FEDERAL FURNITURE HOLDINGS (M) BHD

(Incorporated in Malaysia) Company No.: 97092-W

2011
ANNUAL REPORT

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth 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 Friday, 29 June 2012 at 3.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. **Please refer to Explanatory Note (1)**

2. To approve Directors' fees for the financial year ended 31 December 2011. **RESOLUTION 1**

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

   "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." **RESOLUTION 2**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Datin Tan Geok Foong 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." **RESOLUTION 3**

5. To re-elect Encik Mohd Arif Bin Mastol 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**

6. To re-elect Dato' Vijayasundram Jeyabalan who shall retire in accordance with Article 103 of the Company's Articles of Association. **RESOLUTION 5**

7. To appoint Auditors and to authorise the Directors to fix their remuneration.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed on page 5 has been received by the Company for the nomination of Baker Tilly Monteiro Heng, who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "That Baker Tilly Monteiro Heng be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, GEP Associates, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors." **RESOLUTION 6**

8. **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

"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." **RESOLUTION 7**

9. 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 2012

Explanatory Notes to Special Business:-

1. **Item 1 of the Agenda**

   The Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **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.

   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-Eighth Annual General Meeting held on 29 June 2011 and which will lapse at the conclusion of the Twenty-Ninth Annual General Meeting.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instruments appointing a proxy must be deposited at the registered office, 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 for holding the meeting or at any adjournment thereof.

CHOY FOOK ON & SONS REALTY SDN BHD (103930-K)

Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, Section 7,
46050 Petaling Jaya, Selangor Darul Ehsan
Tel: (603) 79559937 Fax: (603) 79562812

14 May 2012

The Board of Directors
Federal Furniture Holdings (M) Bhd.
Level P1, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin
Section 7, 46050 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

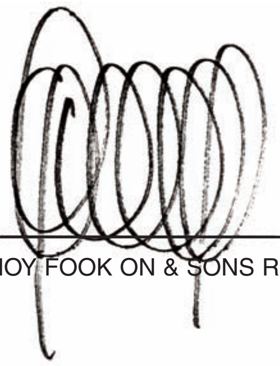
NOTICE OF NOMINATION OF AUDITORS

We, the undersigned, being a registered holder of 11,047,340 ordinary shares of RM1/- each fully paid-up in the capital of the Company, hereby nominate pursuant to Section 172 (11) of the Companies Act, 1965 Baker Tilly Monteiro Heng for appointment as new Auditors of the Company in place of GEP Associates at the forthcoming Annual General Meeting.

Therefore, we propose that the following resolution be considered at the forthcoming Annual General Meeting:-

"That Baker Tilly Monteiro Heng be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, GEP Associates, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully



CHOY FOOK ON & SONS REALTY SDN BHD

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
Dato' Vijayasundram Jeyabalan	– 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
Malayan Banking Berhad

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

STOCK EXCHANGE
Bursa Malaysia Securities Berhad – Main Market

1. MEMBERSHIP

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

	Name	Position
(a)	Mohd. Arif Bin Mastol * #	Chairman
(b)	Haji Hussein bin Hamzah *	Member
(c)	Dato' Dr Choy Fook On **	Member

* 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.

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 and the head of internal audit are called to regularly attend the meetings while a representative of the external auditors will attend the meetings at least once a year. 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 four (4) meetings in the financial year ended 31 December 2011. 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:-

Mohd. Arif Bin Mastol (Chairman)	4/4
Haji Hussein bin Hamzah (Member)	4/4
Dato' Dr. Choy Fook On (Member)	3/4

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

6. INSTANTANEOUS TELECOMMUNICATION DEVICE (cont'd)

(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).

10. AUTHORITY (cont'd)

(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;

(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.
- 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 (1982) Sdn Bhd	Policy
Cathay Interior Design Sdn Bhd	Procurement

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 to enhance 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, four 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 2011, 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	4/4
Datin Tan Geok Foong	4/4
Choy Wai Ceong	2/4
Haji Hussein Bin Hamzah	4/4
Mohd. Arif Bin Mastol	4/4
Dato' Vijayasundram Jeyabalan (Appointed w.e.f. 3 January 2012)	0/0

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.

A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

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 2011 are as follows:-

1. Haji Hussein Bin Hamzah (Chairman, Independent Non-Executive Director)
2. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)
3. Mohd. Arif Bin Mastol (Member, Independent Non-Executive Director)

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 2011 are as follows:

1. Haji Hussein Bin Hamzah (Chairman, Independent Non-Executive Director)
2. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)
3. Mohd. Arif Bin Mastol (Member, Independent Non-Executive Director)

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.

Details of Directors' remuneration for the financial year ended 31 December 2011 are as follows:

	Executive RM	**Non-Executive RM**
Fees	54,000	72,600
Salaries and other emoluments	246,400	51,000

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	4
RM50,001 – RM100,000	2

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.

A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

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.

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.

The Board has appointed Haji Hussein Bin Hamzah to be the independent non-executive director to whom concerns may be conveyed by shareholders and the general public.

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 17 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 assess 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 (IASC)
- 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

C. OTHER INFORMATION.

Options, warrants or Convertible Securities

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

Depository Receipt Programme

The Company did not sponsor any depository receipt 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 24 Profit/(Loss) from Operations of the Notes to the Financial Statements on page 76 of the Annual Report, there were no non-audit fees paid to external auditors for the financial year ended 31 December 2011.

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 33 Significant Related Party Transactions of the Notes to the Financial Statements on page 82 and 83 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 3.3 Property, Plant and Equipment of the Notes to the Financial Statements on page 49 of the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

During the financial year ended 31 December 2011, 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. 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 the above, the Company has during the year reaches out to The Salvation Army's various homes in Ipoh, Perak. In addition to giving donations of needed consumables, the Company has also donated furniture and fittings that are very much needed by the homes. The Company believes in contributing back to the society in the area of our expertise.

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.

- 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 75, 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 Guangdon 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 2011 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 25 of the Annual Report.

DATIN TAN GEOK FOONG, Malaysian, aged 70, 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 2011 she attended all 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 25 of the Annual Report.

MR CHOY WAI HIN, Malaysian, aged 48, 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 2011 he attended all 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 25 of the Annual Report.

MR CHOY WAI CEONG, Malaysian, aged 47, 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 2011 he attended 2 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 25 of the Annual Report.

HAJI HUSSEIN BIN HAMZAH, Malaysian, aged 67, 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 2011 he attended all of the 4 board meetings held.

MOHD. ARIF BIN MASTOL, Malaysian, aged 58, 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. During the financial year ended 31 December 2011 he attended all of the 4 board meetings held.

DATO' VIJAYASUNDRAM JEYABALAN, Singaporean, aged 57, was appointed as Executive Director on 3 January 2012.

Dato' Vijayasundram is a graduate in Marketing from the Chartered Institute of Marketing and holds a Masters in Arts from Dublin Metropolitan University in United Kingdom. He has 30 years of marketing and management expertise in the retail and project arenas in the decorative and architectural lightings and interior contracting and furnishing industry. He is a well-known and respected figure in the Malaysian Interior Fit-out industry, and therefore brings with him considerable expertise and networking.

Dato' Vijayasundram was instrumental in growing Seng Hup Electric Co. Sdn Bhd, a family run lighting business into a retail chain store operations in Malaysia, Singapore and Brunei and successfully listed the company on the Second Board of the Malaysian Stock Exchange in 1992 as Seng Hup Corporation Bhd. Presently at FFHB, Dato' Vijayasundram assumes the responsibility as an Executive Director responsible for directing the sales, marketing and business development of the Group's Fit-out Division which is involved in Fit-out Contracting, Decorative and Architectural Lightings and Kitchens.

Dato' Vijayasundram 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 2011.

REVIEW OF GROUP FINANCIAL RESULTS

Group turnover increased by 7% to RM42.8 million in 2011 from RM40.0 million in 2010. All business operating units improved on their turnover except for the Interior Fit-out division. Operating profit before interest and tax charges increased by 123% to RM2.8 million from RM1.3 million last year due to the higher turnover and margin from manufacturing division.

After accounting for interest cost, pre-tax profit increased by 154% from RM1.0 million a year ago to RM2.6 million in 2011. Tax charge consisting mainly deferred tax decreased to RM0.1 million from RM0.4 million previously. After accounting for minority interest, the profit attributable to shareholders was RM2.4 million compared to RM0.5 million in the previous year while basic earnings per share was 3.0 sen (2010: 0.7 sen).

DIVIDENDS

Your board is not recommending the payment of any dividend in respect of the financial year ended 31 December 2011 as your board is of the opinion that the Group needs to retain its cash to fund working capital requirement.

REVIEW OF OPERATIONS

For the financial year 2011 the manufacturing division registered a 90% increase in revenue to RM16.7m from RM8.8m previously. Export of caseworks, which accounts for 70% of total manufacturing division's sales, jumped by 43% on more stores opened by its key customer in all markets while non caseworks turnover grew by 406% although this came from a small base in the previous year. Strong growth in demand for caseworks were noted on new stores from Malaysia (159%) and Korea (80%) while Japan's growth (24%) came mainly from refreshing and renovating stores. The division was also successful in securing a new key export account for commercial fixtures for the Asian market during the second half of the year that is expected to contribute positively to revenue going forward. Gross margin for caseworks were lower as a result of new price negotiations and higher material costs while gross margin from non casework were higher due to better production efficiency and higher throughput. Operating profit for the manufacturing division in 2011 increased substantially to RM2.5m. This is attributable to the higher turnover and higher margin yield from the new accounts secured as described above.

Turnover for the trading and retail division for the financial year 2011 was RM4.1m which is higher than the previous year by a third. Retail sales of kitchen felled by 33% on lower ad hoc sales but sales from trading of material increased by 53% on contracts secured. Margin yields was 31% higher at 50% due to higher margins on contracts secured from trading operations. Operating expenses for the division increased by 52% due to higher staff cost and arising from the development and resource structure incurred on the new retail concept that will commence operation in 2012. For the financial year 2011 the division's operating profit of RM0.8m compared to RM0.5m previously as operating profit from trading activities made up for the shortfall in retail activities.

For the full year, turnover for the Interior Fit-out division felled by 22% over the same period a year earlier. The division did not managed to secure contracts to match the previous year and the kitchen project operation was adversely affected by the global financial crisis towards the end of 2008 that severely affected new property launches. Gross margin were however higher by 17% on the projects completed in 2011 while operating overheads were about the same. The division also gained from RM0.5m of unrealized exchange gains from imported goods last year. Under such challenging conditions, operating profit for the Interior Fit-out division felled from RM1.0m in the previous year to a loss of RM0.3m in 2011.

PROSPECTS FOR 2012

Global economic prospects have improved this year after a sharp slowdown at the end of 2011. There is growing evidence global activity is set to strengthen in the second half of 2012 as financial conditions ease following the aversion of imminent crisis in the eurozone.

Growth in Asia is also expected to gain momentum over the year. Although activity slowed markedly across the region in the last quarter of 2011, mainly due to weakening external demand, domestic demand has generally remained strong as reflected in low unemployment, high capacity utilisation, and robust credit growth. In the first months of this year, leading indicators of activity strengthened, inflations picked up in some countries, and capital inflows into emerging Asian economies rebounded. Growth for the Asia and Pacific region as a whole is projected to be at 6 per cent this year, broadly unchanged from last year, before rising to about 6 per cent next year.

However, the global economy remains fragile, exposing Asia to serious downside risks. The Eurozone remains the global Achilles heel as European debt crisis remains unresolved, and financial turmoil could still reignite and spread globally while heightened geopolitical risks could push energy prices sharply higher. The US is faring only slightly better and there has been no robust basis for growth.

So far, stronger economic and policy fundamentals have helped buffer Asian economies against external shocks. But a collapse in demand from advanced economies and a reversal of foreign capital flows would severely impact activity in Asia, both directly and through knock-on effects on domestic demand.

The Manufacturing division expects the strong growth in supply of caseworks for the Asia Pacific region seen in 2011 to continue into 2012 as the Asia Pacific region is seen as the growth engine for its US customer and the addition of a new market this year. The success in securing a new key account with an established American fashion accessories retail chain for shop fixtures for their Asian market in 2011 is also expected to contribute positively to revenue growth in 2012. However the severe shortage in supply of labour in the manufacturing industry will hamper its production capacity expansion and challenge its ability to meet critical delivery dates expected by its customers. The prospect for the year will therefore hinge in its ability to increase throughput to meet increasing demand for its product in the region.

The trading and retail division is expected to grow its turnover when the new kitchen and appliances retail outlet that is expected to commence operations in the 2nd half of 2012 but this operation is not expected to contribute to bottom line due to the initial development and resource overheads and the gestation period required to turn in positive results. The trading of general building and construction materials that saw moderate success in 2011 is expected to continue to contribute positively to current year based on contracts secured in hand. The prospect for the division will hinge on the success of the new retail concept and the ability to secure other general building and construction materials contracts by the trading operations.

After a rather subdue first quarter, the Interior Fit-out division has managed to secure a number of sizeable projects that will ensure that its turnover in 2012 will be almost two folds that achieved in the previous year. Although the division has noted a significant increase in the number of projects coming into the market, competition remain extremely stiff and industry players continue to sacrifice margin yields to procure the projects. Prospect for the year will depend on the success in securing these projects that are coming into the market. The Kitchen Project operations however will see lower turnover on the basis of projects in hand and projects available in the market arising from the expected slowdown in the high-end segment of the property market. The division is hopeful that the slack in the kitchen project operation will be made up by the improvements in the traditional fit out operations.

APPRECIATION

I take this opportunity to welcome Dato' Vijayasundram Jeyabalan who was appointed to the Board as an Executive Director on 3 January 2012. Dato' Jeyabalan has 30 years of marketing and management expertise in the retail and project arenas in the decorative and architectural lightings and interior contracting and furnishing industry. He is a well-known and respected figure in the Malaysian Interior Fit-out industry, and therefore brings with him considerable expertise and networking. I am confident that with his collective experience and wisdom, he will be 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 2011.

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 6 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	2,458,072	(416,462)
Attributable to :-		
Owners of the parent	2,436,731	(416,462)
Non-controlling interests	21,341	–
	2,458,072	(416,462)

DIVIDENDS

There were no dividends paid or declared since the last financial year and the Directors do not recommend any dividend payment for the current 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
MOHD ARIF BIN MASTOL
DATO' VIJAYASUNDRAM JEYABALAN (Appointed on 3 / 1 / 2012)

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section134 of the Companies Act,1965,interests in shares and warrants of the Company and its related corporations as stated below :-

	Number of ordinary shares of RM0.50 each			
	At 1 / 1 / 2011	Bought	Sold	At 31 / 12 / 2011
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	12,100,140	–	–	12,100,140
CHOY WAI CEONG	11,047,340	–	–	11,047,340

	Number of warrants			
	At 1 / 1 / 2011	Bought	Sold	At 31 / 12 / 2011
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.

DIRECTORS' BENEFITS

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 debentres 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 :-

a) 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

b) 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 :-

a) 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

b) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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 32 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.

SIGNIFICANT EVENT

In addition to the significant event disclosed elsewhere in this report, other significant event is disclosed in Note 6 to the financial statements.

AUDITORS

The Auditors, GEP Associates, have indicated that they do not wish to seek re-election as Auditors of the Group and of the Company for the ensuing year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2012.

DATO' DR. CHOY FOOK ON **CHOY WAI HIN**

Petaling Jaya, Selangor Darul Ehsan
Dated: 23 April 2012

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 31 to 93 are drawn up in accordance with the Companies Act, 1965 and 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 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the supplementary information set out in Note 40 has been compiled in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2012.

DATO' DR. CHOY FOOK ON **CHOY WAI HIN**

Petaling Jaya, Selangor Darul Ehsan

Dated: 23 April 2012

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 31 to 93 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 Petaling Jaya, Selangor Darul Ehsan)
on 23 April 2012)

JAMES SHII LIHTON

PESURUHJAYA SUMPAH
B 299
K. CHERIAN ABRAHAM
MALAYSIA

1-5, Block F1, Jalan PJU 1/42,
taren Prima, 47301 Petaling Jaya
Selangor Darul Ehsan

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 statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 93.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material mistatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2011 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 6 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

GEP ASSOCIATES
No : AF 1030
Chartered Accountants

ESTHER TAN CHOON HWA
No : 1023 / 03 / 14 (J)
Chartered Accountant

Petaling Jaya, Selangor Darul Ehsan
Dated : 23 April 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RM	2010 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	**12,158,578**	12,076,104
Investment properties	5	**2,060,800**	2,062,400
Other investments	7	**62,185**	–
Deferred tax assets	8	**2,898,760**	2,981,331
		17,180,323	17,119,835
Current assets			
Inventories	9	**6,140,581**	4,573,528
Trade receivables	10	**9,924,263**	9,568,423
Amounts due from contract customers	11	**1,994,579**	1,887,773
Other receivables, deposits and prepayments	12	**1,362,893**	991,455
Other investments	7	**–**	87,892
Tax assets	13	**4,560**	–
Fixed deposits with licensed banks	14	**727,054**	407,147
Cash and bank balances		**2,804,248**	2,488,602
		22,958,178	20,004,820
TOTAL ASSETS		**40,138,501**	37,124,655
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	**41,347,950**	41,347,950
Reserves	17	**(19,485,009)**	(21,921,740)
Equity attributable to owners of the parent		**21,862,941**	19,426,210
Non-controlling interest		**520,642**	499,301
Total equity		**22,383,583**	19,925,511

	Note	2011 RM	2010 RM
Non-current liabilities			
Borrowings	18	**150,646**	214,905
Redeemable secured loan stock	19	**1,425,000**	2,329,820
Deferred tax liabilities	20	**15,305**	15,305
		1,590,951	2,560,030
Current liabilities			
Trade payables	21	**4,104,757**	6,653,814
Other payables, deposits received and accruals	22	**7,767,049**	4,906,587
Amounts due to contract customers	11	**339,884**	217,187
Redeemable secured loan stock	19	**1,026,420**	–
Borrowings	18	**2,923,414**	2,851,021
Provision for taxation		**2,443**	10,505
		16,163,967	14,639,114
Total liabilities		**17,754,918**	17,199,144
TOTAL EQUITY AND LIABILITIES		**40,138,501**	37,124,655

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RM	2010 RM
Revenue	23	**42,753,724**	40,029,684
Cost of sales		**(31,716,370)**	(31,861,693)
Gross profit		**11,037,354**	8,167,991
Other income		**247,757**	221,533
		11,285,111	8,389,524
Selling and distribution expenses		**(3,908,261)**	(3,272,804)
		7,376,850	5,116,720
Administrative expenses		**(4,556,407)**	(3,855,052)
Profit from operations	24	**2,820,443**	1,261,668
Finance costs	25	**(254,165)**	(250,544)
Profit before taxation		**2,566,278**	1,011,124
Tax expense	26	**(108,206)**	(423,673)
Profit for the year, representing total comprehensive income for the year		**2,458,072**	587,451
Profit for the year / Total comprehensive income attributable to :-			
Owners of the parent		**2,436,731**	539,692
Non-controlling interest		**21,341**	47,759
		2,458,072	587,451
Earnings per share attributable to owners of the parent (sen) :-			
Basic	27	**2-95**	0-65
Fully diluted earning per share (sen)	27	**2-13**	0-47

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Attributable to equity holders of the Company							
		Non-distributable						
	Share capital RM	Share premium RM	Revaluation reserve RM	Foreign exchange reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2011	**41,347,950**	**3,440,941**	**211,100**	**15,530**	**(25,589,311)**	**19,426,210**	**499,301**	**19,925,511**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,436,731**	**2,436,731**	**21,341**	**2,458,072**
At 31 December 2011	**41,347,950**	**3,440,941**	**211,100**	**15,530**	**(23,152,580)**	**21,862,941**	**520,642**	**22,383,583**
At 1 January 2010	41,347,950	3,440,941	211,100	15,530	(26,148,512)	18,867,009	451,542	19,318,551
Effect on adoption of FRS 139	–	–	–	–	19,509	19,509	–	19,509
At 1 January 2010 (Restated)	41,347,950	3,440,941	211,100	15,530	(26,129,003)	18,886,518	451,542	19,338,060
Total comprehensive income for the year	–	–	–	–	539,692	539,692	47,759	587,451
At 31 December 2010	41,347,950	3,440,941	211,100	15,530	(25,589,311)	19,426,210	499,301	19,925,511

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,566,278**	1,011,124
Adjustments for :-			
Bad debts recovered		**(16,363)**	–
Bad debts written off		**–**	108,629
Impairment loss / (Increase in fair value) of quoted shares		**25,707**	(31,961)
Depreciation of investment properties		**1,600**	1,600
Depreciation of property, plant and equipment		**877,725**	1,070,802
Dividend income		**(2,779)**	(1,563)
Gain on disposal of property, plant and equipment		**–**	(71,030)
Interest expenses		**254,165**	250,544
Interest income		**(20,299)**	(18,370)
Inventories written off		**192,000**	–
Property, plant and equipment written off		**113**	–
Unrealised loss / (gain) on foreign exchange		**2,734**	(527,751)
Operating profit before working capital changes		**3,880,881**	1,792,024
Increase in inventories		**(1,759,053)**	(1,682,500)
Increase in receivables		**(710,915)**	(5,159,988)
(Increase) / Decrease in amounts due from contract customers		**(106,806)**	1,523,519
Increase in payables		**308,671**	3,128,788
Increase in amounts due to contract customers		**122,697**	9,271
		(2,145,406)	(2,180,910)
Cash generated from / (used in) operations		**1,735,475**	(388,886)
Income tax paid		**(38,257)**	(42,230)
Net cash generated from / (used in) operating activities carried forward		**1,697,218**	(431,116)

	Note	2011 RM	2010 RM
Net cash generated from / (used in) operating activities brought forward		**1,697,218**	(431,116)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		**2,779**	1,563
Placement of fixed deposits		**(308,441)**	–
Proceeds from disposal of property, plant and equipment		**–**	71,030
Purchase of property, plant and equipment	4	**(960,312)**	(311,025)
Interest received		**20,299**	18,370
Net cash used in investing activities		**(1,245,675)**	(220,062)
		451,543	(651,178)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(132,565)**	(124,704)
Loans (repaid) / raised		**(191,000)**	419,000
Repayments of hire purchase payables		**(59,814)**	(60,194)
Net cash (used in) / generated from financing activities		**(383,379)**	234,102
Net increase / (decrease) in cash and cash equivalents		**68,164**	(417,076)
Cash and cash equivalents brought forward		**2,700,544**	3,117,620
Cash and cash equivalents carried forward	28	**2,768,708**	2,700,544

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Note	2011 RM	2010 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	**145,065**	178,131
Investment in Subsidiary Companies	6	**22,789,247**	14,789,247
Other investments	7	**–**	–
		22,934,312	14,967,378
Current assets			
Other receivables, deposits and prepayments	12	**480,934**	287,382
Amounts due from Subsidiary Companies	15	**40,399,238**	48,362,332
Cash and bank balances		**38,737**	77,660
		40,918,909	48,727,374
TOTAL ASSETS		**63,853,221**	63,694,752
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	**41,347,950**	41,347,950
Reserves	17	**(21,979,286)**	(21,562,824)
Total equity		**19,368,664**	19,785,126
Non-current liabilities			
Borrowings	18	**80,009**	104,753
Redeemable secured loan stock	19	**1,425,000**	2,329,820
Deferred tax liabilities	20	**7,403**	7,403
		1,512,412	2,441,976
Current liabilities			
Other payables, deposits received and accruals	22	**1,316,249**	815,632
Amounts due to Subsidiary Companies	15	**40,604,732**	40,628,655
Redeemable secured loan stock	19	**1,026,420**	–
Borrowings	18	**24,744**	23,363
		42,972,145	41,467,650
Total liabilities		**44,484,557**	43,909,626
TOTAL EQUITY AND LIABILITIES		**63,853,221**	63,694,752

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Revenue		**–**	–
Other income		**652,197**	801,570
		652,197	801,570
Administrative expenses		**(940,902)**	(1,056,666)
Loss from operations	24	**(288,705)**	(255,096)
Finance costs	25	**(127,757)**	(132,685)
Loss for the year, representing total comprehensive loss for the year		**(416,462)**	(387,781)

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

		Non-distributable		
	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2011	**41,347,950**	**3,440,941**	**(25,003,765)**	**19,785,126**
Total comprehensive loss for the year	–	–	(416,462)	(416,462)
At 31 December 2011	**41,347,950**	**3,440,941**	**(25,420,227)**	**19,368,664**
At 1 January 2010	41,347,950	3,440,941	(24,635,493)	20,153,398
Effect on adoption of FRS 139	–	–	19,509	19,509
At 1 January 2010 (Restated)	41,347,950	3,440,941	(24,615,984)	20,172,907
Total comprehensive loss for the year	–	–	(387,781)	(387,781)
At 31 December 2010	41,347,950	3,440,941	(25,003,765)	19,785,126

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(416,462)**	(387,781)
Adjustments for :-			
Depreciation of property, plant and equipment		**39,610**	21,173
Gain on disposal of property, plant and equipment		**–**	(71,000)
Interest expenses		**127,757**	132,685
Operating loss before working capital changes		**(249,095)**	(304,923)
Increase in receivables		**(193,552)**	(1,158)
Increase / (Decrease) in payables		**500,617**	(4,628,387)
		307,065	(4,629,545)
Net cash generated from / (used in) operating activities		**57,970**	(4,934,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	71,000
Purchase of property, plant and equipment	4	**(6,544)**	(41,051)
Net cash (used in) / generated from investing activities		**(6,544)**	29,949
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(6,157)**	(6,845)
Repayment of hire purchase payables		**(23,363)**	(43,635)
(Increase) / Decrease in amounts due from Subsidiary Companies		**(36,906)**	4,360,034
(Decrease) / Increase in amounts due to Subsidiary Companies		**(23,923)**	652,514
Net cash (used in) / generated from financing activities		**(90,349)**	4,962,068
Net (decrease) / increase in cash and cash equivalents		**(38,923)**	57,549
Cash and cash equivalents brought forward		**77,660**	20,111
Cash and cash equivalents carried forward	28	**38,737**	77,660

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

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 ("Bursa Malaysia").

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2012.

2. BASIS OF PREPARATION

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

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

Changes in accounting policies

On 1 January 2011, the Group and the Company adopted the following revised FRSs, Amendments to FRSs, Issues Committee Interpretations ("IC Int."), Amendments to IC Int. and Technical Releases ("TR") which are mandatory for financial period beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 :-

FRS 3	Business Combination (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First Time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation :- paragraphs 11, 16 and 97E
Amendments to FRS 138	Intangible Assets
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"	
IC Int. 4	Determining whether an Arrangement contains a Lease
IC Int. 12	Service Concession Arrangements
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distributions of Non-cash Assets to Owners
IC Int. 18	Transfers of Assets from Customers
Amendments to IC Int. 9	Reassessment of Embedded Derivatives
TR i-4	Syariah Compliant Sale Contract

2. BASIS OF PREPARATION (cont'd)

Changes in accounting policies (cont'd)

The adoption of the above revised FRSs, Amendments to FRSs, IC Int., Amendments to IC Int. and TR are not expected to have any significant impact on the results and financial position of the Group and of the Company except for those discussed below :-

Amendments to FRS 7 Improving Disclosures about Financial Instruments
The Amendments to FRS 7 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The Amendments to FRS 7 requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy :-

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) (Level 2); and
c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The Amendments also clarify the requirements for liquidity risk disclosures.

Amendments to FRS 7 [Improvements to FRSs (2010)]
The Amendments clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

Amendments to FRS 101 [Improvements to FRSs (2010)]
The Amendments clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

Accounting standards issued but not adopted
To converge with International Financial Reporting Standards in 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Int. 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer the adoption of the new MFRSs for an additional one year. Consequently, adoption of MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, the Group and the Company do not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for the financial period beginning on or after 1 January 2012.

2. BASIS OF PREPARATION (cont'd)

Accounting standards issued but not adopted (cont'd)

i) MFRSs effective for financial period on or after 1 January 2012

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
	Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
IC Int. 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int. 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int. 4	Determining whether an Arrangement contains a Lease
IC Int. 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int. 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Int. 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 12	Service Concession Arrangements
IC Int. 13	Customer Loyalty Programmes

2. BASIS OF PREPARATION (cont'd)

Accounting standards issued but not adopted (cont'd)

i) MFRSs effective for financial period on or after 1 January 2012 (cont'd)

IC Int. 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
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
IC Int. 18	Transfers of Assets from Customers
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int. 107	Introduction of the Euro
IC Int. 110	Government Assistance – No Specific Relation to Operating Activities
IC Int. 112	Consolidation – Special Purpose Entities
IC Int. 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int. 115	Operating Leases – Incentives
IC Int. 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC Int. 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int. 129	Service Concession Arrangements : Disclosures
IC Int. 131	Revenue – Barter Transactions Involving Advertising Services
IC Int. 132	Intangible Assets – Web Site Costs

ii) MFRS effective for financial period on or after 1 July 2012

MFRS 101	Presentation of Financial Statements
	Amendments in relation to Presentation of Items of Other Comprehensive Income

iii) MFRSs effective for financial period on or after 1 January 2013

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangement
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in June 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in June 2011)
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

In presenting its first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The Group and the Company are currently in the process of determining the financial impact arising from the adoption of the MFRS Framework.

2. BASIS OF PREPARATION (cont'd)

New and revised FRSs, Amendments to FRSs, IC Int. and Amendments to IC Int.

At the date of authorisation of these financial statements, MASB has also issued the following new and revised FRSs, Amendments to FRSs, IC Int. and Amendments to IC Int. that are effective for financial period on or after 1 July 2011, 1 January 2012, 1 July 2012, 1 January 2013 and have not been early adopted in preparing these financial statements as follows :-

i) financial period on or after 1 July 2011

Amendments to IC Int. 14	Prepayments of Minimum Funding Requirement
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments

ii) financial period on or after 1 January 2012

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for time Adopters
Amendments to FRS 7	Disclosures - Transfer of Financial Assets
Amendments to FRS 112	Deferred Tax : Recovery of Underlying Assets

iii) financial period on or after 1 July 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

iv) financial period on or after 1 January 2013

FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interest in Other Entities
FRS 13	Fair Value Measurements
FRS 119	Employee Benefits (as amended in November 2011)
FRS 124	Related Party Disclosures (Revised)
FRS 127	Separate Financial Statements (as amended in November 2011)
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

The Group and the Company do not expect the adoption to have any significant impact on the financial statements of the Group and the Company upon their first initial application.

Summary of the Standards and Amendments

FRS 9 Financial Instruments
This Standard addresses the classification and measurement of financial assets and financial liabilities. All financial assets shall be classified on the basis of the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets and financial liabilities are subsequently measured at amortised cost or fair value. However, changes due to own credit risk in relation to the fair value option for financial liabilities shall be recognised in other comprehensive income.

2. BASIS OF PREPARATION (cont'd)

Summary of the Standards and Amendments (cont'd)

FRS 13 Fair Value Measurement
FRS 13 conceptualises the meaning of fair value and provides a framework on how to measure fair value of assets, liabilities and equity required or permitted by other FRSs.

Revised FRS 124 Related Party Disclosures
The Revised FRS 124 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. If a government controlled or significantly influenced an entity, the entity requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. This balance is achieved by requiring disclosure about these transactions only if they are individually or collectively significant.

IC Int. 19: Extinguishing Financial Liabilities with Equity Instruments
This new interpretation provides clarification when entity renegotiates the term of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully and partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit and loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

FRS 119 Employee Benefits (revised)
This revised Standard requires the Group and the Company to recognise all changes in the defined benefit obligations and in the fair value of related plan assets when those changes occur. The Group and the Company are also required to split the changes in the net defined benefit liability or asset into the following three components: service cost (presented in profit or loss), net interest on the net defined benefit liability (presented in profit or loss) and remeasurement of the net defined benefit liability (presented in other comprehensive income and not recycled through profit or loss).

Amendments to FRS 101 Presentation of Items of Other Comprehensive Income
The Amendments to FRS 101 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

Amendments to IC Int. 14: Prepayments of a Minimum Funding Requirement
The Amendments to IC Int. 14 apply in the limited circumstances when an entity is subject to minimum funding requirement and makes an early payment of contributions to cover those requirements. The Amendments permit the entity to treat the benefit of such early payment as an asset.

Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets
The Amendments apply to the measurement of deferred tax liabilities and deferred tax assets when investment properties are measured using the fair value model under FRS 140 Investment Property. The Amendments introduce a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Amendments to FRS 7 Disclosures – Transfers of Financial Assets
The Amendments amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

2. BASIS OF PREPARATION (cont'd)

Significant accounting estimates and judgements

The preparation of financial statements requires Management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows :-

a) Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight line basis over the assets useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 78 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision for future depreciation charges.

b) Valuation of investment properties (Note 5)

The assessment of the fair value for investment properties performed by the Directors is determined with reference to current transacted prices in an active market for similar property within the same vicinity and condition also subject to similar lease and other contracts of the investment properties.

c) Deferred tax assets (Note 8)

The Group's deferred tax assets are recognised for a portion of deductible temporary differences in respect of expenses, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable the temporary differences will be allowed as deduction against the chargeable income in future. Significant Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future chargeable income together with future tax planning strategies. Assumptions about generation of future chargeable income depend on Management's estimates of future profits. These depends on estimates of future revenue from the operating activities of the Subsidiary Companies and hence the operating costs, capital expenditure and other capital management transactions on the Subsidiary Companies. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a posibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised as at the reporting date.

d) Impairment on receivables (Notes 10 and 12)

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factor such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

2. BASIS OF PREPARATION (cont'd)

Significant accounting estimates and judgements (cont'd)

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows :- (Cont'd)

e) Amounts due from Subsidiary Companies (Note 15)

The Company determines the recoverability of the amounts due from Subsidiary Companies when these debts exceeded their normal credit term. The Directors are of the opinion that adequate allowance for impairment have been made for the debts due from the Subsidiary Companies to the extent the Company is able to realise these debts through internal group restructuring including possible offsets of debts owed by the Company to the Subsidiary Companies against the debts owed to the Company by the other Subsidiary Companies, should such need arises.

f) Income taxes (Note 26)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statement of the Group and the Company have been prepared under the historical cost convention unless otherwise stated.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary Companies as at the reporting 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Basis of consolidation (cont'd)

Non-controlling 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 Non-controlling Interest' share of the fair value of the Subsidiary Companies' identifiable assets and liabilities at the date of acquisition and the Non-controling Interest's share of changes in the Subsidiary Companies' equity since then. Separate disclosure is made for Non-controlling Interest.

3.3 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 to the Company 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 profit or loss 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.

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 profit or loss. 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 profit or loss to the extent that it offsets the previously recorded decrease.

Capital work-in-progress is stated at cost unless in the opinion of the Directors there is a permanent diminution in value, in which case, impairment will be made. Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

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 :-

Building	2.0%
Equipment, furniture and fittings	5.0 - 20.0%
Leasehold land	over remaining lease period of 78 years
Motor vehicles	20.0%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

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 profit or loss. Upon disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Leases

As lessee
Finance lease, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the asset or, if lower, at the present value of the minimum leased payments. Any incidental direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the leased term, the asset is depreciated over the shorter of the estimated useful life and the leased term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

As lessor
Leases where the Group and the Company retain all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the leased term on the same bases as rental income.

3.5 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 cost less accumulated depreciation and accumulated impairment losses.

Investment properties of the Group consist of freehold land and building. Freehold land is not depreciated. Depreciation on building is provided for on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life at 2% per annum.

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 profit or loss in the year in which they arise.

3.6 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that assets may be impaired. 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. Goodwill acquired in a business combination is, from the date of the acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the assets are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss of an asset other than goodwill 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 other than goodwill 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 profit or loss, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is treated as a revaluation increase.

3.8 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Financial assets

Financial assets are recognised in the consolidated statement of financial positions and statements of financial position respectively when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company determine the classification of their financial assets at initial recognition and categorises the financial assets as loans and receivables as well as available-for-sale financial assets.

a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gain and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

b) Unquoted equity security carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are neither classified in any of the preceding categories nor held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Financial assets (cont'd)

c) Available-for-sale financial assets (cont'd)

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss either directly or through a use of an allowance account. When the financial asset's carrying amount is reduced through the use of an allowance account becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of financial assets (cont'd)

b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in fair value of the investment can be objectively related to an event occuring after the recognition of the impairment loss in profit or loss.

3.11 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the consolidated statement of financial position and statement of financial position respectively when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument . The financial liabilities of the Group and of the Company are classified as other financial liabilities.

Other financial liabilities

Trade and other payables are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gain and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.12 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 reporting date and adjusted to reflect the current best estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Amounts due from / to customers on contracts

When the outcome of a contract can be reliably estimated, contract revenue and contract costs are recognised in profit or loss 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.

3.14 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.

3.15 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.16 Foreign currency

a) Foreign currency transactions

Transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are translated into the Group's and the Company's functional currency at the rate of exchange ruling at the time of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the settlement of monetary items and on retranslation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Foreign currency (cont'd)

b) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in functional currency of the foreign operations and translated at the closing rate at the reporting date.

3.17 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 profit or loss 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 profit or loss on an accrual basis unless collection is in doubt.

3.18 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 and the Company. 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 profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 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.

3.20 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 reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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 reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

3.21 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in 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.

3.22 Segment reporting

For Management purposes, the Group is organised into operating segments based on the independent core businesses which the Group is currently engaged in. The Management regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide analysis on the core businesses 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.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	At 1/1/2011 RM	Additions RM	Disposals / Written off RM	Current depreciation RM	At 31/12/2011 RM
Net carrying amount					
Leasehold land	**1,975,395**	**–**	**–**	**(25,326)**	**1,950,069**
Building	**8,249,466**	**–**	**–**	**(196,440)**	**8,053,026**
Equipment, furniture and fittings	**1,488,461**	**707,185**	**(113)**	**(568,316)**	**1,627,217**
Motor vehicles	**362,782**	**–**	**–**	**(87,643)**	**275,139**
Capital work-in-progress	**–**	**253,127**	**–**	**–**	**253,127**
	12,076,104	**960,312**	**(113)**	**(877,725)**	**12,158,578**

	At 1/1/2010 RM	Additions RM	Disposals / Written off RM	Current depreciation RM	At 31/12/2010 RM
Net carrying amount					
Leasehold land	2,000,720	–	–	(25,325)	1,975,395
Building	8,445,906	–	–	(196,440)	8,249,466
Equipment, furniture and fittings	2,070,081	222,570	–	(804,190)	1,488,461
Motor vehicles	117,174	290,455	–	(44,847)	362,782
	12,633,881	513,025	–	(1,070,802)	12,076,104

	Valuation / Cost RM	Accumulated depreciation RM	Net carrying amount RM
2011			
At valuation,			
Leasehold land	**2,178,000**	**(227,931)**	**1,950,069**
Building	**9,822,000**	**(1,768,974)**	**8,053,026**
At cost,			
Equipment, furniture and fittings	**16,627,364**	**(15,000,147)**	**1,627,217**
Motor vehicles	**1,249,653**	**(974,514)**	**275,139**
Capital work-in-progress	**253,127**	**–**	**253,127**
	30,130,144	**(17,971,566)**	**12,158,578**
2010			
At valuation,			
Leasehold land	2,178,000	(202,605)	1,975,395
Buildings	9,822,000	(1,572,534)	8,249,466
At cost,			
Equipment, furniture and fittings	15,920,710	(14,432,249)	1,488,461
Motor vehicles	1,249,653	(886,871)	362,782
	29,170,363	(17,094,259)	12,076,104

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

COMPANY	**At 1/1/2011 RM**	**Additions RM**	**Disposals RM**	**Current depreciation RM**	**At 31/12/2011 RM**
Net carrying amount					
Equipment, furniture and fittings	**13,686**	**6,544**	**–**	**(6,163)**	**14,067**
Motor vehicles	**164,445**	**–**	**–**	**(33,447)**	**130,998**
	178,131	**6,544**	**–**	**(39,610)**	**145,065**

	At 1/1/2010 RM	**Additions RM**	**Disposals RM**	**Current depreciation RM**	**At 31/12/2010 RM**
Net carrying amount					
Equipment, furniture and fittings	17,055	3,819	–	(7,188)	13,686
Motor vehicles	11,198	167,232	–	(13,985)	164,445
	28,253	171,051	–	(21,173)	178,131

	Cost RM	**Accumulated depreciation RM**	**Net carrying amount RM**
2011			
Equipment, furniture and fittings	**346,801**	**(332,734)**	**14,067**
Motor vehicles	**365,093**	**(234,095)**	**130,998**
	711,894	**(566,829)**	**145,065**
2010			
Equipment, furniture and fittings	340,256	(326,570)	13,686
Motor vehicles	365,093	(200,648)	164,445
	705,349	(527,218)	178,131

a) In previous year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM513,025 and RM171,051 respectively of which RM202,000 and RM130,000 respectively were acquired by means of hire purchase arrangements. Cash payments of RM311,025 and RM41,051 respectively were used to acquire property, plant and equipment.

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

b) Net carrying amount of motor vehicles acquired under hire purchase arrangements of which instalments are still outstanding at the reporting date :-

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Motor vehicles	**275,139**	362,782	**130,998**	164,445

c) The leasehold land and building of the Group at the reporting date are pledged to financial institutions as securities for banking facilities granted to the Group as mentioned in Note 18.

d) The long-term leasehold land of the Group has an unexpired lease period of more than 50 years.

e) The leasehold land and building 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.

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

	GROUP	
	2011 RM	**2010 RM**
Building	**7,911,360**	8,104,344
Leasehold land	**718,929**	742,071

g) The capital work-in-progress of the Group is in respect of the building of a new show room.

5. INVESTMENT PROPERTIES

GROUP	**At 1/1/2011 RM**	**Current depreciation RM**	**At 31/12/2011 RM**
Net carrying amount			
Freehold land	**2,000,000**	**–**	**2,000,000**
Building	**62,400**	**(1,600)**	**60,800**
	2,062,400	**(1,600)**	**2,060,800**

5. INVESTMENT PROPERTIES (cont'd)

GROUP (cont'd)	At 1/1/2010 RM	Current depreciation RM	At 31/12/2010 RM
Net carrying amount			
Freehold land	2,000,000	–	2,000,000
Building	64,000	(1,600)	62,400
	2,064,000	(1,600)	2,062,400

	Valuation / Cost RM	Accumulated depreciation RM	Net carrying amount RM
2011			
At valuation,			
Freehold land	**2,000,000**	**–**	**2,000,000**
At cost,			
Building	**80,000**	**(19,200)**	**60,800**
	2,080,000	**(19,200)**	**2,060,800**
2010			
At valuation,			
Freehold land	2,000,000	–	2,000,000
At cost,			
Building	80,000	(17,600)	62,400
	2,080,000	(17,600)	2,062,400

The Group valued its investment properties by adopting the cost model. The Directors are of the opinion that the fair value of the investment properties approximates the net carrying amount as per recognised in statement of financial position.

The freehold land in investment properties of the Group was 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.

The freehold land in the investment properties of the Group is pledged to bank for redeemable secured loan stock ("RSLS") facility issued to the bank by the Group and the Company as mentioned in Note 19.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2011	**2010**
	RM	**RM**
Unquoted shares, at cost	**38,279,572**	30,279,572
Less : Accumulated impairment losses		
At 1 January / At 31 December	**(15,490,325)**	(15,490,325)
	22,789,247	14,789,247

The Subsidiary Companies are as follows :-

		Effective equity interest		
		2011	**2010**	
	Name of Company	**%**	**%**	**Principal activities**
	Anglo Frontier Sdn Bhd	**70**	70	Investment holding
	Aspek Sensasi Sdn Bhd	**100**	100	Dormant
	Federal Electric Company Sdn Bhd	**100**	100	Dormant
	Federal Furniture Industries Sdn Bhd	**100**	100	Renovation and interior fit-outs works
	Federal Furniture Lifestyle Sdn Bhd	**100**	100	Trading of home furnishings, home appliances and general building materials and general contractors for construction works
	Federal Furniture (M) Sdn Bhd	**100**	100	Trading of furniture and building materials and contractor for building and construction works
	Federal Furniture (1982) Sdn Bhd ("FF1982")	**100**	100	Manufacturing and export of furniture
	Layang Kaji Sdn Bhd	**100**	100	Dormant
	Mintwood Sdn Bhd	**100**	100	Investment holding
	Pelantar Agresif (M) Sdn Bhd	**100**	100	Investment holding
@ * ^	Qingdao Federal Furniture Industries Co. Ltd.	**100**	100	Dormant
	Splenwood Sdn Bhd	**100**	100	Investment holding
	Held by Federal Furniture Industries Sdn Bhd :-			
	Cathay Interior Design (M) Sdn Bhd	**55**	55	Renovation and interior design of offices and hotels including supply of furniture and fittings
	Pathos Corporation Sdn Bhd	**93**	93	Dormant

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

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

Name of Company	Effective equity interest 2011 %	2010 %	Principal activities
Held by Federal Furniture (M) Sdn Bhd :-			
Avante Corporation Sdn Bhd	**55**	55	Dormant
Held by Avante Corporation Sdn Bhd :-			
+ Trac Marketing Incorporated	**55**	55	Dormant
Held by Federal Electric Company Sdn Bhd :-			
~ Myanmar Electric Distributor Ltd	**100**	100	Dormant

* Subsidiary Company 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
@ Consolidated based on the management accounts

Except for those as mentioned above, all the other companies in the Group are incorporated in Malaysia.

Additional investment in FF1982

During the year, the Company had further subscribed 8,000,000 ordinary shares of RM1-00 each in FF1982 amounting to RM8,000,000.

The subscription has not change the shareholding of the Company in FF1982 as FF1982 was a wholly owned Subsidiary Company of the Company and the relationship remain unchanged upon the Company acquiring the new ordinary shares issued by FF1982.

7. OTHER INVESTMENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-current				
Quoted shares	**87,892**	–	**–**	–
Unquoted shares, at cost	**60,000**	60,000	**60,000**	60,000
	147,892	60,000	**60,000**	60,000
Current				
Quoted shares	**–**	87,892	**–**	–
	147,892	147,892	**60,000**	60,000
Less : Accumulated impairment losses				
At 1 January	**60,000**	60,000	**60,000**	60,000
Recognised in profit or loss	**25,707**	–	**–**	–
At 31 December	**85,707**	60,000	**60,000**	60,000
	62,185	87,892	**–**	–
Represented by :-				
Net carrying amount :-				
Quoted shares	**62,185**	87,892	**–**	–
Unquoted shares	**–**	–	**–**	–
	62,185	87,892	**–**	–
Market value of quoted shares	**62,185**	87,892		

The investment in quoted shares represents investment on shares quoted in Malaysia while the investment in unquoted shares represents investment of share of company incorporated in Malaysia.

During the year, the Group recognised impairment loss of RM25,707 (2010 : Nil) for quoted shares as there was "significant" or "prolonged" decline in the fair value of the quoted shares. The Group treats "significant" generally as 20% and "prolonged" as greater than 3 months.

8. DEFERRED TAX ASSETS

	GROUP	
	2011 RM	2010 RM
At 1 January	**2,981,331**	3,377,216
Recognised in profit or loss	**(82,571)**	(395,885)
At 31 December	**2,898,760**	2,981,331

8. DEFERRED TAX ASSETS (cont'd)

The recognition of the deferred tax assets of the Group are dependant on future chargeable income in excess of profit arising from the reversal of existing deductible temporary differences. The evidence used to support this recognition is the Management's budget, which shows that it is probable that certain portion of the deferred tax assets would be realised in future years.

Presented after appropriate offsetting as follows :-

	GROUP	
	2011	**2010**
	RM	**RM**
Deferred tax assets	**3,790,349**	3,956,099
Deferred tax liabilities	**(891,589)**	(974,768)
	2,898,760	2,981,331

The estimated deferred tax assets arising from temporary differences recognised to the extent which the deferred tax assets would be realised in future years are as follows :-

	GROUP	
	2011	**2010**
	RM	**RM**
Differences between the carrying amount of property, plant and equipment and their tax base	**(891,589)**	(849,570)
Taxable temporary differences in respect of income	**–**	(125,198)
Deductible temporary differences in respect of expenses	**1,137,742**	1,428,055
Unabsorbed capital allowances	**34,491**	–
Unutilised tax losses	**2,618,116**	2,528,044
	2,898,760	2,981,331

9. INVENTORIES

	GROUP	
	2011	**2010**
	RM	**RM**
At cost,		
Raw materials	**2,484,427**	1,823,582
Work-in-progress	**2,163,231**	1,579,706
Finished goods	**1,492,923**	978,240
	6,140,581	4,381,528
At net realisable value,		
Finished goods	**–**	192,000
	6,140,581	4,573,528

During the financial year, the cost of inventories recognised as expense to the Group amounted to RM28,158,563 (2010 : RM31,803,169).

10. TRADE RECEIVABLES

	GROUP 2011 RM	GROUP 2010 RM
Trade receivables	**10,998,992**	10,936,302
Retention sum	**36,407**	16,747
	11,035,399	10,953,049
Less : Allowance for doubtful debts		
At 1 January	**1,384,626**	1,384,626
Written off	**(273,490)**	–
At 31 December	**(1,111,136)**	(1,384,626)
	9,924,263	9,568,423

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

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follows :-

	GROUP 2011 RM	GROUP 2010 RM
Neither past due nor impaired	**6,036,894**	7,222,219
1 to 30 days past due not impaired	**72,778**	242,211
31 to 60 days past due not impaired	**123,584**	–
61 to 90 days past due not impaired	**931,091**	–
91 to 120 days past due not impaired	**18,786**	–
More than 121 days past due not impaired	**2,741,130**	2,103,993
	3,887,369	2,346,204
Impaired	**1,111,136**	1,384,626
	11,035,399	10,953,049

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the year.

Receivables that are past due but not impaired
The Group has trade receivables amounting to RM3,887,369 (2010 : RM2,346,204) that are past due at reporting date but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or credit enhancements over these balances.

10 TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables (cont'd)

Receivables that are impaired
The Group's trade receivables that are impaired at the reporting date are as follows :-

	Individually impaired RM
Trade receivables	1,111,136
Less : Allowance for doubtful debts	(1,111,136)
	–

The foreign currency exposure profile on trade receivables of the Group as as follows :-

	GROUP 2011 RM	GROUP 2010 RM
US Dollar	**1,353,839**	520,384

11. AMOUNTS DUE FROM / TO CONTRACT CUSTOMERS

	GROUP 2011 RM	GROUP 2010 RM
Contract costs incurred to date	**31,709,211**	40,059,751
Attributable profits	**5,107,164**	6,304,537
Less : Allowance for foreseeable losses		
At 1 January	**1,161,250**	1,161,250
Written off	**(1,161,250)**	–
At 31 December	**–**	(1,161,250)
	36,816,375	45,203,038
Less : Progress billings	**(35,161,680)**	(43,532,452)
	1,654,695	1,670,586

Represented by :-

	GROUP 2011 RM	GROUP 2010 RM
Amounts due from contract customers	**1,994,579**	1,887,773
Amounts due to contract customers	**339,884**	217,187
	1,654,695	1,670,586

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Other receivables	**4,258,406**	3,897,522	**3,422,674**	3,226,920
Less : Allowance for doubtful debts				
At 1 January / 31 December	**(3,589,262)**	(3,589,262)	**(2,972,675)**	(2,972,675)
	669,144	308,260	**449,999**	254,245
Deposits	**494,992**	540,460	**25,247**	30,247
Prepayments	**198,757**	142,735	**5,688**	2,890
	1,362,893	991,455	**480,934**	287,382

13. TAX ASSETS

GROUP

This is in respect of tax paid in advance by the Group to Inland Revenue Board.

14. FIXED DEPOSITS WITH LICENSED BANKS

GROUP

The fixed deposits with licensed banks of the Group earns weighted average effective interest at 2.52% (2010 : 2.00%) per annum.

Included in fixed deposits with licensed banks is an amount of RM308,441 (2010 : Nil) being fixed deposits pledged for bank guarantee facility granted to the Group.

15. AMOUNTS DUE FROM / TO SUBSIDIARY COMPANIES

	COMPANY	
	2011	**2010**
	RM	**RM**
Amount due from Subsidiary Companies	**57,845,856**	65,808,950
Less : Allowance for doubtful debts		
At 1 January / At 31 December	**(17,446,618)**	(17,446,618)
	40,399,238	48,362,332

15. AMOUNTS DUE FROM / TO SUBSIDIARY COMPANIES (cont'd)

The amounts due from / to Subsidiary Companies are unsecured, interest free and repayable on demand by cash.

16. SHARE CAPITAL

	GROUP AND COMPANY	
	2011	**2010**
	RM	**RM**
Authorised :-		
200,000,000 Ordinary shares of RM0-50 each	**100,000,000**	100,000,000
Issued and fully paid :-		
82,695,900 Ordinary shares of RM0-50 each	**41,347,950**	41,347,950

17. RESERVES

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
NON-DISTRIBUTABLE				
Share premium	**3,440,941**	3,440,941	**3,440,941**	3,440,941
Foreign exchange reserve	**15,530**	15,530	**–**	–
Revaluation reserve	**211,100**	211,100	**–**	–
OTHER				
Accumulated losses	**(23,152,580)**	(25,589,311)	**(25,420,227)**	(25,003,765)
	(19,485,009)	(21,921,740)	**(21,979,286)**	(21,562,824)

a) Share premium

This is in respect of premium arising from issuance of shares in prior years.

b) 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.

17. RESERVES (cont'd)

c) Revaluation reserve

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

d) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the tax credit under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 tax credit to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 December 2011, the Company has credit in the Section 108 account and tax exempt income balance to pay franked dividends amounting to RM1,214,957 (2010 : RM1,214,957).

18. BORROWINGS

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Secured				
Bankers' acceptances	**1,000,000**	867,000	**–**	–
Bank overdraft	**187,722**	–	**–**	–
Unsecured				
Bankers' acceptances	**1,165,000**	1,379,000	**–**	–
Bank overdraft	**266,431**	195,205	**–**	–
Revolving credits	**240,000**	350,000	**–**	–
Hire purchase payables (Note 18.1)	**214,907**	274,721	**104,753**	128,116
	3,074,060	3,065,926	**104,753**	128,116
Less : Repayable within twelve months				
Bankers' acceptance	**(2,165,000)**	(2,246,000)	**–**	–
Bank overdraft	**(454,153)**	(195,205)	**–**	–
Revolving credits	**(240,000)**	(350,000)	**–**	–
Hire purchase payables (Note 18.1)	**(64,261)**	(59,816)	**(24,744)**	(23,363)
	150,646	214,905	**80,009**	104,753

18. BORROWINGS (cont'd)

The borrowings of the Group and of the Company are denominated in RM.

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

a) corporate guarantees and indemnity from the Company;
b) a legal charge over the property, plant and equipment of the Group as mentioned in Note 4; and
c) a negative pledge on certain Subsidiary Companies' assets.

The weighted average effective interest incur on the borrowings are as follows :-

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	%	**%**	**%**	**%**
Bankers' acceptances	**3.64**	3.82	**–**	–
Bank overdrafts	**7.40**	9.00	**–**	–
Revolving credits	**7.48**	5.97	**–**	–
Hire purchase payables	**2.70 to 3.65**	2.70 to 5.33	**5.33**	0.40

18.1 Hire purchase payables

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

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Minimum hire purchase payables				
- not later than one year	**75,408**	75,408	**29,520**	29,520
- later than one year but not later than five years	**161,904**	237,311	**86,050**	115,570
	237,312	312,719	**115,570**	145,090
Future finance charges	**(22,405)**	(37,998)	**(10,817)**	(16,974)
Present value of hire purchase payables	**214,907**	274,721	**104,753**	128,116
Present value of hire purchase payables				
- not later than one year	**64,261**	59,816	**24,744**	23,363
- later than one year but not later than five years	**150,646**	214,905	**80,009**	104,753
	214,907	274,721	**104,753**	128,116
Less : Amount repayable within one year	**(64,261)**	(59,816)	**(24,744)**	(23,363)
Amount repayable after one year	**150,646**	214,905	**80,009**	104,753

18. BORROWINGS (cont'd)

18.1 Hire purchase payables (cont'd)

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Amount repayable :-				
Within one year	**64,261**	59,816	**24,744**	23,363
After one year but within two years	**64,182**	64,261	**26,125**	24,744
After two years but within three years	**44,850**	64,182	**27,506**	26,125
After three years but within four years	**41,614**	44,850	**26,378**	27,506
After four years but within five years	**–**	41,612	**–**	26,378
	214,907	274,721	**104,753**	128,116

19. REDEEMABLE SECURED LOAN STOCK ("RSLS")

	GROUP AND COMPANY	
	2011 RM	2010 RM
Nominal value	**1,900,000**	1,900,000
Interest expense recognised in profit or loss		
At 1 January	**429,820**	303,980
Recognised in profit or loss	**121,600**	125,840
At 31 December	**551,420**	429,820
Carrying amount	**2,451,420**	2,329,820

On 30 April 2007, the Company issued 1,900,000 zero coupon five (5)-year RSLS 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.

b) Security

The bank shall have a third party legal charge over freehold land in investment properties of the Group as mentioned in Note 5.

c) Coupon rate

RSLS shall bear coupon rate at the effective interest yield of 6.4% per annum, until redemption of the RSLS or at the end of the fifth year, whichever is the earlier.

d) Transferability

RSLS are not transferable.

19. REDEEMABLE SECURED LOAN STOCK ("RSLS") (cont'd)

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

e) Others

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

The RSLS, together with the interest accrued, mature on 27 April 2012 and shall be redeemed through the sale of the properties secured which represents the freehold land as per the investment properties of the Group as mentioned in Note 5. The Management is in negotiation with the bank to restructure the terms of the RSLS. On 20 April 2012, the bank has agreed to extend the maturity date of the RSLS to 27 April 2014 and the RSLS is to be redeemed quarterly commencing 27 July 2012. However, the interest accrued is payable on 27 April 2012.

The maturity structure of the RSLS is as follows:-

	GROUP AND COMPANY	
	#2011 RM	**2010 RM**
Amount repayable :-		
Within one year	**1,026,420**	–
After one year but within two years	**950,000**	2,329,820
After two years but within three years	**475,000**	–
	2,451,420	2,329,820

\# Based on the rescheduled redemption periods.

20. DEFERRED TAX LIABILITIES

	GROUP		**COMPANY**	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
At 1 January	**15,305**	15,477	**7,403**	**7,403**
Recognised in profit or loss	**–**	(172)	**–**	–
At 31 December	**15,305**	15,305	**7,403**	7,403

Presented after appropriate offsetting as follows :-

	GROUP		**COMPANY**	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Deferred tax assets	**(6,089)**	(48,743)	**(49,379)**	(48,743)
Deferred tax liabilities	**21,394**	64,048	**56,782**	56,146
	15,305	15,305	**7,403**	7,403

20. DEFERRED TAX LIABILITIES (cont'd)

The estimated deferred tax liabilities arising from temporary differences are as follows :-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Differences between the carrying amount of property, plant and equipment and their tax base	**21,394**	64,048	**56,782**	56,146
Unabsorbed capital allowances	**–**	(9,847)	**(14,524)**	(9,847)
Unutilised tax losses	**(6,089)**	(38,896)	**(34,855)**	(38,896)
	15,305	15,305	**7,403**	7,403

The estimated timing differences of which no deferred tax assets are recognised in the financial statements are as follows :-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Unabsorbed capital allowances	**–**	268,300	**–**	–
Unutilised tax losses	**16,200,500**	18,047,600	**4,359,000**	4,072,900
	16,200,500	18,315,900	**4,359,000**	4,072,900

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available for the Company and certain Subsidiary Companies in the Group against which these items can be utilised as the Company together with these Subsidiary Companies have a recent history of losses.

21. TRADE PAYABLES

GROUP

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

The foreign currency exposure profile on trade payables of the Group as follows :-

	GROUP	
	2011 RM	2010 RM
Pound Sterling	**44,218**	–

22. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other payables	**3,611,563**	2,140,641	**1,123,641**	648,102
Deposits received	**106,491**	108,891	**4,200**	4,200
Accruals	**4,048,995**	2,657,055	**188,408**	163,330
	7,767,049	4,906,587	**1,316,249**	815,632

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Amounts due to companies in which certain Directors have interest	**938,478**	455,069	**539,157**	55,346
Amounts due to Directors of the Company	**766,742**	777,123	**497,482**	507,863
Amount due to Non-controlling Interest	**73,409**	73,409	**–**	–
	1,778,629	1,305,601	**1,036,639**	563,209

The above amounts due are unsecured, interest free and repayable on demand by cash.

23. REVENUE

	GROUP	
	2011 RM	2010 RM
Revenue from contract works	**21,914,934**	28,132,766
Sale of goods	**20,838,790**	11,896,918
	42,753,724	40,029,684

24. PROFIT / (LOSS) FROM OPERATIONS

Profit from operations of the Group and (Loss from operation) for the Company is arrived at after charging :-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Auditors' remuneration				
- statutory audit	**50,000**	50,000	**13,000**	13,000
- other services	**–**	8,575	**–**	8,575
- overprovision in prior year	**–**	(3,000)	**–**	–
Bad debts written off	**–**	108,629	**–**	–
Depreciation of investment properties	**1,600**	1,600	**–**	–
Depreciation of property, plant and equipment	**877,725**	1,070,802	**39,610**	21,173
Direct operating expenses in respect of investment properties	**3,236**	3,236	**–**	–
Employee benefits expenses (Note 29)	**7,389,669**	6,311,724	**455,341**	498,163
Impairment loss on quoted shares	**25,707**	–	**–**	–
Inventories written off	**192,000**	–	**–**	–
Loss on foreign exchange				
- realised	**87,742**	225,061	**–**	–
- unrealised	**2,734**	–	**–**	–
Property, plant and equipment written off	**113**	–	**–**	–
Rental of premises	**301,179**	288,842	**–**	48,384
and crediting :-				
Bad debts recovered	**16,363**	–	**–**	–
Dividend income	**2,779**	1,563	**–**	–
Gain on disposal of property, plant and equipment	**–**	71,030	**–**	71,000
Gain on foreign exchange				
- realised	**30,160**	5,086	**–**	–
- unrealised	**–**	527,751	**–**	–
Interest income	**20,299**	18,370	**–**	–
Management fee income	**–**	–	**641,942**	730,570
Rental income	**9,600**	9,600	**–**	–

25. FINANCE COSTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest on RSLS	**121,600**	125,840	**121,600**	125,840
Hire purchase interest	**15,592**	13,624	**6,157**	6,845
Bank overdraft interest	**31,273**	10,292	**–**	–
Bankers' acceptance interest	**67,734**	77,205	**–**	–
Revolving credit interest	**17,966**	23,583	**–**	–
	254,165	250,544	**127,757**	132,685

26. TAX EXPENSE

	GROUP 2011 RM	GROUP 2010 RM
Income tax :-		
Current year's provision	**25,635**	39,539
Overprovision in prior year	**–**	(11,923)
	25,635	27,616
Deferred tax :-		
Relating to origination and reversal of temporary differences	**82,571**	396,057
	108,206	423,673

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before taxation / (Loss for the year)	**2,566,278**	1,011,124	**(416,462)**	(387,781)
Tax at Malaysian statutory tax rate at 25%	**641,570**	252,781	**(104,116)**	(96,945)
Expenses not deductible for tax purposes	**144,302**	272,421	**32,591**	51,915
Utilisation of deferred tax assets not recognised in prior years	**(597,903)**	(170,676)	**–**	–
Deferred tax assets not recognised during the year	**72,982**	83,220	**71,525**	45,030
Overprovision of taxation in prior year	**–**	(11,923)	**–**	–
Underprovision of deferred tax assets in prior year	**(152,745)**	(2,150)	**–**	–
	108,206	423,673	**–**	–

Tax savings recognised during the year arising from :-

	GROUP 2011 RM	GROUP 2010 RM
Utilisation of tax losses brought forward from previous years	**628,919**	454,390
Utilisation of capital allowance brought forward from previous years	**–**	62,369
Utilisation of current year capital allowances	**222,817**	126,924
	851,736	643,683

26. TAX EXPENSE (cont'd)

The Group and the Company have unutilised tax losses and unabsorbed capital allowances carried forward, available for utilisation against future taxable profit as follows :-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Unutilised tax losses	**28,710,800**	42,435,254	**4,528,056**	4,137,767
Unabsorbed capital allowances	**58,100**	35,789	**58,095**	35,789
	28,768,900	42,471,043	**4,586,151**	4,173,556

27. EARNINGS PER SHARE

a) Basic earnings per share

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

	GROUP	
	2011 RM	2010 RM
Profit attributable to owners of the parent (RM)	**2,436,731**	539,692
Weighted average number of ordinary shares in issue	**82,695,900**	82,695,900
Basic earnings per share (sen)	**2-95**	0-65

(b) Diluted earnings per share

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 as mentioned in Note 30 issued by the Company during the year.

	GROUP	
	2011 RM	2010 RM
Profit attributable to owners of the parent (RM)	**2,436,731**	539,692
Weighted average number of ordinary shares in issue	**114,267,328**	114,267,328
Diluted earnings per share (sen)	**2-13**	0-47

28. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Fixed deposit with licensed banks	**727,054**	407,147	**–**	–
Cash and bank balances	**2,804,248**	2,488,602	**38,737**	77,660
Less : Bank overdraft (Note 18)	**(454,153)**	(195,205)	**–**	–
	3,077,149	2,700,544	**38,737**	77,660
Less : Pledged fixed deposits (Note 14)	**(308,441)**	–	**–**	–
	2,768,708	2,700,544	**38,737**	77,660

The foreign currency exposure profile for cash and bank balances of the Group is as follows :-

	GROUP	
	2011	**2010**
	RM	**RM**
US Dollar	**5,799**	10,440
Renminbi	**3,004**	3,214
Hong Kong Dollar	**1,079**	1,079
Japanese Yen	**390**	2,241
Euro Dollar	**12,724**	–
Australian Dollar	**11,847**	18,986
	34,843	35,960

29. EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Salaries, bonus and allowance	**5,894,118**	4,617,448	**308,253**	340,479
Defined contribution plan - EPF	**675,531**	645,925	**140,273**	141,043
Other staff related expenses	**820,020**	1,048,351	**6,815**	16,641
	7,389,669	6,311,724	**455,341**	498,163

Included in employee benefits expenses are Directors' remuneration as follows :-

	GROUP AND COMPANY	
	2011	**2010**
	RM	**RM**
Executive Directors		
- Salaries and other emoluments (including estimated monetary value of benefits-in-kind)	**246,400**	241,920
- Fees	**54,000**	54,000
Balance carried forward	**300,400**	295,920

29. EMPLOYEE BENEFITS EXPENSES (cont'd)

Included in employee benefits expenses are Directors' remuneration as follows :- (cont'd)

	GROUP AND COMPANY	
	2011	**2010**
	RM	**RM**
Balance brought forward	**300,400**	295,920
Non-Executive Directors		
- Fees	**72,600**	70,500
- Non-fees	**51,000**	53,040
	123,600	123,540
Total Directors' remuneration	**424,000**	419,460

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

	Number of Directors	
	2011	**2010**
Executive Directors		
Less than RM50,000	**1**	1
RM50,001 - RM100,000	**2**	2
	3	3
Non-executive Directors		
Less than RM50,000	**3**	3
Total	**6**	6

30. 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.

30. WARRANTS (cont'd)

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. (cont'd)

(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.

31. 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 reporting date but not recognised as liabilities are as follows :-

	GROUP	
	2011	**2010**
	RM	**RM**
Future minimum rental payments :-		
Not later than one year	**332,917**	19,328
Later than one year and not later than five years	**441,494**	–
	774,411	19,328

31. 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 reporting date but not recognised as receivables, are as follows :-

	GROUP	
	2011	**2010**
	RM	**RM**
Not later than one year	**9,600**	9,600
Later than one year but not later than five years	**–**	9,600
	9,600	19,200

32. CONTINGENT LIABILITIES

	COMPANY	
	2011	**2010**
	RM	**RM**
Corporate guarantees given to financial institutions for credit facilities granted to Subsidiary Companies	**2,592,722**	2,791,205

33. RELATED PARTY TRANSACTIONS

(a) Identify of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group and to the Company if the Group and the Company have 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 Group and the Company as well as 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.

The Group has related party relationship with companies connected to the Directors of the Company as well as key management personnel.

The Company has related party relationship with its Subsidiary Companies and companies connected to the Directors of the Company as well as key management personnel.

33. RELATED PARTY TRANSACTIONS (cont'd)

(b) Related party transactions

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Rental paid / payable to Company connected to a Director of the Company	**–**	48,384	**–**	48,384
Management fee received / receivable from Subsidiary Companies	**–**	–	**641,942**	730,570

(c) Related party balances

Information on outstanding balances of the Group and of the Company with related parties is disclosed in Notes 15 and 22.

(d) Compensation of Key Management Personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Company and the Subsidiary Companies.

The compensation of key management personnel are as follows :-

	GROUP AND COMPANY	
	2011 RM	2010 RM
Directors of the Company		
Short-term employment benefits (including estimated monetary value of benefits-in-kind)	**300,400**	295,920
Post employment benefits	**85,200**	83,520
	385,600	379,440

34. CAPITAL COMMITMENT

	GROUP	
	2011 RM	2010 RM
Approved and contracted for :-		
Show room building-in-progress	**947,000**	–

35. OPERATING SEGMENT

3.51 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 Management monitors the operating results of its business units separately for the purpose of making decisions about resourse allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

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.

3.52 Geographical Segments

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

35. OPERATING SEGMENT (cont'd)

GROUP As at 31 December 2011	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Eliminations RM	Consolidated RM
Revenue					
External sales	20,838,790	21,914,934	–	–	42,753,724
Inter-segment sales	10,360,891	–	–	(10,360,891)	–
Total revenue	31,199,681	21,914,934	–	(10,360,891)	42,753,724
Results					
Segment results	3,660,405	117,501	(957,463)	–	2,820,443
Finance costs	(37,986)	(88,422)	(127,757)	–	(254,165)
Tax expense	(83,584)	(24,931)	309	–	(108,206)
	3,538,835	4,148	(1,084,911)	–	2,458,072
Non-controlling interest	–	(22,040)	699	–	(21,341)
Profit / (Loss) for the year	3,538,835	(17,892)	(1,084,212)	–	2,436,731
Assets					
Segment assets	28,837,285	10,629,226	671,990	–	40,138,501
Liabilities					
Segment liabilities	4,249,123	9,223,854	4,281,941	–	17,754,918
Other information					
Depreciation of property, plant and equipment	557,893	280,222	39,610	–	877,725
Depreciation of investment properties	1,600	–	–	–	1,600

35. OPERATING SEGMENT (cont'd)

GROUP As at 31 December 2010	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Eliminations RM	Consolidated RM
Revenue					
External sales	11,896,918	28,132,766	–	–	40,029,684
Inter-segment sales	7,077,766	–	–	(7,077,766)	–
Total revenue	18,974,684	28,132,766	–	(7,077,766)	40,029,684
Results					
Segment results	861,559	1,486,882	(1,086,773)	–	1,261,668
Finance costs	(12,076)	(105,784)	(132,684)	–	(250,544)
Tax expense	(36,055)	(387,618)	-	–	(423,673)
	813,428	993,480	(1,219,457)	–	587,451
Non-controlling interest	–	(47,759)	-	–	(47,759)
Profit / (Loss) for the year	813,428	945,721	(1,219,457)	–	539,692
Assets					
Segment assets					
Liabilities	24,432,233	12,495,400	197,022	–	37,124,655
Segment liabilities	4,088,150	9,617,355	3,493,639	–	17,199,144
Other information					
Depreciation of property, plant and equipment	945,856	103,773	21,173	–	1,070,802
Depreciation of investment properties	1,600	–	–	–	1,600

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to a variety of risks in the normal course of business. The Group's and the Company's risk management seeks to minimise the potential adverse effects from these exposures.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's primary interest rate risk relates to interest-bearing financial instruments which include hire purchase payables, bank overdrafts, bankers' acceptance and RSLS.

The Group and the Company manage its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group and the Company actively review 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. As at 31 December 2011, the Group and the Company have not entered into any hedging instruments arrangement to minimise its exposure to interest rate volatility.

Borrowings at floating rates amounting to RM454,153 expose the Group to cash flow interest rate risk. The Company does not raise any borrowing in the form of floating rate.

Borrowings at fixed rate amounting to RM5,071,327 and RM2,556,173 respectively expose the Group and the Company to fair value interest rate risk.

Sensitivity analysis for interest rate risk
If the interest rate had been 50 basis point higher / lower and all other variables held constant, the Group's profit for the year ended 31 December 2011 would decrease / increase by RM2,113 as a result of exposure to floating rate borrowings.

ii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk primarily arises from its trade and other receivables while the Company's exposure to credit risk primarily arises from its other receivables and amount due from Subsidiary Companies. The maximum risk associated with recognised financial assets is the carrying amounts as presented in the consolidated statement of financial position and statement of financial position respectively.

Credit risk of the Group is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association 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.

The Company has significant exposure and major concentration of credit risk relating to amount due from Subsidiary Companies.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

ii) Credit risk (cont'd)

The Group and the Company manage 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 and the Company maintain sufficient levels of cash to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to its overall debt position.

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 10.

Financial assets that are past due but not impaired
Information regarding trade receivables that are past due but not impaired is disclosed in Note 10.

Inter company balances
The Company provides advances to Subsidiary Companies. The maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position as at the end of the financial year.

As at the end of the financial year, there was no indication that the advances to Subsidiary Companies are not recoverable. The Company does not specifically monitor the ageing of the advances to Subsidiary Companies.

Financial guarantees
The Company provides secured corporate guarantees to banks in respect of banking facilities granted to Subsidiary Companies.

As at reporting date, the fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote due to the outstanding borrowings in the Subsidiary Companies are adequately secured by assets as disclosed in Notes 4 and 5 respectively. Should the Subsidiary Companies default any borrowings repayments, the proceeds from the realisation of these assets together with the corporate guarantee by the Company will be able to satisfy the outstanding debts.

iii) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to various currencies mainly US Dollar and Pound Sterling. Foreign currency denominated assets and liabilities together with expected cash flows from higly probable purchases and sales give rise to foreign exchange exposures.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

iii) Foreign exchange risk (cont'd)

		2011 Profit net of tax Increase RM	Reduce RM
US Dollar	- strengthened by 3%	**3,167**	**–**
	- weakened by 3%	**–**	**3,167**
Pound Sterling	- strengthened by 3%	**–**	**535**
	- weakened by 3%	**535**	**–**

iv) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations :-

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**Total RM**
GROUP				
Trade payables	4,104,757	–	–	4,104,757
Other payables, deposits received and accruals	7,767,049	–	–	7,767,049
Amount due to contract customer	339,884	–	–	339,884
RSLS	1,026,420	950,000	475,000	2,451,420
Borrowings	2,923,414	64,182	86,464	3,074,060
	16,161,524	1,014,182	561,464	17,737,170
COMPANY				
Other payables and accruals	1,316,249	–	–	1,316,249
Amounts due to Subsidiary Companies	40,604,732	–	–	40,604,732
RSLS	1,026,420	950,000	475,000	2,451,420
Borrowings	24,744	26,125	53,884	104,753
	42,972,145	976,125	528,884	44,477,154

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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.

37. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value. The Group's and the Company's strategy in capital management remains unchanged for 31 December 2011 and 2010.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Company and its Subsidiary Companies may issue new shares.

The Group and the Company are not subject to any externally imposed capital requirements.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise borrowings and RSLS less cash and bank balances whilst total capital is the shareholders' funds of the Group and of the Company.

The gearing ratio for the Group and for the Company respectively as at 31 December 2011 and 2010 are as follows:-

	2011 RM	**2010 RM**
GROUP		
Total net debts	**2,721,232**	2,907,144
Total capital plus net debts	**25,104,815**	22,832,655
Gearing ratio	**0.11**	0.13
COMPANY		
Total net debts	**2,517,436**	2,380,276
Total capital plus net debts	**21,886,100**	22,165,402
Gearing ratio	**0.12**	0.11

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities of the Group and of the Company are as follows :-

(a) Cash and cash equivalents, trade and other receivables, deposits and prepayments, investment in quoted shares, trade and other payables, deposits received and accruals, bankers' acceptance, revolving credit, amounts due by / to Subsidiary Companies, amounts due from / to contract customers.

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

(b) Hire purchase payables and RSLS

The fair values of hire purchase payables and RSLS are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements as follows :-

	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
GROUP				
Financial liabilities				
Hire purchase payables	**214,906**	**206,478**	274,721	259,823
RSLS	**1,900,000**	**1,664,491**	1,900,000	1,678,303
	2,114,906	**1,870,969**	2,174,721	1,938,126
COMPANY				
Financial liabilities				
Hire purchase payables	**104,752**	**100,612**	128,116	121,330
RSLS	**1,900,000**	**1,785,714**	1,900,000	1,678,303
	2,004,752	**1,886,326**	2,028,116	1,799,633

(c) Other investment - Unquoted shares

It is not practical to estimate the fair value of the Group's and of the Company's other investment in unquoted shares because of the non-availability of a market price and the inability to estimate fair value without incurring excessive costs. These equity instruments represent unquoted ordinary shares in company where the Group or the Company do not intend to dispose of the investment in the foreseeable future.

39. FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable :-

(i) level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group held the following financial instrument carried at fair value on the statement of financial position :-

GROUP	31/12/2011 RM	Level 1 RM	Level 2 RM	Level 3 RM
2011				
Available-for-sale financial assets - Investment in quoted shares	**62,185**	**62,185**	–	–
2010	**31/12/2010**			
Available-for-sale financial assets - Investment in quoted shares	87,892	87,892	–	–

During the financial year ended 31 December 2011 and 2010, there was no transfer between the fair value measurement hierarchy.

40. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

40. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES (cont'd)

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2011, into realised and unrealised losses, pursuant to the directive, is as follows :-

	GROUP RM	COMPANY RM
Total accumulated loss of the Company and its Subsidiaries :		
- realised	(26,028,740)	(25,412,824)
- unrealised	2,876,160	(7,403)
	(23,152,580)	(25,420,227)
Less : Consolidation adjustments	–	–
Total accumulated losses	(23,152,580)	(25,420,227)

The determination of realised and unrealised profits or losses is based on the Guidance of special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by Malaysian Institute of Accountants on 20 December 2010.

SHAREHOLDERS' STATISTICS
as at 4 May 2012

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	15	0.57	356	0.00
100 - 1,000	1,026	38.97	917,593	1.11
1,001 - 10,000	1,103	41.89	4,434,273	5.36
10,001 - 100,000	410	15.57	15,112,600	18.28
100,001 to less than 5% of issued shares	75	2.85	37,360,656	45.18
5% and above of issued shares	4	0.15	24,870,422	30.07
Total	**2,633**	**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	12,100,140 *^	14.63
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*
^ *Deemed interested by virtue of his spouse'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 GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB BANK BERHAD*	5,030,555	6.08
3	DATIN TAN GEOK FOONG	4,476,120	5.41
4	ABB NOMINEE (TEMPATAN) SDN BHD *AFFIN BANK BERHAD (LOAN RECOVERY)*	4,316,407	5.22
5	MEGA GOLD HARVEST SDN BHD	2,845,000	3.44
6	ABB NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' DR. CHOY FOOK ON*	2,022,407	2.45
7	DATO' DR. CHOY FOOK ON	1,998,400	2.42
8	CHOY WAI HIN	1,752,800	2.12
9	CHOY WAI CEONG	1,458,800	1.76
10	DATO' DR. CHOY FOOK ON	1,400,000	1.69
11	TAN HAN CHUAN	1,348,320	1.63

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

No.	Name	No. of Shares	%
12	CHOY SOOK KUEN	1,262,400	1.53
13	ABB NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOY WAI HIN*	1,252,000	1.51
14	NG CHWEE PHO	1,157,450	1.40
15	YEOH SOO KENG	1,052,800	1.27
16	ABB NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOY WAI CEONG*	1,042,000	1.26
17	CIMB NOMINEES (TEMPATAN) SDN BHD *CIMB INVESTMENT BANK BERHAD*	1,031,070	1.25
18	MIDF AMANAH INVESTMENT BANK BERHAD *IVT FOR MIDF AMANAH INVESTMENT BANK BERHAD (ACCOUNT 4)*	1,003,776	1.21
19	LIEW SOON HIN	926,500	1.12
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MOHAMED FAISAL BIN NOOR MOHAMED (J DEDAP-CL)*	900,000	1.09
21	DATO' DR. CHOY FOOK ON	621,313	0.75
22	FOO CHOON TOW	600,000	0.73
23	LEOW HONG YEN	600,000	0.73
24	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD *PLEDGED SECURITIES ACCOUNT FOR SULAIMAN BIN MENGA DIN (SFC)*	500,000	0.60
25	TAN CHOON HWA	500,000	0.60
26	TAN KIM KUAN	470,700	0.57
27	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHEE KEONG (SMT)*	455,300	0.55
28	ROHANI BINTI MOHA	450,000	0.54
29	CHAN KIM HOON	440,000	0.53
30	LIM KIAN TECK	400,000	0.48

DIRECTORS' SHAREHOLDINGS

		Ordinary Shares of RM0.50 Each Held			
No.	Directors	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	12,100,140 *^	14.63
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.	Mohd Arif bin Mastol	–	–	–	–
7.	Dato' Vijayasundram Jeyabalan	–	–	–	–

* *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*
^ *Deemed interested by virtue of his spouse's interest in shares of the Company*

WARRANTHOLDERS' STATISTICS

as at 4 May 2012

ANALYSIS BY SIZE OF WARRANTHOLDINGS

Category	No. of Holders	%	No. of Warrants	%
Less than 100	7	2.69	438	0.00
100 - 1,000	55	21.15	8,356	0.03
1,001 - 10,000	113	43.46	479,115	1.52
10,001 - 100,000	65	25.01	2,295,493	7.27
100,001 to less than 5% of issued warrants	14	5.38	6,159,820	19.51
5% and above of issued warrants	6	2.31	22,628,206	71.67
Total	**260**	**100.00**	**31,571,428**	**100.00**

THIRTY (30) LARGEST SECURITIES ACCOUNT WARRANTHOLDERS

No.	Name	No. of Warrants	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,277,986	35.72
2	TAN GEOK FOONG	3,170,585	10.04
3	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	YEOH SOO KENG	1,251,686	3.96
8	LIEW SOON HIN	1,171,200	3.71
9	TAN HAN CHUAN	955,060	3.03
10	CHOY SOOK KUEN	894,200	2.83
11	NG CHWEE PHO	439,000	1.39
12	WONG YEE LING	247,000	0.78
13	NORDIN BIN MOHAMAD	215,000	0.68
14	ROHANI BINTI MOHA	190,000	0.60
15	PHANG KWONG YEN @ RAYMOND	187,014	0.59
16	GAN KUAN HOOI	150,000	0.48
17	BONG HON LIONG	124,300	0.39
18	KENANGA NOMINEES (TEMPATAN) SDN BHD *AMARA INVESTMENT MANAGEMENT SDN BHD FOR NORDIN BIN MOHAMAD*	115,000	0.36
19	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHEE KEONG (SMT)*	113,600	0.36
20	POO CHOO @ ONG POO CHOI	106,760	0.34
21	GAN LAY CHEW	87,000	0.28
22	MUHAMMAD SYAFIQ BALJIT BIN ABDULLAH	85,000	0.27
23	YEO LEE HWA	83,700	0.27
24	NG CHOOI AUN	75,300	0.24

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

No.	Name	No. of Warrants	%
25	SUNITA SUBHASHINI G.P. ZECHARIAH	70,000	0.22
26	YEOH CHEW KIAT	70,000	0.22
27	CHOY SOOK KUEN	69,700	0.22
28	NG CHWEE PHO	65,500	0.21
29	CHIN CHEN TOON	64,300	0.20
30	NG SUET MEI	60,000	0.19

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 (31.12.2011) RM
Lot 104 Jalan Satu Tapak Perusahaan Kompleks Perabot Olak Lempit, Banting Selangor Darul Ehsan*	99 years' lease expiring in 2087	217,800	Factory	19 years	10,003,095
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	9 years	60,800

*   *All the above properties were revalued on 10 April 2009.*
**   *Acquired on 31 July 2000.*

FEDERAL FURNITURE HOLDINGS (M) BERHAD

(97092-W) (Incorporated in Malaysia)

Proxy Form

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-Ninth 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 Friday, 29 June 2012 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
	To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon.	Please Refer To Explanatory Note (1)	
Resolution 1	To approve the payment of Directors' fees for the financial year ended 31 December 2011.		
Resolution 2	To re-appoint Dato' Dr. Choy Fook On who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 3	To re-appoint Datin Tan Geok Foong, who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 4	To re-elect Encik Mohd Arif Bin Mastol, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 5	To re-elect Dato' Vijayasundram Jeyabalan, a director who retires pursuant to Article 103 of the Company's Articles of Association.		
Resolution 6	To appoint Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize 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.		

(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______________2012

____
Signature/Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instruments appointing a proxy must be deposited at the registered office, 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 for holding the meeting or at any adjournment thereof.

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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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www.federal-furniture.com