equity.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.20 Foreign currencies (cont'd)

iii) Foreign operation (cont'd)

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:-

	31 / 12 / 2009 RM	31 / 12 / 2008 RM
Chinese Renminbi	0-50	0-51
United States Dollar	3-43	3-45
Great Britain Pound	5-53	5-00
Myanmar Kyat	0-61	0-62

4.21 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for their intended use.

All other interest expense and other costs incurred in connection with borrowings are expensed as incurred.

4.22 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity.

4.23 Share capital

a) Classification

Ordinary shares are classified as equity.

b) Share issue costs

External costs directly attributable to the issue of new shares are shown as a deduction in equity.

4.24 Redeemable secured loan stocks ("RSLs")

The RSLs is recorded at the amount of proceeds received, net of transaction costs. The RSLs is classified as non-current liability in the balance sheet and the interest on this instrument is recognised as finance costs in profit or loss in the period in which they are incurred.



Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.25 Warrants

The free detachable warrants were issued pursuant to the Rights Issue of 26,000,000 ordinary shares of the Company. The issuance of the ordinary shares upon exercise of the warrants are treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

4.26 Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances, cash on hand and short-term highly liquid assets that are readily convertible to cash with insignificant risk of changes in value less bank borrowings that are not subject to fixed term of repayment.

4.27 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, receivables, payables and borrowings.

a) Financial instruments recognised in the balance sheet

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instruments classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised in the balance sheet is disclosed in the individual accounting policy statements associated with each item.

The Group does not use any derivative financial instrument.

b) Fair values estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date.

The carrying amounts for financial assets and liabilities with a maturity period of less than one (1) year are assumed to approximate their fair values.

4.28 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single segment.

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

	At 1 / 1 / 2009 RM	Additions RM	Written off / Disposals RM	Current depreciation RM	At 31 / 12 / 2009 RM
GROUP					
Net carrying amount					
Building	8,642,346	–	–	196,440	8,445,906
Equipment, furniture and fittings	2,702,432	244,321	4,044	872,628	2,070,081
Motor vehicles	199,732	–	–	82,558	117,174
	11,544,510	244,321	4,044	1,151,626	10,633,161

	At 1 / 1 / 2008 RM	Additions RM	Written off / Disposals RM	Current depreciation RM	At 31 / 12 / 2008 RM
GROUP					
Net carrying amount					
Building	8,838,786	–	–	196,440	8,642,346
Equipment, furniture and fittings	2,893,311	650,917	5,979	835,817	2,702,432
Motor vehicles	124,605	147,767	–	72,640	199,732
	11,856,702	798,684	5,979	1,104,897	11,544,510

	Valuation / Cost RM	Accumulated depreciation RM	Net carrying amount RM
2009			
At valuation			
Buildings	9,822,000	1,376,094	8,445,906
At cost			
Equipment, furniture and fittings	15,887,045	13,816,964	2,070,081
Motor vehicles	1,127,165	1,009,991	117,174
	26,836,210	16,203,049	10,633,161

	Valuation / Cost RM	Accumulated depreciation RM	Net carrying amount RM
2008			
At valuation			
Buildings	9,822,000	1,179,654	8,642,346
At cost			
Equipment, furniture and fittings	15,648,715	12,946,283	2,702,432
Motor vehicles	1,127,165	927,433	199,732
	26,597,880	15,053,370	11,544,510

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At 1 / 1 / 2009 RM	Additions RM	Current depreciation RM	At 31 / 12 / 2009 RM
COMPANY				
Net carrying amount				
Equipment, furniture and fittings	18,816	6,870	8,631	17,055
Motor vehicles	44,791	–	33,593	11,198
	63,607	6,870	42,224	28,253

	At 1 / 1 / 2008 RM	Additions RM	Current depreciation RM	At 31 / 12 / 2008 RM
COMPANY				
Net carrying amount				
Equipment, furniture and fittings	23,566	7,557	12,307	18,816
Motor vehicles	78,384	–	33,593	44,791
	101,950	7,557	45,900	63,607

	Cost RM	Accumulated depreciation RM	Net carrying amount RM
2009			
Equipment, furniture and fittings	336,437	319,382	17,055
Motor vehicles	365,828	354,630	11,198
	702,265	674,012	28,253

	Cost RM	Accumulated depreciation RM	Net carrying amount RM
2008			
Equipment, furniture and fittings	329,567	310,751	18,816
Motor vehicles	365,828	321,037	44,791
	695,395	631,788	63,607

- a) Included in the property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use with their carrying costs as follows:-

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Equipment, furniture and fittings	1,873,667	1,729,536	243,808	213,825
Motor vehicles	294,920	197,861	197,861	197,861

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- b) Net carrying amount of assets acquired under hire purchase arrangements of which instalments are still outstanding at the balance sheet date:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Motor vehicles	117,171	199,729	11,198	44,791

- c) The building of the Group at the balance sheet date was charged to financial institutions as security for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.
- d) Buildings of the Group were revalued on 10 April 2009 by the Directors based on valuation performed by independent firms of professional valuers using the open market value on existing use basis.

Details of independent professional valuation of the property of the Group are as follows:-

Date of valuation	Description of property	Valuation amount RM	Basis of valuation
10 April 2009	Factory in Banting, Mukim Tanjung Duabelas, District of Kuala Langat, Selangor Darul Ehsan	8,700,000	Open market value

Had the revalued buildings been carried at historical cost less accumulated depreciation, the net carrying amounts of the land and buildings that would have been included in the financial statements of the Group are as follows:-

	GROUP	
	2009 RM	2008 RM
Buildings	8,297,328	8,490,312

6. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2009 RM	2008 RM
Long-term leasehold land		
Valuation		
At 1 January / 31 December	2,178,000	2,178,000
Accumulated amortisation		
At 1 January	151,955	126,630
Amortisation for the year	25,325	25,325
At 31 December	177,280	151,955
Net carrying amount		
At 31 December	2,000,720	2,026,045

Notes to the Financial Statements (cont'd)

6. PREPAID LAND LEASE PAYMENTS (cont'd)

The long-term leasehold land of the Group has an unexpired lease period of 79 years.

The long-term leasehold land of the Group stated at valuation was revalued by the Directors on 10 April 2009 based on valuation performed by an independent firm of professional valuers using the open market value on existing use.

Details of independent professional valuation of the property of the Group are as follows:-

Date of valuation	Description of property	Valuation amount RM	Basis of valuation
10 April 2009	Leasehold industrial land in Banting, Mukim Tanjung Duabelas, District of Kuala Langat, Selangor Darul Ehsan	2,300,000	Open market value

The long-term leasehold land of the Group has been pledged for banking facilities granted.

7. INVESTMENT PROPERTIES

	Freehold land RM	Buildings RM	Total RM
GROUP			
Valuation			
At 1 January / 31 December 2009	2,000,000	80,000	2,080,000
Accumulated depreciation			
At 1 January 2009	–	14,400	14,400
Depreciation for the year	–	1,600	1,600
At 31 December 2009	–	16,000	16,000
Net carrying amount			
At 31 December 2009	2,000,000	64,000	2,064,000
Valuation			
At 1 January / 31 December 2008	2,000,000	80,000	2,080,000
Accumulated depreciation			
At 1 January 2008	–	12,800	12,800
Depreciation for the year	–	1,600	1,600
At 31 December 2008	–	14,400	14,400
Net carrying amount			
At 31 December 2008	2,000,000	65,600	2,065,600

The fair value of the investment property of the Group as at 31 December 2009 was recommended by Directors based on a valuation carried out on 10 April 2009 by an independent professional valuer on an open market value basis.

Notes to the Financial Statements (cont'd)



7. INVESTMENT PROPERTIES (cont'd)

Details of independent professional valuation of the property of the Group are as follows:-

Date of valuation	Description of property	Valuation amount RM	Basis of valuation
10 April 2009	Freehold industrial land in Mukim Kapar, District of Klang, Selangor Darul Ehsan	2,000,000	Open market value

The freehold land has been pledged as security for banking facilities granted to the Company as disclosed in Note 22 to the financial statements.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2009 RM	2008 RM
Unquoted shares, at cost	30,279,572	30,279,572
Less : Accumulated impairment losses	(15,490,325)	(15,490,325)
	14,789,247	14,789,247

The Subsidiary Companies are as follows:-

Name of Company	Effective equity interest		Principal activities
	2009 %	2008 %	
Federal Furniture (M) Sdn Bhd	100.00	100.00	Marketing and exporting of furniture
Federal Furniture Industries Sdn Bhd	100.00	100.00	Renovation and interior fit-outs of offices and hotels
Federal Furniture (1982) Sdn Bhd	100.00	100.00	Manufacturing and export of furniture
Anglo Frontier Sdn Bhd	70.00	70.00	Investment holding
Pelantar Agresif (M) Sdn Bhd	100.00	100.00	Investment holding
Aspek Sensasi Sdn Bhd	100.00	100.00	Dormant
Layang Kaji Sdn Bhd	100.00	100.00	Dormant
Federal Electric Company Sdn Bhd	100.00	100.00	Dormant
Mintwood Sdn Bhd	100.00	100.00	Investment holding
Splenwood Sdn Bhd	100.00	100.00	Investment holding
Federal Furniture Lifestyle Sdn Bhd	100.00	100.00	Interior design and furnishing of residential properties and trading of furniture and decorative items

Notes to the Financial Statements (cont'd)

8. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The Subsidiary Companies are as follows:- (cont'd)

Name of Company	Effective equity interest		Principal activities
	2009 %	2008 %	
* ^ Qingdao Federal Furniture Industries Co. Ltd.	100.00	100.00	Manufacturing and export of furniture
Held by Federal Furniture Industries Sdn Bhd :-			
Pathos Corporation Sdn Bhd	93.00	93.00	Dormant
Cathay Interior Design (M) Sdn Bhd	55.00	55.00	Renovation and interior design of offices and hotels including supply of furniture and fittings
Held by Federal Furniture (M) Sdn Bhd :-			
Avante Corporation Sdn Bhd	55.00	55.00	Dormant
Held by Avante Corporation Sdn Bhd :-			
+ Trac Marketing Incorporated	55.00	55.00	Dormant
Held by Federal Electric Company Sdn Bhd :-			
~ Myanmar Electric Distributor Ltd.	100.00	100.00	Dormant
* Subsidiary Companies not audited by GEP Associates			
^ The country of incorporation is People's Republic of China			
+ The country of incorporation is United States of America			
~ The country of incorporation is Union of Myanmar			

All other companies in the Group are incorporated in Malaysia except as otherwise disclosed.

9. OTHER INVESTMENTS

	GROUP	
	2009 RM	2008 RM
Unquoted shares, at cost	60,000	60,000
Less : Accumulated impairment losses	(60,000)	(60,000)
	—	—

Notes to the Financial Statements (cont'd)

10. DEFERRED TAX (ASSETS) / LIABILITIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	(3,573,569)	(5,070,476)	7,403	7,403
Recognised in income statement	211,486	1,496,907	–	–
At 31 December	(3,362,083)	(3,573,569)	7,403	7,403

Presented after appropriate offsetting as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Deferred tax assets	(4,277,534)	(4,818,886)	–	–
Deferred tax liabilities	915,451	1,245,317	7,403	7,403
	(3,362,083)	(3,573,569)	7,403	7,403

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

Deferred tax assets of the Group:-

	Unabsorbed capital allowances RM	Unutilised tax losses RM	Write down of inventories RM	Others RM	Total RM
At 1 January 2009	–	(3,158,511)	(1,137,742)	(522,633)	(4,818,886)
Recognised in income statement	–	308,244	–	233,108	541,352
At 31 December 2009	–	(2,850,267)	(1,137,742)	(289,525)	(4,277,534)
At 1 January 2008	(244,760)	(4,436,316)	(1,228,761)	(233,922)	(6,143,759)
Recognised in income statement	244,760	1,277,805	91,019	(288,711)	1,324,873
At 31 December 2008	–	(3,158,511)	(1,137,742)	(522,633)	(4,818,886)

Deferred tax liabilities of the Group:-

	Capital allowances RM
At 1 January 2009	1,245,317
Recognised in income statement	(329,866)
At 31 December 2009	915,451
At 1 January 2008	1,073,283
Recognised in income statement	172,034
At 31 December 2008	1,245,317

Notes to the Financial Statements (cont'd)

10. DEFERRED TAX (ASSETS) / LIABILITIES (cont'd)

Deferred tax liabilities of the Company:-

	Others RM
At 1 January 2009	7,403
Recognised in income statement	-
At 31 December 2009	7,403
At 1 January 2008	7,403
Recognised in income statement	-
At 31 December 2008	7,403

11. INVENTORIES

	GROUP	
	2009 RM	2008 RM
At cost		
Raw materials	1,363,879	1,862,140
Work-in-progress	896,168	932,545
Finished goods	438,981	589,443
	2,699,028	3,384,128
Net realisable value		
Finished goods	192,000	192,000
	2,891,028	3,576,128

12. TRADE RECEIVABLES

	GROUP	
	2009 RM	2008 RM
Trade receivables	5,071,064	15,569,633
Retention sum on contracts (Note 13)	16,747	16,747
	5,087,811	15,586,380
Less: Allowance for doubtful debts	(1,384,626)	(1,391,913)
	3,703,185	14,194,467

Notes to the Financial Statements (cont'd)

12. TRADE RECEIVABLES (cont'd)

Included in trade receivables of the Group are amounts due from companies in which certain Directors have interest amounting to NIL (2008 : RM2,484,984). The amounts due are unsecured, interest free and without any fixed term of repayment.

The Group's normal trade credit terms range from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors.

13. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	GROUP	
	2009 RM	2008 RM
Contract costs incurred to date	35,672,423	69,558,919
Attributable profits	5,612,906	11,942,507
Less: Provision for foreseeable losses	(1,161,250)	(1,161,250)
	40,124,079	80,340,176
Less: Progress billings	(36,920,703)	(80,037,887)
	3,203,376	302,289
Amounts due from contract customers	3,411,292	2,440,926
Amounts due to contract customers	(207,916)	(2,138,637)
	3,203,376	302,289
Retention sum on contracts, included under trade receivables (Note 12)	16,747	16,747

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Other receivables	4,950,790	9,578,847	3,225,806	3,539,309
Deposits	357,025	476,983	30,247	30,247
Prepayments	86,781	268,513	2,846	10,550
	5,394,596	10,324,343	3,258,899	3,580,106
Less: Allowance for doubtful debts	(3,589,262)	(3,531,125)	(2,972,675)	(2,972,675)
	1,805,334	6,793,218	286,224	607,431

Included in other receivables of the Group are amounts due from companies in which certain Directors have interest amounting to RM1,002,352 (2008 : RM5,004,203).

The amount of RM1,002,352 is due from a Directors' related company, Masteron Sdn Bhd. The amount due is unsecured, interest free and without any fixed term of repayment.

Notes to the Financial Statements (cont'd)

15. AMOUNTS DUE FROM / (TO) SUBSIDIARY COMPANIES

Amount due from Subsidiary Companies

	COMPANY	
	2009 RM	2008 RM
Unsecured, interest-free advances	70,168,984	71,268,427
Less : Allowance for doubtful debts	(17,446,618)	(17,446,618)
	52,722,366	53,821,809

The amounts due from Subsidiary Companies are unsecured and without any fixed term of repayment.

Amount due to Subsidiary Companies

The amounts due to Subsidiary Companies are unsecured, interest free and without any fixed term of repayment.

16. MARKETABLE SECURITIES

	GROUP	
	2009 RM	2008 RM
Quoted shares on conversion of quoted Irredeemable Convertible Unsecured Loan Stock (ICULS), at market value	55,931	23,276

17. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	3,303,735	2,549,085	20,111	36,409
Less: Bank overdraft (Note 22)	(186,115)	(194,522)	-	-
Cash and cash equivalents	3,117,620	2,354,563	20,111	36,409

18. SHARE CAPITAL

	GROUP AND COMPANY			
	2009 Number of shares	2009 Nominal value RM	2008 Number of shares	2008 Nominal value RM
Authorised :- Ordinary shares of RM0.50 each	200,000,000	100,000,000	200,000,000	100,000,000

Notes to the Financial Statements (cont'd)



18. SHARE CAPITAL (cont'd)

	GROUP AND COMPANY			
	2009			2008
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Issued and fully paid :-				
Ordinary shares of RM0.50 each	82,695,900	41,347,950	82,695,900	41,347,950

19. SHARE PREMIUM

	GROUP AND COMPANY	
	2009 RM	2008 RM
At 1 January / 31 December	3,440,941	3,440,941

20. RESERVES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
NON-DISTRIBUTABLE RESERVE				
Foreign exchange reserve				
At 1 January	15,530	19,578	-	-
Foreign currency translation	-	(4,048)	-	-
At 31 December	15,530	15,530	-	-
Revaluation reserve				
At 1 January / 31 December	211,100	211,100	-	-
DISTRIBUTABLE RESERVE				
Accumulated losses	(26,148,512)	(26,530,026)	(24,635,493)	(23,907,216)
	(25,921,882)	(26,303,396)	(24,635,493)	(23,907,216)

a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

Notes to the Financial Statements (cont'd)

20. RESERVES (cont'd)

b) Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold and leasehold land and building above their cost.

21. MINORITY INTERESTS

GROUP

This consists of share capital and the proportion of reserves attributable to minority shareholders in Subsidiary Companies.

22. BORROWINGS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term borrowings				
Secured				
Bankers' acceptances (Note 22.1)	200,000	1,524,000	–	–
Term loans (Note 22.2)	–	383,721	–	–
Hire purchase payables (Note 22.3)	30,318	38,991	17,292	17,292
Unsecured				
Bank overdrafts (Note 22.4)	186,115	194,522	–	–
Bankers' acceptances (Note 22.1)	1,507,000	2,778,000	–	–
Revolving credits (Note 22.1)	470,000	500,000	–	–
	2,393,433	5,419,234	17,292	17,292
Long-term borrowings				
Secured				
Hire purchase payables (Note 22.3)	102,597	132,914	24,459	41,748

22.1 Bankers' acceptance and revolving credit

The bank overdraft, bankers' acceptance and revolving credit facilities of the Group are secured by a combination of the following:-

- corporate guarantees and indemnity from the Company;
- a legal charge over properties of certain Subsidiary Companies; and
- a negative pledge on certain Subsidiary Companies' assets.

The bankers' acceptance and revolving credit facilities incur weighted average effective interest rates at 5.12% (2008 : 5.12%) and 5.53% (2008 : 5.53%) per annum respectively.

22. BORROWINGS (cont'd)

22.2 Term loans

	GROUP	
	2009 RM	2008 RM
Repayable within twelve months	–	383,721

The term loans of the Group are secured by way of:-

- a legal charge over properties of certain Subsidiary Companies;
- personal guarantee by certain Directors on certain of the term loans amounting to RM180,000 (2008 : RM180,000);
- a negative pledge on certain Subsidiary Companies' assets.

Term loan facilities incur weighted average effective interest at 8.50% (2008 : 8.25%) per annum.

The maturity structure of the term loans are as follows:-

	GROUP	
	2009 RM	2008 RM
Amount repayable :-		
Within one year	–	383,721

22.3 Hire purchase payables

The amounts owing to hire purchase creditors of the Group and of the Company are repayable as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Minimum hire purchase payments :-				
- not later than one year	39,060	50,541	20,232	20,232
- later than one year but not later than five years	103,932	119,583	28,620	48,851
- later than five years	15,647	39,060	–	–
	158,639	209,184	48,852	69,083
Future finance charges	(25,724)	(37,279)	(7,101)	(10,043)
Present value of hire purchase payables	132,915	171,905	41,751	59,040

Notes to the Financial Statements (cont'd)

22. BORROWINGS (cont'd)

22.3 Hire purchase payables (cont'd)

The amounts owing to hire purchase creditors of the Group and of the Company are repayable as follows:- (cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Present value of hire purchase payments :-				
- not later than one year	30,318	38,991	17,292	17,292
- later than one year but not later than five years	87,362	100,336	24,459	41,748
- later than five years	15,235	32,578	–	–
	132,915	171,905	41,751	59,040
Less : Amount repayable within one year	(30,318)	(38,991)	(17,292)	(17,292)
Amount repayable after one year	102,597	132,914	24,459	41,748

Hire purchase facilities incur weighted average effective interest at between 3.64% to 4.56% (2008 : 3.25% to 5.90%) per annum.

The maturity structure of the hire purchase facilities are as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Amount repayable :-				
Within one year	30,318	38,991	17,292	17,292
After one year but within two years	31,398	30,318	17,292	17,292
After two years but within three years	22,355	31,398	7,167	17,292
After three years but within four years	16,265	22,355	–	7,164
After four years but within five years	17,344	16,265	–	–
Later than 5 years	15,235	32,578	–	–
	132,915	171,905	41,751	59,040

22.4 Bank overdrafts

Bank overdraft facilities incur weighted average effective interest at 9.00% (2008 : 9.00%) per annum for the Group. The securities for bank overdraft are as disclosed in Note 22.1 to the financial statements.

23. REDEEMABLE SECURED LOAN STOCK ("RSLs")

On 30 April 2007, the Company issued 1,900,000 zero coupon five (5)-year Redeemable Secured Loan Stock at a nominal amount of RM1-00 each pursuant to the Restructuring Scheme. The terms of the RSLs are as follows:-

a) Redeemability

The RSLs and the interest accrued shall be redeemed through the sale of the properties secured.

23. REDEEMABLE SECURED LOAN STOCK ("RSL") (cont'd)**b) Security**

Southern Investment Bank Berhad ("SIBB") shall have a third party legal charge over each of the said properties secured which consists of 4 vacant parcels of industrial land held under Geran Nos 32885 to 32888 for Lots 8421 to 8424, all in Mukim of Kapar, District of Klang, Negeri Selangor Darul Ehsan.

c) Coupon rate

RSL shall bear coupon rates at the effective interest yield of 6.4% p.a., until redemption of the RSL or at the end of the 5th year, whichever is the earlier.

d) Transferability

RSL are not transferable.

e) Others

Any changes to the terms and conditions of the RSL would require the Securities Commission's approval.

24. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 days to 120 days.

25. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables	2,557,984	10,124,991	5,277,854	6,143,132
Deposits	454,178	481,868	4,200	4,200
Accruals :				
- interest	323,489	502,616	323,489	502,616
- others	1,867,796	2,949,641	161,965	216,169
	5,203,447	14,059,116	5,767,508	6,866,117

Included in other payables of the Group and the Company are:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Amount due to companies in which certain Directors have interest	–	5,962,001	3,975,383	3,660,341
Amount due to Directors	817,658	865,512	483,085	464,692
	817,658	6,827,513	4,458,468	4,125,033

The amounts due are unsecured, interest free and without any fixed term of repayment.

Notes to the Financial Statements (cont'd)

26. REVENUE

	GROUP	
	2009 RM	2008 RM
Revenue is categorised as follows:-		
Revenue from contract works	24,490,768	26,777,877
Sale of goods	11,921,345	26,887,861
	36,412,113	53,665,738

27. PROFIT / (LOSS) FROM OPERATIONS

Profit / (Loss) from operations is arrived at after charging:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Allowance for doubtful debts	59,323	310,596	–	4,817,587
Amortisation of prepaid land lease payment	25,325	25,325	–	–
Auditors' remuneration				
- statutory audit	50,000	74,600	13,000	18,500
- other services	7,000	6,500	7,000	6,500
- underprovision in prior year	21,400	–	10,500	–
Bad debts written off	10,372	23,311	–	23,311
Changes in value of marketable securities	–	25,360	–	–
Depreciation	1,153,226	1,106,497	42,224	45,900
Loss in burglary	1,467	–	–	–
Loss on disposal of property, plant and equipment	1,435	–	–	–
Property, plant and equipment written off	–	4,913	–	–
Provision for impairment loss of:				
- subsidiaries	–	–	–	7,441,936
- other investment	–	60,000	–	60,000
Realised foreign exchange loss	2,292	27,129	–	–
Rental :				
- office	270,464	269,544	193,536	193,536
- factory	66,000	64,000	–	–
- showroom	89,600	148,600	–	–
and crediting:-				
Bad debts recovered	–	133,500	–	–
Compensation fee	828,742	–	–	–
Dividend income	1,042	–	–	–
Gain on foreign exchange				
- realised	127,582	324,150	–	–
- unrealised	11,719	42,813	–	–
Gain on disposal of property, plant and equipment	–	868	–	–
Changes in value of marketable securities	32,655	–	–	–
Interest income	1,097	–	–	–
Management fees	–	–	1,640,535	1,633,798
Rental income	16,486	38,200	–	–
Reversal of allowance for doubtful debts	8,473	–	–	–
Sundry income	13,622	–	–	–
Writeback of provision no longer required	75,816	34,439	75,816	34,439

28. STAFF COSTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Wages and salaries	4,888,369	5,690,590	418,040	375,326
SOCSO	51,106	55,836	3,050	3,975
EPF	546,913	607,998	47,016	50,653
Other staff related expenses	713,878	1,491,952	13,555	3,760
	6,200,266	7,846,376	481,661	433,714

29. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Executive Directors				
- Salaries and other emoluments	875,520	966,900	875,520	966,900
- Fees	54,000	54,000	54,000	54,000
- Benefits-in-kind	-	10,500	-	10,500
	929,520	1,031,400	929,520	1,031,400
Non-Executive Directors				
- Salaries and other emoluments	216,240	232,340	216,240	232,340
- Fees	61,000	54,000	61,000	54,000
	277,240	286,340	277,240	286,340
Total	1,206,760	1,317,740	1,206,760	1,317,740
Analysis excluding benefits-in-kind:-				
Total executive Directors' remuneration	929,520	1,020,900	929,520	1,020,900
Total non-executive Directors' remuneration	277,240	286,340	277,240	286,340
Total Directors' remuneration	1,206,760	1,307,240	1,206,760	1,307,240

Notes to the Financial Statements (cont'd)

29. DIRECTORS' REMUNERATION (cont'd)

The number of Directors of the Group whose total remuneration are analysed into the bands of RM50,000 is as follows:-

	Number of Directors	
	2009	2008
<u>Executive Directors</u>		
Less than RM100,000	–	–
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	–	–
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	1	1
RM300,001 - RM350,000	1	1
	3	3
<u>Non-executive Directors</u>		
Less than RM50,000	2	2
RM200,001 - RM250,000	1	1
	3	3
Total	6	6

30. FINANCE COSTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest expense	261,302	884,510	131,215	179,132

31. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Income tax:-				
Current year's provision	81,043	14,455	–	–
Overprovision in prior year	(153)	(66,173)	–	(66,471)
	80,890	(51,718)	–	(66,471)

Notes to the Financial Statements (cont'd)

31. INCOME TAX EXPENSE (cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Deferred tax:-				
(Over) / Underprovision in prior year	(15,730)	437,485	-	-
Relating to origination of temporary differences	227,216	1,059,422	-	-
	211,486	1,496,907	-	-
	292,376	1,445,189	-	(66,471)

A reconciliation of income tax expense applicable to profit / (loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit / (Loss) before taxation	761,619	2,528,034	(728,277)	(13,183,001)
Taxation at Malaysian statutory tax rate:-				
- at 25% (2008 : 26%)	192,343	658,963	(182,069)	(3,427,580)
Taxation at foreign tax rate	(1,745)	(1,674)	-	-
Expenses not deductible for tax purposes	133,464	239,477	69,191	2,001,831
Income not subject to tax	(207,185)	-	-	-
Effect of different in tax rate	-	(1,065)	-	-
Deferred tax assets not recognised during the year	191,382	178,176	112,878	1,425,749
Overprovision of taxation in prior year	(153)	(66,173)	-	(66,471)
(Over) / Underprovision of deferred tax in prior year	(15,730)	437,485	-	-
	292,376	1,445,189	-	(66,471)

Tax savings recognised during the year arising from:-

	GROUP	
	2009 RM	2008 RM
Utilisation of tax losses brought forward from previous years	392,487	997,500
Utilisation of current year capital allowances	75,396	244,401

Notes to the Financial Statements (cont'd)

31. INCOME TAX EXPENSE (cont'd)

Subject to the agreement by the Inland Revenue Board, the unutilised tax losses and unabsorbed capital allowances available for utilisation against future taxable profits are approximated to be as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Unutilised tax losses	33,321,532	34,162,540	3,838,550	3,387,030
Unabsorbed capital allowances	272,740	240,210	25,580	18,180

32. EARNINGS PER SHARE

a) Basic earnings per share

The basic earnings per share is calculated by dividing the Group's net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2009 RM	2008 RM
Net profit attributable to shareholders (RM)	381,514	1,077,994
Weighted average number of ordinary shares in issue	82,695,900	82,695,900
Basic earnings per share (sen)	0-46	1-30

b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects dilutive of potential ordinary shares of all outstanding warrants issued by the Company during the year.

	GROUP	
	2009 RM	2008 RM
Net profit attributable to shareholders (RM)	381,514	1,077,994
Weighted average number of ordinary shares in issue	114,267,328	114,267,328
Diluted earnings per share (sen)	0-33	0-94



33. WARRANTS

On 30 March 2007, the Company issued 31,571,428 warrants pursuant to the Company's Rights Issue. The terms of the warrants are as follows:-

a) Exercise rights

Subject to the terms of the Deed Poll, each Warrant will entitle its registered holder to subscribe for one (1) new ordinary share at the exercise price (as defined below).

b) Exercise price

The Warrant is fixed at RM0.50 based on the par value of the ordinary shares, subject to adjustments in accordance with the provisions of the Deed Poll.

c) Exercise period

The period commencing on and including the day of issuance of the warrants and expiring on the tenth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

d) Transferability

The warrants will be transferable in any manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of the Bursa Depository.

e) Ranking

The 31,571,428 new ordinary shares to be issued pursuant to the exercise of the warrants will, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividends, that may be declared prior to the date of allotment and issue of new ordinary shares, nor shall it be entitled to any distributions or entitlements where the record date is prior to the date of exercise of warrants.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has entered into several tenancy agreements for the rental of office, factory and showroom space, resulting in future rental commitments which may, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

The Group also leases various premises under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:-

	GROUP	
	2009 RM	2008 RM
Future minimum rental payments:-		
Not later than one year	19,328	-
Later than one year and not later than five years	19,328	-
	38,656	-

Notes to the Financial Statements (cont'd)

34. OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of one (1) year. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:-

	GROUP	
	2009 RM	2008 RM
Not later than one year	9,600	–
	9,600	–

35. CONTINGENT LIABILITIES

	GROUP	
	2009 RM	2008 RM
Unsecured		
Corporate guarantees given to financial institutions for credit facilities granted to Subsidiary Companies	2,363,115	5,308,243

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:-

<u>Related parties</u>	<u>Relationship</u>
Cipta Sentosa Sdn Bhd	Company connected to Directors of the Company
Masteron Sdn Bhd	Company connected to Directors of the Company



36. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
a) Rental payables to:- - Cipta Sentosa Sdn Bhd	193,536	193,536	193,536	193,536
b) Management fee received from:- - Subsidiary Companies	–	–	1,640,535	1,633,798
c) Compensation of key management personnel:- - Directors' remuneration	929,520	1,020,900	929,520	1,020,900
- Short-term employee benefits (Remuneration of Directors and other members of key management)	1,223,028	1,314,408	929,520	1,020,900

37. SEGMENT INFORMATION

a) Business Segments

The Group is organised into three major business segments:-

- i) Manufacturing and trading of furniture;
- ii) Renovation and interior design; and
- iii) Investment holding.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. Inter-segment pricing is determined based on terms mutually agreed between the respective companies.

Notes to the Financial Statements (cont'd)

37. SEGMENT INFORMATION (cont'd)

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Others RM	Elimination RM	Consolidated RM
As at 31 December 2009						
Revenue						
External sales	11,921,345	24,490,768	–	–	–	36,412,113
Inter-segment sales	6,386,257	–	–	–	(6,386,257)	–
Total revenue	18,307,602	24,490,768	–	–	(6,386,257)	36,412,113
Results						
Segment results	922,060	1,606,150	(2,243,530)	738,241	–	1,022,921
Finance costs	(26,738)	(103,349)	(131,215)	–	–	(261,302)
Income tax expense	(60,000)	(226,333)	–	(6,043)	–	(292,376)
Profit / (Loss) after taxation	835,322	1,276,468	(2,374,745)	732,198	–	469,243
Minority interests	–	(87,729)	–	–	–	(87,729)
Net profit / (loss) for the year	835,322	1,188,739	(2,374,745)	732,198	–	381,514
Assets						
Segment assets	25,853,337	7,950,781	341,296	506	–	34,145,920
Liabilities						
Segment liabilities	2,815,168	8,065,477	3,888,975	57,749	–	14,827,369
Other information						
Depreciation and amortisation	(1,005,960)	(130,367)	(42,224)	–	–	(1,178,551)

Notes to the Financial Statements (cont'd)

37. SEGMENT INFORMATION (cont'd)

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Others RM	Elimination RM	Consolidated RM
As at 31 December 2008						
Revenue						
External sales	26,887,862	26,777,876	–	–	–	53,665,738
Inter-segment sales	17,366,384	43,456	–	–	(17,409,840)	–
Total revenue	44,254,246	26,821,332	–	–	(17,409,840)	53,665,738
Results						
Segment results	5,831,990	79,421	(14,778,724)	20,334	12,259,523	3,412,544
Finance costs	(397,284)	(308,094)	(179,132)	–	–	(884,510)
Income tax expense	(1,357,792)	(152,831)	66,471	(1,037)	–	(1,445,189)
Profit / (Loss) after taxation	4,076,914	(381,504)	(14,891,385)	19,297	12,259,523	1,082,845
Minority interests	–	(4,851)	–	–	–	(4,851)
Net profit / (loss) for the year	4,076,914	(386,355)	(14,891,385)	19,297	12,259,523	1,077,994
Assets						
Segment assets	51,314,912	26,878,770	126,120,202	38,748,600	(193,004,206)	50,058,278
Liabilities						
Segment liabilities	65,632,201	31,176,401	69,936,394	63,401,743	(198,937,769)	31,208,970
Other information						
Depreciation and amortisation	(955,922)	(130,000)	(45,900)	–	–	(1,131,822)



Notes to the Financial Statements (cont'd)

37. SEGMENT INFORMATION (cont'd)

b) Geographical Segments

No geographical segment is presented as the Group operates principally in Malaysia.

38. FINANCIAL INSTRUMENTS

a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, credit, foreign exchange, liquidity and market risks. The Group operates within clearly defined guidelines that are approved by the Board.

i) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing financial instruments.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates on financial assets and liabilities are disclosed in their respective notes. As at 31 December 2009, the Group has not entered into any hedging instruments arrangement to minimise its exposure to interest rate volatility.

ii) Credit risk

Credit risk, or the risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

iii) Foreign exchange risk

The Group's export business is exposed to foreign exchange risk arising from various currencies. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

38. FINANCIAL INSTRUMENTS (cont'd)

a) Financial risk management objectives and policies (cont'd)

iv) Liquidity risk

The Group actively manages its debt maturity portfolio, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash convertible investment to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall costs effectiveness.

v) Market risk

The Group has in place policies to manage its exposure to fluctuation in the prices of the key raw materials used in the operations through close monitoring and buying ahead in anticipating of significant price increase, where possible.

b) Fair values

It is not practical to estimate the fair value of the Group's investment in unquoted shares because of the non-availability of a market price and the inability to estimate fair value without incurring excessive costs.

It is not practical to estimate the fair values of the amounts due from / (to) Subsidiary Companies, principally due to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:-

i) Cash and cash equivalents, trade and other receivables / payables and short-term borrowings

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

ii) Hire purchase loans

The carrying amounts of hire purchase loans approximate their fair values.

iii) Borrowings

The fair values of borrowings are estimated using discounted cash flow analysis, based on the current interest rates for similar types of borrowing arrangements.

The carrying amounts of long term borrowings approximate their fair values.

Shareholders' Statistics

As at 5 May 2010

Class of Shares : Ordinary
 Nominal Value : RM0.50 per Ordinary Share
 Voting Rights : 1 vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	13	0.51	261	0.00
100 - 1,000	1,082	42.10	974,286	1.18
1,001 - 10,000	1,155	44.94	4,469,273	5.40
10,001 - 100,000	265	10.31	9,556,600	11.56
100,001 to less than 5% of issued shares	50	1.95	32,267,791	39.02
5% and above of issued shares	5	0.19	35,427,689	42.84
Total	2,570	100.00	82,695,900	100.00

SUBSTANTIAL SHAREHOLDERS

	Ordinary Shares of RM0.50 Each Held			
	Direct	%	Indirect	%
Dato' Dr. Choy Fook On	6,042,120	7.31	12,408,140*#	15.00
Datin Tan Geok Foong	4,476,120	5.41	12,408,140*#	15.00
Choy Fook On & Son Realty Sdn. Bhd.	11,047,340	13.36	—	—
Choy Wai Hin	3,004,800	3.63	11,047,340*	13.36
Choy Wai Ceong	2,500,800	3.02	11,047,340*	13.36

* Deemed interested by virtue of his/her interest of more than 15% of the total voting shares in Choy Fook On & Sons Realty Sdn Bhd.

Deemed interested by virtue of his/her child's interest in shares of the Company

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,047,340	13.36
2	CIMB BANK BERHAD	10,356,255	12.52
3	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD <i>BANK ISLAM MALAYSIA BERHAD</i>	5,231,567	6.33
4	DATIN TAN GEOK FOONG	4,476,120	5.41
5	ABB NOMINEE (TEMPATAN) SDN BHD <i>AFFIN BANK BERHAD (LOAN RECOVERY)</i>	4,316,407	5.22
6	MEGA GOLD HARVEST SDN BHD	2,845,000	3.44
7	ABB NOMINEE (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR DATO' DR. CHOY FOOK ON</i>	2,022,407	2.45
8	DATO' DR. CHOY FOOK ON	1,998,400	2.42
9	CHOY WAI HIN	1,752,800	2.12

Shareholders' Statistics (cont'd)
As at 5 May 2010

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (cont'd)

No.	Name	No. of Shares	%
10	CHOY WAI CEONG	1,458,800	1.76
11	HSBC NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR DATO' DR. CHOY FOOK ON</i>	1,400,000	1.69
12	TAN HAN CHUAN	1,348,320	1.63
13	NG CHWEE PHO	1,343,950	1.63
14	CHOY SOOK KUEN	1,262,400	1.53
15	ABB NOMINEE (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR CHOY WAI HIN</i>	1,252,000	1.51
16	YEOH SOO KENG	1,052,800	1.27
17	LEOW HONG YEN	1,050,000	1.27
18	ABB NOMINEE (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR CHOY WAI CEONG</i>	1,042,000	1.26
19	CIMB NOMINEES (TEMPATAN) SDN BHD <i>CIMB INVESTMENT BANK BERHAD</i>	1,031,070	1.25
20	MIDF AMANAH INVESTMENT BANK BERHAD <i>IVT FOR MIDF AMANAH INVESTMENT BANK BERHAD (ACCOUNT 4)</i>	1,003,776	1.21
21	LIEW SOON HIN	926,500	1.12
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR MALAYAN BANKING BERHAD (GRM-230592)</i>	794,535	0.96
23	NG CHWEE PHO	733,700	0.89
24	DATO' DR. CHOY FOOK ON	621,313	0.75
25	YEOH CHEW KIAT	604,000	0.73
26	MINISTER OF FINANCE <i>AKAUN JAMINAN PINJAMAN KERAJAAN PERSEKUTUAN</i>	600,000	0.73
27	TAN KIM KUAN	470,700	0.57
28	FARM SEEN CHONG	401,000	0.48
29	TEH WING KEE	366,900	0.44
30	TEY GHEE KIAN	350,000	0.42
TOTAL		63,160,060	76.38

DIRECTORS' SHAREHOLDINGS

No.	Directors	Ordinary Shares of RM0.50 Each Held			
		Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	6,042,120	7.31	12,408,140 *#	15.00
2.	Choy Wai Hin	3,004,800	3.63	11,047,340 *	13.36
3.	Datin Tan Geok Foong	4,476,120	5.41	12,408,140 *#	15.00
4.	Choy Wai Ceong	2,500,800	3.02	11,047,340 *	13.36
5.	Haji Hussein bin Hamzah	—	—	—	—
6.	Haji Md Abdul Wahab bin Md Shahir <i>(Resigned on 1 Sept 2009)</i>	—	—	—	—
7.	Mohd. Arif bin Mastol <i>(Appointed on 30 Jan 2010)</i>	—	—	—	—

* Deemed interested by virtue of his/her interest of more than 15% of the total voting shares in Choy Fook On & Sons Realty Sdn Bhd.

Deemed interested by virtue of his/her child's interest in shares of the Company

Warrantholders' Statistics

As at 5 May 2010

ANALYSIS BY SIZE OF WARRANTHOLDINGS

Category	No. of Holders	%	No. of Warrants	%
Less than 100	5	2.03	279	0.00
100 - 1,000	55	22.36	9,536	0.03
1,001 - 10,000	117	47.56	497,494	1.58
10,001 - 100,000	54	21.95	1,728,693	5.47
100,001 to less than 5% of issued warrants	8	3.25	4,937,220	15.64
5% and above of issued warrants	7	2.85	24,398,206	77.28
Total	246	100.00	31,571,428	100.00

THIRTY (30) LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,277,986	35.72
2	DATIN TAN GEOK FOONG	3,170,585	10.04
3	DATO' DR. CHOY FOOK ON	2,407,200	7.62
4	CHOY WAI HIN	2,128,400	6.74
5	CHOY FOOK ON	1,872,635	5.93
6	CHOY WAI CEONG	1,771,400	5.61
7	NG CHWEE PHO	1,770,000	5.61
8	YEOH SOO KENG	1,251,686	3.96
9	LIEW SOON HIN	1,171,200	3.71
10	TAN HAN CHUAN	955,060	3.03
11	CHOY SOOK KUEN	894,200	2.83
12	WONG YEE LING	247,000	0.78
13	PHANG KWONG YEN & RAYMOND	187,014	0.59
14	BONG HON LIONG	124,300	0.39
15	POO CHOO & ONG POO CHOI	106,760	0.34
16	MUHAMMAD SHAFIQ BALJIT BIN ABDULLAH	85,000	0.27
17	YEO LEE HWA	83,700	0.27
18	SUNITA SUBASHINI G.P.ZECHARIAH	70,000	0.22
19	CHOY SOOK KUEN	69,700	0.22
20	NG CHWEE PHO	65,500	0.21
21	NG SUET MEI	60,000	0.19
22	CHEAH KOK WENG	60,000	0.19
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN CHENG GUAN</i>	56,700	0.18
24	CHEW TECK LEONG	55,000	0.17
25	TOH CHEW HENG	50,000	0.16
26	PONG PEI CHING	50,000	0.16
27	TAN KIM KHUAT	47,300	0.15
28	HDM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LING TUNG MING (M05)</i>	46,914	0.15
29	FOO FONG MAN @ FOO CHEE CHEE	43,600	0.14
30	TEOH CHOON HUAT	40,000	0.13
	TOTAL	30,218,840	95.72

Warrantheolders' Statistics (cont'd)
As at 5 May 2010

DIRECTORS' WARRANTHOLDINGS

No.	Directors	No. of Warrants			
		Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	4,279,835	13.56	12,241,886 *#	38.78
2.	Choy Wai Hin	2,128,400	6.74	11,277,986 *	35.72
3.	Datin Tan Geok Foong	3,170,585	10.04	12,241,886 *#	38.78
4.	Choy Wai Ceong	1,771,400	5.61	11,277,986 *	35.72
5.	Haji Hussein bin Hamzah	–	–	–	–
6.	Haji Md Abdul Wahab bin Md Shahir (Resigned on 1 Sept 2009)	–	–	–	–
7.	Mohd. Arif bin Mastol (Appointed on 30 Jan 2010)	–	–	–	–

* Deemed interested by virtue of his/her interest of more than 15% of the total voting shares in Choy Fook On & Sons Realty Sdn Bhd.

Deemed interested by virtue of his/her child's interest in shares of the Company

List of Properties

The properties of the FFHB Group as at the date of this report are as follows:-

LOCATION	TENURE	AREA	DESCRIPTION	APPROXIMATE AGE OF BUILDINGS	NET BOOK VALUE (31.12.2008) RM
Lot 104 Jalan Satu Tapak Perusahaan Kompleks Perabot Olak Lempit, Banting Selangor Darul Ehsan*	99 years' lease expiring in 2087	217,800	Factory	17 years	10,446,626
Lot 8421 - 8424 Mukim Kapar District of Klang Selangor Darul Ehsan*	Freehold	58,328	Industrial land vacant	N/A	2,000,000
Unit 035038, Block H 35-3A, Jalan PJU 1/3F Masalam Commercial Centre Shah Alam**	Freehold	808	Three storey office and shop	7 years	64,000

* All the above properties were revalued on 10 April 2009.

** Acquired on 31 July 2000.



NO. OF SHARES

I/We, _____
of _____
being a member/members of the abovenamed Company, hereby appoint _____

_____ of _____
or failing him/her _____

of _____ or failing him/her _____
* the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 3.00 p.m. and at any adjournment thereof.

* Delete the words "or failing him/her, the Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

My/Our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS		FOR	AGAINST
Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon.		
Resolution 2	To approve the payment of Directors' fees for the financial year ended 31 December 2009.		
Resolution 3	To re-appoint Dato' Dr. Choy Fook On who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 4	To re-elect Mr. Choy Wai Hin, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 5	To re-elect Encik Mohd. Arif Bin Mastol, a director who retires pursuant to Article 103 of the Company's Articles of Association.		
Resolution 6	To re-appoint GEP Associates, as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
As Special Business			
Resolution 7	Ordinary Resolution – Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 8	Special Resolution - Proposed amendment to the Articles of Association of the Company.		

(Please indicate with an 'X' in the appropriate spaces how you wish to cast your vote. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.)

Dated this _____ day of _____ 2010

Signature/Seal

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies (who may but need not be a member(s) of the Company) to attend and vote in his stead. A member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. If a member appoints two (2) or more proxies, appointments shall be invalid unless he states the percentage of his holdings to be represented by each proxy.
3. The Proxy Form duly completed, must be deposited at the Registered Office of the Company at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. In case of a corporation, the Proxy Form must either be executed under common seal or signed by a duly authorised officer or attorney.
5. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.

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POSTAGE

THE SECRETARY
FEDERAL FURNITURE HOLDINGS (M) BERHAD
Level P1, Menara Choy Fook On,
No. 1B, Jalan Yong Shook Lin,
46050 Petaling Jaya, Selangor Darul Ehsan.

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