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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting of Federal Furniture Holdings (M) Berhad will be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Friday, 27 June 2014 at 3.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon. — Please refer to Explanatory Note (1)

2. To approve Directors' fees for the financial year ended 31 December 2013. (Resolution 1)

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Dr. Choy Fook On who has exceeded the age of 70 years be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." (Resolution 2)

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Datin Tan Geok Foong who has exceeded the age of 70 years be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." (Resolution 3)

5. To re-elect Datuk Choy Wai Ceong who retire in accordance with Article 98 of the Company's Articles of Association and who being eligible, offered himself for re-election. (Resolution 4)

6. To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 5)

7. **As Special Business:-**

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

   Ordinary Resolution 1
   - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   "THAT subject to Section 132D of the Companies Act, 1965 ("the Act") 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 ("Bursa Securities"); 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 6)

8. **Ordinary Resolution 2**
- Retention of Independent Non-Executive Director

"To retain Tuan Haji Hussein Bin Hamzah who has served for more than nine (9) years as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." (Resolution 7)

9. **Ordinary Resolution 3**
- Proposed Authority for the Company to Purchase Its Own Shares of up to 10% Of the Issued And Paid-Up Share Capital of the Company

"THAT subject always to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Securities, and the approvals of all relevant governmental and/ or regulatory authorities, the Company be authorised to the extent permitted by the law, to buy back such amount of ordinary shares of RM0.50 each in the Company's issued and paid-up capital as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:-

i. the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time; and
ii. the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or share premium of the Company.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manners:-

a) cancel all the purchased ordinary shares; and/or
b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/ or resell on the market of Bursa Securities; and/ or
c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder.

THAT the authority conferred by this resolution shall continue to be in force until:-

i. the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
ii. the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
iii. revoked or varied by ordinary resolution passed by shareholders of the company at a general meeting of the company.

whichever occurs first;

9. **Ordinary Resolution 3** (Continued)
AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and/ or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations, variations and/ or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities." (Resolution 8)

10. 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
5 June 2014

Explanatory Notes:-

1. Item 1 of the Agenda

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

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

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

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

The General Mandate is a renewal. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirtieth Annual General Meeting held on 28 June 2013 and which will lapse at the conclusion of the Thirty-First Annual General Meeting.

3. Retention as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012

   Tuan Haji Hussein Bin Hamzah was appointed as an Independent Non-Executive Director of the Company on 7 August 2004. He has served for more than nine (9) years as at the date of the notice of Annual General Meeting. The Board believes that Tuan Haji Hussein Bin Hamzah has the integrity and ability to discharge his responsibilities as an independent director and bring valuable insight to the Company's business gained over the years with the Company and recommends that he should be retained as an Independent Non-Executive Director.

4. Proposed Authority for the Company to Purchase Its Own Shares of up to 10% of the Issued and Paid-Up Share Capital of the Company

   The proposed adoption of the above Ordinary Resolution, if passed, will empower the Directors to purchase the Company's shares up to ten percent (10%) of the issued and paid up capital of the Company by utilizing the retained profit and the share premium accounts of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualifications of the proxy.

3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instruments appointing a proxy must be deposited at the registered office, Level P1, Menara Choy Fook On, No.1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Mohd. Arif Bin Mastol
Chairman
Tuan Haji Hussein Bin Hamzah
Dato' Dr. Choy Fook On

NOMINATION COMMITTEE

Tuan Haji Hussein Bin Hamzah
Chairman
Mohd. Arif Bin Mastol
Dato' Dr. Choy Fook On

REMUNERATION COMMITTEE

Tuan Haji Hussein Bin Hamzah
Chairman
Mohd. Arif Bin Mastol
Dato' Dr. Choy Fook On

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.ffhb.com.my

SHARE REGISTRAR

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

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel: 603-2297 1000 Fax: 603-2282 9980

PRINCIPAL BANKERS

Malayan Banking Berhad

SOLICITORS

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

STOCK EXCHANGE

Main Market of Bursa Malaysia
Securities Berhad

STOCK CODE AND STOCK NAME

Stock Code: 8605
Stock Name: FFHB

Audit Committee Report

1. MEMBERSHIP

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

Name	***Position***
(a) Mohd. Arif Bin Mastol * #	Chairman
(b) Tuan 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) Directors, all of whom shall be 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 and the head of internal audit are called to regularly attend the meetings while a representative of the external auditors will attend the meetings at least once a year. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

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

The Audit Committee held four (4) meetings during the financial year ended 31 December 2013. The Audit Committee also meet with the external auditors without the presence of any of the Executive Directors or management staff of the Company. The details of attendance of each Audit Committee member are as follow:-

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

6. INSTANTANEOUS TELECOMMUNICATION DEVICE

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

(a) all members of the Audit Committee shall have received notice of a meeting by instantaneous telecommunication device for the purpose of such meeting. Notice of any such meeting will be given on the instantaneous telecommunication device or in any other manner permitted;

(b) each of the members of the Audit Committee taking part in the meeting by instantaneous telecommunication device must be able to hear and/or see each of the other members of the Audit Committee taking part at the commencement and for the duration of the meeting;

(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; and

(d) minutes of the proceedings at a Audit Committee meeting by instantaneous communication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if signed as correct minutes by the Chairman of the meeting and shall be as valid and effectual as if the resolutions had been passed at a meeting of the Audit Committee duly convened, at which all participants were present in the same location.

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 the proceedings 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. REPORTING RESPONSIBILITIES

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

10. CIRCULAR RESOLUTIONS

A resolution in writing signed by a majority of the Audit Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Audit Committee members. Any such document may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an Audit Committee member.

11. 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.

12. 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.

13. 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;

13. DUTIES AND RESPONSIBILITIES (Continued)

(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 the evaluation of the system of internal controls and his audit report;

(d) To review the quarterly and year-end financial statements of the Company before submission to 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 applicable financial standards and other legal requirements.

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors 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;
- review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
- 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 monitor the integrity of the Company's financial statements;

(i) To monitor the independence and qualifications of the Company's external auditors;

(j) To monitor the performance of the Company's internal audit function;

(k) To monitor the Company's compliance with relevant laws, regulations and code of conduct;

(l) 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;

(m) To report its findings on the financial and management performance, and other material matters to the Board;

(n) To consider the major findings of internal investigations and management's response;

(o) To identify principal risk and ensure the implementation of appropriate systems to manage these risks;

13. DUTIES AND RESPONSIBILITIES (Continued)

(p) To discuss with the external auditor before audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

(q) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;

(r) To establish policies governing the circumstances under which contracts for the provision for non-audit services can be entered into and procedures that must be followed by the external auditors;

(s) To assess and monitor the independence and qualification of the Company's independent auditor;

(t) To review the adequacy and effectiveness of risk management, internal control and governance systems.

(u) 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;

(v) To determine the remit of the internal audit function;

(w) To review the adequacy and effectiveness of risk management, internal control and governance systems;

(x) To consider and examine such other matters as the Audit Committee considers appropriate; and

(y) To consider other matters as defined by the Board.

14. SUMMARY OF ACTIVITIES

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

- Reviewed and recommended the quarterly consolidated results for Board of Directors' approval.
- Reviewed and recommended the annual audited accounts for Board of Directors' approval.
- Reviewed with the external auditors their audit plan and the findings and recommendations during the course of their audit.
- Reviewed and approved the internal audit program and reports prepared by the Internal Audit Department.
- Oversee the internal audit function.
- Meet with the external auditors with and without the presence of the management and staff.
- Reviewed all related party transactions.
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending for Board of Director's approval for the purpose of inclusion in the Annual Report.

15. 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 focused on audit issues highlighted in previous internal audit findings and followed up three internal audits findings:

Company	**Area of audit**
Federal Furniture (1982) Sdn Bhd	Insurance Coverage for Production Facilities and Lost of Income
Federal Furniture Lifestyle Sdn Bhd	Installation of Pending Orders and Collection of Installed Orders
Federal Furniture (1982) Sdn Bhd	Duration of Work Hours

Corporate Governance Statement And Other Additional Compliance Information

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Federal Furniture Holdings (M) Berhad ("FFHB" or the "Company") recognises the importance of adopting a good corporate governance and is taking steps to continuously evaluate and improve management practices and systems to enhance the standard of corporate governance applied by the Group. In doing so, the Board has taken guidance from the new Malaysian Code on Corporate Governance 2012 issued in March 2012 ("MCCG 2012").

The Board is pleased to report on the manner which outlines the main corporate governance applied within the Group, to the extent of compliance with best practices, pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Main LR").

Roles and Responsibilities of Board

The Board has overall responsibility for the performance and conduct of the Company and the Group. The role of the Board is to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of Shareholders and other stakeholders. Day to day management is delegated to the Executive Directors and Management under the steward of the Managing Director. The Independent Non-Executive Directors are involved in various board committees and provide an independent assessment and objective views on management proposal.

The Board has responsibilities to review and monitor corporate performance, compliance with ethical standards, principal risks and internal control system appropriate for the size and complexity of the business.

Board Charter

The Board Charter is established to provide guidance and clarity on the Board's roles and responsibilities as well as the powers between the Board and the Management as well as the different committees established by Board. The Board will periodically review the Board Charter to ensure it remains consistent with the Board's objectives and responsibilities and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available at the Company's website.

Directors' Code of Conduct and Ethics

The Company has adopted a Code of Conduct and Ethics ("the Code") based on the code of conduct expected of directors of companies as set out in the Company Director's Code of Ethics established by the Companies Commission of Malaysia, and implemented appropriate internal systems to support, promote and ensure the compliance of the Directors' Code of Conduct and Ethics. The Code sets out among others, the standard of business conduct and ethical behavior for directors and employees in the performance and exercise of their responsibilities as directors and employees respectivery of the Company or when representing the Company. The Board will periodically review and reassess the adequacy of the Code and make such amendments to the Code as the Board may deem appropriate.

Board Composition and Balance

The current Board comprises six (6) directors, out of which, one (1) Non-Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors, thus, fulfilling the requirement of at least one-third of the Board comprises independent directors.

Board Composition and Balance (Continued)

The profiles of the directors are set out in this Annual Report. The Board is satisfied that having regard to the nature, complexity and scale of the existing business, the interests of the minority shareholders are adequately represented and protected with the current composition of the Board. The Board recognises that independent directors bring independent and objective judgment to the Board and play a critical role in any situation where a conflict of interest may arise. The Board has assessed the independence of the Independent Non-Executive Directors, who constitute one third (1/3) of the Board, and are satisfied that they have provided objective and independent judgment at board deliberations.

The positions of Chairman and Chief Executive Officer are held by different individuals and the Chairman is a Non-Executive Director whose role is to lead the Board in meetings. Although the Chairman is not an independent director and the Board does not comprise a majority of independent directors, the Board is satisfied that the independent directors have the skills and experience to exert their independent judgment to bear on issues of strategy, performance and resources including standards of ethics and conduct.

Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries supports the Board in managing the Company's governance model, ensuring it is effective and relevant. The Company Secretaries also ensure that deliberations at the Board meetings are well captured and minuted.

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 2013, there were four (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
Dato' Choy Wai Hin	3/4
Datin Tan Geok Foong	4/4
Datuk Choy Wai Ceong	3/4
Tuan Haji Hussein Bin Hamzah	3/4
Mohd. Arif Bin Mastol	4/4

The Company Secretaries record minutes of meetings and conclusion by the Board in the discharge of their duties and responsibilities.

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 Securities 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.

Board Selection and Appointment

Nomination Committee

The Nomination Committee comprises three (3) directors which comprises exclusively of Non-Executive Directors, a majority of whom are independent. The members of the Nomination Committee are as follows:-

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

The Chairman of the Nomination Committee is a senior Independent Director.

The principal objectives of the Nomination Committee are:-

(1) to assist the Board of Directors in their responsibilities in nominating new nominees to the Board and ensure that the Board composition meets the needs of the Company; and

(2) to assess the Directors of the Company on an on-going basis.

The role of the Nomination Committee is to ensure that 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 as well as to ensure a proper balance between Executive Directors and Independent Non-Executive Directors.

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

- To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director and shareholder.
- To recommend to the Board the nominees to fill the seats on Board Committees.
- To assess the effectiveness of the Board as a whole and each individual directors/committees of the Board.
- To regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board with a view to determining the impact of the number upon its effectiveness and make recommendations to the Board with regards to any changes.
- To act in line with the directions of the Board.
- To give consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

Board Selection and Appointment (Continued)

The duties and responsibilities of the Nomination Committee are as follows:- (Continued)

- To review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- In the case of persons for the position of Independent Non-Executive Directors, to evaluate the persons' ability to discharge such responsibilities/functions as expected of an Independent Non-Executive Directors.
- To determine annually whether a director is independent as may be defined in the Main LR of Bursa Securities.
- To ensure that all directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and changes in new statutory requirements.
- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees.

Summary of Activities of the Nomination Committee

The Nomination Committee had met once during the financial year ended 31 December 2013 to discuss the following matters:-

- Recommendation for the re-election of the directors who were retiring and seeking for re-election at the Thirtieth Annual General Meeting held on 28 June 2013.
- Evaluation on the effectiveness of the Board as a whole and the Committees of the Board as a whole and the Committees of the Board, and the contribution and performance of each individual director.

Recruitment or Appointment of Directors

The Nomination Committee of the Board is tasked to oversee the selection process and assessment of directors for the Board with the objective to secure the best composition to meet the diverse objectives of the Company. In discharging its responsibilities, the Nomination Committee follows certain and expectations based on the competencies, commitment, contribution and integrity of the candidates.

In the selection process, the Nomination Committee and the Board does not set any target on race, religion or gender diversity but endeavor to include any member who will improve the Board's overall compositional balance.

All newly appointed Directors will go through a Board induction, followed by a series of the necessary training programmes, including Mandatory Accreditation Programme mandated by the Main LR of Bursa Securities.

Re-election

In accordance to the Article 98 of the Company's Articles of Association, all Directors, including the Managing Director, shall retire from office once at least in each three-year period but shall be eligible for re-election. Additionally, where the Managing Director is appointed for a fixed term, that term shall not exceed three years.

Pursuant to Section 129 (6) of the Companies Act, 1965, directors who exceed the age of 70 years shall retire at every Annual General Meeting and may offer themselves for re-election to hold office until the next Annual General Meeting.

The Director due for retirement by rotation pursuant to Article 98 of the Article of Association at the forthcoming Annual General Meeting is Datuk Choy Wai Ceong. The Directors retiring pursuant to Section 129 (6) of the Companies Act, 1965 are Dato' Dr. Choy Fook On and Datin Tan Geok Foong. The profiles of the retiring directors seeking re-election are set on Profile of Directors section of this Annual Report.

Gender Diversity

The Board takes cognizance of gender diversity in the boardroom as recommended by the MCCG 2012 to promote the representation of women in the composition of the Board. Presently, there is one (1) female director on the Board of the Company.

Directors' Remuneration

The Directors remuneration scheme is linked to service seniority, experience, scope of responsibilities and performance.

The members of the Remuneration Committee during the financial year ended 31 December 2013 are as follows:

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

The composition of the Remuneration Committee is a team of wholly Non-Executive Directors and is tasked with ensuring that the remuneration package is competitive to attract and retain executive directors. The Remuneration Committee has a policy to reviews, assesses and recommends to the Board the remuneration packages of Executive Directors. The Executive Directors play no part in decisions on their own remuneration.

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

Details of Directors' remuneration for the financial year ended 31 December 2013 are as follows:

	Executive	Non-Executive
	RM	RM
Fees	82,600	96,900
Salaries and other emoluments	276,000	84,000

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

Less than RM50,000	3
RM50,001 – RM100,000	2
RM100,001 – RM150,000	2

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

Annual Assessment of the Board

Annual self and peer review assessment for all the Board members conducted and reviewed by the Nomination Committee to ensure the continuous suitability of the Directors.

Tenure of Independent Directors

One of the recommendation of the Corporate Governance states that the tenure of an independent director should not exceed a cumulative terms of nine (9) years. However, the Nomination Committee and the Board have recommended the retention of Tuan Haji Hussein Bin Hamzah, who has served on the Board for more than nine (9) years, on the ground that he remains objective and independent in expressing his views and when participating in deliberations and decision making of the Board and Board Committees. The Board believes that Tuan Haji Hussein Bin Hamzah has the integrity and ability to discharge his responsibilities as an independent director and bring valuable insight to the Company's business gained over the years with the Company.

Directors' Training

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

During the financial year ended 31 December 2013, the Directors attended the following training, briefing and workshop programmes:-

Directors	Seminars/ Briefing. Workshop attended
Dato' Dr. Choy Fook On	Enterprise Risk Management
Datin Tan Geok Fong	Enterprise Risk Management
Dato' Choy Wai Hin	Enterprise Risk Management
Datuk Choy Wai Ceong	Enterprise Risk Management
Tuan Haji Hussein Bin Hamzah	Enterprise Risk Management
Mohd. Arif Bin Mastol	Enterprise Risk Management

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.

SHAREHOLDERS

The Board believes in maintaining an effective communication policy that encourages feedback and comments from shareholders during the Annual General Meeting. 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.

The Company has also maintained a website for shareholders and the public to access corporate information, financial statements, and announcements released to Bursa Securities.

The Board has appointed Tuan Haji Hussein Bin Hamzah to be the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public.

In line with Recommendation 8.2 of the MCCG 2012, the Chairman will inform the shareholders of their right to demand a poll vote at the commencement of all general meetings.

ACCOUNTABILITY AND AUDIT

Audit Committee

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

Financial Reporting

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

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. An integral part of this system of internal control is the establishment of an internal audit department that is independent of the activities they audit and is able to exercise due professional care. Further elaboration on this can be found on the Statement on Risk Management and Internal Control on page 22 of the Annual Report.

Relationship with External Auditors

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

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 Main LR of Bursa Securities.

ADDITIONAL COMPLIANCE INFORMATION

Status of utilization of proceeds raised from any corporate proposal
The Company did not undertake any fund raising corporate exercise during the financial year.

Share Buyback for the financial year
There was no Share Buyback exercise carried out by the Company during the financial year.

Options, Warrants or Convertible Securities
There were no options, warrants or convertible securities converted during the financial year.

Depository Receipt Programme
The Company did not sponsor any depository receipt programme during the year.

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

Non-audit fees
Save as disclosed in Note 23 Operating Profit/(Loss) of the Notes to the Financial Statements on page 83 of the Annual Report, there were no non-audit fees paid to external auditors for the financial year ended 31 December 2013.

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 29 Significant Related Party Transactions of the Notes to the Financial Statements on page 88 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 2.3 (f) Revaluation of Assets of the Notes to the Financial Statements on page 54 of the Annual Report.

Sustainability Report

The Board is aware that sustainability encompasses more than just health and safety, compliance and quality aspects, it also requires the formulation of strategies to promote environment, social, economic and corporate governance issues that will add shareholders value and build brand loyalty.

The Company has a policy to introduce wherever possible work practices, manufacturing processes and substitution of raw materials with environmental friendly alternatives. As a approved supplier to a large high profile US multinational company who is a member of Global Social Compliance program that have stringent ethical sourcing practices, the manufacturing operations is automatically roped into their sustainability initiatives and has consistently passed their zero tolerance suppliers assessments. The operations continuously collaborate with the customer to promote the continuous improvement to environmental and working condition in the global supply chain. These include the use of environmentally friendly zero emission fiber boards and recycled materials such as railway sleepers to reduce the carbon footprint. The Company observes the requirements of relevant environmental legislations and regulations as well as establishing objectives and targets in regards to reducing and recycling of waste, developing environmental friendly products and services as well as purchasing of environmental friendly materials, items and commodities.

Despite limited finance and human resources, the Company endeavor to do it part as a responsible corporate citizen by giving back to the communities by way of supporting events promoting various social causes. The Company also seeks to assist the less fortunate by making contributions to charitable organization. In this regard the Company has during the year participated in Starbucks Malaysia's Pusat Komputer Komuniti Kampong Lubuk Jaya by donating furniture and air-condition units to the center.

The Company believes that employees being valuable assets need 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 programme that will enable them to upgrade themselves.

As a company with more than 50 years proven track record, the Company believe that it has the skill set and reputation to give it the edge in the business segments that it currently operates in. The Company's economic sustainability strategy is to build on its strength as a high-quality niche casework and commercial fixtures for multinational retail chains with processes that aim to reduce waste of resources and energy. Using the unique modular and pre-fabrication concept the Company has been successful in transferring this skill set from the manufacturing factory to fit-out work carried out on sites that has the advantage of saving time and labour on site while increasing consistency of final product. This has put the Company at the forefront vis-a-vis competitors when dealing with customers that adopt sustainability in their business ethics especially multi-national companies from developed countries.

Statement On Risk Management And Internal Control

RESPONSIBILITY

The Board and the Company strive to ensure a sound system of risk management and internal control to safeguard the shareholder's investments and the company's assets.

The risk management and 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.

The risk management and internal control system continuously identify, evaluate and manage the significant risks faced by the Group and was in place 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 Risk Management & Internal Control - Guidance for Directors of Listed Issuers.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

KEY PROCESSES

The key processes that have been established by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

- The Group's internal audit department conducts regular reviews of business processes to assess the adequacy and effectiveness of the risk management and internal controls and highlight significant risks impacting the Group.

- The internal audit department reports to the Audit Committee who regularly reviews and holds discussions with the internal audit department and management on the findings and recommendations in reports prepared by the internal audit department.

- The Board receives and reviews regular reports from management covering the financial performance and key business indicators of various business operating units.

Profile of Directors

DATO' DR. CHOY FOOK ON, Malaysian, aged 77, 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 as Executive Chairman on 6 November 1992 and held the position of Managing Director from 12 February 1993 until 8 August 1996. Dato' Dr. Choy is also a member of the Nomination Committee and Remuneration Committee.

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

Dato' Dr. Choy is the spouse of Datin Tan Geok Foong, an Executive Director, and father of Dato' Choy Wai Hin and Datuk Choy Wai Ceong who are the Managing Director and Executive Director respectively as well as the 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 2013 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 31 of the Annual Report.

DATIN TAN GEOK FOONG, Malaysian, aged 72, was appointed as an 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 Dato' Choy Wai Hin and Datuk Choy Wai Ceong who are the Managing Director and Executive Director respectively as well as the 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 2013 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 31 of the Annual Report.

DATO' CHOY WAI HIN, Malaysian, aged 50, has been the Group Managing Director of FFHB since 8 August 1996 and was first appointed to the Board on 1 November 1991.

Dato' 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 Civil and Structural Engineering, 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.

Dato' 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 Datuk 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 2013 he attended 3 out of the 4 board meetings held. Dato' Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 31 of the Annual Report.

DATUK CHOY WAI CEONG, Malaysian, aged 49, 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. Datuk Choy is also the Managing Director of the Masteron Group which is involved in property developments and property investments.

Datuk 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 Dato' 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 2013 he attended 3 out of the 4 board meetings held. Datuk Choy's interest in securities of the Company and its subsidiaries is stated in the Directors' Report on page 31 of the Annual Report.

TUAN HAJI HUSSEIN BIN HAMZAH, Malaysian, aged 69, has been an Independent Non-Executive Director since 7 August 2004. He is a member of the Audit Committee and Chairman of the Nomination Committee and Remuneration Committee.

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

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

Tuan 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 2013 he attended 3 of the 4 board meetings held.

MOHD. ARIF BIN MASTOL, Malaysian, aged 60, was appointed as an Independent Non-Executive Director on 30 January 2010. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

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

He began his career in 1977 as an Executive Account Officer. In 1985, he served as an

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

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

Mohd. Arif Bin Mastol does not hold any shares in the Company and has no relationship with any other directors and/or substantial shareholders of FFHB. He has no conflict of interests with FFHB and has no convictions for offences within the past 10 years. During the financial year ended 31 December 2013 he attended all of the 4 board meetings held.

Corporate Structure

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

Investment Division

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

Renovation And Fit-Out Division

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

Manufacturing And Trading Division

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

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2013.

Review of Group Financial Results

Group turnover fell by 31% to RM54.7 million from RM79.9 million a year ago due mainly to the delay in site handover from a substantial project secured by Interior Fit-out division. Turnover for the trading division grew by 22% on higher supply of kitchen furniture while the manufacturing division saw its turnover expand by 6% underpinned by higher export of caseworks to the Asia Pacific region. Gross margin per centum improved to 33.5% from 21.0% a year earlier due to higher margin yield from the trading and manufacturing operation while the interior fit-out operations benefited from higher margin from negotiations for variation orders on projects previously completed. Operating profit however was down by 22% to RM4.4 million from RM5.6 million in the previous year due to higher operating overheads that increased by 21% to RM14.2 million as a result of lower staff overheads apportioned to other related companies in the previous year.

Interest cost fell 40% following the redemption of the balance Redeemable Secured Loan Stock during the year under review. After accounting for interest cost, pre-tax profit stood at RM4.1million, down 20% from RM5.1m a year ago. For the financial year ended 31 December 2013 the profit attributable to shareholders was RM3.7 million compared to RM4.7 million in the previous year while basic earnings per share was 4.4 sen (2012: 5.4 sen).

Dividends

Your board is not recommending the payment of any dividend in respect of the financial year ended 31 December 2013 as your board is of the opinion that the Group needs to conserve its cash to fund working capital requirement in view of the anticipated increase in secured projects.

Review of operations

Turnover for the manufacturing operation grew by 6% to RM19.3 million from RM18.1 million a year earlier, underpinned by strong exports to Starbucks for the Asia Pacific region that expanded by 26% year-on-year. Sales to the 2 key Starbucks markets, Japan and Korea, grew by 25% and 33% respectively while sales to S.E.A. markets expanded by 29% from a year ago. Japan continued to be the biggest market on account of the increasing contribution from the Refresh and Renovation programme that had seen a marked increase since 2012. The increase in caseworks sales helped offset the cessation of sales of commercial fittings to another US multinational retailer that in 2012 accounted for 12 % of total sales for the division. The loss of this account however did not have any adverse impact on the current year bottom line as the products supplied did not generate positive return on margin last year due to the high wastages. The division had also benefited from the appreciation of the US Dollar and efforts made to improve production efficiency that brought down cost and improved margin yield by 21%. Operating profit for the year stood at RM2.6 million, up by more than three folds from RM0.8 million a year earlier.

The trading division sales was up by 21% from 15.4 million a year ago to RM18.6 million due to higher supply of fitted kitchen to the contracts market and the full year impact of the new retail operations that commenced in the second half of 2012. The supply of building materials to the construction industry meanwhile was down by 8%. The division registered an operating profit of RM2.7 million compared to RM4.2 million for the same period a year ago as result of the higher operating loss from the full year impact of the kitchen retail operations. Sales for the kitchen retail operations showed progressive improvements since its commencement but it was still not near enough the breakeven level after only 18 months of operations. However this loss was substantially mitigated by the gain accruing from the supply of kitchen to the contract market as the operations reduced its operating loss by 55% over the previous year.

Meanwhile the Interior Fit-out division saw its turnover tumbled by 64% to RM16.9 million from RM46.4 million due to the delay in site handover of a substantial project to 2014. Consequently the division was unable to clock in any sales from this contract. The division was however able to negotiate better variation orders during final account negotiation on projects completed last year that resulted in a 65% improvement to its margin in the current year. This substantially helped mitigated its operating loss for the year to RM0.7 million compared to an operating profit of RM0.8 million a year ago.

Prospects for 2014

Global economic growth picked up in the second half of 2013 and is expected to continue into 2014 and 2015 as advanced economies continue to recover. Growth is projected to be slightly higher in 2014 at 3.7% rising to 3.9% in 2015. The increase in external demand arising from recovery in advanced economies will support growth in emerging and developing economies although domestic demand is a concern in some economies with the exception of China. Among advanced economies, the US economy will be a key driver as GDP is projected to grow by 2.8% in 2014 from 1.9% underpinned by stronger domestic demand. The Eurozone is also on the road to recovery although growth will be somewhat uneven with modest growth of 1% in 2014 (from -0.3% in 2013) and 1.4% in 2015. Economy in emerging countries is expected to increase at a slower rate to 4.8% in 2014 due to the slowdown in China. The world's second largest economy, China is expected to expand by 7% in 2014 down from 7.5% in 2013. In Japan the increase in consumption tax in 2014 is expected to moderate growth to 1.4% in 2014 and 1% in 2015. Meanwhile in Malaysia, measures taken to address the budget deficits, subsidy rationalisation, minimum wages and the depreciation of the Ringgit has fuelled inflation and higher cost of living. The local economy is projected to grow to 5.5% in 2014 underpinned by stronger exports as external demand from advanced economies pick up while domestic demand is expected to remain strong.

The manufacturing division expects the strong demand for supply of caseworks to continue into 2014 as its main customer Starbucks continues to expand and refresh its stores in the Asia Pacific region. Sales for the first three months is already more than 50% higher than the same period a year ago. The division has recently signed a new supply contract for the next 3 years and made a maiden sale to Brunei in the first quarter of the year. There is optimism that growth from new markets, Indonesia, India and Vietnam will gain traction as its customer makes further inroad into these markets. The division also managed to negotiate better price on the new supply contract and this together with the favourable US dollar exchange rate is expected to improve margin yield and the prospect for the year.

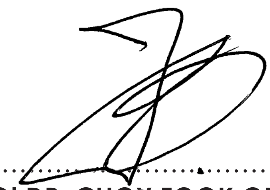
The trading operations is not expected to match its turnover in 2013 due to the slowdown in the property industry that will have an adverse impact on supply of building materials to the construction industry. The retail operations meanwhile is expected to continue to grow its turnover but the operation is not expected to make a turnaround in 2014. The prospect for this operation will hinge on its ability to secure contracts for the supply of kitchens to augment its retail sales and the success of the various cost-cutting measures that have been put in place to reduce operating overheads and the outcome of on going negotiation for renewal of the showroom tenancy.

The Interior Fit-out division is confident of making amend for the disappointing turnover in 2013 arising from the delay in site handover last year as the RM33m contract has now commenced in the second quarter of 2014. The kitchen project has also secured a number of projects that will be fulfilled in 2014 and can expect its turnover to be substantially higher than 2013. The division is also in advanced negotiations or have tendered for other projects and is fairly confident of securing a number of these projects that will substantially add on to its order book in 2014 and 2015. The prospect for the division will as always hinge on the ability to execute the projects secured successfully and manage costs effectively to achieve the desired margin yields. Overall the division is confident of improving on its 2013 results.

Appreciation

I wish to convey, on behalf of the Board, our heartfelt thanks to 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.

To all of the above, I look forward to your continued dedication, support and co-operation in the coming year that to be sure will be both exciting and challenging for the Group.



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DATO' DR. CHOY FOOK ON
Chairman

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for financial year ended 31st December 2013.

Principal Activities

The Company is principally engaged in the business of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

Results

	Group	**Company**
	RM	RM
Profit/(Loss) for the financial year	3,673,008	(1,187,997)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the financial year	3,673,008	(1,187,997)
Profit/(Loss) attributable to:		
Owners of the Company	3,627,480	(1,187,997)
Non-controlling interests	45,528	-
	3,673,008	(1,187,997)

Dividends

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2013.

Reserves And Provisions

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

Bad And Doubtful Debts

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts and the provision of doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

Current Assets (Continued)

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

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

Contingent and Other Liabilities

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

(i) any charge on the assets of the Group and of the Company that have arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that have arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Change of Circumstances

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 that would render any amount stated in the financial statements misleading.

Items of an Unusual Nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Issue of Shares And Debentures

The Company did not issue any shares or debentures during the financial year.

Directors

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

Dato' Dr. Choy Fook On
Datin Tan Geok Foong
Dato' Choy Wai Hin
Datuk Choy Wai Ceong
Haji Hussein Bin Hamzah
Mohd Arif Bin Mastol
Dato' Vijayasundram Jeyabalan - *resigned on 27.6.2013*

Directors' Interests

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2013 are as follows:-

	Number of ordinary shares of RM0.50/- each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
The Company				
Direct Interest				
Dato' Dr. Choy Fook On	6,042,120	-	-	6,042,120
Datin Tan Geok Foong	4,476,120	-	-	4,476,120
Dato' Choy Wai Hin	3,004,800	-	-	3,004,800
Datuk Choy Wai Ceong	2,500,800	-	-	2,500,800
Indirect Interest				
Dato' Dr. Choy Fook On	12,408,140	-	-	12,408,140
Datin Tan Geok Foong	12,408,140	-	-	12,408,140
Dato' Choy Wai Hin	12,100,140	-	-	12,100,140
Datuk Choy Wai Ceong	11,047,340	-	-	11,047,340

	Number of warrants of RM0.50/- each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
The Company				
Direct Interest				
Dato' Dr. Choy Fook On	4,279,835	-	-	4,279,835
Datin Tan Geok Foong	3,170,585	-	-	3,170,585
Dato' Choy Wai Hin	2,128,400	-	-	2,128,400
Datuk Choy Wai Ceong	1,771,400	-	-	1,771,400
Indirect Interest				
Dato' Dr. Choy Fook On	12,241,886	-	-	12,241,886
Datin Tan Geok Foong	12,241,886	-	-	12,241,886
Dato' Choy Wai Hin	11,277,986	-	-	11,277,986
Datuk Choy Wai Ceong	11,277,986	-	-	11,277,986

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

Other than as stated above, none of the other directors in office at the end of the financial year have any interest in the shares of the Company and its related corporations during the financial year.

Directors' Benefits

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

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Warrants 2007 / 2017

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

a) Exercise rights

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

b) Exercise price

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

c) Exercise period

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

d) Transferability

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

e) Ranking

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

As at the end of the current financial year, no exercise of warrants had taken place and the outstanding warrants in the Company remains at 31,571,428.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

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

Petaling Jaya, Selangor Darul Ehsan
Date: 28th April 2014

Statement by Directors

We, DATO' DR. CHOY FOOK ON and DATO' CHOY WAI HIN, being two of the directors of Federal Furniture Holdings (M) Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 37 to 101 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31st December 2013 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 102 has been compiled in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

....
DATO' DR. CHOY FOOK ON
Director

....
DATO' CHOY WAI HIN
Director

Petaling Jaya, Selangor Darul Ehsan
Date: 28th April 2014

Statutory Declaration

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 to the best of my knowledge and belief, the financial statements set out on pages 37 to 101 and the supplementary information set out on page 102 are 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.

....
JAMES SHII LIHTON

Subscribed and solemnly declared by the abovenamed at Petaling Jaya, Selangor Darul Ehsan on 28th April 2014.

Before me,

PESURUHJAYA SUMPAH
No: B 344
Nama: GAUTHI KHOR
MALAYSIA

....
GAUTHI KHOR (No. B344)
Commissioner for Oaths
Petaling Jaya, Selangor Darul Ehsan.

No. 29, Tingkat Bawah
Jalan 14/20,
46100 Petaling Jaya,
Selangor D.E.

Independent Auditors' Report to The Members of Federal Furniture Holdings (M) Berhad

Report on the Financial Statements

We have audited the financial statements of Federal Furniture Holdings (M) Berhad, which comprise the statements of financial position as at 31st December 2013 of the Group and of the Company, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 101.

Directors' Responsibility for the Financial Statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

Report on other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements of the subsidiary of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

Report on other Legal and Regulatory Requirements (Continued)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/16 (J)
Chartered Accountant

Kuala Lumpur

Date: 28th April 2014

Statements Of Financial Position

As At 31st December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	17,237,661	13,936,410	75,814	109,270
Investment properties	5	57,600	2,059,200	-	-
Investment in subsidiaries	6	-	-	22,703,099	22,789,247
Other investments	7	-	50,373	-	-
Deferred tax assets	8	2,563,914	2,619,288	-	-
Total Non-Current Assets		19,859,175	18,665,271	22,778,913	22,898,517
Current assets					
Inventories	9	4,135,719	5,964,102	-	-
Trade receivables	10	18,754,647	14,604,922	-	-
Other receivables, deposits and prepayments	11	1,380,062	1,058,523	303,252	408,706
Amount due from contract customers	12	11,310,109	7,508,431	-	-
Amount owing by subsidiaries	13	-	-	33,069,271	35,167,729
Tax recoverable		21,841	-	-	-
Cash and cash equivalents	14	3,120,930	2,936,151	34,955	16,477
Total Current Assets		38,723,308	32,072,129	33,407,478	35,592,912
TOTAL ASSETS		58,582,483	50,737,400	56,186,391	58,491,429

Statements Of Financial Position *(Continued)*

As At 31st December 2013 (Continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	41,347,950	41,347,950	41,347,950	41,347,950
Reserves	16	(11,391,053)	(15,018,533)	8,208,305	9,396,302
Shareholders' funds		29,956,897	26,329,417	49,556,255	50,744,252
Non-controlling interests		793,535	748,007	-	-
Total Equity		30,750,432	27,077,424	49,556,255	50,744,252
Non-current liabilities					
Borrowings	17	4 70,379	567,379	26,377	53,883
Redeemable secured loan stocks	19	-	475,000	-	475,000
Deferred tax liabilities	8	317,725	15,305	7,403	7,403
Total Non-Current Liabilities		788,104	1,057,684	33,780	536,286
Current liabilities					
Trade payables	20	8,372,767	7,134,905	-	-
Other payables, deposits and accruals	21	10,559,602	8,089,520	1,304,094	1,434,206
Amount due to contract customers	12	3 527,088	2,127,713	-	-
Amount owing to subsidiaries	13	-	-	5,264,756	4,783,050
Borrowings	17	4,572,132	4,217,162	27,506	26,125
Redeemable secured loan stocks	19	-	967,510	-	967,510
Tax payable		12,358	65,482	-	-
Total Current Liabilities		27,043,947	22,602,292	6,596,356	7,210,891
Total Liabilities		27,832,051	23,659,976	6,630,136	7,747,177
TOTAL EQUITY AND LIABILITIES		58,582,483	50,737,400	56,186,391	58,491,429

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

Statements Of Comprehensive Income

For The Financial Year Ended 31st December 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	22	54,748,354	79,882,900	893,482	35,138,455
Cost of sales		(36,367,079)	(63,059,260)	-	-
GROSS PROFIT		18,381,275	16,823,640	893,482	35,138,455
Other operating income		262,767	553,845	-	-
Administrative expenses		(9,235,829)	(7,161,312)	(2,039,652)	(3,539,436)
Selling and distribution expenses		(4,995,130)	(4,576,542)	-	-
OPERATING PROFIT/(LOSS)	23	4,413,083	5,639,631	(1,146,170)	31,599,019
Finance costs	24	(312,924)	(502,156)	(41,827)	(223,431)
PROFIT/(LOSS) BEFORE TAXATION		4,100,159	5,137,475	(1,187,997)	31,375,588
Taxation	25	(427,151)	(443,634)	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		3,673,008	4,693,841	(1,187,997)	31,375,588
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		3,673,008	4,693,841	(1,187,997)	31,375,588
Profit/(Loss) attributable to :					
Owners of the Company		3,627,480	4,466,476	(1,187,997)	31,375,588
Non-controlling interests		45,528	227,365	-	-
		3,673,008	4 ,693,841	(1,187,997)	31,375,588
Total comprehensive income/(loss) attributable to :					
Owners of the Company		3 ,627,480	4,466,476	(1,187,997)	31,375,588
Non-controlling interests		45,528	227,365	-	-
		3,673,008	4,693,841	(1,187,997)	31,375,588
Earnings per ordinary share attributable to owners of the Company					
- basic, earning per ordinary share (sen)	26(a)	4.39	5.40		
- diluted, earning per ordinary share (sen)	26(b)	3.17	3.91		

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

Statements Of Changes In Equity

For The Financial Year Ended 31st December 2013

	Attributable to owners of the Company							
	Non-Distributable				Distributable			
	Share Capital	Share Premium	Revaluation Reserve	Foreign Exchange Reserve	Accumulated Losses	Total	Non-Controlling Interests	Total Equity
Group	RM	RM	RM	RM	RM	RM	RM	RM
At 1st January 2012	41,347,950	3,440,941	211,100	15,530	(23,152,580)	21,862,941	520,642	22,383,583
Total comprehensive income for the financial year	-	-	-	-	4,466,476	4,466,476	227,365	4,693,841
At 31st December 2012	41,347,950	3,440,941	211,100	15,530	(18,686,104)	26,329,417	748,007	27,077,424
Total comprehensive income for the financial year	-	-	-	-	3,627,480	3,627,480	45,528	3,673,008
At 31st December 2013	41,347,950	3,440,941	211,100	15,530	(15,058,624)	29,956,897	793,535	30,750,432

	Attributable to owners of the Company			
	Non-Distributable		Distributable	
	Share Capital	Share Premium	(Accumulated Losses)/ Retained Earnings	Total
Company	RM	RM	RM	RM
At 1st January 2012	41,347,950	3,440,941	(25,420,227)	19,368,664
Total comprehensive income for the financial year	-	-	31,375,588	31,375,588
At 31st December 2012	41,347,950	3,440,941	5,955,361	50,744,252
Total comprehensive loss for the financial year	-	-	(1,187,997)	(1,187,997)
At 31st December 2013	41,347,950	3,440,941	4 ,767,364	49,556,255

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

Statements Of Cash Flows

For The Financial Year Ended 31st December 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES :				
Profit/(Loss) before taxation	4,100,159	5,137,475	(1,187,997)	31,375,588
Adjustments for				
Bad debts	30,181	-	-	-
Deposits written off	11,000	-	-	-
Depreciation of investment properties	1,600	1,600	-	-
Depreciation of property, plant and equipment	1,199,630	1,185,761	38,546	39,084
Dividend income	-	(6,947)	-	(34,400,000)
Gain on disposal of property, plant and equipment	-	(27,989)	-	-
Gain on disposal of investment properties	(50,000)	-	-	-
Gain on disposal of other investments	(1,449)	-	-	-
Impairment losses on amount owing by subsidiaries	-	-	653,328	2,424,765
Impairment losses on investment in subsidiaries	-	-	86,148	-
Impairment losses on other investments	-	11,812	-	-
Impairment losses on receivables	78,905	1,068,268	33,584	-
Impairment losses on inventories	91,481	-	-	-
Interest expense	312,924	502,156	41,827	223,431
Inventories written down	231,070	-	-	-
Loss on disposal of property, plant and equipment	693	-	-	-
Property, plant and equipment written off	-	15	-	-
Unrealised gain on foreign exchange	-	(22,653)	-	-
Unrealised loss on foreign exchange	-	24,635	-	-
Waiver of debts	(138,089)	-	-	-
Operating Profit/(Loss) Before Working Capital Changes	5,868,105	7,874,133	(334,564)	(337,132)
Changes In Working Capital :				
Contract customers	(2,402,303)	(3,726,023)	-	-
Receivables	(4,591,350)	(5,421,809)	71,870	72,228
Inventories	1,505,832	176,479	-	-
Payables	3,846,033	3,333,100	(130,112)	117,957
	4,226,317	2,235,880	(392,806)	(146,947)
Tax paid	(144,322)	(95,101)	-	-
Tax refund	-	274	-	-
Net Operating Cash Flows	4,081,995	2,141,053	(392,806)	(146,947)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	-	-	-	34,400,000
Advance/(Repayment) to subsidiaries	-	-	1,926,836	(33,014,938)
Purchase of property, plant and equipment (Note A)	(4,371,974)	(2,279,936)	(5,090)	(3,289)
Proceeds from disposal of other investments	51,822	-	-	-
Proceeds from disposal of investment properties	2,050,000	-	-	-
Proceeds from disposal of property, plant and equipment	400	28,077	-	-
Net Investing Cash Flows	(2,269,752)	(2,251,859)	1,921,746	1,381,773

Statements Of Cash Flows *(Continued)*

For The Financial Year Ended 31st December 2013 (Continued)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(312,924)	(1,036,066)	(41,827)	(752,565)
Placement of deposits pledged with licensed banks	(365,767)	(1,000,000)	-	-
Redemption of redeemable secured loan stocks	(1,442,510)	(475,000)	(1,442,510)	(475,000)
Repayment of hire purchase payables	(216,256)	(138,738)	(26,125)	(29,521)
Withdrawn/(Repayment)of borrowings	132,000	(754,000)	-	-
Withdrawn of fixed deposit	-	133,437	-	-
Net Financing Cash Flows	(2,205,457)	(3,270,367)	(1,510,462)	(1,257,086)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(393,214)	(3,381,173)	18,478	(22,260)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(612,465)	2,768,708	16,477	38,737
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	(1,005,679)	(612,465)	34,955	16,477
ANALYSIS OF CASH AND CASH EQUIVALENTS :				
Cash and bank balances	1,580,159	1,761,147	34,955	16,477
Deposits placed with licensed bank	1,540,771	1,175,004	-	-
Bank overdraft	(2,585,838)	(2,373,612)	-	-
	535,092	562,539	34,955	16,477
Less : Deposits held as security	(1,540,771)	(1,175,004)	-	-
	(1,005,679)	(612,465)	34,955	16,477

Note

A. Purchase of property, plant and equipment				
Purchase of property, plant and equipment	4,501,974	2,963,696	5,090	3,289
Less:-				
- Financed by hire purchase installment plans	(130,000)	(683,760)	-	-
Cash payment	4,371,974	2,279,936	5,090	3,289

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

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

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

The financial statements are expressed in Ringgit Malaysia (RM).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28th April 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, jointly controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. The adoption of MFRS10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the notes relating to the assets and liabilities whose fair values were determined.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

MFRS 128 (Revised) incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associates, as the equity method was applicable for both investments in joint ventures and associates. However, the revised standard exempts the investor from applying equity accounting where the investment in the associate or joint venture is held indirectly via venture capital organisations or mutual funds, unit trusts and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 139 Financial Instruments Recognition and Measurement.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 *Business Combinations* and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 *Financial Instruments: Presentation*

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRS, amendments/ improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	To be announced by the MASB
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1st July 2014
MFRS 2	Share-based Payment	1st July 2014
MFRS 3	Business Combinations	1st July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating Segments	1st July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1st January 2014
MFRS 12	Disclosure of Interests in Other Entities	1st January 2014
MFRS 13	Fair Value Measurement	1st July 2014
MFRS 116	Property, Plant and Equipment	1st July 2014
MFRS 119	Employee Benefits	1st July 2014
MFRS 124	Related Party Disclosures	1st July 2014
MFRS 127	Separate Financial Statements	1st January 2014
MFRS 132	Financial Instruments: Presentation	1st January 2014
MFRS 136	Impairment of Assets	1st January 2014
MFRS 138	Intangible Assets	1st July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1st January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1st July 2014
New IC Int		
IC int 21	Levies	1st January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

MFRS 9 Financial Instruments (Continued)

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

Amendments to MFRS 1 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendment to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS 139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation.*

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:-

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and

- the accumulated depreciation / amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off, that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

IC Int 21 Levies
IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 Provisions, *Contingent Liabilities and Contingent Assets*. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.

2.3 Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, controls exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial year, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In previous financial years, the Group did not consider de facto power in its assessment of control.

The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:-

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(ii) Business combinations (Continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in the statement of financial position as intangible assets.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(c) Investments

Investment in subsidiaries and other investments are stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

(d) Property, Plant and Equipment and Depreciation

All property, plant and equipment were initially stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Freehold lands are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:-

Building	2%
Leasehold land	over remaing lease period of 78 years
Equipment, furniture and fittings	5-20%
Motor vehicles	20%

Capital work-in-progress will be depreciated when the property is ready for its intended use.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Changes in expected level of usage and technological developments could impact the residual values of the property, plant and equipment. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the period the asset is derecognised.

(e) Investment Properties

Investment properties are properties which are held to earn rentals or for capital appreciation or for both. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(e) Investment Properties (Continued)

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

(f) Revaluation of Assets

Freehold land and buildings at valuation are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the statement of comprehensive income. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

(g) Construction Contracts

Construction works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contract sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to the profit or loss as and when incurred.

When the outcome of a construction contract can be reliably estimated, contract revenue are recognised by using the stage of completion method. The stage of completion is measured by reference to the completion of a physical proportion of the contract works.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Irrespective of whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Provision is made for all anticipated losses on construction work. Provision for warranties is made for expected/estimated repair costs for making good certain defects and damages during the warranty periods.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract works.

(h) Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Inventories (Continued)

The cost of inventories is measured based on first in, first out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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 make the sale.

(i) Leases

(i) Finance Lease

Leases of property, plant and equipment where the Group and the Company assume substantially all the benefits and risks of ownership are classified as 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 statement of financial position 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 Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss 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.

(ii) Operating Lease

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

(j) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

(k) Foreign Currency Translation

(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 financial statements are presented in Ringgit Malaysia, which is the Group and the Company's functional currency and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(k) Foreign Currency Translation (Continued)

(ii) Translation and balances

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the rate of exchange ruling on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates at the date the fair value was determined. Exchange differences arising from the settlement of foreign currency transactions and from the retranslation of foreign currency monetary assets and liabilities are included in the profit or loss.

(l) Financial Assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss is recognised as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and Receivables

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Financial Assets (Continued)

(iii) Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-Sale Financial Assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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

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

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(m) Financial Liabilities

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(m) Financial Liabilities (Continued)

(i) Financial Liabilities at Fair Value Through Profit or Loss (Continued)

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the profit or loss.

(n) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(o) Income Tax

The tax expense in the statements of comprehensive income represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measure using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(o) Income Tax (Continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(p) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of Goods

Revenue is recognised upon delivery of products and customers' acceptance, net of discounts and returns and when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Revenue from contract works

Revenue from contract works is recognised on the percentage of completion method.

(iii) Other income

Interest income is recognised on an accruals basis.

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the 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 non-accumulating compensated absences such as sick leave and maternity leave are recognised when absences occur.

(ii) Post-employment benefits

The Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group and the Company has no further payment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(r) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(s) Equity Instrument

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(t) Earnings per Ordinary Share

The Group presents basic and diluted earnings per ordinary share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(u) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(v) Contingent liabilities

Where it is not probable than an outflow of economics benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Fair Value measurements

From 1st January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed the fair value of an asset or liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(w) Fair Value measurements (Continued)

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Impairment of property, plant and equipment

The Group and the Company assesses impairment of assets whenever the events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(iii) Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(v) Allowance for impairment of receivables

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

(vi) Impairment of investment in subsidiaries

The Company tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the results of the impairment test. Cost of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investments in subsidiaries entails an impairment of receivables to be made to the amount owing by these subsidiaries.

(vii) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the estimation of the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(viii) Contract revenue

The Group recognises contract revenue from its fixed price contract based on the stage of completion method. The stage of completion is determined by the completion of a physical proportion of the contract work. The stage of completion method requires the Group to estimate the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue including variation orders and contract claims and contract costs. In making the estimates, the Group relies on past experience and the assessment by internal project specialists.

(ix) Warrants

Warrants issued pursuant to the Company's Right Issue since the financial year ended 31 December 2007 was not recognised, since its exercise price is higher than the share price of the Company. As at 31st December 2013, the share price of the Company remains lower than the exercise price of the Warrant. The directors are of the opinion that it is very unlikely the warrants will be exercised and since the probability of exercise is low, the impact to the financial statements of the recognition of any warrants is negligible and accordingly, the fair value of the warrants has not been recognised in the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land	Building	Equipment, furniture and fittings	Motor Vehicles	Renovation	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM
Cost/Valuation							
At 1st January 2012							
- at cost	-	-	16,627,364	1,249,653	-	253,127	18,130,144
- at valuation	2,178,000	9,822,00	-	-	-	-	12,000,000
Additions	-	-	2,143,276	761,018	-	59,402	2,963,696
Disposals/Write off	-	-	(10,759)	(349,900)	-	-	(360,659)
Transfer	-	-	-	-	275,647	(275,647)	-
At 31st December 2012	2,178,000	9,822,000	18,759,881	1,660,771	275,647	36,882	32,733,181
Additions	-	3,972,600	382,708	146,666	-	-	4,501,974
Disposals/Write off	-	-	(1,900)	-	-	-	(1,900)
Reclassification	-	-	312,529	-	(275,647)	(36,882)	-
At 31st December 2013	2,178,000	13,794,600	19,453,218	1,807,437	-	-	37,233,255
Accumulated Depreciation/ Amortisation							
At 1st January 2012	227,931	1,768,974	15,000,147	974,514	-	-	17,971,566
Depreciation/ amortisation for the financial year	25,326	196,440	759,284	204,711	-	-	1,185,761
Disposals/Write off	-	-	(10,656)	(349,900)	-	-	(360,556)
At 31st December 2012	253,257	1,965,414	15,748,775	829,325	-	-	18,796,771
Depreciation/ amortisation for the financial year	25,326	196,440	718,753	259,111	-	-	1,199,630
Disposals/Write off	-	-	(807)	-	-	-	(807)
At 31st December 2013	278,583	2,161,854	16,466,721	1,088,436	-	-	19,995,594
Net Book Value							
At 31st December 2012							
- at cost	-	-	3,011,106	831,446	275,647	36,882	4,155,081
- at valuation	1,924,743	7,856,586	-	-	-	-	9,781,329
	1,924,743	7,856,586	3,011,106	831,446	275,647	36,882	13,936,410
Net Book Value							
At 31st December 2013							
- at cost	-	3,972,600	2,986,497	719,001	-	-	7,678,098
- at valuation	1,899,417	7,660,146	-	-	-	-	9,559,563
	1,899,417	11,632,746	2,986,497	719,001	-	-	17,237,661

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Equipment, furniture and fittings RM	Motor Vehicles RM	Total RM
Company			
At cost			
At 1st January 2012	346,801	365,093	711,894
Additions	3,289	-	3,289
At 31st December 2012	350,090	365,093	715,183
Additions	5,090	-	5,090
At 31st December 2013	355,180	365,093	720,273
Accumulated Depreciation			
At 1st January 2012	332,734	234,095	566,829
Depreciation for the financial year	5,637	33,447	39,084
At 31st December 2012	338,371	267,542	605,913
Depreciation for the financial year	5,099	33,447	38,546
At 31st December 2013	343,470	300,989	644,459
Net Book Value			
At 31st December 2012	11,719	97,551	109,270
At 31st December 2013	11,710	64,104	75,814

(a) The net book value of property, plant and equipment of the Group and the Company includes the following property, plant and equipment acquired under hire purchase and finance lease agreements:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Motor vehicles	718,999	831,443	64,105	97,552
Computer	23,573	30,645	-	-
	742,572	862,088	64,105	97,552

(b) The leasehold land and building with the net book value of RM9,559,563/- (2012: RM9,781,329/-) of the Group are charged to financial institutions as security for banking facilities granted to the Group.

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

(d) The leasehold land and building with the net book value of RM9,559,563/- (2012: RM9,781,329/-) of the Group were revalued on 10th April 2009 by the directors based on independent professional valuations using the open market value on existing use basis.

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) If the leasehold land and building were measured using the cost model, the carrying amount would be as follows:-

	Group	
	2013	**2012**
	RM	**RM**
Building	7,525,392	7,718,376
Leasehold land	672,645	695,787
	8,198,037	8,414,163

(f) On 28th October 2013, a subsidiary, Federal Furniture Industries Sdn. Bhd. has acquired 5 units of freehold office ("Properties") for a total consideration of RM3,972,600/-. As at 31st December 2013, the transfer of strata title of the said properties is still in progress.

(g) Fair value information

Fair value of the land and buildings are categorised as follows:-

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
Group				
Leasehold land and building	-	12,000,000	-	12,000,000

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active market for identical properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values
There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the property.

5. INVESTMENT PROPERTIES

Group At cost	Freehold Land RM	Building RM	Total RM
At 1st January 2012	2,000,000	80,000	2,080,000
Additions	-	-	-
Disposals/ Write off	-	-	-
At 31st December 2012	2,000,000	80,000	2,080,000
Additions	-	-	-
Disposals/ Write off	(2,000,000)	-	(2,000,000)
At 31st December 2013	-	80,000	80,000
Accumulated Depreciation			
At 1st January 2012	-	19,200	19,200
Depreciation for the financial year	-	1,600	1,600
Disposals/ Write off	-	-	-
At 31st December 2012	-	20,800	20,800
Depreciation for the financial year	-	1,600	1,600
Disposals/ Write off	-	-	-
At 31st December 2013	-	22,400	22,400
Carrying amount			
At 31st December 2012	2,000,000	59,200	2,059,200
At 31st December 2013	-	57,600	57,600

(a) Fair value information

Fair value of the freehold building are categorised as follows:-

	2013 Level 1 RM	 Level 2 RM	 Level 3 RM	 Level 4 RM
Group 2013				
Freehold building	-	80,000	-	80,000

5. INVESTMENT PROPERTIES (Continued)

(a) Fair value information (Continued)

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active market for identical investment properties that the entity can access at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values
There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value
Level 3 fair value is estimated using unobservable inputs for the investment property.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM	**2012 RM**
Unquoted shares - at cost	38,279,572	38,279,572
Less: Impairment losses	(15,576,473)	(15,490,325)
	22,703,099	22,789,247

Movement in allowance account:-

	Company	
	2013 RM	**2012 RM**
At the beginning of the financial year	15,490,325	15,490,325
Add : Charge for the financial year	86,148	-
At the end of the financial year	15,576,473	15,490,325

6. **INVESTMENT IN SUBSIDIARIES** (Continued)

The following information relates to the subsidiaries:-

Name of Company	**Country of Incorporation**	**Effective Ownership Interest and Voting Interest 2013 %**	**2012 %**	**Principal Activities**
Held directly				
Anglo Frontier Sdn. Bhd.	Malaysia	70	70	Investment holding
Aspek Sensasi Sdn. Bhd.	Malaysia	100	100	Dormant
Federal Electric Company Sdn. Bhd. ("FECSB")	Malaysia	100	100	Dormant
Federal Furniture Industries Sdn. Bhd. ("FFISB")	Malaysia	100	100	Renovation and interior fitout works
Federal Furniture Lifestyle Sdn. Bhd.	Malaysia	100	100	Trading of home furnishings, home appliances and general building materials and general contractors for construction works
Federal Furniture (M) Sdn. Bhd. ("FFMSB")	Malaysia	100	100	Trading of furniture and building materials and contractor for building and construction works
Federal Furniture (1982) Sdn. Bhd. ("FF1982")	Malaysia	100	100	Manufacturing and export of furniture
Layang Kaji Sdn. Bhd.	Malaysia	100	100	Dormant
Mintwood Sdn. Bhd.	Malaysia	100	100	Investment holding
Pelantar Agresif (M) Sdn. Bhd.	Malaysia	100	100	Investment holding
Qingdao Federal Funiture Industries Co. Ltd.*	People's Republic of China	100	100	Dormant
Splenwood Sdn. Bhd.	Malaysia	100	100	Investment holding
Held by FFISB:-				
Cathay Interior Design (M) Sdn. Bhd.	Malaysia	55	55	Renovation and interior design of offices and hotels including supply of furniture and fittings
Pathos Corporation Sdn. Bhd.	Malaysia	93	93	Dormant
Held by FFMSB:-				
Avante Corporation Sdn. Bhd. ("Avante")	Malaysia	55	55	Dormant
Held by Avante:-				
Trac Marketing Incorporated	United States of America	55	55	Dormant
Held by FECSB:-				
Myanmar Electric Distributor Ltd	Union of Myanmar	100	100	Dormant

** Audited by a firm other than Baker Tilly Monteiro Heng.*

6. INVESTMENT IN SUBSIDIARIES (Continued)

Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	Cathay Interior Design Sdn. Bhd.	Other individually immaterial subsidiaries	Total
2013			
NCI Percentage of ownership interest and voting interest	45%	7% - 45%	
Carrying amount of NCI (RM)	770,790	22,745	793,535
Profit/(Loss) allocated to NCI (RM)	48,560	(3,032)	45,528
2012			
NCI Percentage of ownership interest and voting interest	45%	7% - 45%	
Carrying amount of NCI (RM)	722,229	25,778	748,007
Profit allocated to NCI (RM)	195,513	31,852	227,365

Summarised financial information before intra-group elimination

	2013 RM	2012 RM
Non-current assets	460,998	559,633
Current assets	7,193,066	6,049,611
Non-current liabilities	(251,353)	(321,511)
Current liabilities	(5,670,151)	(4,663,085)
Net assets	1,732,560	1,624,648
Year ended 31 December		
Revenue	8,154,179	19,074,641
Profit for the year	107,912	434,473
Total comprehensive income	107,912	434,473
Cash flows from operating activities	498,608	482,736
Cash flows from investing activities	42,459	(67,550)
Cash flows from financing activities	(184,731)	(1,615,724)
Net increase/(decrease) in cash and cash equivalents	356,336	(1,200,538)
Dividends paid to NCI	-	-

7. OTHER INVESTMENTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-current				
Available for sale financial assets				
Quoted shares in Malaysia, at cost	-	87,892	-	-
Unquoted shares, at cost	60,000	60,000	60,000	60,000
	60,000	147,892	60,000	60,000
Less: Impairment loss	(60,000)	(97,519)	(60,000)	(60,000)
	-	50,373	-	-
Represented by:-				
Net carrying amount:-				
Quoted shares	-	50,373	-	-
Unquoted shares	-	-	-	-
	-	50,373	-	-
Market value of quoted shares	-	50,373		

8. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Deferred tax assets	2,563,914	2,619,288	-	-
Deferred tax liabilities	(317,725)	(15,305)	(7,403)	(7,403)
	2,246,189	2,603,983	(7,403)	(7,403)

(a) The movement of deferred tax assets/(liabilities) are as follows:-

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
At 1st January	2,603,983	2,883,455	(7,403)	(7,403)
Transfer from profit or loss	(357,794)	(279,472)	-	-
At 31st December	2,246,189	2,603,983	(7,403)	(7,403)

8. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES) (Continued)

(b) The components of deferred tax assets and liabilities as at the end of the financial year comprise the following:-

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Deferred tax assets				
Unutilised tax losses	2,563,914	2,619,288	-	-
Deferred tax liabilities				
Temporary differences between net book values and corresponding tax written down values	(317,725)	(15,305)	(7,403)	(7,403)

9. INVENTORIES

	Group 2013 RM	Group 2012 RM
At cost		
Raw materials	1,671,267	2,106,690
Work-in-progress	1,074,569	1,739,290
Finished goods	1,389,883	2,118,122
	4,135,719	5,964,102
Recognised in profit or loss:-		
Inventories recognised as cost of sales	13,132,677	10,299,324
Inventories written down	231,070	-
Impairment losses on inventories	91,481	-

10. TRADE RECEIVABLES

	Group 2013 RM	Group 2012 RM
Trade receivables	20,073,792	16,173,768
Retention sum	905,580	610,558
	20,979,372	16,784,326
Less: Allowance for impairment	(2,224,725)	(2,179,404)
	18,754,647	14,604,922

10. TRADE RECEIVABLES (Continued)

(a) The Group's normal credit terms range from 30 to 90 days (2012 : 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(b) The foreign currency exposure profiles on trade receivables are as follows:-

	Group	
	2013 **RM**	**2012** **RM**
Ringgit Malaysia	18,046,380	13,169,587
United States Dollar	708,267	1,435,335
	18,754,647	14,604,922

(c) Ageing analysis of trade receivables

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

	Group	
	2013 **RM**	**2012** **RM**
Neither past due nor impaired	3,614,558	4,279,419
1 to 30 days past due not impaired	2,274,758	1,652,335
31 to 60 days past due not impaired	665,166	2,295,059
61 to 90 days past due not impaired	1,963,272	1,720,974
91 to 120 days past due not impaired	1,159,298	494,444
More than 121 days past due not impaired	9,077,595	4,162,691
	15,140,089	10,325,503
Impaired	2,224,725	2,179,404
	20,979,372	16,784,326

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy trade receivables with good payment records with the Group.

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

10. TRADE RECEIVABLES (Continued)

(c) Ageing analysis of trade receivables (Continued)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM15,170,270/- (2012 : RM10,325,503/-) that past due at the end of the reporting period but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or credit enhancements over these balances.

Receivables that are past due and impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

	Group	
	2013 RM	2012 RM
Individually impaired		
Trade receivables-nominal amounts	2,224,725	2,179,404
Less: Allowance for impairment	(2,224,725)	(2,179,404)
	-	-

The movement in impairment account:-

	Group	
	2013 RM	2012 RM
At the beginning of the financial year	2,179,404	1,111,136
Add : Charge for the financial year	45,321	1,068,268
At the end of the financial year	2,224,725	2,179,404

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables	2,668,088	2,623,365	1,744,298	1,816,170
Less: Allowance for impairment	(2,036,048)	(2,002,464)	(1,466,881)	(1,433,297)
	632,040	620,901	277,417	382,873
Deposits	559,700	358,122	25,247	25,247
Prepayments	188,322	79,500	588	586
	1,380,062	1,058,523	303,252	408,706

12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2013 RM	2012 RM
Aggregate costs incurred to date	99,899,365	71,338,172
Add: Attributable profits	24,409,229	13,993,222
	124,308,594	85,331,394
Less : Progress billings	(116,525,573)	(79,950,676)
	7,783,021	5,380,718
Represented by:-		
Amount due from contract customers	11,310,109	7,508,431
Amount due to contract customers	(3,527,088)	(2,127,713)
	7,783,021	5,380,718

13. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2013 RM	2012 RM
Amount owing by subsidiaries	53,593,982	55,039,112
Less: Allowance for impairment	(20,524,711)	(19,871,383)
	33,069,271	35,167,729
Amount owing to subsidiaries	5,264,756	4,783,050

The amount owing by/(to) subsidiaries are unsecured, interest free and repayable on demand.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fixed deposits with licensed banks	1,540,771	1,175,004	-	-
Cash and bank balances	1,580,159	1,761,147	34,955	16,477
	3,120,930	2,936,151	34,955	16,477

(a) The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Australian Dollar	13,562	13,562	-	-
Euro	-	938	-	-
Hong Kong Dollar	-	1,079	-	-
Indonesian Rupiah	3,454	3,454	-	-
Japanese Yen	-	390	-	-
Philippine Peso	-	1,204	-	-
Pound Sterling	-	214	-	-
Renminbi	-	4,015	-	-
Ringgit Malaysia	3,103,159	2,906,726	34,955	16,477
Singapore Dollar	-	474	-	-
Thai Baht	-	371	-	-
United States Dollar	755	3,716	-	-
Vietnam Dong	-	8	-	-
	3,120,930	2,936,151	34,955	16,477

(b) The fixed deposits with licensed banks of the Group earned effective interest rates ranging from 3.00 % to 3.40% (2012: 3.15% to 3.40%) per annum.

(c) Included in fixed deposits with licensed banks is an amount of RM1,540,771/- (2012 : RM1,175,004/-) being fixed deposits pledged for bank guarantee facility granted to the Group.

15. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of Shares Units	RM	Number of Shares Units	RM
Ordinary shares of RM0.50/- each				
Authorised:				
At the beginning/end of the financial year	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:				
At the beginning/end of the financial year	82,695,900	41,347,950	82,695,900	41,347,950

Warrants (2007/2017)

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

a) Exercise rights

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

b) Exercise price

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

c) Exercise period

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

d) Transferability

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

e) Ranking

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

As at the end of the current financial year, no exercise of warrants had taken place and the outstanding warrants in the Company remains at 31,571,428.

16. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non Distributable				
Share premium	3,440,941	3,440,941	3,440,941	3,440,941
Foreign exchange reserve	15,530	15,530	-	-
Revaluation reserve	211,100	211,100	-	-
	3,667,571	3,667,571	3,440,941	3,440,941
Distributable				
(Accumulated losses)/ Retained earnings	(15,058,624)	(18,686,104)	4,767,364	5,955,361
	(11,391,053)	(15,018,533)	8,208,305	9,396,302

(a) Share Premium

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

(b) Foreign Exchange Reserve

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

(c) Revaluation Reserve

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

(d) Retained Earnings

The entire retained earnings of the Company as at 31st December 2013 may be distributed as dividends under the single tier system.

17. BORROWINGS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Bankers' acceptance - secured	150,000	459,000	-	-
Bankers' acceptance - unsecured	1,623,000	1,072,000	-	-
Bank overdraft - secured	399,042	132,144	-	-
Bank overdraft - unsecured	2,186,796	2,241,468	-	-
Revolving credits - secured	10,000	120,000	-	-
Hire purchase payables (Note 18)	203,294	192,550	27,506	26,125
	4,572,132	4,217,162	27,506	26,125
Non-Current				
Hire purchase payables (Note 18)	470,379	567,379	26,377	53,883
Total borrowings	5,042,511	4,784,541	53,883	80,008

(a) The weighted average effective interest rates of the borrowings are as follows:

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Bankers' acceptance	4.35	3.38	-	-
Bank overdraft	8.00	8.00	-	-
Revolving credits	6.36	6.36	-	-
Hire purchase payables	4.26	5.18	4.15	4.25

b) The bankers' acceptance, bank overdraft and revolving credit facilities of the Group are secured by way of:-

(i) corporate guarantees and indemnity by the Company;

(ii) a legal charge over the property, plant and equipment of the Group; and

(iii) a negative pledge on certain subsidiary companies' assets.

(c) Fair value information

The carrying amounts of borrowings approximately fair values due to their relatively short term nature.

18. HIRE PURCHASE PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Minimum hire purchase payments:				
- not later than one year	245,568	223,538	29,520	29,520
- later than one year and not later than five years	499,100	628,976	27,010	56,530
	744,668	852,514	56,530	86,050
Less: Future finance charges	(70,995)	(92,585)	(2,647)	(6,042)
Present value of hire purchase payables	673,673	759,929	53,883	80,008
Represented by:				
Current - not later than one year	203,294	192,550	27,506	26,125
Non-Current - later than one year and not later than five years	470,379	567,379	26,377	53,883
	673,673	759,929	53,883	80,008

19. REDEEMABLE SECURED LOAN STOCKS ("RSLS")

	Group and Company	
	2013 RM	2012 RM
Nominal value		
At the beginning of the financial year	1,425,000	1,900,000
Less: Redemption during the financial year	(1,425,000)	(475,000)
At the end of the financial year	-	1,425,000
Interest expense recognised in profit or loss:		
At the beginning of the financial year	17,510	551,420
Recognised during the financial year	38,432	218,655
Less: Interest paid during the financial year	(55,942)	(752,565)
At the end of the financial year	-	17,510
Carrying amount	-	1,442,510

19. REDEEMABLE SECURED LOAN STOCKS ("RSLS") (Continued)

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

(a) Redeemability

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

(b) Security

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

(c) Coupon rate

RSLS shall bear coupon rate at the effective interest yield of 6.4% per annum, until redemption of the RSLS or at the end of the fifth year, whoever is the earlier. On 28th April 2012, the coupon rate was revised from 6.4% to 6.9% per annum until the full and final settlement of the RSLS.

(d) Transferability

RSLS are not transferable.

(e) Others

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

The RSLS, together with the interest accrued, matured on 27th April 2012 and was to be redeemed through the sale of the properties secured. On 20th April 2012, the bank has agreed to extend the maturity date of the RSLS to 27th April 2014 and the RSLS is to be redeemed quarterly commencing 27th July 2012. The RSLS has been fully redeemed on 26th June 2013.

The maturity structure of the RSLS is as follow:-

	Group and Company	
	2013 **RM**	**2012** **RM**
Amount repayable:-		
Within one year	-	967,510
After one year but within two years	-	475,000
	-	1,442,510

20. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 days (2012: 30 to 120 days).

The foreign currency exposure profiles on the trade payable are as follows:-

	Group	
	2013 RM	2012 RM
Ringgit Malaysia	7,892,615	6,277,581
Singapore Dollar	-	4,838
United States Dollar	480,152	852,486
	8,372,767	7,134,905

21. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables	4,179,890	2,692,185	1,085,005	1,248,494
Deposits	109,041	108,891	4,200	4,200
Accruals	6,270,671	5,288,444	214,889	181,512
	10,559,602	8,089,520	1,304,094	1,434,206

Included in other payables are :-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amount owing to companies in which certain directors have interests	705,841	937,003	697,290	537,281
Amount due to directors	1,289,436	1,394,157	306,119	623,397
Amount due to non-controlling interest of a subsidiary	73,409	73,409	-	-
	2,068,686	2,404,569	1,003,409	1,160,678

22. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Revenue from contract works	32,219,481	52,792,475	-	-
Sale of goods	22,528,873	27,090,425	-	-
Dividend income	-	-	-	34,400,000
Management fees received	-	-	893,482	738,455
	54,748,354	79,882,900	893,482	35,138,455

23. OPERATING PROFIT/(LOSS)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Operating profit/(loss) is arrived at after charging:-				
Audit fees:				
- current year	61,000	60,700	15,000	15,000
- under accruals in prior year	6,340	12,268	-	3,000
Bad debts	30,181	-	-	-
Deposits written off	11,000	-	-	-
Depreciation of investment properties	1,600	1,600	-	-
Depreciation of property, plant and equipment	1,199,630	1,185,761	38,546	39,084
Employee benefits expenses (Note 30)	11,533,477	9,577,726	908,427	678,229
Impairment losses on amount owing by subsidiaries	-	-	653,328	2,424,765
Impairment losses on investment in subsidiaries	-	-	86,148	-
Impairment losses on other investments	-	11,812	-	-
Impairment losses on receivables	78,905	1,068,268	33,584	-
Impairment losses on inventories	91,481	-	-	-
Loss on disposal of property, plant and equipment	693	-	-	-
Loss on foreign exchange:				
- Realised	85,459	18,183	-	-
- Unrealised	-	24,635	-	-
Property, plant and equipment written off	-	15	-	-
Inventories written down	231,070	-	-	-
Rental of equipment	3,315	1,485	-	-
Rental of premises	733,606	358,947	-	-

23. OPERATING PROFIT/(LOSS) (Continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
And crediting:-				
Dividend income	-	6,947	-	-
Gain on disposal of property, plant and equipment	-	27,989	-	-
Gain on disposal of investment properties	50,000	-	-	-
Gain on disposal of other investments	1,449	-	-	-
Gain on foreign exchange:				
- Realised	-	386,782	-	-
- Unrealised	-	22,653	-	-
Interest income	62,679	-	-	-
Rental income	10,200	9,600	-	-
Waiver of debts	138,089	-	-	-

24. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Bankers' acceptance	73,097	132,244	-	-
Bank overdraft	161,715	110,417	-	-
Hire-purchase	36,239	29,699	3,395	4,776
Redeemable secured loan stocks	38,432	218,655	38,432	218,655
Revolving credit	3,441	11,141	-	-
	312,924	502,156	41,827	223,431

25. TAXATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Income tax				
- current year	(72,719)	(164,355)	-	-
- over accrual in prior year	3,362	193	-	-
	(69,357)	(164,162)	-	-
Deferred tax				
- current year	(460,707)	(295,002)	-	-
- over accrual in prior year	102,913	15,530	-	-
	(357,794)	(279,472)	-	-
	(427,151)	(443,634)	-	-

25. **TAXATION** (Continued)

The income tax is calculated at statutory rate of 25% of the estimated assessable profit for the year.

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 the Company are as follows:-

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Profit/(Loss) before taxation	4,100,159	5,137,475	(1,187,997)	31,375,588
Taxation at applicable tax rate of 25%	(1,025,040)	(1,284,368)	296,999	(7,843,897)
Tax effects arising from:				
- non-taxable income	13,525	29,338	-	8,600,000
- non-deductible expenses	(232,834)	(164,445)	(267,659)	(646,790)
- over accrual in prior years	106,275	15,723	-	-
- reversal/(origination) of deferred tax assets not recognised in the financial statements	710,923	960,118	(29,340)	(109,313)
Tax expense for the financial year	(427,151)	(443,634)	-	-

The amount of temporary differences for which no deferred tax assets have been recognised are as follows:-

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Deductible temporary differences	791,779	287,790	57,772	43,512
Unutilised tax losses	8,881,598	12,229,276	5,061,865	4,958,765
	9,673,377	12,517,066	5,119,637	5,002,277
Potential deferred tax assets not recognised at 25%	2,418,344	3,129,267	1,279,909	1,250,569

26. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing the Group's profit for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares on issue during the financial year.

	Group	
	2013	**2012**
Profit attributable to owners of the Company (RM)	3,627,480	4,466,476
Weighted average number of ordinary shares on issue (units)	82,695,900	82,695,900
Basic earnings per share (sen)	4.39	5.40

(b) Diluted

For the purpose of calculating diluted earnings per share, the profits for the financial year attributable to owners of the Company and the weighted average number of ordinary shares on issue during the financial year have been adjusted for the dilutive effects of share options attributed to unexercised warrants issued by the Company.

	Group	
	2013	**2012**
Profit attributable to owners of the Company (RM)	3,627,480	4,466,476
Weighted average number of ordinary shares on issue (units)	114,267,328	114,267,328
Diluted earnings per share (sen)	3.17	3.91

27. CORPORATE GUARANTEES

	Company	
	2013 RM	**2012 RM**
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	3,901,715	3,849,889

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

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

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

	Group	
	2013 RM	**2012 RM**
Future minimum rental payments:-		
Not later than one year	448,295	296,415
Later than one year but not later than five years	98,310	160,744
	546,605	457,159

The Group as lessor

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

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

	Group	
	2013 RM	**2012 RM**
Not later than one year	10,200	9,600
Later than one year but not later than five years	10,200	-
	20,400	9,600

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Group's and the Company's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group and the Company include:-

(i) Holding companies

(ii) Direct subsidiaries

(iii) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing, controlling the activities of the Group directly or indirectly; and

(iv) Companies in which directors have a substantial interest.

(b) Significant related party transactions and balances

In the normal course of business, the Company undertake transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Dividend received from a subsidiary:-				
- Pelantar Agresif (M) Sdn. Bhd.	-	-	-	34,400,000
Management fee received/receivable from subsidiaries:-				
- Federal Furniture Industries Sdn. Bhd.	-	-	294,848	347,074
- Federal Furniture Lifestyle Sdn. Bhd.	-	-	26,805	22,154
- Federal Furniture (M) Sdn. Bhd.	-	-	142,957	118,153
- Federal Furniture (1982) Sdn. Bhd.	-	-	402,067	228,920
- Cathay Interior Design (M) Sdn. Bhd.	-	-	26,805	22,154

30. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Salaries, bonus and allowances	10,276,685	8,333,210	754,900	515,680
Employees' Provident Fund	924,736	810,506	149,490	155,814
Other employee benefits	332,056	434,010	4,037	6,735
	11,533,477	9,577,726	908,427	678,229

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive director's remuneration:-				
- salaries and other emoluments	1,328,400	604,800	276,000	308,400
- fees	82,600	80,800	82,600	80,800
Non-executive director's remuneration:-				
- fees	96,900	84,600	96,900	84,600
- non-fees	300,000	78,000	84,000	78,000
	1,807,900	848,200	539,500	551,800

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

	Group		Company	
	Number of Directors			
	2013	2012	2013	2012
Executive Directors				
Less than RM50,000	1	1	1	1
RM50,001 - RM100,000	2	3	2	1
RM100,001 - RM450,000	4	3	1	2
	7	7	4	4
Non-Executive Directors				
Less than RM50,000	2	2	2	2
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	1	1	1
RM150,001 - RM300,000	1	-	-	-
	10	10	7	7

31. SEGMENTAL INFORMATION

(a) Business Segments

The Group is organised into three major business segments:-
(i) manufacturing and trading of furniture;
(ii) renovation and interior design; and
(iii) investment holding

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

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

(b) Geographical Segments

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

(c) Measurement of Reportable Segments

	Manufacturing and Trading of Furnitures RM	Renovation and Interior Fit-out RM	Investment Holding RM	Total RM	Inter-segment Elimination RM		Consolidated RM
2013							
Revenue							
External sales	22,528,873	32,219,481	-	54,748,354	-		54,748,354
Inter-segment sales	17,024,568	2,850,985	893,482	20,769,035	(20,769,035)	(a)	-
Total revenue	39,553,441	35,070,466	893,482	75,517,389	(20,769,035)		54,748,354
Results							
Segments results	7,282,621	(18,437)	3,979,152	11,243,336	(6,830,253)	(b)	4,413,083
Finance costs	(35,491)	(235,606)	(41,827)	(312,924)	-		(312,924)
Taxation	(329,632)	(97,519)	-	(427,151)	-		(427,151)
Profit/(Loss) for the year	6,917,498	(351,562)	3,937,325	10,503,261	(6,830,253)		3,673,008
Non-controlling interest	1,945	(48,366)	893	(45,528)	-		(45,528)
	6,919,443	(399,928)	3,938,218	10,457,733	(6,830,253)		3,627,480

31. SEGMENTAL INFORMATION (continued)

(c) Measurement of Reportable Segments (Continued)

	Manufacturing and Trading of Furnitures RM	Renovation and Interior Fit-out RM	Investment Holding RM	Total RM	Inter-segment Elimination RM		Consolidated RM
2013							
Assets							
Segment assets	57,967,897	36,184,873	55,627,968	149,780,738	(91,198,255)	(c)	58,582,483
Liabilities							
Segment liabilities	53,863,735	39,651,191	31,260,794	124,775,720	(96,943,669)	(d)	27,832,051
Other information							
Depreciation of property, plant and equipment	860,982	300,102	38,546	1,199,630	-		1,199,630
Depreciation of investment properties	-	1,600	-	1,600	-		1,600
2012							
Revenue							
External sales	27,090,425	52,792,475	-	79,882,900	-		79,882,900
Inter-segment sales	14,539,238	2,501,598	35,138,455	52,179,291	(52,179,291)	(a)	-
Total revenue	41,629,663	55,294,073	35,138,455	132,062,191	(52,179,291)		79,882,900
Results							
Segments results	2,050,129	4,033,805	31,530,931	37,614,865	(31,975,234)	(b)	5,639,631
Finance costs	(82,644)	(196,081)	(223,431)	(502,156)	-		(502,156)
Taxation	(185,514)	(258,120)	-	(443,634)	-		(443,634)
Profit for the year	1,781,971	3,579,604	31,307,500	36,669,075	(31,975,234)		4,693,841
Non-controlling interest	(32,775)	(195,338)	748	(227,365)	-		(227,365)
	1,749,196	3,384,266	31,308,248	36,441,710	(31,975,234)		4,466,476
Assets							
Segment assets	58,595,791	27,992,936	72,017,683	158,606,410	(107,869,010)	(c)	50,737,400
Liabilities							
Segment liabilities	53,194,963	30,612,685	48,081,815	131,889,463	(108,229,487)	(d)	23,659,976

31. SEGMENTAL INFORMATION (Continued)

(c) **Measurement of Reportable Segments** (Continued)

2012 Other information	Manufacturing and Trading of Furnitures RM	Renovation and Interior Fit-out RM	Investment Holding RM	Total RM	Inter-segment Elimination RM	Consolidated RM
Depreciation of property, plant and equipment	900,592	246,085	39,084	1,185,761	-	1,185,761
Depreciation of investment properties	-	1,600	-	1,600	-	1,600

Notes

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

(a) Inter-segment revenues are eliminated on consolidation.

(b) Profit from inter segment sales are eliminated on consolidation.

(c) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 RM	2012 RM
Investment in subsidiaries	(23,103,500)	(23,189,648)
Amount owing by subsidiaries	(68,094,755)	(84,679,362)
	(91,198,255)	(107,869,010)

(d) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 RM	2012 RM
Other payables, deposits and accruals	1,173,539	632,350
Amount owing to subsidiaries	(98,117,208)	(108,861,837)
	(96,943,669)	(108,229,487)

32. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	Loans and receivables RM	Available for sale RM	Other Financial Liabilities RM	Total RM
2013				
Financial Assets				
Trade receivables	18,754,647	-	-	18,754,647
Other receivables	632,040	-	-	632,040
Amount due from contract customers	11,310,109	-	-	11,310,109
Cash and cash equivalents	3,120,930	-	-	3,120,930
	33,817,726	-	-	33,817,726
Financial Liabilities				
Trade payables	-	-	8,372,767	8,372,767
Other payables	-	-	4,179,890	4,179,890
Amount due to contract customers	-	-	3,527,088	3,527,088
Borrowings	-	-	5,042,511	5,042,511
	-	-	21,122,256	21,122,256
2012				
Financial Assets				
Other investments	-	50,373	-	50,373
Trade receivables	14,604,922	-	-	14,604,922
Other receivables	620,901	-	-	620,901
Amount due from contract customers	7,508,431	-	-	7,508,431
Cash and cash equivalents	2,936,151	-	-	2,936,151
	25,670,405	50,373	-	25,720,778
Financial Liabilities				
Trade payables	-	-	7,134,905	7,134,905
Other payables	-	-	2,692,185	2,692,185
Amount due to contract customers	-	-	2,127,713	2,127,713
Borrowings	-	-	4,784,541	4,784,541
Redeemable secured loan stocks	-	-	1,442,510	1,442,510
	-	-	18,181,854	18,181,854

32. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Company	Loans and receivables RM	Available for sale RM	Other Financial Liabilities RM	Total RM
2013				
Financial Assets				
Other receivables	277,417	-	-	277,417
Amount owing by subsidiaries	33,069,271	-	-	33,069,271
Cash and bank balances	34,955	-	-	34,955
	33,381,643	-	-	33,381,643
Financial Liabilities				
Other payables	-	-	1,085,005	1,085,005
Amount owing to subsidiaries	-	-	5,264,756	5,264,756
Borrowings	-	-	53,883	53,883
	-	-	6,403,644	6,403,644
2012				
Financial Assets				
Other receivables	382,873	-	-	382,873
Amount owing by subsidiaries	35,167,729	-	-	35,167,729
Cash and bank balances	16,477	-	-	16,477
	35,567,079	-	-	35,567,079
Financial Liabilities				
Other payables	-	-	1,248,494	1,248,494
Amount owing to subsidiaries	-	-	4,783,050	4,783,050
Borrowings	-	-	80,008	80,008
Redeemable secured loan stocks	-	-	1,442,510	1,442,510
	-	-	7,554,062	7,554,062

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives

The Group and the Company seek to manage effectively the various risks namely interest rate, foreign currency, liquidity and credit risks, to which the Group and the Company are exposed to in its daily operations.

(i) Interest Rate Risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from its interest-bearing financial instruments which includes hire purchase payables, bank overdrafts, bankers' acceptance and RSLS. Borrowings issued at variable rates and fixed rates expose the Group and the Company to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group and of the Company's borrowings at the reporting date.

Group	Effective interest rate %	Within 1 year RM	1 - 5 years RM	> 5 years RM	Total RM
2013					
Financial Asset					
Fixed deposits placed with licensed banks	3.30	1,540,771	-	-	1,540,771
Financial Liabilities					
Bankers' acceptance	4.35	1,773,000	-	-	1,773,000
Bank overdraft	8.00	2,585,838	-	-	2,585,838
Revolving credit	6.36	10,000	-	-	10,000
Hire purchase payables	4.26	203,294	470,379	-	673,673
2012					
Financial Asset					
Fixed deposits placed with licensed banks	3.30	1,175,004	-	-	1,175,004
Financial Liabilities					
Bankers' acceptance	3.38	1,531,000	-	-	1,531,000
Bank overdraft	8.00	2,373,612	-	-	2,373,612
Revolving credit	6.36	120,000	-	-	120,000
Hire purchase payables	5.18	192,550	567,379	-	759,929
Redeemable secured loan stocks	6.65	967,510	475,000	-	1,442,510

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(i) Interest Rate Risk (Continued)

Company	Effective interest rate %	Within 1 year RM	1 - 5 years RM	> 5 years RM	Total RM
2013					
Financial Liabilities					
Hire purchase payables	4.15	27,506	26,377	-	53,883
2012					
Financial Liabilities					
Hire purchase payables	4.25	26,125	53,883	-	80,008
Redeemable secured loan stocks	6.65	967,510	475,000	-	1,442,510

Sensitivity analysis for fixed rate instruments

The Group and the Company does not account for any fixed rate financial assets and financial liabilities and therefore change in interest rate at the end of the reporting period would not affect the Group and the Company's net gain and equity.

Sensitivity analysis for floating rate instruments

A change of 1% in interest rates at the end of reporting period would have increased/(decreased) the Group's profit before tax and equity by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease)			
	Strengthen 1%		Weaken 1%	
	2013 RM	2012 RM	2013 RM	2012 RM
Group's net profit	25,858	(23,736)	(25,858)	23,736

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign Currency Risk (Continued)

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:-

	2013				2012			
	Trade Receivables	Cash and Cash Equivalents	Trade Payables	Net Exposure	Trade Receivables	Cash and Cash Equivalents	Trade Payables	Net Exposure
	RM	RM	RM	RM	RM	RM	RM	RM
Australian Dollar	-	13,562	-	13,562	-	13,562	-	13,562
Euro	-	-	-	-	-	938	-	938
Hong Kong Dollar	-	-	-	-	-	1,079	-	1,079
Indonesian Rupiah	-	3,454	-	3,454	-	3,454	-	3,454
Japanese Yen	-	-	-	-	-	390	-	390
Philippine Peso	-	-	-	-	-	1,204	-	1,204
Pound Sterling	-	-	-	-	-	214	-	214
Renminbi	-	-	-	-	-	4,015	-	4,015
Singapore Dollar	-	-	-	-	-	474	(4,838)	(4,364)
Thai Baht	-	-	-	-	-	371	-	371
United States Dollar	708,267	755	(480,152)	228,870	1,435,335	3,716	(852,486)	586,565
Vietnam Dong	-	-	-	-	-	8	-	8
	708,267	17,771	(480,152)	245,886	1,435,335	29,425	(857,324)	607,436

Sensitivity analysis for foreign currency risk

A 1% strengthening or weakening of the Ringgit Malaysia against following currencies at the end of the reporting period would increase/(decrease) profit before tax and equity as per below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease)			
	Strengthen (1%)		Weaken (1%)	
	2013 RM	2012 RM	2013 RM	2012 RM
Group's net profit				
Australian Dollar	136	136	(136)	(136)
Euro	-	9	-	(9)
Hong Kong Dollar	-	11	-	(11)
Indonesian Rupiah	35	35	(35)	(35)
Japanese Yen	-	4	-	(4)
Philippine Peso	-	12	-	(12)
Pound Sterling	-	2	-	(2)
Renminbi	-	40	-	(40)
Singapore Dollar	-	(44)	-	44
Thai Baht	-	4	-	(4)
United States Dollar	2,289	5,866	(2,289)	(5,866)

32. FINANCIAL INSTRUMENTS (Continued)

(b) **Financial Risk Management and Objectives** (Continued)

(iii) **Liquidity Risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment at the reporting date are as follows:-

		Undiscounted Cash Flows			
Group 2013	**Carrying Amount RM**	**On Demand or Within 1 Year RM**	**1 - 5 Years RM**	**>5 Years RM**	**Total RM**
Financial Liabilities :					
Trade payables	8,372,767	8,372,767	-	-	8,372,767
Other payables	4,179,890	4,179,890	-	-	4,179,890
Amount due to contract customers	3,527,088	3,527,088	-	-	3,527,088
Bankers' acceptance	1,773,000	1,773,000	-	-	1,773,000
Bank overdraft	2,585,838	2,585,838	-	-	2,585,838
Revolving credit	10,000	10,000	-	-	10,000
Hire purchase payables	673,673	245,568	499,100	-	744,668
	21,122,256	20,694,151	499,100	-	21,193,251
2012					
Financial Liabilities :					
Trade payables	7,134,905	7,134,905	-	-	7,134,905
Other payables	2,692,185	2,692,185	-	-	2,692,185
Amount due to contract customers	2,127,713	2,127,713	-	-	2,127,713
Bankers' acceptance	1,531,000	1,531,000	-	-	1,531,000
Bank overdraft	2,373,612	2,373,612	-	-	2,373,612
Revolving credit	120,000	120,000	-	-	120,000
Hire purchase payables	759,929	223,538	628,976	-	852,514
Redeemable secured loan stocks	1,442,510	967,510	475,000	-	1,442,510
	18,181,854	17,170,463	1,103,976	-	18,274,439

32. FINANCIAL INSTRUMENTS (Continued)

(b) **Financial Risk Management and Objectives** (Continued)

(iii) **Liquidity Risk** (Continued)

Maturity analysis (Continued)

Company 2013	**Carrying Amount RM**	**Undiscounted Cash Flows On Demand or Within 1 Year RM**	**1 - 5 Years RM**	**>5 Years RM**	**Total RM**
Financial Liabilities :					
Other payables	1,085,005	1,085,005	-	-	1,085,005
Amount owing to subsidiaries	5,264,756	5,264,756	-	-	5,264,756
Hire purchase payables	53,883	29,520	27,010	-	56,530
	6,403,644	6,379,281	27,010	-	6,406,291

2012	**Carrying Amount RM**	**On Demand or Within 1 Year RM**	**1 - 5 Years RM**	**>5 Years RM**	**Total RM**
Financial Liabilities :					
Other payables	1,248,494	1,248,494	-	-	1,248,494
Amount owing to subsidiaries	4,783,050	4,783,050	-	-	4,783,050
Hire purchase payables	80,008	29,520	56,530	-	86,050
Redeemable secured loan stocks	1,442,510	967,510	475,000	-	1,442,510
	7,554,062	7,028,574	531,530	-	7,560,104

(iv) **Credit Risk**

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan, advances and financial guarantees to subsidiaries.

32. FINANCIAL INSTRUMENTS (Continued)

(b) **Financial Risk Management and Objectives** (Continued)

(iv) **Credit Risk** (Continued)

The management has a credit policy in place to monitor and minimise the exposure of default. The management has in place a credit procedure to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

(a) *Exposure to credit risk*

At the reporting date, the Group's and Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

(b) *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the profile of its trade receivables on an ongoing basis. As at the reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances arising from the amount due from 1 (2012: 2) customers representing approximately 59% (2012 : 70%) of the total trade receivables.

(c) *Intercompany balances*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

(d) *Financial guarantee*

The Group provides secured and unsecured financial guarantees to financial institution in respect of bank facilities and supplier's credit facilities granted to certain subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2nd May 2013, a subsidiary, Federal Furniture (1982) Sdn. Bhd. entered into a Sale and Purchase Agreement with a third party to dispose of 4 pieces of vacant freehold light industrial land for a total consideration of RM2,050,000/-.

(b) On 28th October 2013, a subsidiary, Federal Furniture Industries Sdn. Bhd. entered into 5 Sale and Purchase Agreement with a third party to acquire 5 units of freehold office for a total consideration of RM3,972,600/-.

34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group and the Company manage its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group and the Company may adjust the dividend payment to shareholders.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total borrowings	5,042,511	6,227,051	53,883	1,522,518
Trade and other payables	18,932,369	15,224,425	1,304,094	1,434,206
Less: Cash and cash equivalents	(3,120,930)	(2,936,151)	(34,955)	(16,477)
Net debt	20,853,950	18,515,325	1,323,022	2,940,247
Total equity attibutable to the Owners of the Company	29,956,897	26,329,417	49,556,255	50,744,252
Capital and net debts	50,810,847	44,844,742	50,879,277	53,684,499
Gearing ratio	41%	41%	3%	5%

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

35. COMPARATIVE FIGURES

The following comparative amounts have been reclassified in order to conform to the presentation in the current financial year.

At 31st December 2012	As previously reported RM	Reclassification RM	As restated RM
Company			
Statement of comprehensive income			
Revenue	-	35,138,455	35,138,455
Other income	35,138,455	(35,138,455)	-

The above reclassification does not have any impact on the retained earnings for ordinary shares of the Company.

Supplementary Information On The Disclosure Of Realised And Unrealised Profits Or Losses

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

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31st December 2013 are as follows:-

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total (accumulated losses)/ retained earnings of Federal Furniture Holdings (M) Berhad and its subsidiaries				
- Realised	(57,105,695)	(55,732,049)	4,774,767	5,962,764
- Unrealised	2,246,189	2,584,876	(7,403)	(7,403)
	(54,859,506)	(53,147,173)	4,767,364	5,955,361
Less : Consolidation adjustments	39,800,882	34,461,069	-	-
Total (accumulated losses)/ retained earnings as per statements of financial position	(15,058,624)	(18,686,104)	4,767,364	5,955,361

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

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Shareholders' Statistics

As at 2 May 2014

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	14	0.63	321	0.00
100 - 1,000	945	42.37	838,529	1.01
1,001 - 10,000	927	41.57	3,675,873	4.45
10,001 - 100,000	272	12.20	9,922,000	12.00
100,001 to less than 5% of issued shares	70	3.14	52,735,717	63.77
5% and above of issued shares	2	0.09	15,523,460	18.77
Total	**2,230**	**100.00**	**82,695,900**	**100.00**

Substantial Shareholders

	Ordinary Shares of RM0.50 Each Held			
	Direct	**%**	**Indirect**	**%**
Dato' Dr. Choy Fook On	6,042,120	7.31	12,408,140*#	15.00
Datin Tan Geok Foong	4,476,120	5.41	12,408,140*#	15.00
Choy Fook On & Sons Realty Sdn. Bhd.	11,047,340	13.36	-	-
Dato' Choy Wai Hin	3,004,800	3.63	12,100,140*^	14.63
Datuk Choy Wai Ceong	2,500,800	3.02	11,047,340*	13.36

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

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

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

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No. of Shares	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,047,340	13.36
2	TAN GEOK FOONG	4,476,120	5.41
3	JF APEX NOMINEES (TEMPATAN) SDN BHD HUATAI FINANCIAL HOLDINGS (HK) LIMITED FOR GV ASIA FUND LIMITED	3,533,800	4.72
4	LIEW SOON HIN	3,116,407	3.77
5	CHOY WAI HIN	3,004,800	3.63
6	MEGA GOLD HARVEST SDN BHD	2,845,000	3.44
7	CHOY FOOK ON	2,643,720	3.20
8	CHOY WAI CEONG	2,500,800	3.02
9	TUNG SWEE PUAN	2,294,400	2.77
10	ANG YOOK CHU @ ANG YOKE FONG	2,203,600	2.66
11	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING CHING	2,012,700	2.43
12	CHOY FOOK ON	1,998,400	2.42
13	TAN HAN CHUAN	1,980,020	2.39
14	VOON JYE WAH	1,631,400	1.97
15	CHOY FOOK ON	1,400,000	1.69
16	LEE PUI INN	1,276,600	1.54
17	CHOY SOOK KUEN	1,262,400	1.53
18	NG CHWEE PHO	1,202,450	1.45
19	YEOH SOO KENG	1,052,800	1.27
20	KONG KOK CHOY	950,000	1.15
21	LIEW SOON HIN	926,500	1.12
22	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG YOOK CHU @ ANG YOKE FONG (8076574)	882,300	1.07
23	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH	858,000	1.04
24	NG CHWEE PHO	727,400	0.88
25	FOO FONG MAN @ FOO CHEE CHEE	665,700	0.80
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOALKEY SYSTEM SDN BHD (MY1461)	555,000	0.67
27	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	513,500	0.62
28	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BERHAD FOR AU YANG TUAN KAH	488,000	0.59
29	TAN KIM KUAN	470,700	0.57
30	LAI HENG @VOON KIT KIM	460,900	0.56

Directors' Shareholdings

No.	Directors	Ordinary Shares of RM0.50 Each Held Direct	%	Indirect		%
1.	Dato' Dr. Choy Fook On	6,042,120	7.31	12,408,140	*#	15.00
2.	Dato' Choy Wai Hin	3,004,800	3.63	12,100,140	*^	14.63
3.	Datin Tan Geok Foong	4,476,120	5.41	12,408,140	*#	15.00
4.	Datuk Choy Wai Ceong	2,500,800	3.02	11,047,340	*	13.36
5.	Tuan Haji Hussein Bin Hamzah	-	-	-		-
6.	Mohd Arif Bin Mastol	-	-	-		-

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

Warrantholders' Statistics

As at 2 May 2014

Analysis By Size Of Warrantholdings

Category	No. of Holders	%	No. of Warrants	%
Less than 100	8	3.00	452	0.00
100 - 1,000	54	20.22	8,256	0.03
1,001 - 10,000	103	38.58	434,015	1.37
10,001 - 100,000	78	29.21	3,036,093	9.62
100,001 to less than 5% of issued warrants	21	7.87	12,914,826	40.91
5% and above of issued warrants	3	1.12	15,177,786	48.07
Total	267	100.00	31,571,428	100.00

Warrantholders' Statistics (Continued)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No. of Warrants	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,277,986	35.72
2	CHOY WAI HIN	2,128,400	6.74
3	CHOY WAI CEONG	1,771,400	5.61
4	TUNG SWEE PUAN	1,577,535	5.00
5	FOO FONG MAN @ FOO CHEE CHEE	1,528,000	4.84
6	PHANG KWONG YEN @ RAYMOND	1,407,585	4.46
7	NG CHWEE PHO	1,265,500	4.01
8	YEOH SOO KENG	1,251,686	3.96
9	LIEW SOON HIN	1,171,200	3.71
10	TAN HAN CHUAN	955,060	3.03
11	CHOY SOOK KUEN	894,200	2.83
12	WU SONG SEE @ GOH SONG SEE	423,700	1.34
13	NG CHWEE PHO	398,800	1.26
14	LIEW SOON HIN	300,000	0.95
15	TAN THIAM MOOI	300,000	0.95
16	WONG YEE LING	247,000	0.78
17	TUNG P'NG KHAI	203,600	0.64
18	MA HASSAN BIN AB HAMID	200,000	0.63
19	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE KEONG (SMT)	162,600	0.52
20	NG CHOOI AUN	146,500	0.46
21	WONG PENG WAI	138,100	0.44
22	BONG HON LIONG	124,300	0.39
23	LEE SENG KOK	112,700	0.36
24	POO CHOO @ ONG POO CHOI	106,760	0.34
25	ALLIANCEGROUP NOMINESS (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	100,000	0.32
26	GAN KUAN HOOI	100,000	0.32
27	LEE CHEE KAN	98,500	0.31
28	OOI AH CHIN	98,000	0.31
29	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG TEK LING	91,500	0.29
30	KARAMJIT SINGH A/L TARA SINGH	90,000	0.29

Warrantholders' Statistics (Continued)

Directors' Warrantholdings

		No. of Warrants			
No.	**Directors**	**Direct**	**%**	**Indirect**	**%**
1.	Dato' Dr. Choy Fook On	-	-	12,241,886 *#	38.78
2.	Dato' Choy Wai Hin	2,128,400	6.74	11,277,986 *	35.72
3.	Datin Tan Geok Foong	-	-	12,241,886 *#	38.78
4.	Datuk Choy Wai Ceong	1,771,400	5.61	11,277,986 *	35.72
5.	Tuan Haji Hussein Bin Hamzah	-	-	-	-
6.	Mohd Arif Bin Mastol	-	-	-	-

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

List of Properties

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

Location	Tenure	Area	Description	Approximate Age of Buildings	Net Book Value (31.12.2013) RM
Lot 104 Jalan Satu Tapak Perusahaan Kompleks Perabot Olak Lempit, Banting Selangor Darul Ehsan*	99 years' lease expiring in 2087	217,800	Factory	21 years	9,559,563
Unit 035038, Block H 35-3A, Jalan PJU 1/3F Masalam Commercial Centre Shah Alam**	Freehold	808	Three storey office and shop	11 years	57,600

* *Revalued on 10 April 2009.*
** *Acquired on 31 July 2000.*

No. of Shares	

PROXY FORM

FEDERAL FURNITURE HOLDINGS (M) BERHAD
(Company No. 97092-W)
(Incorporated in Malaysia)

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 Thirty-First Annual General Meeting of the Company to be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan on Friday, 27 June 2014 at 3.00 p.m. or 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 approve the payment of Directors' fees for the financial year ended 31 December 2013.		
Resolution 2	To re-appoint Dato' Dr. Choy Fook On who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 3	To re-appoint Datin Tan Geok Foong, who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 4	To re-elect Datuk Choy Wai Ceong, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 5	To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Resolution 6	As Special Business Ordinary Resolution 1 - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 7	Ordinary Resolution 2 - To retain Tuan Haji Hussein Bin Hamzah as an Independent Non-Executive Director.		
Resolution 8	Ordinary Resolution 3 - Proposed Authority for the Company to Purchase Its Own Shares of up to 10% of the Issued and Paid-Up Share Capital of the Company.		

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

Dated this .... day of .... 2014 ....

Signature/Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualifications of the proxy.

3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instruments appointing a proxy must be deposited at the registered office, Level P1, Menara Choy Fook On, No.1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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Postage

THE SECRETARY

FEDERAL FURNITURE HOLDINGS (M) BERHAD

(Company No. 97092 - W)

Level P1, Menara Choy Fook On,

No.1B, Jalan Yong Shook Lin,

46050 Petaling Jaya, Selangor Darul Ehsan

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