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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of Federal Furniture Holdings (M) Berhad will be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 30 June 2009 at 3.00 p.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve Directors' fees for the financial year ended 31 December 2008. **(Resolution 2)**
3. To consider and if thought fit, to pass the following ordinary resolution in accordance with Section 129(6) of the Companies Act, 1965: -

"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 3)**

4. To re-elect the following Directors who shall retire in accordance with Article 98 of the Company's Articles of Association and who being eligible, offered themselves for re-election:-
  - (a) Datin Tan Geok Foong; and **(Resolution 4)**
  - (b) Haji Md Abdul Wahab Bin Mohd Shahir **(Resolution 5)**
5. 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 4 has been received by the Company for the nomination of GEP Associates, who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

"That GEP Associates be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Ernst & Young, 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)**

6. **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)**

7. 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  
8 June 2009



### Explanatory Notes to Special Business:-

#### 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 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.

#### Notes:

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

## Statement Accompanying the Notice of Annual General Meeting

The Directors standing for re-election at the Twenty-Sixth Annual General Meeting of the Company are as follows:-

Name of Director	Details of Individual Director and Other Disclosure Requirements
Dato' Dr. Choy Fook On (Section 129(6) of the Companies Act, 1965)	Refer to page 18 of the Annual Report
Datin Tan Geok Foong (Article 98 of the Company's Articles of Association)	Refer to page 18 of the Annual Report
Haji Md Abdul Wahab Bin Mohd Shahir (Article 98 of the Company's Articles of Association)	Refer to page 20 of the Annual Report



# Notice of Nomination of Auditors

**Choy Fook On & Sons Realty Sdn. Bhd.**

Level P1, Menara Choy Fook On  
1B, Jalan Yong Shook Lin  
46050 Petaling Jaya  
Selangor Darul Ehsan

27 May 2009

The Board of Directors  
**Federal Furniture Holdings (M) Berhad**  
Level P1, Menara Choy Fook On  
No. 1B, Jalan Yong Shook Lin  
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 GEP Associates for appointment as new Auditors of the Company in place of Ernst & Young at the forthcoming Annual General Meeting.

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

"That GEP Associates be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Ernst & Young, 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



## BOARD OF DIRECTORS

Dato' Dr. Choy Fook On	- Non-Independent Non-Executive Chairman
Choy Wai Hin	- Managing Director
Datin Tan Geok Foong	- Executive Director
Choy Wai Ceong	- Executive Director
Haji Hussein bin Hamzah	- Independent Non-Executive Director
Haji Md Abdul Wahab bin Md Shahir	- 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 26, Menara Multi Purpose, Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel: 603-2721 2222 Fax: 603-2721 2530

## AUDITORS

Ernst & Young  
Chartered Accountants  
Level 23A, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur

## PRINCIPAL BANKERS

CIMB Bank Berhad  
RHB Bank Berhad  
Malayan Banking Berhad

## SOLICITORS

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

## STOCK EXCHANGE

Bursa Malaysia Securities Berhad - Second Board



# Audit Committee Report

## 1. MEMBERSHIP

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

Name	Position
(a) Haji Md Abdul Wahab bin Md Shahir*#	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 Group Financial Controller, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

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

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

The Audit Committee held four (4) meetings in the financial year ended 31 December 2008. In addition, the Audit Committee also met with the external auditors without the presence of any of the executive directors, management and staff of the Company. The details of attendance of each Audit Committee member are as follow:-

Haji Md Abdul Wahab bin Md Shahir (Chairman)	4/4
Haji Hussein bin Hamzah (Member)	4/4
Dato' Dr. Choy Fook On (Member)	4/4

**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).
- (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.
- Reviewed and approved the implementation plan of the Risk Management Framework for the management of risk within the Company and the Group.
- Meet with the external auditors with and without the presence of the management and staff.

## 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 four internal audits involving four subsidiaries in the areas of internal control and operational efficiencies.



# Corporate Governance Disclosure and Other Information

## A. STATEMENT OF CORPORATE GOVERNANCE

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

### Board of Directors

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

### Board Balance

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

### Board Meetings

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

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

During the financial year ended 31 December 2008, 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	4/4
Choy Wai Hin	2/4
Datin Tan Geok Foong	4/4
Choy Wai Ceong	4/4
Haji Hussein bin Hamzah	4/4
Haji Md Abdul Wahab bin Md Shahir	4/4



## A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### Supply of Information

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

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

### Appointments to the Board

New appointment to the Board is recommended by the Nomination Committee. The members of the Nomination Committee during the financial year ended 31 December 2008 are as follows:-

1. Haji Hussein bin Hamzah (Chairman, Independent Non-Executive Director)
2. Haji Md Abdul Wahab bin Md Shahir (Member, Independent Non-Executive Director)
3. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)

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 2008 are as follows:

1. Haji Hussein bin Hamzah (Chairman, Independent Non-Executive Director)
2. Haji Md Abdul Wahab bin Md Shahir (Member, Independent Non-Executive Director)
3. Dato' Dr. Choy Fook On (Member, Non-Independent Non-Executive Chairman)

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.



## A. STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

### Directors' Remuneration (Cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2008 are as follows:

	Executive RM	Non-Executive RM
Fees	54,000	54,000
Salaries and other emoluments	966,900	232,340

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

Less than RM50,000	2
RM200,001 - RM250,000	2
RM300,001 - RM350,000	1
RM450,001 - RM500,000	1

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

### Directors' training

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

Amongst such trainings, programmes and courses attended by the Directors during the financial year under review include:-

1. Investor Relations – A Necessity, Not a Choice
2. CPA Australia – Asian Regional Conference
3. Malaysian Professional Sector – Significance and Export Potential
4. Malaysian Mushroom Conference and Foray

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.

**A. STATEMENT OF CORPORATE GOVERNANCE (cont'd)****Shareholders**

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

**Financial Reporting**

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

**Internal Control**

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. An integral part of this system of internal control is the establishment of an internal audit department that is independent of the activities they audit and is able to exercise due professional care. Further elaboration on this can be found on the Internal Control Statement on page 16 of the Annual Report.

**Relationship with the Auditors**

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

**B. DIRECTORS' RESPONSIBILITY STATEMENT**

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

The Listing Requirements of Bursa Securities 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 Securities

**C. OTHER INFORMATION.****Options, warrants or Convertible Securities**

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

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

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

**Sanctions and/or penalties imposed by relevant regulatory bodies**

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

**Non-audit fees**

Save as disclosed in Note 7 Other Expenses of the Notes to the Financial Statements on page 55 of the Annual Report, there were no non-audit fees paid to external auditors for the financial year ended 31 December 2008.

**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 38 Significant Related Party Transactions of the Notes to the Financial Statements on page 80 and 81 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 2.2 (c) Property, Plant and Equipment and Depreciation of the Notes to the Financial Statements on page 41 and 42 of the Annual Report.



During the financial year ended 31 December 2008, the Company has carried out the following activities as part of its corporate social responsibility.

## **EMPLOYEES**

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

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

## **ENVIRONMENTAL ACTIVITIES**

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

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

Our Kitchen Division has also installed selected GreenMark certified sink and tap accessories in our projects. This is a reflection of the growing awareness of developers on increasing environmental friendly content in the property products.

## **COMMUNITIES**

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

In support of National Cancer Society of Malaysia to join the fight against cancer, the Company had participated in the Relay for Life Kuala Lumpur 2008 at MSN Training Stadium, Bukit Jalil. To show our support, the Company sent our teams and COO as participants to the event that attracted over 5,000 participants. We took turns walking or running around the track for this noble cause to raise the bar on the awareness of cancer and understanding the importance of early detection and screening to reduce the risk of cancer.



# Internal Control Statement

## RESPONSIBILITY

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

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

## KEY PROCESSES

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

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

The key processes employed by the Board include the following:

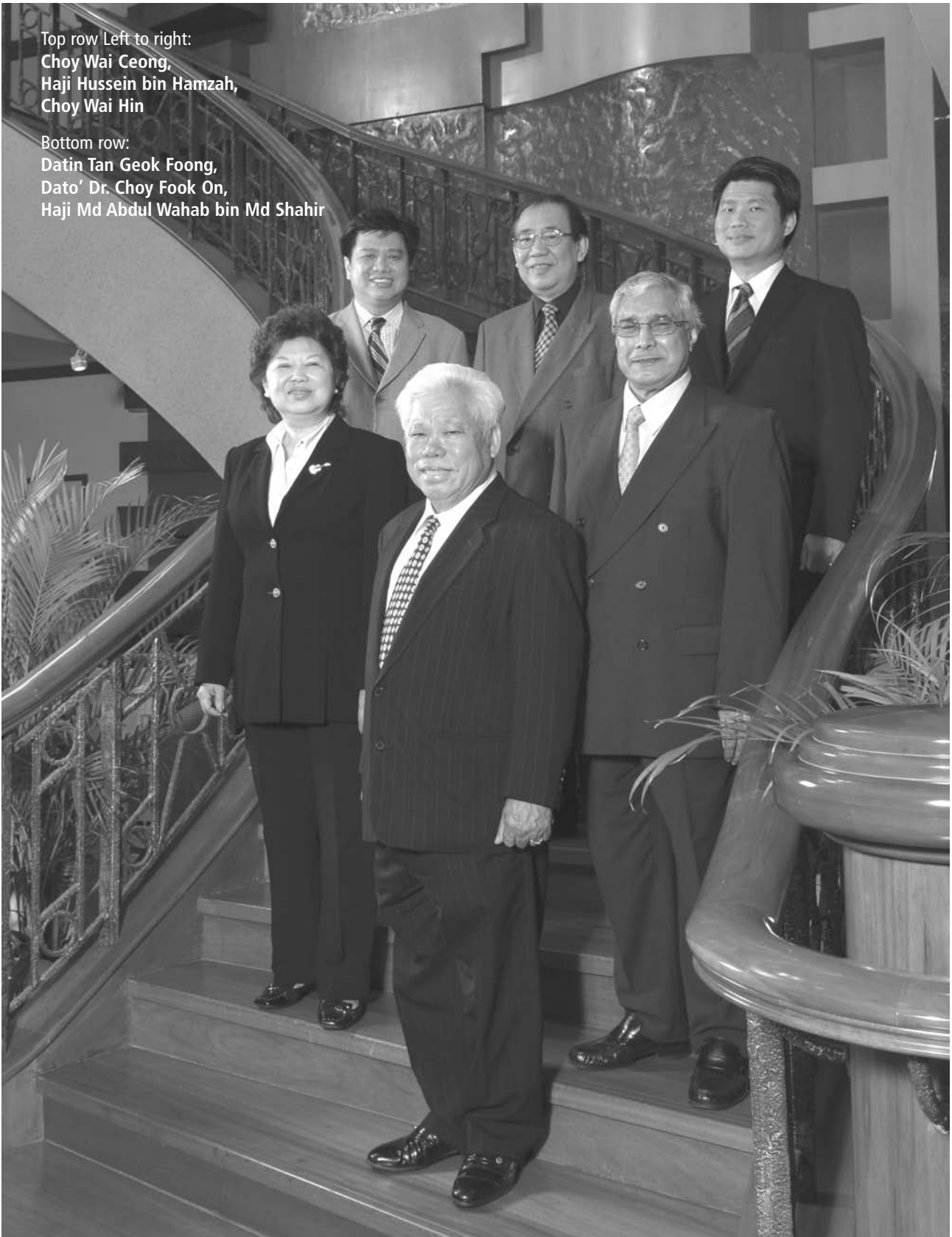
- The Group's internal audit department conducts regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group.
- The internal audit department reports to the Audit Committee who regularly reviews and holds discussions with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





Top row Left to right:  
Choy Wai Ceong,  
Haji Hussein bin Hamzah,  
Choy Wai Hin

Bottom row:  
Datin Tan Geok Foong,  
Dato' Dr. Choy Fook On,  
Haji Md Abdul Wahab bin Md Shahir





# Profile of Directors

## DATO' DR. CHOY FOOK

Malaysian, aged 72, is the Non-Independent Non-Executive Chairman and founder of FFHB Group and was appointed to the Board of Directors on 2 February 1983. He was appointed Executive Chairman on 6 November 1992 and held the position of Managing Director from 12 February 1993 until 8 August 1996. Dato' Dr. Choy is also a member of the Nomination Committee and Remuneration Committee.

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

Dato' Dr. Choy is the spouse of Datin Tan Geok Foong, an Executive Director, and father of Messrs. Choy Wai Hin and Choy Wai Ceong who are Managing Director and Executive Director respectively as well as major shareholders of the Company. He is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted for any offences within the past 10 years. During the financial year ended 31 December 2008 he attended all 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 67, 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 2008 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 45, 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 2008 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.

**MR CHOY WAI CEONG**

Malaysian, aged 44, 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 2008 he attended all 4 board meetings held. Mr. Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 25 of the Annual Report.



## Profile of Directors (cont'd)

### HAJI HUSSEIN BIN HAMZAH

Malaysian, aged 64, 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 and the standing committee for Uniform Building By-Laws in the Ministry of Housing and Local Government. He was appointed by SIRIM 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 2008 he attended all of the 4 board meetings held.

### HAJI MD ABDUL WAHAB BIN MD SHAHIR

Malaysian, aged 67, was appointed as an Independent Non-Executive Director on 29 June 2005. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Haji Md Abdul Wahab graduated from the Sydney Technical College in Accountancy and holds a Diploma in Management Consultancy Practices from the United Nations International Centre, Turin, Italy. He is a fellow member of the Certified Practising Accountants, Australia, and is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant.

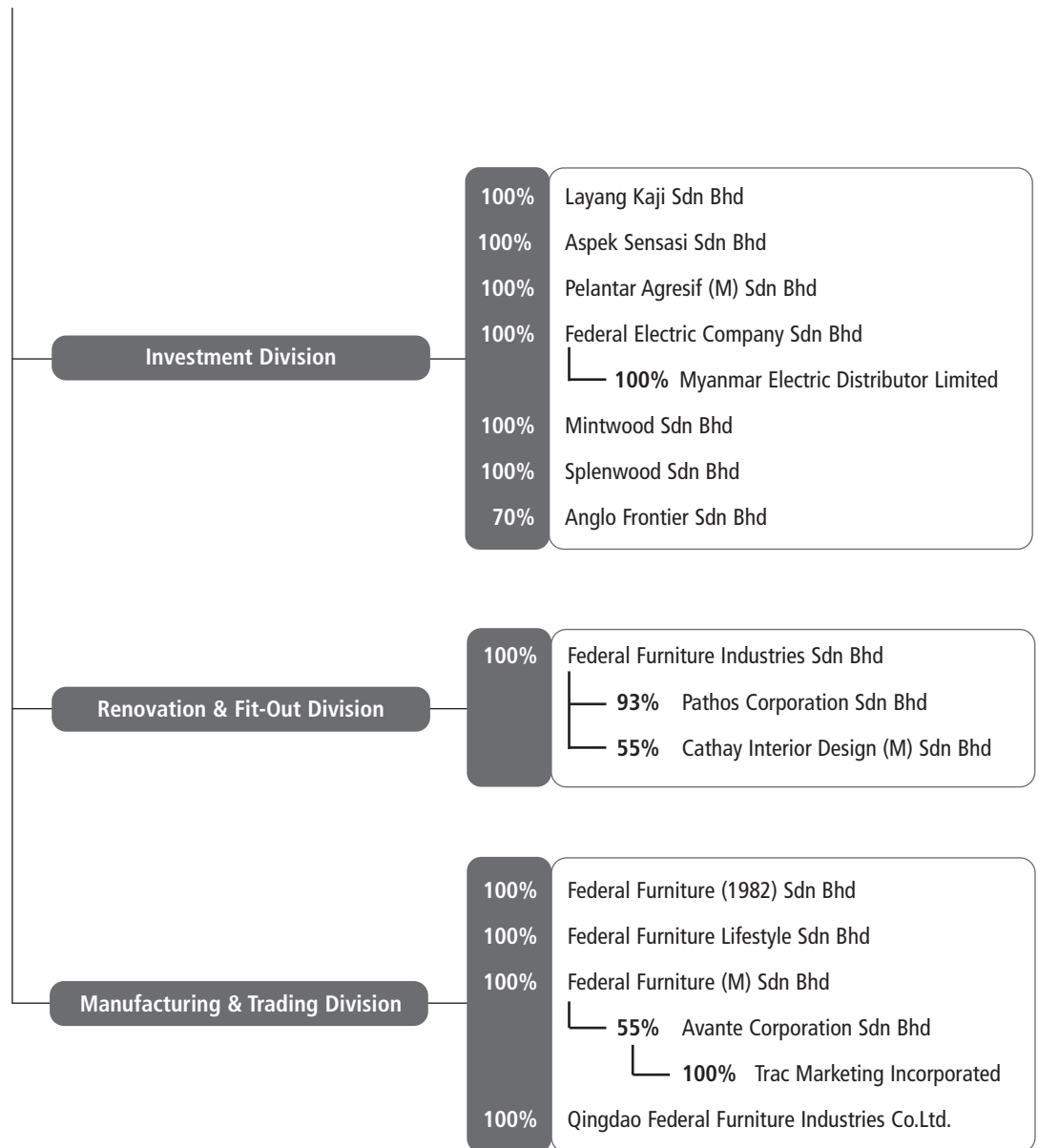
He began his career in accounting with a public listed company in Sydney, Australia in 1967. Upon his return to Malaysia in 1972, he joined the Malaysian Airlines System Berhad as an Internal Auditor and subsequently with MIDF Industrial Consultants Sdn Bhd as a Management Consultant. In 1979 he was appointed as the Director of Finance of Rubber Industries Smallholders Development Authority. In 1984 he joined Perwira Affin Bank Malaysia Berhad as the Assistant General Manager/Chief Internal Auditor and was subsequently promoted as the General Manager of Affin Finance Berhad. In 1995 he was appointed as the Group Managing Director of Business Focus Sdn. Bhd.

Currently he is an Independent Non-Executive Director of Inno-Pacific Holdings Limited, Singapore and sits on the boards of CPA Australia (M) Sdn Bhd and Liga Klasik Sdn Bhd.

Haji Md Abdul Wahab 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 2008 he attended all of the 4 board meetings held.



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





# 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 2008.

## REVIEW OF GROUP FINANCIAL RESULTS

Group turnover grew by a modest 2% to RM53.7 million from RM52.8 million a year ago. All business operating units reported higher revenue except for the traditional interior fit-out operations whose revenue fell by more than half.

Ignoring the one-time non-operating gain of RM30.3 million from the completion of the debt restructuring exercise in 2007, operating profit in 2008 was RM3.4 million compared to an operating loss of RM5.5 million in 2007. This improvement is attributable to higher margins contributions from the Manufacturing and Exports division in 2008 while in the previous year, exceptional items consisting of contracts costs written off and stocks write-down aggregating RM5.5 million was not repeated in 2008.

Interest charge fell by 47% to RM0.9 million from RM1.7 million reflecting the lower gearing and the net cash generated from operations and the reduction in interest rates.

Profit before tax was RM2.5 million compared to RM23.2 million a year ago that included a one-time exceptional gain of RM30.3 million from the debt restructuring exercise.

Tax charge consisting mainly deferred tax increased to RM1.4 million from RM1.0 million previously. The continuing reduction in the income tax rates has a depreciating effect on the carrying value of deferred tax asset resulting in the reversal of RM0.3 million of deferred tax asset for the year.

The profit attributable to shareholders was RM1.1 million while basic earnings per share was 1 sen (2007: 32 sen).

## DIVIDENDS

While acknowledging the importance of dividend to shareholders, your Board is of the view that the interest of the shareholders and the Company is best served by retaining cash in the business and is therefore not recommending the payment of any dividend in respect of the financial year ended 31 December 2008.

## REVIEW OF OPERATIONS

Revenue for the Manufacturing and Trading division grew by 23% to RM44.2 million from RM35.9 million in the previous year. External sales expanded by 35% to RM26.9 million while inter-group sales increased by 9% to RM17.4 million. The furniture trading operations made up of the imported kitchen retail business was not in active operation during the year due to the transition to the new Symphony brand. Turnover fell to RM0.4 million from RM1.4 million in the previous year. In tandem with the growth in revenue for the Manufacturing and Trading division as a whole, operating profit, setting aside the one-time gain of RM5.4 million from the debt restructuring exercise last year, increased to RM5.0 million from a loss of RM0.2 million previously.

The Renovation and Interior Fit-out division saw a mixed bag of results - the traditional interior fit-out business continued to trend southward as turnover fell by 50% to RM11.0 million from RM22.4 million while the kitchen project operations increased its turnover by the same per centum to RM15.8 million. This reflects the very difficult operating scenario in the local traditional interior fit-out industry and the management's decision to undertake only selective projects as the market continued to be plagued by very intense competition among industry players resulting in extremely low margins not commensurate with the associated project execution risks. The kitchen project operations on the other hand continued to benefit from the growth in the high-end property market that offered fitted kitchens and wardrobe. The division registered an operating loss of RM0.7 million down from an operating profit of RM1.5 million a year ago as overall turnover for the division fell by 20%.

## PROSPECTS FOR 2009

Sparked by the US subprime mortgage debacle in 2007, the global economy has since developed into the most severe financial crisis since the Great Depression. The financial crisis has continued to deepen and become a truly full blown synchronized global recession. The financial crisis reached its climax in September 2008 with the collapse of several financial institutions in the US and Europe, the tightening of credit and tumbling of the equity market. Since then, Governments in both developed and developing countries have been frantically putting in place both fiscal and monetary stimulus packages to kick start their respective economies. Even if these measures



work it will definitely take time to see real results and restore confidence. In the meantime, the large scale deterioration in financial markets and the underlying economic conditions have combined to create an extremely uncertain environment and make it difficult to predict the possible outcome. In the immediate term, the global economy is expected to continue to shrink in 2009 by between 0.5% and 1%. Japan is forecasted to contract the most at 5.8% followed by Europe 3.2% and the US 2.6%. Meanwhile Asia's economy is projected to grow by 1.3% in 2009 and 4.3% in 2010. The IMF has projected global economy to recover in 2010 with growth estimated at between 1.5-2.5%. The Malaysian Government has unveiled a second stimulus package amounting to RM60 billion in addition to the RM7 billion announced earlier raising fiscal deficit to 7.6% of GDP compared to 4.8% in 2007. In tandem with the global recession the local economy is expected to slide into negative territory with a contraction of between 2.2% and 3.5% in 2009 and a growth of 1.5 - 3.3% in 2010. Recovery will be slower this time round given the depth of the global financial crisis.

The Manufacturing and Export division will not be spared from the global financial crisis and expects its export to the Asia Pacific to be adversely affected by falling demand and the decision of a key customer to subject the supply contract to a tendering process that will put in question the continuation of the current supply contract going forward. The prospect for the division will also hinge on the continuation of the refurbishment of its stores by a MNC customer in Europe. Demand for the division's products in the US market is expected to be sluggish due to the severe credit crunch, depressed housing sector and raising unemployment that are exerting downward pressure on consumer demand and consumption. To mitigate the weak export markets the division has taken appropriate actions to reduce overheads including reduction in headcount and embark on the manufacture of kitchen products for the local contracts already secured by the kitchen project operations. However this is unlikely to make up for the slag in the export market and the division does not expect it will be able to repeat the record performance seen in 2008.

The Kitchen retail operations resumed operations in February 2009 with the completion of the re-fitting of the showroom with the new Symphony range of kitchens. The operations has not in the past, and similarly will not in the current year, expected to contribute significantly to the Group's revenue especially given the fall in private consumption and the slump in the property sector.

The Renovation and Interior Fit-out division however started the year on a more optimistic note with the success in securing a number of projects in the local and overseas market and evidently there are more projects available in its target markets i.e. the hospitality segment of the market that has been its forte. The division is also looking overseas and is evaluating various options including forming alliances with strategic foreign partners to tap those markets that are still active with commercially viable projects amidst the ongoing financial turmoil. After two years of phenomenal growth ranging from 385% to 50%, the Kitchen Project operations is projected to expand at a much more subdued rate. To a large extent this is because the base number has enlarged considerably. The prospect for the operations is closely tied to the property market, more particularly the high-end segment and the operations will continue to benefit from the properties already under construction and scheduled for completion this year and the following year. The concern however will be the potential delays in the completion of these properties or the trimming of interior finishing like kitchen and wardrobe that could have an adverse impact on products supplied by the operations.

#### APPRECIATION

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 presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

## RESULTS

	GROUP RM	COMPANY RM
Profit /(loss) for the year	1,082,845	(13,116,530)
Attributable to:		
Equity holders of the Company	1,077,994	(13,116,530)
Minority interests	4,851	–
	1,082,845	(13,116,530)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Dr. Choy Fook On  
 Datin Tan Geok Foong  
 Choy Wai Hin  
 Choy Wai Ceong  
 Haji Hussein bin Hamzah  
 Md Abdul Wahab bin Md Shahir





## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 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 any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for those benefits which may be deemed to have arisen by virtue of those contracts, agreements and transactions entered into in the ordinary course of business between the Company or its subsidiaries and companies in which the directors are deemed to have a substantial financial interest and as disclosed in Note 38 to the financial statements.

## DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company during the financial year were as follows:

	<u>Number of Ordinary Shares of RM0.50 Each</u>			
	<u>1 January</u> <u>2008</u>	<u>Acquired</u>	<u>Sold</u>	<u>31 December</u> <u>2008</u>
<b>The Company</b>				
<b>Direct Interest</b>				
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
<b>Indirect Interest</b>				
Dato' Dr. Choy Fook On	11,047,340	–	–	11,047,340
Datin Tan Geok Foong	11,047,340	–	–	11,047,340
Choy Wai Hin	11,047,340	–	–	11,047,340
Choy Wai Ceong	11,047,340	–	–	11,047,340

**DIRECTORS' INTEREST (Cont'd)**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company during the financial year were as follows: (cont'd.)

	1 January 2008	Number of Warrants		31 December 2008
		Acquired	Exercised	
<b>The Company</b>				
<b>Direct Interest</b>				
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
<b>Indirect Interest</b>				
Dato' Dr. Choy Fook On	11,277,986	–	–	11,277,986
Datin Tan Geok Foong	11,277,986	–	–	11,277,986
Choy Wai Hin	11,277,986	–	–	11,277,986
Choy Wai Ceong	11,277,986	–	–	11,277,986

Dato' Dr. Choy Fook On, Choy Wai Hin, Choy Wai Ceong and Datin Tan Geok Foong, by virtue of their interest in shares in the Company, are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares and warrants in the Company or its related corporations during the financial year.

The terms of the Warrants are as disclosed in Note 35 to the financial statements.

**OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

**OTHER STATUTORY INFORMATION (cont'd)**

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) 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 financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in Note 37 to the financial statements.
- (f) In the opinion of the directors:
  - (i) no contingent 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 or of the Company to meet their obligations when they fall due; and
  - (ii) 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 or of the Company for the financial year in which this report is made.

**AUDITORS**

The auditors, Ernst & Young, do not wish to seek reappointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2009.

**DATO' DR. CHOY FOOK ON**

Kuala Lumpur, Malaysia

**CHOY WAI HIN**



# Statement by Directors

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

We, **DATO' DR. CHOY FOOK ON** and **CHOY WAI HIN**, being two of the directors of **FEDERAL FURNITURE HOLDINGS (M) BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 85 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2009.

**DATO' DR. CHOY FOOK ON**

Kuala Lumpur, Malaysia

**CHOY WAI HIN**

## Statutory Declaration

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

I, **JAMES SHII LIHTON**, being the Officer primarily responsible for the financial management of **FEDERAL FURNITURE HOLDINGS (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 85 are in my opinion 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  
the abovenamed **JAMES SHII LIHTON** at  
Kuala Lumpur in Wilayah Persekutuan  
on 15 April 2009.

**JAMES SHII LIHTON**

Before me,



No: 72, Tkt. 3,  
Jalan Mega Mendung,  
Bandar Kompleks,  
58200 Kuala Lumpur.

# Independent Auditors' Report

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



## Report on the financial statements

We have audited the financial statements of Federal Furniture Holdings (M) Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 85.

### *Directors' responsibility for the financial statements*

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

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the 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 at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company 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 financial statements and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of a subsidiary of which we have not acted as auditors, which is indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.



## Independent Auditors' Report (cont'd)

**Report on other legal and regulatory requirements (Cont'd)**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following: (cont'd)

- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

*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.

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
15 April 2009

**GLADYS LEONG**  
No. 1902/04/10(J)  
Chartered Accountant

# Income Statements

For the year ended 31 December 2008



	Note	GROUP		COMPANY	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM (restated)
Revenue	3	<b>53,665,738</b>	52,809,869	–	–
Other income	4	<b>889,658</b>	31,892,008	<b>1,668,237</b>	19,782,109
Changes in inventories of finished goods		<b>(2,693,943)</b>	269,496	–	–
Contract costs		<b>(27,101,553)</b>	(31,475,777)	–	–
Raw materials and consumables used		<b>(6,813,474)</b>	(8,607,784)	–	–
Finished goods purchased		<b>(435,113)</b>	(3,250,339)	–	–
Staff costs	5	<b>(7,552,869)</b>	(7,463,586)	<b>(433,714)</b>	(638,843)
Depreciation		<b>(1,106,497)</b>	(1,151,508)	<b>(45,900)</b>	(57,512)
Other expenses	7	<b>(5,415,373)</b>	(8,133,494)	<b>(14,192,492)</b>	(3,266,727)
Profit/(loss) from operations		<b>3,436,574</b>	24,888,885	<b>(13,003,869)</b>	15,819,027
Finance costs, net	9	<b>(908,540)</b>	(1,729,010)	<b>(179,132)</b>	(664,782)
Profit/(loss) before taxation		<b>2,528,034</b>	23,159,875	<b>(13,183,001)</b>	15,154,245
Income tax expense	10	<b>(1,445,189)</b>	(975,695)	<b>66,471</b>	(403)
Profit/(loss) for the year		<b>1,082,845</b>	22,184,180	<b>(13,116,530)</b>	15,153,842
Attributable to:					
Equity holders of the Company		<b>1,077,994</b>	22,158,595	<b>(13,116,530)</b>	15,153,842
Minority interest		<b>4,851</b>	25,585	–	–
		<b>1,082,845</b>	22,184,180	<b>(13,116,530)</b>	15,153,842
Basic earning per share (sen)	11	<b>1</b>	32		
Fully diluted earning per share (sen)	11	<b>1</b>	24		

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



# Balance Sheets

As at 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	11,544,510	11,856,702	63,607	101,950
Land held for development	13	–	–	–	–
Investment in subsidiaries	14	–	–	14,789,247	22,231,183
Other investment	15	–	60,000	–	60,000
Deferred tax assets	16	4,818,886	6,143,759	–	–
Investment properties	17	2,065,600	2,067,200	–	–
Prepaid land lease payments	18	2,026,045	2,051,370	–	–
		<b>20,455,041</b>	<b>22,179,031</b>	<b>14,852,854</b>	<b>22,393,133</b>
<b>Current assets</b>					
Inventories	19	3,576,128	7,419,122	–	–
Trade receivables	20	14,496,756	16,760,611	–	–
Other receivables	22	6,819,355	6,817,152	607,431	608,446
Due from subsidiaries	23	–	–	53,821,809	60,081,024
Marketable securities	24	23,276	48,636	–	–
Cash and bank balances	25	2,549,085	657,515	36,409	5,722
Properties held for sale	26	–	–	–	–
		<b>27,464,600</b>	<b>31,703,036</b>	<b>54,465,649</b>	<b>60,695,192</b>
<b>TOTAL ASSETS</b>		<b>47,919,641</b>	<b>53,882,067</b>	<b>69,318,503</b>	<b>83,088,325</b>





	Note	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	27	41,347,950	41,347,950	41,347,950	41,347,950
Share premium	28	3,440,941	3,440,941	3,440,941	3,440,941
Other reserves		(26,303,396)	(27,377,342)	(23,907,216)	(10,790,686)
Shareholders' funds		18,485,495	17,411,549	20,881,675	33,998,205
Minority interests		363,813	358,962	–	–
<b>Total equity</b>		<b>18,849,308</b>	<b>17,770,511</b>	<b>20,881,675</b>	<b>33,998,205</b>
<b>Non-current liabilities</b>					
Borrowings	29	132,914	70,232	41,748	60,482
Deferred tax liabilities	16	1,245,317	1,073,283	7,403	7,403
Redeemable secured loan stock	31	1,900,000	1,900,000	1,900,000	1,900,000
		3,278,231	3,043,515	1,949,151	1,967,885
<b>Current liabilities</b>					
Borrowings	29	5,419,234	7,206,980	17,292	15,850
Trade payables	32	6,313,752	11,152,642	–	–
Other payables	33	14,059,116	14,537,843	6,866,117	7,388,523
Due to subsidiaries	34	–	–	39,604,268	39,552,026
Tax payable		–	170,576	–	165,836
		25,792,102	33,068,041	46,487,677	47,122,235
<b>Total liabilities</b>		<b>29,070,333</b>	<b>36,111,556</b>	<b>48,436,828</b>	<b>49,090,120</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,919,641</b>	<b>53,882,067</b>	<b>69,318,503</b>	<b>83,088,325</b>

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



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to Equity Holders of the Company							Total equity RM
	Non-distributable			Distributable		Minority interests RM	Total equity RM	
	Share capital RM	Share premium RM	Revaluation reserve RM	Foreign exchange reserve RM	Accumulated losses RM			
<b>At 1 January 2007</b>	13,840,750	-	39,690,423	19,578	(71,919,943)	333,377	(18,035,815)	
Net profit for the year representing total recognised income and expenses for the year	-	-	-	-	22,158,595	25,585	22,184,180	
Transfer of asset revaluation reserve	-	-	(22,153,328)	-	22,153,328	-	-	
Amount recognised directly in equity	-	-	(17,325,995)	-	-	-	(17,325,995)	
Issue of ordinary shares pursuant to Debt Restructuring and Fund Raising Exercise	27,507,200	5,802,880	-	-	-	-	33,310,080	
Transaction costs	-	(2,361,939)	-	-	-	-	(2,361,939)	
<b>At 31 December 2007</b>	41,347,950	3,440,941	221,100	19,578	(27,608,020)	358,962	17,770,511	
<b>At 1 January 2008</b>	41,347,950	3,440,941	211,100	19,578	(27,608,020)	358,962	17,770,511	
Foreign currency translation	-	-	-	(4,048)	-	-	(4,048)	
Net Profit for the year representing total recognised income and expenses for the year	-	-	-	-	1,077,994	4,851	1,082,845	
<b>At 31 December 2008</b>	41,347,950	3,440,941	211,100	15,530	(26,530,026)	363,813	18,849,308	

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

# Company Statement of Changes in Equity

For the year ended 31 December 2008



	Share capital RM	<u>Non-distributable</u> Share premium RM	<u>Distributable</u> Accumulated losses RM	Total equity RM
<b>At 1 January 2007</b>	13,840,750	–	( 25,944,528)	(12,103,778)
Net profit for the year, representing total recognised income and expenses for the year	–	–	15,153,842	15,153,842
Issue of ordinary shares pursuant to Debt Restructuring and Fund Raising Exercise	27,507,200	5,802,880	–	–
Transaction costs	–	(2,361,939)	–	( 2,361,939)
<b>At 31 December 2007</b>	41,347,950	3,440,941	(10,790,686)	33,998,205
<b>At 1 January 2008</b>	41,347,950	3,440,941	(10,790,686)	33,998,205
Net loss for the year, representing total recognised income and expenses for the year	–	–	(13,116,530)	(13,116,530)
<b>At 31 December 2008</b>	41,347,950	3,440,941	(23,907,216)	20,881,675

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



# Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RM	2007 RM (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,528,034	23,159,875
Adjustments for:		
Amortisation of prepaid land lease payment	25,325	37,464
Bad debt written off	23,311	292,394
Changes in value of marketable securities	25,360	–
Depreciation	1,106,497	1,151,508
Gain on disposal of property, plant and equipment	(868)	(126,636)
Gain on disposal of subsidiaries	–	(1,961,807)
Interest expense	908,540	1,729,010
Interest income	–	(5,983)
Interest write back	–	(29,598,323)
Loss on disposal of marketable securities	–	1,183,858
Net unrealised foreign exchange gain	(42,813)	(13,397)
Property, plant and equipment written off	4,913	603
Provision for doubtful debts	310,596	1,718,511
Provision for impairment loss of other investment	60,000	–
Share disposal expenses	–	507
Provision for foreseeable losses	294,867	4,487,003
Write back of provision no longer required	(34,439)	–
Operating profit before working capital changes	5,209,323	2,054,587
Decrease/(increase) in receivables	1,659,129	(2,151,243)
Decrease in inventories	3,842,993	26,531
(Decrease)/increase in payables	(5,366,584)	10,436,044
Cash generated from operations	5,344,861	10,365,919
Interest paid	(786,940)	(11,562,967)
Taxes paid	(144,995)	(56,913)
Net cash generated from/(used in) operating activities	4,412,926	(1,253,961)



	2008 RM	2007 RM (restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(693,684)	(648,422)
Proceeds from disposal of subsidiaries (Note 8)	–	3
Proceeds from disposal of property, plant and equipment	1,934	5,099,513
Proceeds from disposal of investment properties	–	8,621,123
Proceeds from disposal of land held for development	–	35,000,000
Proceeds from disposal of properties held for sale	–	9,056,400
Interest received	–	5,983
Net cash (used in)/generated from investing activities	(691,750)	57,134,600
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayment of short term borrowings	(210,000)	(82,530,542)
Repayment of hire purchase and lease payables	(41,493)	(44,295)
Net repayment of term loans	–	(2,325,518)
Proceeds from issuance of ordinary shares	–	33,310,080
Proceeds from issuance of redeemable secured loan stock	–	1,900,000
Transaction cost	–	(2,361,939)
Net cash used in financing activities	(251,493)	(52,052,214)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,469,683</b>	<b>3,828,425</b>
Effects of foreign exchange rate changes	458	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>(1,115,578)</b>	<b>(4,944,003)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 25)</b>	<b>2,354,563</b>	<b>(1,115,578)</b>
Cash and cash equivalents comprised of :		
Cash and bank balances	2,549,085	657,515
Bank Overdrafts	(194,522)	(1,773,093)
	<b>2,354,563</b>	<b>(1,115,578)</b>

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



# Cash Flow Statement

For the year ended 31 December 2008

	2008 RM	2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(13,183,001)	15,154,245
Adjustments for:		
Bad debts written off	23,311	–
Depreciation	45,900	57,512
Interest write back	–	(18,571,434)
Loss on disposal of investment in subsidiaries	–	4,998
Property, plant and equipment written off	–	1,361,277
Provision for impairment loss		
- Subsidiaries	7,441,936	–
- Other investment	60,000	–
Provision for doubtful debts	4,817,587	–
Interest expense	179,132	664,782
Interest income	–	(5,973)
Write back of provision no longer required	(34,439)	–
Operating loss before working capital changes	(649,574)	(1,334,593)
(Increase)/decrease in receivables	(22,296)	1,206,506
Decrease in payables	(609,567)	(51,203,534)
Decrease in intercompany balances	1,493,870	59,753,911
Cash generated from operations	212,433	8,422,290
Interest paid	(57,532)	282,644
Taxation paid	(99,365)	–
Net cash generated from operating activities	55,536	8,704,934
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investment in subsidiaries (Note 8)	–	2
Purchase of property, plant and equipment	(7,557)	(2,579)
Investment in foreign subsidiary	–	(216,090)
Interest received	–	5,973
Net cash used in investing activities	(7,557)	(212,694)



	2008 RM	2007 RM
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Repayment of hire purchase and lease payables	(17,292)	(17,291)
Net repayment of short term borrowings	–	(41,327,333)
Proceeds from issuance of ordinary shares	–	33,310,080
Proceeds from issuance of redeemable secured loan stock	–	1,900,000
Transaction cost	–	(2,361,939)
Net cash used in financing activities	(17,292)	(8,496,483)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30,687</b>	<b>(4,243)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,722</b>	<b>9,965</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 25)</b>	<b>36,409</b>	<b>5,722</b>
Cash and cash equivalents comprised of :		
Cash and bank balances	36,409	5,722

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



# Notes to the Financial Statements

31 December 2008

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 April 2009.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provision of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. The Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial period beginning on or after 1 January 2008 as described in Note 2.3.

The financial statements, presented in Ringgit Malaysia, are prepared under the historical cost convention unless otherwise indicated in the other section of accounting policies.

### 2.2 Summary of Significant Accounting Policies

#### (a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Subsidiaries are those companies in which the Group has power to exercise control over financial and operating policies so as to obtain benefits from their activities.

Subsidiaries 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. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and 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 the 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.





## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (a) Basis of Consolidation (Cont'd)

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

#### (b) Investment in Subsidiaries

The Company's investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

#### (c) Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment except for leasehold buildings are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

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

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (c) Property, Plant and Equipment and Depreciation (Cont'd)

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 and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

#### (d) Land Held for Development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost or revalued amounts less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2 (m).

#### (e) Due from Customers on Contracts

Where the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively 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.

Where 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 as expenses 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 of costs incurred on contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts. Cost includes the cost of direct labour, materials, and overhead expenses incurred based on the normal level of activities.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (f) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to be incurred in marketing, selling and distribution.

#### (g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### (i) Finance leases

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

##### (ii) Operating lease

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (g) Leases (Cont'd)

##### (ii) Operating lease (Cont'd)

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

#### (h) Income Tax

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

Deferred tax is provided for, using the liability method. 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 not recognised if the temporary difference arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it raised from a transaction which is recognised directly in equity.

#### (i) Provisions for Liabilities

Provisions are recognised when the Group has 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 of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligations.

#### (j) Employees Benefits

##### (i) 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. 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 nonaccumulating compensated absences such as sick leave are recognised when the absences occur.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (j) Employees Benefits (Cont'd)

##### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays a fixed contribution into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### (k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Contract work

Revenue from contract work is accounted for by the percentage of completion method as described in Note 2.2(e).

##### (ii) Sales of goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

##### (iii) Interest income and rental income

Interest and rental income are recognised on an accrual basis.

#### (l) Foreign Currencies

##### (i) Functional and presentation currency

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (i) Foreign Currencies (Cont'd)

##### (ii) Foreign currency transactions

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

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

##### (iii) Foreign operation

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

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

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

	2008 RM	2007 RM
Chinese Renminbi	0.51	0.45
United States Dollar	3.46	3.31
Great Britain Pound	5.00	6.68



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (m) Impairment of Assets

The carrying amount of the Group and Company's assets are reviewed at each balance sheet reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset, with the excess of the impairment loss charged to the income statement.

All reversals of impairment losses are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

#### (n) 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 any accumulated impairment losses.

Investment properties of the Group consist of freehold land and building. There is no depreciation charged on freehold land. 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 properties are 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.

#### (o) Non-current Assets (or Disposal Group) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (o) Non-current Assets (or Disposal Group) Held for Sale and Discontinued Operations (Cont'd)

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

#### (p) Financial Instruments

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

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

#### (i) Other investment

Other investment is also stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(m).

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

#### (ii) Marketable securities

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

#### (iii) Receivables

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





## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (p) Financial Instruments (Cont'd)

##### (iv) Payables

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

##### (v) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement as an expense in the period in which they are incurred.

##### (vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### (vii) Redeemable secured loan stocks ("RSLs")

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (p) Financial Instruments (Cont'd)

##### (viii) 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.

##### (ix) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call, net of outstanding bank overdrafts.

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2008, the Group and the Company adopted the following FRSs and amendments to FRSs:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Share in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under the FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of the above standards have no significant impact on the financial statements of the Group and Company.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Issues Committee Interpretation ("IC interpretations") were issued but not yet effective and have not been applied by the Group and the Company:

<u>FRSs, Amendments to FRSs and IC Interpretations</u>		<b>Effective for financial periods beginning on and after</b>
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The above FRSs and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application. The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

### 2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical Judgements Made in Applying Accounting Policies

##### (i) Classification between investment properties and property, plant and equipment

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

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.5 Significant Accounting Estimates and Judgements (Cont'd)

#### (b) Key Sources of Estimation Uncertainty

##### (i) Deferred tax assets

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

##### (ii) Revenue recognition

The Company recognises contract revenue based on the percentage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2.2(k). Significant assumption is required in determining the percentage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts.

## 3. REVENUE

Revenue of the Group consists of the following:

	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
		<b>(restated)</b>
Revenue from contract works	<b>26,777,877</b>	32,885,178
Sale of goods	<b>26,887,861</b>	19,924,691
	<b>53,665,738</b>	52,809,869



#### 4. OTHER INCOME

Included in other income are the following:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Bad debt recovered	133,500	–	–	–
Foreign exchange gain:				
- realised	324,150	130	–	–
- unrealised	42,813	13,397	–	–
Gain on disposal of investment in subsidiaries (Note 8)	–	1,961,226	–	–
Gain on disposal of property, plant and equipment	868	126,636	–	–
Interest waiver pursuant to the debt restructuring and fund raising exercise	–	29,598,324	–	18,571,434
Management fees	–	–	1,633,797	1,204,702
Rental income	38,200	55,009	–	–
Write back of provision no longer required	34,439	–	34,439	–

#### 5. STAFF COSTS

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Wages and salaries	5,430,190	5,383,328	375,326	572,643
Social security costs	53,977	54,259	3,975	4,254
Pension costs - defined contribution plan	576,750	567,527	50,653	57,158
Other staff related expenses	1,491,952	1,458,472	3,760	4,788
	<b>7,552,869</b>	<b>7,463,586</b>	<b>433,714</b>	<b>638,843</b>

#### 6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	966,900	512,688	966,900	512,688
Fees	54,000	24,000	54,000	24,000
Benefits-in-kind	10,500	10,500	10,500	10,500
	<b>1,031,400</b>	<b>547,188</b>	<b>1,031,400</b>	<b>547,188</b>



## 6. DIRECTORS' REMUNERATION (Cont'd)

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-Executive:				
Salaries and other emoluments	232,340	43,217	232,340	43,217
Fees	54,000	5,250	54,000	5,250
	<b>286,340</b>	<b>48,467</b>	<b>286,340</b>	<b>48,467</b>
<b>Other Directors</b>				
Executive:				
Salaries and other emoluments	293,507	291,648	–	–
Total	<b>1,611,247</b>	<b>887,303</b>	<b>1,317,740</b>	<b>595,655</b>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration	1,314,407	828,336	1,020,900	536,688
Total non-executive directors' remuneration	286,340	48,467	286,340	48,467
Total directors' remuneration	<b>1,600,747</b>	<b>876,803</b>	<b>1,307,240</b>	<b>585,155</b>

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2008	2007
Executive directors:		
RM100,001 - RM150,000	–	2
RM150,001 - RM200,000	–	2
RM200,001 - RM250,000	1	–
RM300,001 - RM350,000	1	–
RM450,001 - RM500,000	1	–
Non-Executive directors:		
Below RM50,000	2	2
RM200,001 - RM250,000	1	–



## 7. OTHER EXPENSES

Included in other expenses are the following:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Auditors' remuneration:				
- Statutory audit	74,600	69,600	18,500	18,500
- Other services	6,500	6,825	6,500	6,825
- Overprovision in prior year	–	(8,447)	–	–
Amortisation of prepaid land lease payment	25,325	37,464	–	–
Bad debt written off	23,311	292,394	23,311	–
Changes in value of marketable securities	25,360	–	–	–
Provision for impairment loss of				
- Subsidiaries	–	–	7,441,936	–
- Other investment	60,000	–	60,000	–
Loss on disposal of investment in subsidiaries	–	–	–	4,998
Loss on disposal of marketable securities	–	1,183,858	–	–
Property, plant and equipment written off	4,913	35,915	–	1,361,278
Provision for doubtful debts	310,596	1,718,511	4,817,587	633,450
Provision for loss on forfeited property:				
- Overprovision in prior year	–	(35,312)	–	–
Realised foreign exchange loss	27,129	238,511	–	–
Rental:				
- office	269,544	250,488	193,536	161,280
- factory	64,000	211,631	–	–
- showroom	148,600	157,200	–	–

## 8. DISPOSAL OF SUBSIDIARIES

The Group disposed of its interests in the following subsidiaries during the last financial year:

Name of subsidiaries	Equity interest disposed	Consideration RM
Bumper Wood Sdn Bhd	100%	1
Paramount Wood Sdn Bhd	100%	1
Maskamaz Industries Sdn Bhd	36%	1



## 8. DISPOSAL OF SUBSIDIARIES (Cont'd)

The disposals had the following effects on the financial position of the Group as at the end of the last financial year:

	2007 RM
Inventories	219,555
Other receivables	600
Cash and bank balances	585
Other payables	(2,181,963)
Net liabilities disposed	(1,961,223)
Total disposal proceeds	3
Gain on disposal to the Group	(1,961,226)
Cash outflow arising on disposal:	
Cash consideration, representing cash inflow of the Company	3
Cash and cash equivalents of the subsidiaries disposed	(585)
Net cash outflow of the Group	(582)

The disposal of the subsidiary had the following effect on the financial results of the Company:

Total disposal proceeds	2
Cost of investment in subsidiaries	(5,000)
Loss on disposal of subsidiaries	(4,998)

## 9. FINANCE COSTS, NET

	GROUP		COMPANY	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM (restated)
Interest expense	908,540	1,729,010	179,132	664,782



**10. TAXATION**

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Income tax:				
Malaysian income tax	14,455	45,202	–	–
(Over)/under provision in prior years	(66,173)	43,398	(66,471)	–
	(51,718)	88,600	(66,471)	–
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	1,059,422	902,380	–	(144)
Relating to reduction in Malaysian income tax rate	327,993	217,221	–	(279)
Under/(over) provided in prior years	109,492	(232,506)	–	826
	1,496,907	887,095	–	403
	1,445,189	975,695	(66,471)	403

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year and will be reduced to 25% with effect from the year of assessment 2009. Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%

In excess of RM500,000 of chargeable income : Malaysian corporate statutory tax rate

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

**GROUP**

	2008 RM	2007 RM
Profit before taxation	2,528,034	23,159,875



## Notes to the Financial Statements (cont'd)

## 10. TAXATION (Cont'd)

	2008 RM	2007 RM
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	657,289	6,253,166
Effect of lower tax rates of Malaysian subsidiaries with issued and paid-up share capital below RM2,500,000	(1,065)	(15,820)
Effect of deferred tax due to different tax rate	327,993	217,221
Effect of expenses not deductible for tax purposes	239,477	2,031,264
Effect of income not subject to tax	–	(5,655,824)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	–	(1,768,227)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	178,176	103,023
Under/(over) provision of deferred tax in prior years	109,492	(232,506)
(Over)/under provision of tax expense in prior years	(66,173)	43,398
<b>Tax expense for the year</b>	<b>1,445,189</b>	<b>975,695</b>

## COMPANY

	2008 RM	2007 RM
<b>(Loss)/profit before taxation</b>	<b>(13,183,001)</b>	<b>15,154,245</b>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(3,427,580)	4,091,646
Effect on opening deferred tax of reduction in Malaysian tax rate	–	(279)
Effect of expenses not deductible for tax purposes	2,001,831	1,338,777
Effect of income not subject to tax	–	(5,014,288)
Deferred tax assets not recognised during the year	1,425,749	–
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	–	(416,279)
Overprovision of income tax in prior year	(66,471)	–
Underprovision of deferred tax in prior year	–	826
<b>Tax expense for the year</b>	<b>(66,471)</b>	<b>403</b>



## 11. EARNING PER SHARE

### (a) Basic

Basic earning per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2008	2007
Net profit for the year (RM)	1,082,845	22,184,180
Weighted average number of ordinary shares in issue	82,695,900	68,942,300
Basic earning per share (Sen)	1	32

### (b) Diluted

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

	GROUP	
	2008	2007
Net profit for the year (RM)	1,082,845	22,184,180
Weighted average number of ordinary shares in issue	114,267,328	92,620,871
Diluted earning per share (Sen)	1	24



## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Other property, plant and equipment* RM	Total RM
<b>GROUP</b>			
<b>At 31 December 2008</b>			
<b>Cost or valuation</b>			
At 1 January 2008			
At cost	–	16,114,192	16,114,192
At valuation	9,822,000	–	9,822,000
	9,822,000	16,114,192	25,936,192
Additions	–	798,684	798,684
Disposals	–	(2,666)	(2,666)
Write offs	–	(134,330)	(134,330)
At 31 December 2008	9,822,000	16,775,880	26,597,880
Representing:			
At cost	–	16,775,880	16,775,880
At valuation	9,822,000	–	9,822,000
At 31 December 2008	9,822,000	16,775,880	26,597,880
<b>Accumulated Depreciation</b>			
At 1 January 2008			
Charge for the year	983,214	13,096,276	14,079,490
Disposals	196,440	908,457	1,104,897
Write offs	–	(1,600)	(1,600)
	–	(129,417)	(129,417)
At 31 December 2008	1,179,654	13,873,716	15,053,370



## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Buildings RM	Other property, plant and equipment* RM	Total RM
<b>GROUP (Cont'd)</b>			
<b>At 31 December 2008 (Cont'd)</b>			
<b>Net Carrying Amount</b>			
At cost	–	2,902,164	2,902,164
At valuation	8,642,346	–	8,642,346
At 31 December 2008	8,642,346	2,902,164	11,544,510

	Land RM	Buildings RM	Other property, plant and equipment* RM	Total RM
<b>At 31 December 2007</b>				
<b>Cost or valuation</b>				
<b>At 1 January 2007</b>				
At cost	–	–	17,884,152	17,884,152
At valuation	1,597,819	14,364,196	–	15,962,015
	1,597,819	15,962,015	17,884,152	33,846,167
Additions	–	–	648,424	648,424
Disposals	(1,597,819)	(4,542,196)	(1,843,201)	(7,983,216)
Write offs	–	–	(575,183)	(575,183)
At 31 December 2007	–	9,822,000	16,114,192	25,936,192
<b>Representing:</b>				
At cost	–	–	16,114,192	16,114,192
At valuation	–	9,822,000	–	9,822,000
At 31 December 2007	–	9,822,000	16,114,192	25,936,192



## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land RM	Buildings RM	Other property, plant and equipment* RM	Total RM
<b>GROUP (Cont'd)</b>				
<b>At 31 December 2007 (Cont'd)</b>				
<b>Accumulated Depreciation</b>				
At 1 January 2007	–	1,315,282	13,123,937	14,439,219
Charge for the year	–	204,632	917,856	1,122,488
Disposals	–	(536,700)	(406,249)	(942,949)
Write offs	–	–	(539,268)	(539,268)
At 31 December 2007	–	983,214	13,096,276	14,079,490
<b>Net Carrying Amount</b>				
At cost	–	–	3,017,916	3,017,916
At valuation	–	8,838,786	–	8,838,786
At 31 December 2007	–	8,838,786	3,017,916	11,856,702
			<b>2008 RM</b>	<b>2007 RM</b>
<b>COMPANY</b>				
<b>Other property, plant and equipment *</b>				
<b>At cost</b>				
At 1 January			<b>687,838</b>	2,337,677
Additions			<b>7,557</b>	2,579
Written off			–	(1,652,418)
At 31 December			<b>695,395</b>	687,838



## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2008 RM	2007 RM
<b>COMPANY (Cont'd)</b>		
<b>Other property, plant and equipment * (Cont'd)</b>		
<b>Accumulated Depreciation</b>		
At 1 January	585,888	819,516
Charge for the year	45,900	57,512
Written off	–	(291,140)
At 31 December	631,788	585,888
<b>Net Carrying Amount</b>		
At 31 December	63,607	101,950

\* Other property, plant and equipment consist of motor vehicles, furniture and fittings, plant and machinery, office equipment and renovation.

(a) The building of the Group has been pledged to financial institutions for bank borrowings as referred to in Note 29.

(b) Net book value of property, plant and equipment held under finance lease and hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Motor vehicles	199,729	124,606	44,791	78,385

(c) The following property was revalued on 10 April 2009 by Mohd. Nor & Partners (KL) Sdn. Bhd., Suite 152, 15th Floor, Wisma Mirama, Jalan Wisma Putra, 50460 Kuala Lumpur.

Details of independent professional valuation of the property of the Group is as follows:

Date of Valuation	Description of Property	Valuation Amount RM	Basis of Valuation
<b>GROUP</b>			
10 April 2009	Factory in Banting, Mukim Tanjung Duabelas, District of Kuala Langat, Selangor Darul Ehsan	8,700,000	Open market value

**12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Had the revalued property been carried at historical cost, the net book value of property that would have been included in the financial statements of the Group as at 31 December 2008 would have been as follows:

	GROUP	
	2008 RM	2007 RM
Buildings	8,490,312	8,683,296

**13. LAND HELD FOR DEVELOPMENT**

	GROUP	
	2008 RM	2007 RM
<b>Long term leasehold land</b>		
<b>At valuation</b>		
At 1 January	–	50,000,000
Disposal	–	(50,000,000)
At 31 December	–	–

**14. INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2008 RM	2007 RM
Unquoted shares at cost in Malaysia	30,279,572	30,279,572
Less: Accumulated impairment losses	(15,490,325)	(8,048,389)
	14,789,247	22,231,183





#### 14. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2008	2007	
Federal Furniture (M) Sdn. Bhd.	Malaysia	100	100	Marketing and exporting of furniture
Federal Furniture Industries Sdn. Bhd.	Malaysia	100	100	Renovation and interior fit-outs of offices and hotels
Federal Furniture (1982) Sdn. Bhd.	Malaysia	100	100	Manufacturing and export of furniture
Anglo Frontier Sdn. Bhd.	Malaysia	70	70	Investment holding
Pelantar Agresif (M) Sdn. Bhd.	Malaysia	100	100	Investment holding
Aspek Sensasi Sdn. Bhd.	Malaysia	100	100	Dormant
Layang Kaji Sdn. Bhd.	Malaysia	100	100	Dormant
Federal Electric Company Sdn. Bhd.	Malaysia	100	100	Dormant
Mintwood Sdn. Bhd.	Malaysia	100	100	Investment holding
Splenwood Sdn. Bhd.	Malaysia	100	100	Investment holding
Federal Furniture Lifestyle Sdn. Bhd.	Malaysia	100	100	Interior design and furnishing of residential properties and trading of furniture and decorative items
Qingdao Federal Furniture Industries Co. Ltd. *	China	100	100	Manufacturing and export of furniture
<u>Held by</u>				
<u>Federal Furniture Industries Sdn. Bhd.:</u>				
Pathos Corporation Sdn. Bhd.	Malaysia	93	93	Dormant
Cathay Interior Design (M) Sdn. Bhd.	Malaysia	55	55	Renovation and interior design of offices and hotels including supply of furniture and fittings
<u>Held by</u>				
<u>Federal Furniture (M) Sdn. Bhd.:</u>				
Avante Corporation Sdn. Bhd.	Malaysia	55	55	Dormant
<u>Held by</u>				
<u>Avante Corporation Sdn. Bhd.:</u>				
Trac Marketing Incorporated	United States of America	55	55	Dormant
<u>Held by</u>				
<u>Federal Electric Company Sdn. Bhd.:</u>				
Myanmar Electric Distributor Ltd.	Union of Myanmar	100	100	Dormant



#### 14. INVESTMENT IN SUBSIDIARIES (Cont'd)

The auditors' reports of all the above subsidiaries, except for Cathay Interior Design (M) Sdn. Bhd., Layang Kaji Sdn. Bhd., Federal Furniture Industries Sdn. Bhd. and Pelantar Agresif (M) Sdn. Bhd. contain an emphasis of matter paragraph on the appropriateness of the going concern assumption as the ability of the respective subsidiaries to operate as going concerns are dependent upon the continuous financial support from the Company.

\* Audited by firm other than Ernst & Young

##### (a) Disposal of Subsidiaries

Information relating to the disposal of the subsidiaries is set out in Note 8.

#### 15. OTHER INVESTMENT

	GROUP/COMPANY	
	2008 RM	2007 RM
Unquoted shares, at cost	60,000	60,000
Less : Accumulated impairment losses	(60,000)	–
Unquoted shares, at cost	–	60,000

#### 16. DEFERRED TAX

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	(5,070,476)	(5,957,571)	7,403	7,000
Recognised in the income statement (Note 10)	1,496,907	887,095	–	403
At 31 December	(3,573,569)	(5,070,476)	7,403	7,403
Presented after appropriate offsetting as follows:				
Deferred tax assets	(4,818,886)	(6,143,759)	–	–
Deferred tax liabilities	1,245,317	1,073,283	7,403	7,403
	(3,573,569)	(5,070,476)	7,403	7,403



## 16. DEFERRED TAX (Cont'd)

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

### Deferred tax assets of the Group:

	Unutilised Capital Allowances RM	Unabsorbed Losses RM	Write down of Inventories RM	Others RM	Total RM
At 1 January 2008	(244,760)	(4,436,316)	(1,228,761)	(233,922)	(6,143,759)
Recognised in the income statement	244,760	1,277,805	91,019	(288,711)	1,324,873
At 31 December 2008	–	(3,158,511)	(1,137,742)	(522,633)	(4,818,886)
At 1 January 2007	(415,074)	(4,794,666)	(1,328,369)	(847,664)	(7,385,773)
Recognised in the income statement	170,314	358,350	99,608	613,742	1,242,014
At 31 December 2007	(244,760)	(4,436,316)	(1,228,761)	(233,922)	(6,143,759)

### Deferred tax liabilities of the Group:

	Revaluation of Land and Buildings RM	Property, Plant and Equipment RM	Total RM
At 1 January 2008	–	1,073,283	1,073,283
Recognised in the income statement	–	172,034	172,034
At 31 December 2008	–	1,245,317	1,245,317
At 1 January 2007	5,590	1,422,612	1,428,202
Recognised in the income statement	(5,590)	(349,329)	(354,919)
At 31 December 2007	–	1,073,283	1,073,283



## 16. DEFERRED TAX (Cont'd)

### Deferred tax liabilities of the Company:

	Others RM	Total RM
At 1 January 2008	7,403	7,403
Recognised in the income statement	–	–
At 31 December 2008	7,403	7,403
At 1 January 2007	7,000	7,000
Recognised in the income statement	403	403
At 31 December 2007	7,403	7,403

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Unused tax losses	33,919,262	46,557,562	8,258,208	2,792,735
Unabsorbed capital allowances	244,401	199,022	18,177	–
	<b>34,163,663</b>	46,756,584	<b>8,276,385</b>	2,792,735

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the company are subject to no substantial changes in shareholdings of those entities under the Income Tax Act, 1967, and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of certain subsidiaries of the Group and of the Company and they have arisen in subsidiaries that have a recent history of losses.



## 17. INVESTMENT PROPERTIES

	Freehold land RM	Short term leasehold land RM	Buildings RM	Total RM
<b>GROUP</b>				
<b>At 31 December 2008</b>				
<b>At valuation</b>				
At 1 January 2008/31 December 2008	2,000,000	–	80,000	2,080,000
<b>Accumulated Depreciation</b>				
At 1 January 2008	–	–	12,800	12,800
Charge for the year	–	–	1,600	1,600
At 31 December 2008	–	–	14,400	14,400
<b>Net Carrying Amount</b>				
At 31 December 2008	2,000,000	–	65,600	2,065,600
<b>At 31 December 2007</b>				
<b>At valuation</b>				
At 1 January 2007	2,301,266	1,030,408	5,165,801	8,497,475
Disposals	(301,266)	(1,030,408)	(5,085,801)	(6,417,475)
At 31 December 2007	2,000,000	–	80,000	2,080,000
<b>Accumulated Depreciation</b>				
At 1 January 2007	–	52,876	252,930	305,806
Charge for the year	–	6,779	22,241	29,020
Disposals	–	(59,655)	(262,371)	(322,026)
At 31 December 2007	–	–	12,800	12,800
<b>Net Carrying Amount</b>				
At 31 December 2007	2,000,000	–	67,200	2,067,200

Freehold land is pledged to financial institutions for bank borrowings as referred to in Note 29.

**17. INVESTMENT PROPERTIES (Cont'd)**

Details of independent professional valuation of the properties of the Group are as follows:

Date of Valuation	Description of Property	Valuation Amount RM	Basis of Valuation
<b>Group</b>			
10 April 2009	Freehold industrial land in Mukim Kapar, District of Klang, Selangor Darul Ehsan	2,000,000	Open market value

**18. PREPAID LAND LEASE PAYMENTS**

	GROUP	
	2008 RM	2007 RM
<b>At valuation</b>		
At 1 January	2,178,000	5,139,670
Disposal	–	(2,961,670)
At 31 December	2,178,000	2,178,000
<b>Accumulated amortisation</b>		
At 1 January	126,630	381,794
Charge for the year	25,325	37,464
Disposal	–	(292,628)
At 31 December	151,955	126,630
<b>Net carrying amount</b>		
At 31 December	2,026,045	2,051,370

(a) The prepaid land lease payment has been pledged to financial institutions for bank borrowing as referred to in Note 29.

(b) Details of independent professional valuation of the properties of the Group are as follows:

Date of Valuation	Description of Property	Valuation Amount RM	Basis of Valuation
<b>Group</b>			
10 April 2009	Leasehold industrial land in Banting, Mukim Tanjung Duabelas, District of Kuala Langat, Selangor Darul Ehsan	2,300,000	Open market value

**19. INVENTORIES**

	GROUP	
	2008 RM	2007 RM
<b>Cost</b>		
Raw materials	1,862,140	3,783,782
Work-in-progress	932,545	2,759,930
Finished goods	589,443	695,410
	<b>3,384,128</b>	<b>7,239,122</b>
<b>Net realisable value</b>		
Raw materials	–	8,666
Work-in-progress	–	82,865
Finished goods	192,000	88,469
	<b>192,000</b>	<b>180,000</b>
	<b>3,576,128</b>	<b>7,419,122</b>

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM9,942,530 (2007: RM11,588,627)

**20. TRADE RECEIVABLES**

	GROUP	
	2008 RM	2007 RM
Trade receivables	15,569,633	11,744,476
Due from customers on contracts (Note 21)	302,289	6,183,477
Retention sum on contracts (Note 21)	16,747	76,264
	<b>15,888,669</b>	<b>18,004,217</b>
Less: Provision for doubtful debts	<b>(1,391,913)</b>	<b>(1,243,606)</b>
	<b>14,496,756</b>	<b>16,760,611</b>

Included in trade receivables of the Group are balances due from companies in which certain directors have interest amounting to RM2,484,984 (2007: RM2,484,984) whereby the details are disclosed in Note 38.

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

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



## Notes to the Financial Statements (cont'd)

**21. DUE FROM CUSTOMERS ON CONTRACTS**

	GROUP	
	2008 RM	2007 RM
Contract costs incurred to date	69,558,919	63,276,376
Attributable profits	11,942,507	11,613,597
Less: Provision for foreseeable losses	(1,161,250)	(866,383)
	80,340,176	74,023,590
Less: Progress billings	(80,037,887)	(67,840,113)
	302,289	6,183,477
Retention sum on contracts, included under trade receivables (Note 20)	16,747	76,264

**22. OTHER RECEIVABLES**

	GROUP		COMPANY	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM (restated)
Deposits	476,983	580,224	30,247	30,247
Prepayments	268,513	424,066	10,550	1,570
Sundry receivables	9,578,847	9,181,698	3,539,309	3,549,304
Tax recoverable	26,137	-	-	-
	10,350,480	10,185,988	3,580,106	3,581,121
Less: Provision for doubtful debts	(3,531,125)	(3,368,836)	(2,972,675)	(2,972,675)
	6,819,355	6,817,152	607,431	608,446

Included in sundry receivables of the Group are amounts due from companies in which certain directors have interest amounting to RM5,004,203 (2007: RM4,951,514), whereby the details are disclosed in Note 38.

The sundry receivables are unsecured, interest-free and have no fixed term of repayments.



**23. DUE FROM SUBSIDIARIES**

	COMPANY	
	2008 RM	2007 RM (restated)
Unsecured, interest-free advances	71,268,427	72,710,055
Less: Provision for doubtful debts	(17,446,618)	(12,629,031)
	<b>53,821,809</b>	<b>60,081,024</b>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

**24. MARKETABLE SECURITIES**

	GROUP	
	2008 RM	2007 RM
Quoted shares on conversion of quoted Irredeemable Convertible Unsecured Loan Stock (ICULS), at market value	23,276	48,636

**25. CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	2,549,085	657,515	36,409	5,722
Less: Bank overdrafts (Note 29)	(194,522)	(1,773,093)	–	–
Cash and cash equivalents	<b>2,354,563</b>	<b>(1,115,578)</b>	<b>36,409</b>	<b>5,722</b>

**26. PROPERTIES HELD FOR SALE**

	GROUP	
	2008 RM	2007 RM
At 1 January	–	9,136,328
Disposal	–	(9,136,328)
At 31 December	–	–

**27. SHARE CAPITAL**

	Number of Ordinary Shares of RM0.50 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised:				
At 1 January/31 December	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January	82,695,900	27,681,500	41,347,950	13,840,750
Ordinary shares issued during the year:				
Issued for cash	–	26,000,000	–	13,000,000
Restricted issue pursuant to Debt Restructuring	–	29,014,400	–	14,507,200
At 31 December	82,695,900	82,695,900	41,347,950	41,347,950

**28. SHARE PREMIUM**

	COMPANY	
	2008 RM	2007 RM
At 1 January	3,440,941	–
Ordinary shares issued during the year	–	5,802,880
Transaction cost	–	(2,361,939)
At 31 December	3,440,941	3,440,941

**29. BORROWINGS**

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Short Term Borrowings</b>				
Secured:				
Bank overdrafts	–	986,460	–	–
Bankers' acceptances	1,524,000	121,000	–	–
Term loans due within 12 months	383,721	293,721	–	–
Hire purchase and finance lease payables (Note 30)	38,991	38,166	17,292	15,850
	1,946,712	1,439,347	17,292	15,850



## 29. BORROWINGS (Cont'd)

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Short Term Borrowings (Cont'd)</b>				
Unsecured:				
Bank overdrafts	194,522	786,633	–	–
Bankers' acceptances	2,778,000	4,481,000	–	–
Revolving credits	500,000	500,000	–	–
	<b>3,472,522</b>	<b>5,767,633</b>	<b>–</b>	<b>–</b>
	<b>5,419,234</b>	<b>7,206,980</b>	<b>17,292</b>	<b>15,850</b>
<b>Long Term Borrowings</b>				
Secured:				
Hire purchase and finance lease payables (Note 30)	132,914	70,232	41,748	60,482
<b>Total Borrowings</b>				
Bank overdrafts (Note 25)	194,522	1,773,093	–	–
Bankers' acceptances	4,302,000	4,602,000	–	–
Letter of credit	–	–	–	–
Revolving credits	500,000	500,000	–	–
Term loans	383,721	293,721	–	–
Hire purchase and finance lease payables (Note 30)	171,905	108,398	59,040	76,332
	<b>5,552,148</b>	<b>7,277,212</b>	<b>59,040</b>	<b>76,332</b>
Maturity of borrowings (excluding hire purchase and finance lease payables):				
Within one year	5,380,243	7,168,814	–	–



## 29. BORROWINGS (Cont'd)

The weighted average effective interest rates as at 31 December 2008 for borrowings, excluding hire purchase and lease payables, were as follows:

	GROUP	
	2008 %	2007 %
Bank overdrafts	9.00	9.25
Bankers' acceptances	5.12	5.53
Revolving credits	6.57	6.72
Term loans	8.25	8.50

The secured bank overdrafts, bankers' acceptances, revolving credits and short term loans of the Group and of the Company are secured by way of fixed and floating charges over certain assets of the Group as disclosed in Notes 12, 17 and 18.

The term loans are secured by the following:

- First legal charge over the property, plant and equipment and prepaid land lease payments as disclosed in Note 12 and Note 18 respectively; and
- Personal guarantee by certain directors on certain of the term loans amounting to RM180,000 (2007: RM180,000).

## 30. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Minimum lease payments:</b>				
Not later than 1 year	50,541	45,461	20,232	18,546
Later than 1 year and not later than 2 years	39,060	31,713	20,232	20,232
Later than 2 years and not later than 5 years	119,583	50,538	28,619	50,538
	209,184	127,712	69,083	89,316
Less: Future finance charges	(37,279)	(19,314)	(10,043)	(12,984)
Present value of hire purchase and finance lease payables (Note 29)	171,905	108,398	59,040	76,332
<b>Present value of hire purchase and finance lease payables:</b>				
Not later than 1 year	38,991	38,166	17,292	15,850
Later than 1 year and not later than 2 years	17,292	17,292	17,292	17,292
Later than 2 years and not later than 5 years	115,622	52,940	24,456	43,190
	171,905	108,398	59,040	76,332

**30. HIRE PURCHASE AND FINANCE LEASE PAYABLES (Cont'd)**

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Analysed as:</b>				
Due within 12 months (Note 29)	38,991	38,166	17,292	15,850
Due after 12 months (Note 29)	132,914	70,232	41,748	60,482
	<b>171,905</b>	<b>108,398</b>	<b>59,040</b>	<b>76,332</b>

The hire purchase and finance lease payables bore interest at balance sheet date at rates between 3.64% to 4.56% (2007: 3.25% to 5.90%) per annum.

**31. REDEEMABLE SECURED LOAN STOCK ("RSLs")**

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

The terms of the RSLs are as follows:

- (a) Redeemability - The RSLs and the interest accrued shall be redeemed through the sale of the properties secured.
- (b) Security - Southern Investment Bank Berhad ("SIBB") shall have a third party legal charge over each the said properties secured which consists of 4 vacant parcels of industrial land held under Geran Nos 32885 to 32888 for Lots 8421 to 8424, all in Mukim of Kapar District of Klang, Negeri Selangor Darul Ehsan.
- (c) Coupon rate - RSLs shall bear coupon rates at the effective interest yield of 6.4% p.a., until redemption of the RSLs or at the end of the 5th year, whichever is the earlier.
- (d) Transferability - RSLs are not transferable.
- (e) Others - Any changes to the terms and conditions of the RSLs would required the Securities Commission's approval.

**32. TRADE PAYABLES**

	GROUP	
	2008 RM	2007 RM
Trade payables	6,313,752	11,152,642

The normal trade credit term granted to the Group ranges from 30 to 120 days.

**33. OTHER PAYABLES**

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Deposits	481,868	899,369	4,200	4,200
Accruals				
- interest	502,616	947,427	502,616	947,426
- others	2,949,641	2,016,044	216,169	173,247
Sundry payables	10,124,991	10,675,003	6,143,132	6,263,650
	<b>14,059,116</b>	<b>14,537,843</b>	<b>6,866,117</b>	<b>7,388,523</b>

Included in sundry payables of the Group and the Company are:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Amount due to companies in which certain directors have interest (Note 38)	5,962,001	5,996,474	3,660,341	3,389,304
Amount due to directors (Note 38)	865,512	809,482	464,692	410,264

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

**34. DUE TO SUBSIDIARIES**

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**35. 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 follow:

- 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).
- 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.
- 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.

**35. 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 follow: (Cont'd)

- (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.

**36. REVALUATION RESERVE (NON-DISTRIBUTABLE)**

	GROUP	
	2008 RM	2007 RM
At 1 January	211,100	39,690,423
Realisation gain on disposal of property, plant and equipment*	-	(39,479,323)
At 31 December	211,100	211,100

\* The realisation on reserve arises from the disposal of the Company's freehold and leasehold land and building.

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

**37. CONTINGENT LIABILITIES**

	COMPANY	
	2008 RM	2007 RM
Unsecured:		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	5,308,243	7,168,814

**38. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	2008 RM	2007 RM
<b>GROUP</b>		
Sales to Choy Fook On & Sons Realty Sdn. Bhd., a director related company	–	4,200,000
Rental payable to Cipta Sentosa Sdn. Bhd., a director related company	<b>193,536</b>	161,280
Balances:		
<b>Due from:</b>		
Masteron Sdn. Bhd.	2,576,582	2,306,918
Kemajuan Masteron Sdn. Bhd.	2,593,481	2,593,481
Pembinaan Masteron Sdn. Bhd.	373,377	373,377
Cipta Sentosa Sdn. Bhd.	595,502	1,940,379
Choy Fook On & Sons Realty Sdn. Bhd.	1,270,247	142,345
Bulletin Engineering Sdn. Bhd.	79,121	79,121
Pagoda Canggih Sdn. Bhd.	877	877
<b>Due to:</b>		
Masteron Sdn. Bhd.	(1,007,134)	(1,190,459)
Kemajuan Masteron Sdn. Bhd.	(300,000)	(300,000)
Pembinaan Masteron Sdn. Bhd.	(63,873)	(63,873)
Cipta Sentosa Sdn. Bhd.	(4,533,420)	(4,384,568)
Utararia Development Sdn. Bhd.	(52,494)	(52,494)
Bulletin Engineering Sdn. Bhd.	(5,080)	(5,080)
Dato' Dr. Choy Fook On	(380,621)	(367,925)
Datin Tan Geok Foong	(32,358)	(16,524)
Choy Wai Hin	(414,098)	(396,098)
Choy Wai Ceong	(36,875)	(18,875)
Haji Hussein bin Hamzah	–	(4,250)
Md Abdul Wahab bin Md Shahir	–	(4,250)
Dato' Haji Othman bin Mohd. Taib	(1,560)	(1,560)





## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

	2008 RM	2007 RM
<b>COMPANY</b>		
Rental payable to Cipta Sentosa Sdn. Bhd., a director related company	193,536	161,280
Balances:		
<b>Due from:</b>		
Choy Wai Hin	–	1,602
<b>Due to:</b>		
Cipta Sentosa Sdn. Bhd.	(2,594,163)	(2,445,312)
Masteron Sdn. Bhd.	(1,006,244)	(884,058)
Pembinaan Masteron Sdn. Bhd.	(59,934)	(59,934)
Dato' Dr. Choy Fook On	(380,621)	(367,925)
Datin Tan Geok Foong	(30,798)	(14,964)
Choy Wai Hin	(16,398)	–
Choy Wai Ceong	(36,875)	(18,875)
Md Abdul Wahab bin Md Shahir	–	(4,250)
Dato' Haji Othman bin Mohd. Taib	–	(4,250)

Datin Tan Geok Foong is the spouse while Choy Wai Hin and Choy Wai Ceong are the sons of Dato' Dr. Choy Fook On. Collectively, they ("the Choy family") own, directly and indirectly, 34.38% of the voting rights of the Company. The indirect interest is held through Choy Fook On & Sons Realty Sdn. Bhd., a company wholly-owned by the Choy family.

The Choy family, are directors of, and have directly or indirectly, controlling interests in Masteron Sdn. Bhd., Pembinaan Masteron Sdn. Bhd., Kemajuan Masteron Sdn. Bhd., Bulletin Engineering Sdn. Bhd.\*, Cipta Sentosa Sdn. Bhd.\*\* and Utararia Development Sdn. Bhd.

The directors are of the opinion that the above 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 that obtainable in transactions with unrelated parties. During the year, there were no amount written off or forgiven in respect of debts due to or from these related parties.

\* A company in which Masteron Sdn. Bhd. has 50% interest

\*\* A wholly-owned subsidiary of Choy Fook On & Sons Realty Sdn. Bhd.

## 39. FINANCIAL INSTRUMENTS

## (a) Financial Risk Management Objectives and Policies

The Group's risk management policy recognises that the activities undertaken by the Group expose it to a variety of financial risks especially those relating to the effects of changes in foreign currency exchange rates and interest rates. The objectives of the Group's policy are therefore directed towards the unpredictability of the financial markets and seeks to minimise the potential adverse effect on the financial performance of the Group.



### 39. FINANCIAL INSTRUMENTS (Cont'd)

#### (b) Foreign Exchange Risk

The Group's export business is exposed to foreign exchange risk arising from various currencies. The Group does not take position to hedge its currency exposure but regularly reviews its exposure to foreign currency risk and manages it by purchasing forward foreign exchange contracts where deemed necessary. As a policy, the Group does not enter into derivatives in foreign currency contracts to hedge its foreign exchange risk.

The net unhedged financial asset and financial liability of the Group that is not denominated in Ringgit Malaysia is as follows:

	2008 RM	2007 RM
<b>Cash and bank balances</b>		
United States Dollar	1,377	–
Australian Dollar	3,075	3,075
Hong Kong Dollar	1,366	314
Pesos	413	121
United Arab Emirates, Dirham	1,893	1,893
Chinese Renminbi	4,643	7,238
Euro	938	938
Thai Baht	22	22
Japanese Yen	2,241	2,241
Bahraini Dinar	1,538	–
<b>Trade receivables</b>		
Singapore Dollar	387	–
United States Dollars	3,123,447	1,425,118
<b>Other receivables</b>		
Chinese Renminbi	–	981
<b>Trade payables</b>		
Singapore Dollar	49,687	20,025
Great Britain Pounds	152,690	52,092
<b>Other payables</b>		
Chinese Renminbi	66,660	55,612

#### (c) Interest Rate Risk

The Group's primary interest rate risk is related to its interest-bearing debts that are on the main attributable to its borrowings from financial institutions. The Group has no substantial interest-bearing assets. The Group manages its interest rate exposure by maintaining an appropriate combination of floating rates and fixed rates borrowings and reviewing its debt portfolio with regards to their maturity. It is not the Group's policy to not enter into financial instruments to hedge the movements in interest rates unless the risk is deemed to be significant.



### 39. FINANCIAL INSTRUMENTS (Cont'd)

#### (d) Credit Risk

The Group's primary financial assets include receivables and cash and cash equivalents. The Group has no significant concentrations of credit risk and policies are in place to ensure that services are rendered to customers with an appropriate credit history and/or standing and monitoring are carried out regularly. Cash and cash equivalents are placed with banks and financial institutions of reputable standing.

#### (e) Liquidity Risk

The Group adopts prudent liquidity risk management even in difficult times for the market by striving to maintain sufficient cash resources and having available funding through an adequate amount of credit facilities, appropriate debt maturity profile to finance the Group's working capital requirement and mitigate the effects of cash flow fluctuations.

#### (f) Market Risk

The Group's exposure to market risk arises mainly from changes in equity prices. The Group does not use derivative financial instruments to manage equity risks. Equity investments classified as current assets are available for sale with the objective of optimising returns on realisation.

#### (g) Fair Values

The carrying amounts of cash and bank balances, marketable securities, amounts owing by/to related companies, receivables, payables and borrowings approximate their fair values which are determined in accordance with Note 2.2(p).

The fair value of contingent liabilities (as disclosed in Note 37) is not disclosed as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

### 40. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

### 41. SEGMENT INFORMATION

#### (a) Business Segments:

The Group is organised into three major business segments:

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

None of the other subsidiaries which are dormant or have ceased operations are of a sufficient size to be reported separately.

The directors are of the opinion that 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 that obtainable in transactions with unrelated parties.

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 that obtainable in transactions with unrelated parties.

The activities of the Group are carried out mainly in Malaysia. The directors deem the contributions of the foreign subsidiaries to the Group's revenue profit or loss total assets and liabilities, and other information to be insignificant. As such, segmental reporting by geographical location is not prepared.



## Notes to the Financial Statements (cont'd)

## 41. SEGMENT INFORMATION (Cont'd)

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Others RM	Elimination RM	Consolidated RM
<b>31 December 2008</b>						
<b>REVENUE AND EXPENSES</b>						
<b>Revenue</b>						
External sales	26,887,862	26,777,876	–	–	–	53,665,738
Inter-segment sale	17,366,384	43,456	–	–	(17,409,840)	–
<b>Total revenue</b>	<b>44,254,246</b>	<b>26,821,332</b>	<b>–</b>	<b>–</b>	<b>(17,409,840)</b>	<b>53,665,738</b>
<b>Result</b>						
Profit/(loss) from operations	5,048,459	(725,032)	(13,153,096)	6,720	12,259,523	3,436,574
Finance costs, net	(406,145)	(323,263)	(179,132)	–	–	(908,540)
Taxation	(1,357,792)	(152,831)	66,471	(1,037)	–	(1,445,189)
<b>Profit/(loss) after taxation</b>	<b>3,284,522</b>	<b>(1,201,126)</b>	<b>(13,265,757)</b>	<b>5,683</b>	<b>12,259,523</b>	<b>1,082,845</b>
Minority interests	–	(4,851)	–	–	–	(4,851)
<b>Net profit/(loss) for the year</b>	<b>3,284,522</b>	<b>(1,205,977)</b>	<b>(13,265,757)</b>	<b>5,683</b>	<b>12,259,523</b>	<b>1,077,994</b>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	51,314,912	24,740,133	126,120,202	38,748,600	(193,004,206)	47,919,641
Segment liabilities	65,632,201	29,037,764	69,936,394	63,401,743	(198,937,769)	29,070,333
<b>OTHER INFORMATION</b>						
Depreciation of property, plant and equipment, investment properties and amortisation of prepaid land lease payment	(955,922)	(130,000)	(45,900)	–	–	(1,131,822)



## 41. SEGMENT INFORMATION (Cont'd)

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Others RM	Elimination RM	Consolidated RM
<b>31 December 2007</b>						
<b>REVENUE AND EXPENSES</b>						
<b>Revenue</b>						
External sales	19,924,691	32,885,178	–	–	–	52,809,869
Inter-segment sale	15,952,627	660,520	–	–	(16,613,147)	–
<b>Total revenue</b>	<b>35,877,318</b>	<b>33,545,698</b>	<b>–</b>	<b>–</b>	<b>(16,613,147)</b>	<b>52,809,869</b>
<b>Result</b>						
Profit/(loss) from operations	5,235,854	1,528,518	17,994,988	129,525	–	24,888,885
Finance costs, net	(470,647)	(587,001)	(664,782)	(6,580)	–	(1,729,010)
Taxation	85,014	(1,057,890)	(403)	(2,416)	–	(975,695)
Profit/(loss) after taxation	4,850,221	(116,373)	17,329,803	120,529	–	22,184,180
Minority interests	–	(25,585)	–	–	–	(25,585)
<b>Net profit/(loss) for the year</b>	<b>4,850,221</b>	<b>(141,958)</b>	<b>17,329,803</b>	<b>120,529</b>	<b>–</b>	<b>22,158,595</b>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	62,538,214	30,525,127	110,258,600	38,833,156	(188,273,030)	53,882,067
Segment liabilities	78,602,741	33,621,632	64,290,492	65,649,834	(206,053,143)	36,111,556
<b>OTHER INFORMATION</b>						
Depreciation of property, plant and equipment, investment properties and amortisation of prepaid land lease payment	(959,078)	(124,632)	(57,512)	(47,751)	–	(1,188,973)



# Shareholders' Statistics

As at 5 May 2009

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

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	13	0.50	261	0.00
100 - 1,000	1,091	42.35	983,960	1.19
1,001 - 10,000	1,175	45.62	4,518,273	5.46
10,001 - 100,000	241	9.36	8,321,800	10.06
100,001 to less than 5% of issued shares	51	1.98	33,443,917	40.44
5% and above of issued shares	5	0.19	35,427,689	42.85
<b>Total</b>	<b>2,576</b>	<b>100.00</b>	<b>82,695,900</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

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

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

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1	Choy Fook On & Sons Realty Sdn Bhd	11,047,340	13.36
2	CIMB Bank Berhad	10,356,255	12.52
3	Al Wakalah Nominees (Tempatan) Sdn Bhd <i>Bank Islam Malaysia Berhad</i>	5,231,567	6.33
4	Tan Geok Foong	4,476,120	5.41
5	ABB Nominee (Tempatan) Sdn Bhd <i>Affin Bank Berhad (Loan Recovery)</i>	4,316,407	5.22
6	Mega Gold Harvest Sdn Bhd	2,845,000	3.44
7	ABB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Fook On</i>	2,022,407	2.45
8	Choy Fook On	1,998,400	2.42



## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (Cont'd)

No.	Name	No. of Shares	%
9	Choy Wai Hin	1,752,800	2.12
10	Choy Wai Ceong	1,458,800	1.76
11	HSBC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Fook On (302-643390-089)</i>	1,400,000	1.69
12	Tan Huan Chuan	1,348,320	1.63
13	Ng Chwee Pho	1,343,950	1.63
14	Choy Sook Kuen	1,262,400	1.53
15	ABB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Wai Hin</i>	1,252,000	1.51
16	Yeoh Soo Keng	1,052,800	1.27
17	Leow Hong Yen	1,050,000	1.27
18	ABB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Wai Ceong</i>	1,042,000	1.26
19	CIMB Nominees (Tempatan) Sdn Bhd <i>CIMB Investment Bank Berhad</i>	1,031,070	1.25
20	MIDF Amanah Investment Bank Berhad <i>IVT For MIDF Amanah Investment Bank Berhad (IVTS 004)</i>	1,003,776	1.21
21	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Investment Management Sdn Bhd For Malayan Banking Berhad</i>	978,261	1.18
22	Liew Soon Hin	926,500	1.12
23	Ng Chwee Pho	689,800	0.83
24	Foo Fong Man @ Foo Chee Chee	628,200	0.76
25	Yeoh Chew Kiat	624,000	0.75
26	Choy Fook On	621,313	0.75
27	Minister Of Finance <i>Akaun Jaminan Pinjaman Kerajaan Persekutuan</i>	600,000	0.73
28	Tan Kim Kuan	470,700	0.57
29	Farm Seen Chong	401,000	0.48
30	Tan Tuan Shee	400,000	0.48
<b>Total</b>		<b>63,631,186</b>	<b>76.95</b>

## DIRECTORS' SHAREHOLDINGS

No.	Directors	Ordinary Shares of RM0.50 Each Held			
		Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	6,042,120	7.31	11,047,340 *	13.36
2.	Choy Wai Hin	3,004,800	3.63	11,047,340 *	13.36
3.	Datin Tan Geok Foong	4,476,120	5.41	11,047,340 *	13.36
4.	Choy Wai Ceong	2,500,800	3.02	11,047,340 *	13.36
5.	Haji Hussein bin Hamzah	—	—	—	—
6.	Haji Md Abdul Wahab bin Md Shahir	—	—	—	—

\* 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.



# Warrantholders' Statistics

As at 5 May 2009

## ANALYSIS BY SIZE OF WARRANTHOLDINGS

Category	No. of Holders	%	No. of Warrants	%
Less than 100	5	2.04	279	0.00
100 - 1,000	53	21.63	9,336	0.03
1,001 - 10,000	119	48.57	508,894	1.61
10,001 - 100,000	53	21.63	1,717,493	5.44
100,001 to less than 5% of issued warrants	8	3.27	4,937,220	15.64
5% and above of issued warrants	7	2.86	24,398,206	77.28
<b>Total</b>	<b>245</b>	<b>100.00</b>	<b>31,571,428</b>	<b>100.00</b>

## THIRTY (30) LARGEST 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	Ng Chwee Pho	1,770,000	5.61
8	Yeoh Soo Keng	1,251,686	3.96
9	Liew Soon Hin	1,171,200	3.71
10	Tan Han Chuan	955,060	3.02
11	Choy Sook Kuen	894,200	2.83
12	Wong Yee Ling	247,000	0.78
13	Phang Kwong Yen @ Raymond	187,014	0.59
14	Bong Hon Liong	124,300	0.39
15	Poo Choo @ Ong Poo Choi	106,760	0.34
16	Muhammad Shafiq Baljit Bin Abdullah	85,000	0.27
17	Yeoh Lee Hwa	73,700	0.23
18	Sunita Subhashini G.P. Zechariah	70,000	0.22
19	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Cheng Guan</i>	69,800	0.22
20	Choy Sook Kuen	69,700	0.22
21	Ng Chwee Pho	65,500	0.21
22	Ng Suet Mei	60,000	0.19
23	Cheah Kok Weng	60,000	0.19
24	Chew Teck Leong	55,000	0.17
25	Toh Chew Heng	50,000	0.16
26	Pong Pei Ching	50,000	0.16
27	HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tling Tung Ming</i>	46,914	0.15
28	Foo Fong Man @ Foo Chee Chee	43,600	0.14
29	Teoh Choon Huat	40,000	0.13
30	Chew Chin Chin	39,200	0.12
	<b>Total</b>	<b>30,213,840</b>	<b>95.70</b>





## DIRECTORS' WARRANTHOLDINGS

No.	Directors	No. of Warrants			
		Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	4,279,835	13.56	11,277,986 *	35.72
2.	Choy Wai Hin	2,128,400	6.74	11,277,986 *	35.72
3.	Datin Tan Geok Foong	3,170,585	10.04	11,277,986 *	35.72
4.	Choy Wai Ceong	1,771,400	5.61	11,277,986 *	35.72
5.	Haji Hussein bin Hamzah	–	–	–	–
6.	Haji Md Abdul Wahab bin Md Shahir	–	–	–	–

\* 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.



# List of Properties

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

LOCATION	TENURE	AREA	DESCRIPTION	APPROXIMATE AGE OF BUILDINGS	NET BOOK VALUE (31.12.2008) RM
Lot 104 Jalan Satu Tapak Perusahaan Kompleks Perabot Olak Lempit, Banting Selangor Darul Ehsan*	99 years' lease expiring in 2087	217,800	Factory	16 years	10,668,391
Lot 8421 - 8424 Mukim Kapar District of Klang Selangor Darul Ehsan*	Freehold	58,328	Industrial land vacant	N/A	2,000,000
Unit 035038, Block H 35-3A, Jalan PJU 1/3F Masalam Commercial Centre Shah Alam**	Freehold	808	Three storey office and shop	7 years	65,600

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

\*\* Acquired on 31 July 2000.



NO. OF SHARES

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of the abovenamed Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_ or failing him/her

\* the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 30 June 2009 at 3.00 p.m. and at any adjournment thereof.

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

My/Our proxy is to vote as indicated below:

	ORDINARY RESOLUTIONS	FOR	AGAINST
Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and the Auditors thereon.		
Resolution 2	To approve the payment of Directors' fees for the financial year ended 31 December 2008.		
Resolution 3	To re-appoint Dato' Dr. Choy Fook On who is due to retire pursuant to Section 129(6) of the Companies Act, 1965, and being eligible, has offered himself for re-election.		
Resolution 4	To re-elect Datin Tan Geok Foong, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 5	To re-elect Haji Md Abdul Wahab Bin Mohd Shahir, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 6	To appoint GEP Associates as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.		
<b>As Special Business</b>			
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 \_\_\_\_\_ 2009

Signature/Seal

Notes:

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



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POSTAGE

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

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