

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of non-financial assets (Continued)

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.

(n) 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 recognised 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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue recognition and other income

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.

(p) 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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) Contingent liabilities

Where it is not probable that an outflow of economic 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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Fair value measurements

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.

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND JUDGEMENTS

Significant area of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(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.

Notes To The Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND JUDGEMENTS (Continued)

(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.

(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.

Notes To The Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND JUDGEMENTS (Continued)

(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.

Notes To The Financial Statements (Continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land RM	Leasehold Buildings RM	Freehold Buildings RM	Equipment, furniture and fittings RM	Motor Vehicles RM	Total RM
Cost/Valuation						
At 1st January 2014						
- at cost	-	-	3,972,600	19,453,218	1,807,437	25,233,255
- at valuation	2,178,000	9,822,000	-	-	-	12,000,000
	2,178,000	9,822,000	3,972,600	19,453,218	1,807,437	37,233,255
Additions	-	-	123,047	411,194	346,700	880,941
Revaluation surplus	4,119,577	4,487,184	-	-	-	8,606,761
Elimination of accumulated depreciation on revaluation	(297,577)	(2,309,184)	-	-	-	(2,606,761)
Disposals/write off	-	-	-	(4,424,102)	-	(4,424,102)
At 31st December 2014	6,000,000	12,000,000	4,095,647	15,440,310	2,154,137	39,690,094
Additions	4,126,825	2,244,270	-	2,072,230	-	8,443,325
Disposals/write off	-	-	-	(1,624,820)	(197,861)	(1,822,681)
At 31st December 2015	10,126,825	14,244,270	4,095,647	15,887,720	1,956,276	46,310,738
Accumulated Depreciation/ Amortisation						
At 1st January 2014	278,583	2,161,854	-	16,466,721	1,088,436	19,995,594
Depreciation/amortisation for the financial year	18,994	147,330	119,178	712,697	280,077	1,278,276
Elimination of accumulated depreciation on revaluation	(297,577)	(2,309,184)	-	-	-	(2,606,761)
Disposals/write off	-	-	-	(4,424,102)	-	(4,424,102)
At 31st December 2014	-	-	119,178	12,755,316	1,368,513	14,243,007
Depreciation/amortisation for the financial year	82,192	240,000	123,069	799,891	303,834	1,548,986
Disposals/write off	-	-	-	(1,624,579)	(197,861)	(1,822,440)
At 31st December 2015	82,192	240,000	242,247	11,930,628	1,474,486	13,969,553
Net Book Value						
At 31st December 2014						
- at cost	-	-	3,976,469	2,684,994	785,624	7,447,087
- at valuation	6,000,000	12,000,000	-	-	-	18,000,000
	6,000,000	12,000,000	3,976,469	2,684,994	785,624	25,447,087
At 31st December 2015						
- at cost	4,126,825	2,244,270	3,853,400	3,957,092	481,790	14,663,377
- at valuation	5,917,808	11,760,000	-	-	-	17,677,808
	10,044,633	14,004,270	3,853,400	3,957,092	481,790	32,341,185

Notes To The Financial Statements (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Equipment, furniture and fittings RM	Motor Vehicles RM	Total RM
At Cost			
At 1st January 2014	355,180	365,093	720,273
Additions	1,350	-	1,350
At 31st December 2014	356,530	365,093	721,623
Additions	-	-	-
Disposals	-	(197,861)	(197,861)
At 31st December 2015	356,530	167,232	523,762
Accumulated Depreciation			
At 1st January 2014	343,470	300,989	644,459
Depreciation for the financial year	4,168	33,446	37,614
At 31st December 2014	347,638	334,435	682,073
Depreciation for the financial year	3,748	30,658	34,406
Disposals	-	(197,861)	(197,861)
At 31st December 2015	351,386	167,232	518,618
Carrying amount			
At 31st December 2014	8,892	30,658	39,550
At 31st December 2015	5,144	-	5,144

- (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 as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Plant and machineries	1,614,764	-	-	-
Motor vehicles	481,790	785,620	-	30,658
Computer	9,429	16,501	-	-
	2,105,983	802,121	-	30,658

Notes To The Financial Statements (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (b) The leasehold land and building with the net book value of RM17,677,808/- (2014: RM18,000,000/) of the Group are charged to financial institutions as security for banking facilities granted to the Group as disclosed in Note 17(b).

The building with the net book value of RM3,853,400/- (2014: RM3,976,469/-) of the Group are charged to financial institutions as security for banking facilities granted to the Group as disclosed in Note 19.

- (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 RM17,677,808/- (2014: RM18,000,000/) of the Group were revalued in December 2015 by an independent professional valuer, Messrs Mohd Nor & Partners (KL) Sdn. Bhd. based on comparison approach.
- (e) If the leasehold land and building were measured using the cost model, the carrying amount would be as follows:-

	Group	
	2015 RM	2014 RM
Building	7,139,424	7,332,408
Leasehold land	626,361	649,503
	7,765,785	7,981,911

- (f) On 28th October 2013, a subsidiary, Federal Furniture Industries Sdn. Bhd. acquired 5 units of freehold office for a total consideration of RM3,972,600/-. As at 31st December 2015, the transfer of strata title of the said properties is still in progress.
- (g) Fair value information

Fair value of leasehold land and building are categorised under level 2 of fair value. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties are close proximity are adjusted for differences in key attributes such as property size.

Notes To The Financial Statements (Continued)

6. INVESTMENT PROPERTIES

Group	Building RM
Cost	
At 1st January 2015	80,000
Disposals	-
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At 31st December 2015	80,000
	<hr/>
Accumulated Depreciation	
At 1st January 2014	22,400
Depreciation for the financial year	1,600
	<hr/>
At 31st December 2014	24,000
Depreciation for the financial year	1,600
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At 31st December 2015	25,600
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Carrying amount	
At 31st December 2014	<hr/> 56,000
At 31st December 2015	<hr/> 54,400

- (a) Investment properties comprise a commercial property that is leased to third party. The lease contains an initial non-cancellable period of 2 years, with annual rents indexed to consumer prices (see note 29). Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 2 years. No contingent rents are charged.
- (b) The following are recognised in profit or loss in respect of investment properties:

	Group	
	2015 RM	2014 RM
Rental income	6,038	10,200
	<hr/>	<hr/>

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Unquoted shares - at cost	38,279,572	38,279,572
Less: Impairment losses	(15,576,473)	(15,576,473)
	<hr/>	<hr/>
	22,703,099	22,703,099
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Notes To The Financial Statements (Continued)

7. INVESTMENT IN SUBSIDIARIES (Continued)

The following information relates to the subsidiaries:-

Name of company	Principal place of business/ country of incorporation	Ownership interest		Principal activities
		2015 %	2014 %	
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.	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 Furniture 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	Trading of furniture
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.

Notes To The Financial Statements (Continued)

7. 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. RM	Other individually immaterial subsidiaries RM	Total RM
2015			
NCI Percentage of ownership interest and voting interest	45%	7% - 45%	
Carrying amount of NCI (RM)	906,467	131,367	1,037,834
Profit allocated to NCI (RM)	77,082	17,122	94,204
2014			
NCI Percentage of ownership interest and voting interest	45%	7% - 45%	
Carrying amount of NCI (RM)	829,384	114,246	943,630
Profit allocated to NCI (RM)	58,595	91,500	150,095

Summarised financial information before intra-group elimination

	Cathay Interior Design Sdn. Bhd.	
	2015 RM	2014 RM
Non-current assets	244,771	352,553
Current assets	5,896,176	4,079,048
Non-current liabilities	(86,249)	(169,064)
Current liabilities	(4,020,634)	(2,399,767)
Net assets	2,034,064	1,862,770
Year ended 31 December		
Revenue	11,197,635	9,282,247
Profit for the year	171,295	130,210
Total comprehensive income	171,295	130,210
Cash flows from operating activities	(531,687)	(397,679)
Cash flows from investing activities	36,388	(9,800)
Cash flows from financing activities	799,634	(94,115)
Net increase/(decrease) in cash and cash equivalents	304,335	(501,594)

Notes To The Financial Statements (Continued)

8. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax assets	258,069	1,472,979	-	-
Deferred tax liabilities	(2,889,933)	(2,464,751)	(7,403)	(7,403)
	<u>(2,631,864)</u>	<u>(991,772)</u>	<u>(7,403)</u>	<u>(7,403)</u>

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1st January	(991,772)	2,246,189	(7,403)	(7,403)
Transfer to profit or loss	(1,726,160)	(1,086,271)	-	-
Transfer from revaluation reserve	86,068	(2,151,690)	-	-
At 31st December	<u>(2,631,864)</u>	<u>(991,772)</u>	<u>(7,403)</u>	<u>(7,403)</u>

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax assets				
Unutilised tax losses	<u>258,069</u>	<u>1,472,979</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities				
Temporary differences between net book values and corresponding tax written down values	(859,392)	(313,061)	(7,403)	(7,403)
Revaluation of property, plant and equipment	<u>(2,030,541)</u>	<u>(2,151,690)</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements (Continued)

9. INVENTORIES

	Group	
	2015 RM	2014 RM
At cost		
Raw materials	3,986,902	2,349,214
Work-in-progress	1,004,442	1,083,581
Finished goods	857,599	1,404,363
	5,848,943	4,837,158
Recognised in profit or loss:-		
Inventories recognised as cost of sales	15,484,971	13,473,289
Impairment losses on inventories	102,308	95,399
	15,587,279	13,568,688

10. TRADE RECEIVABLES

	Group	
	2015 RM	2014 RM
Trade receivables	16,108,890	19,487,999
Retention sum	60,597	116,125
	16,169,487	19,604,124
Less: Allowance for impairment	(1,322,558)	(2,222,087)
	14,846,929	17,382,037

(a) The Group's normal credit terms range from 30 to 90 days (2014 : 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	
	2015 RM	2014 RM
Ringgit Malaysia	13,134,379	15,645,547
United States Dollar	1,712,550	1,736,490
	14,846,929	17,382,037

Notes To The Financial Statements (Continued)

10. TRADE RECEIVABLES (Continued)

(c) Ageing analysis of trade receivables

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

	Group	
	2015 RM	2014 RM
Neither past due nor impaired	7,975,862	3,731,719
1 to 30 days past due not impaired	1,895,902	127,025
31 to 60 days past due not impaired	218,232	7,699
61 to 90 days past due not impaired	330,418	-
91 to 120 days past due not impaired	26,289	28,194
More than 121 days past due not impaired	4,400,226	13,487,400
	6,871,067	13,650,318
Impaired	1,322,558	2,222,087
	16,169,487	19,604,124

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,871,067/- (2014 : RM13,650,318/-) 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	
	2015 RM	2014 RM
Individually impaired		
Trade receivables-nominal amounts	1,322,558	2,222,087
Less: Allowance for impairment	(1,322,558)	(2,222,087)
	-	-

Notes To The Financial Statements (Continued)

10. TRADE RECEIVABLES (Continued)

(c) Ageing analysis of trade receivables (Continued)

The movement in impairment account:-

	Group	
	2015 RM	2014 RM
At the beginning of the financial year	2,222,087	2,224,725
Add : Charge for the financial year	116,359	42,683
Less : Reversal of impairment loss	-	(45,321)
Bad debt written off	(1,015,888)	-
	<hr/>	<hr/>
At the end of the financial year	1,322,558	2,222,087
	<hr/>	<hr/>

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	2,990,323	3,195,157	1,716,799	2,488,069
Less: Allowance for impairment	(1,873,960)	(2,036,248)	(1,466,881)	(1,466,881)
	<hr/>	<hr/>	<hr/>	<hr/>
Deposits	1,116,363	1,158,909	249,918	1,021,188
Prepayments	651,442	515,696	25,247	25,247
	169,233	71,451	-	2,235
	<hr/>	<hr/>	<hr/>	<hr/>
	1,937,038	1,746,056	275,165	1,048,670
	<hr/>	<hr/>	<hr/>	<hr/>

Notes To The Financial Statements (Continued)

12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2015 RM	2014 RM
Aggregate costs incurred to date	124,059,437	64,698,960
Add: Attributable profits	31,789,998	19,107,869
	<hr/>	<hr/>
	155,849,435	83,806,829
Less : Progress billings	(139,890,652)	(70,421,764)
	<hr/>	<hr/>
	15,958,783	13,385,065
	<hr/>	<hr/>
Represented by:-		
Amount due from contract customers	18,512,970	14,492,347
Amount due to contract customers	(2,554,187)	(1,107,282)
	<hr/>	<hr/>
	15,958,783	13,385,065
	<hr/>	<hr/>

13. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Amount owing by subsidiaries	49,576,538	48,373,207
Less: Allowance for impairment	(21,900,520)	(21,983,289)
	<hr/>	<hr/>
	27,676,018	26,389,918
	<hr/>	<hr/>
Amount owing to subsidiaries	763,674	1,337,323
	<hr/>	<hr/>

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed deposits with licensed banks	1,637,169	1,576,606	-	-
Cash and bank balances	6,237,433	2,162,571	1,254,071	46,988
	<hr/>	<hr/>	<hr/>	<hr/>
	7,874,602	3,739,177	1,254,071	46,988
	<hr/>	<hr/>	<hr/>	<hr/>

Notes To The Financial Statements (Continued)

14. CASH AND CASH EQUIVALENTS (Continued)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Australian Dollar	13,562	13,562	-	-
Brunei Dollar	158	136	-	-
Indonesian Rupiah	3,782	-	-	-
Ringgit Malaysia	7,521,412	3,724,724	1,254,071	46,988
United States Dollar	335,688	755	-	-
	<u>7,874,602</u>	<u>3,739,177</u>	<u>1,254,071</u>	<u>46,988</u>

(b) The fixed deposits with licensed banks of the Group earned effective interest rates ranging from 3.15% to 3.45% (2014: 3.15% to 3.45%) per annum.

(c) Included in fixed deposits with licensed banks is an amount of RM1,637,169/- (2014: RM1,576,606/) being fixed deposits pledged for bank guarantee facility granted to the Group.

15. SHARE CAPITAL

	Group and Company			
	2015		2014	
	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	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At the beginning/end of the financial year	<u>82,695,900</u>	<u>41,347,950</u>	<u>82,695,900</u>	<u>41,347,950</u>

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:-

- Exercise rights
Subject to the terms of the Deed Poll, each Warrant will entitle its registered holder to subscribe for one (1) new ordinary share at the exercise price (as defined below).
- Exercise price
The Warrant is fixed at RM0.50 based on the par value of the ordinary shares, subject to adjustments in accordance with the provisions of the Deed Poll.
- Exercise period
The period 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.

Notes To The Financial Statements (Continued)

15. SHARE CAPITAL (Continued)

Warrants (2007/2017) (Continued)

- 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	
	2015	2014	2015	2014
	RM	RM	RM	RM
<u>Non-Distributable</u>				
Share premium	3,440,941	3,440,941	3,440,941	3,440,941
Foreign exchange reserve	15,530	15,530	-	-
Revaluation reserve	6,752,239	6,666,171	-	-
	10,208,710	10,122,642	3,440,941	3,440,941
<u>Distributable</u>				
(Accumulated losses)/				
Retained earnings	(6,798,011)	(13,166,102)	5,078,659	3,011,830
	3,410,699	(3,043,460)	8,519,600	6,452,771

- (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 leasehold land and building above their cost.
- (d) **Retained Earnings**
The entire retained earnings of the Company as at 31st December 2015 may be distributed as dividends under the single tier system.

Notes To The Financial Statements (Continued)

17. BORROWINGS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current				
Bankers' acceptance - secured	980,000	640,000	-	-
Bankers' acceptance - unsecured	1,623,000	4,011,000	-	-
Bank overdraft - secured	-	957,237	-	-
Bank overdraft - unsecured	1,091,233	2,195,286	-	-
Hire purchase payables (Note 18)	574,657	251,087	-	26,377
Term loans (Note 19)	451,077	147,298	-	-
	4,719,967	8,201,908	-	26,377
Non-current				
Hire purchase payables (Note 18)	1,284,379	487,937	-	-
Term loans (Note 19)	3,361,307	1,837,264	-	-
	4,645,686	2,325,201	-	-
Total borrowings	9,365,653	10,527,109	-	26,377

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

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Bankers' acceptance	4.89	5.03	-	-
Bank overdraft	8.85	8.25	-	-
Hire purchase payables	5.52	4.15	3.97	4.15
Term loans	6.43	6.85	-	-

(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 certain 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 these financial assets and liabilities are reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

There were no unrecognised financial instruments as at 31st December 2015 that are required to be disclosed.

Notes To The Financial Statements (Continued)

18. HIRE PURCHASE PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Minimum hire purchase payments				
- not later than one year	674,796	280,126	-	27,010
- later than one year and not later than five years	1,404,746	524,270	-	-
	2,079,542	804,396	-	27,010
Less: Future finance charges	(220,506)	(65,372)	-	(633)
Present value of hire purchase payables	1,859,036	739,024	-	26,377
Represented by:-				
Current				
- not later than one year	574,657	251,087	-	26,377
Non-current				
- later than one year and not later than five years	1,284,379	487,937	-	-
	1,859,036	739,024	-	26,377

19. TERM LOANS

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

	Group	
	2015 RM	2014 RM
Repayable within one year	451,077	147,298
Repayable between one to two years	480,365	157,319
Repayable between two to five years	1,636,486	539,137
Repayable after five years	1,244,456	1,140,808
	3,361,307	1,837,264
	3,812,384	1,984,562

Group

These term loans are secured by way of:

- Legal charge over the freehold buildings of the Group;
- First party charge over leasehold land of the Group; and
- Corporate guarantee by the Company.

Notes To The Financial Statements (Continued)

20. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 days (2014: 30 to 120 days).

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

	Group	
	2015 RM	2014 RM
Ringgit Malaysia	8,157,147	6,870,854
Singapore Dollar	1,222,978	638,202
United States Dollar	388,525	191,402
	<hr/>	<hr/>
	9,768,650	7,700,458
	<hr/>	<hr/>

21. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	4,002,478	3,712,791	1,202,431	996,171
Deposits	6,600	36,750	4,200	4,200
Accruals	6,555,736	4,379,133	68,239	56,030
	<hr/>	<hr/>	<hr/>	<hr/>
	10,564,814	8,128,674	1,274,870	1,056,401
	<hr/>	<hr/>	<hr/>	<hr/>

Included in other payables are :-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Amount owing to companies in which certain directors have interests	722,029	572,277	302,377	170,714
Amount due to directors	1,157,646	1,219,971	819,304	729,353
	<hr/>	<hr/>	<hr/>	<hr/>
	1,879,675	1,792,248	1,121,681	900,067
	<hr/>	<hr/>	<hr/>	<hr/>

Notes To The Financial Statements (Continued)

22. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Dividend income	-	-	2,850,000	-
Management fees received	-	-	2,513,425	923,969
Revenue from contract works	68,870,397	39,285,756	-	-
Sale of goods	32,866,029	27,473,694	-	-
	<u>101,736,426</u>	<u>66,759,450</u>	<u>5,363,425</u>	<u>923,969</u>

23. OPERATING PROFIT/(LOSS)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Operating profit/(loss) is arrived at after charging:-				
Audit fees:				
- current year	69,900	71,725	21,000	20,000
- under accruals in prior year	14,930	18,200	2,000	5,000
Bad debts written off	87,672	152,593	-	4,863
Deposits written off	-	11,885	-	-
Depreciation of investment properties	1,600	1,600	-	-
Depreciation of property, plant and equipment	1,548,986	1,278,276	34,406	37,614
Employee benefits expenses (Note 31)	15,857,655	12,290,727	2,969,214	944,137
Impairment losses on amount owing by subsidiaries	-	-	-	1,458,578
Impairment losses on receivables	116,359	42,883	-	-
Impairment losses on inventories	102,308	95,399	-	-
Loss on foreign exchange:-				
- Realised	-	86,597	-	-
- Unrealised	-	28,182	-	-
Property, plant and equipment written off	241	-	-	-
Rental of equipment	63,469	3,220	-	-
Rental of premises	521,505	442,287	-	-
	<u></u>	<u></u>	<u></u>	<u></u>
And crediting:-				
Gain on disposal of property, plant and equipment	23,000	-	23,000	-
Interest income	72,281	-	-	-
Realised gain on foreign exchange	748,734	93,514	-	-
Rental income	90,038	10,200	-	-
Reversal of impairment loss on amount owing by subsidiaries	-	-	82,769	-
Waiver of debts	-	511,356	-	109,980
	<u></u>	<u></u>	<u></u>	<u></u>

Notes To The Financial Statements (Continued)

24. FINANCE COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Bankers' acceptance	160,353	168,317	-	-
Bank overdraft	130,932	201,893	-	-
Hire-purchase	81,770	34,260	3,308	2,013
Term loan interest	141,122	34,823	-	-
	<u>514,177</u>	<u>439,293</u>	<u>3,308</u>	<u>2,013</u>

25. INCOME TAX EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax				
- current year	(940,708)	(92,628)	-	-
- under accrual in prior year	(59,985)	(151)	-	-
	<u>(1,000,693)</u>	<u>(92,779)</u>	<u>-</u>	<u>-</u>
Deferred tax				
- current year	(1,670,199)	(1,068,520)	-	-
- under accrual in prior year	(55,961)	(17,751)	-	-
	<u>(1,726,160)</u>	<u>(1,086,271)</u>	<u>-</u>	<u>-</u>
	<u>(2,726,853)</u>	<u>(1,179,050)</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (2014 : 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016.

Notes To The Financial Statements (Continued)

25. INCOME TAX EXPENSE (Continued)

A reconciliation of income tax expense applicable to profit/(loss) before tax 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(loss) before tax	9,189,148	3,221,667	2,066,829	(1,755,534)
Taxation at applicable tax rate of 25%	(2,297,287)	(805,417)	(516,707)	438,884
Tax effects arising from:				
- non-taxable income	661	52,550	712,500	-
- non-deductible expenses	(687,348)	(472,800)	(415,295)	(441,446)
- reversal of deferred tax assets not recognised in the financial statements	424,604	64,519	264,698	2,562
- crystallation of deferred tax liability	35,081	-	-	-
- deferred tax assets recognised in difference tax rate	(111,122)	-	(45,196)	-
- effect of changes tax rate	24,504	-	-	-
- under accrual in prior years	(115,946)	(17,902)	-	-
Tax expense for the financial year	(2,726,853)	(1,179,050)	-	-

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deductible temporary differences	(104,390)	348,607	84,294	72,986
Unutilised tax losses	11,216,581	12,017,511	4,435,327	5,324,643
	11,112,191	12,366,118	4,519,621	5,397,629
Potential deferred tax assets not recognised at 24% (2014 : 25%)	2,666,926	3,091,530	1,084,709	1,349,407

Notes To The Financial Statements (Continued)

26. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group	
	2015	2014
Profit attributable to owners of the Company (RM)	6,368,091	1,892,522
Weighted average number of ordinary shares on issue (units)	82,695,900	82,695,900
Basic earnings per share (sen)	<u>7.70</u>	<u>2.29</u>

(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 in issue during the financial year have been adjusted for the dilutive effects of share options attributed to unexercised warrants issued by the Company.

	Group	
	2015	2014
Profit attributable to owners of the Company (RM)	6,368,091	1,892,522
Weighted average number of ordinary shares in issue (units)	114,267,328	114,267,328
Diluted earnings per share (sen)	<u>5.57</u>	<u>1.66</u>

27. CAPITAL COMMITMENTS

	Group	
	2015	2014
	RM	RM
Capital expenditure approved and contracted for:		
- Construction of building	-	<u>2,200,000</u>

Notes To The Financial Statements (Continued)

28. FINANCIAL GUARANTEES

	Company	
	2015	2014
	RM	RM
Financial guarantee given to financial institutions for credit facilities granted to subsidiaries	7,506,617	9,788,085

29. 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 contractor for as at the reporting date but not recognised as liabilities are as follows:-

	Group	
	2015	2014
	RM	RM
Future minimum rental payments:-		
Not later than one year	34,476	332,037
Later than one year but not later than five years	9,819	410,652
	<u>44,295</u>	<u>742,689</u>

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	
	2015	2014
	RM	RM
Not later than one year	9,057	10,200
Later than one year but not later than five years	12,075	-
	<u>21,132</u>	<u>10,200</u>

Notes To The Financial Statements (Continued)

30. 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Management fee received/receivable from subsidiaries:-				
- Federal Furniture Industries Sdn. Bhd.	-	-	929,967	323,389
- Federal Furniture Lifestyle Sdn. Bhd.	-	-	75,403	27,719
- Federal Furniture (M) Sdn. Bhd.	-	-	-	46,198
- Federal Furniture (1982) Sdn. Bhd.	-	-	1,432,652	498,944
- Cathay Interior Design (M) Sdn. Bhd.	-	-	75,403	27,719
Dividend income				
- Federal Furniture (1982) Sdn. Bhd.	-	-	2,850,000	-

31. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries, bonus and allowances	14,163,627	10,896,145	2,720,497	860,694
Employees' Provident Fund	1,196,140	915,405	242,699	74,619
Other employee benefits	4,978,888	4,791,177	6,018	8,824
	15,857,655	12,290,727	2,969,214	944,137

Notes To The Financial Statements (Continued)

31. EMPLOYEE BENEFITS EXPENSES (Continued)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive director's remuneration:-				
- salaries and other emoluments	2,320,461	661,253	1,824,525	352,853
- fees	72,000	72,000	72,000	72,000
Non-executive director's remuneration:-				
- fees	106,400	97,800	106,400	97,800
- non-fees	514,800	105,000	514,800	105,000
	3,013,661	936,053	2,517,725	627,653

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

	Group		Company	
	2015	2014	2015	2014
Executive Directors				
RM100,001 - RM150,000	1	6	-	3
RM150,001 - RM200,000	1	-	-	-
RM200,001 - RM250,000	1	-	-	-
RM500,001 - RM550,000	1	-	1	-
RM550,001 - RM600,000	1	-	1	-
RM750,001 - RM800,000	1	-	1	-
	6	6	3	3
Non-executive Directors				
Less than RM50,000	3	2	3	2
RM100,001 - RM150,000	-	1	-	1
RM500,001 - RM550,000	1	-	1	-
	10	9	7	6

Notes To The Financial Statements (Continued)

31. EMPLOYEE BENEFITS EXPENSES (Continued)

Key Management Personnel Compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the directors of the Group.

Included in employee benefits expenses are key management personnel as follow:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Key management personnel				
- salaries and other emoluments	2,835,261	766,253	2,339,325	457,853
- fees	103,000	72,000	103,000	72,000
	<hr/>	<hr/>	<hr/>	<hr/>
	2,938,261	838,253	2,442,325	529,853

32. 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.

Notes To The Financial Statements (Continued)

32. SEGMENTAL INFORMATION (Continued)

(c) Measurement of Reportable Segments

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Total RM	Inter- Segment Elimination RM	Consolidated RM
2015						
Revenue						
External sales	37,431,162	64,305,264	-	101,736,426	-	101,736,426
Inter-segment sales	1,804,692	-	5,363,424	7,168,116	(7,168,116)	(a) -
Total revenue	39,235,854	64,305,264	5,363,424	108,904,542	(7,168,116)	101,736,426
Results						
Segments results	7,163,861	2,492,461	2,897,003	12,553,325	(2,850,000)	(b) 9,703,325
Finance costs	(112,556)	(398,312)	(3,309)	(514,177)	-	(514,177)
Taxation	(1,711,732)	(786,323)	(228,798)	(2,726,853)	-	(2,726,853)
Profit/(loss) for the year	5,339,573	1,307,826	2,664,896	9,312,295	(2,850,000)	6,462,295
Non-controlling interest	(18,225)	(76,868)	889	(94,204)	-	(94,204)
	5,321,348	1,230,958	2,665,785	9,218,091	(2,850,000)	6,368,091
2015						
Assets						
Segment assets	73,520,084	48,185,714	52,733,101	174,438,901	(92,763,747)	(c) 81,675,154
Liabilities						
Segment liabilities	58,238,150	50,293,816	27,314,444	135,846,410	(99,967,739)	(d) 35,878,671
Other information						
Depreciation of property, plant and equipment	1,017,594	496,990	34,402	1,548,986	-	1,548,986
Depreciation of investment properties	-	1,600	-	1,600	-	1,600

Notes To The Financial Statements (Continued)

32. SEGMENTAL INFORMATION (Continued)

(c) Measurement of Reportable Segments (Continued)

	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Total RM	Inter- Segment Elimination RM	Consolidated RM
2014						
Revenue						
External sales	28,536,566	38,222,884	-	66,759,450	-	66,759,450
Inter-segment sales	6,466,053	26,916	923,969	7,416,938	(7,416,938)	(a) -
Total revenue	35,002,619	38,249,800	923,969	74,176,388	(7,416,938)	66,759,450
Results						
Segments results	3,306,056	507,728	(1,611,399)	2,202,385	1,458,575	(b) 3,660,960
Finance costs	(58,923)	(378,355)	(2,015)	(439,293)	-	(439,293)
Taxation	(1,100,068)	(78,982)	-	(1,179,050)	-	(1,179,050)
Profit/(loss) for the year	2,147,065	50,391	(1,613,414)	584,042	1,458,575	2,042,617
Non-controlling interest	931	(60,635)	(90,391)	(150,095)	-	(150,095)
	2,147,996	(10,244)	(1,703,805)	433,947	1,458,575	1,892,522
2014						
Assets						
Segment assets	65,467,842	38,242,644	50,228,460	153,938,946	(84,727,764)	(c) 69,211,182
Liabilities						
Segment liabilities	52,761,545	41,658,570	27,474,699	121,894,814	(91,931,752)	(d) 29,963,062
Other information						
Depreciation of property, plant and equipment	787,716	452,946	37,614	1,278,276	-	1,278,276
Depreciation of investment properties	-	1,600	-	1,600	-	1,600

Notes To The Financial Statements (Continued)

32. SEGMENTAL INFORMATION (Continued)

(c) Measurement of Reportable Segments (Continued)

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/(loss) 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:

	2015	2014
	RM	RM
Investment in subsidiaries	(23,103,500)	(23,103,500)
Amount owing by subsidiaries	(69,660,248)	(61,624,264)
	<u>(92,763,748)</u>	<u>(84,727,764)</u>

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

	2015	2014
	RM	RM
Other payables, deposits and accruals	615,618	651,857
Amount owing to subsidiaries	(100,583,357)	(92,583,609)
	<u>(99,967,739)</u>	<u>(91,931,752)</u>

Notes To The Financial Statements (Continued)

33. 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 2015	Loans and receivables RM	Available for sale RM	Other financial liabilities RM	Total RM
Financial assets				
Trade receivables	14,846,929	-	-	14,846,929
Other receivables and deposits	1,844,523	-	-	1,844,523
Amount due from contract customers	18,512,970	-	-	18,512,970
Cash and cash equivalents	7,874,602	-	-	7,874,602
	43,079,024	-	-	43,079,024
Financial liabilities				
Trade payables	-	-	9,768,650	9,768,650
Other payables, deposits and accruals	-	-	10,564,814	10,564,814
Amount due to contract customers	-	-	2,554,187	2,554,187
Borrowings	-	-	9,365,653	9,365,653
	-	-	32,253,304	32,253,304
2014				
Financial assets				
Trade receivables	17,382,037	-	-	17,382,037
Other receivables and deposits	1,674,605	-	-	1,674,605
Amount due from contract customers	14,492,347	-	-	14,492,347
Cash and cash equivalents	3,739,177	-	-	3,739,177
	37,288,166	-	-	37,288,166
Financial liabilities				
Trade payables	-	-	7,700,458	7,700,458
Other payables, deposits and accruals	-	-	8,128,674	8,128,674
Amount due to contract customers	-	-	1,107,282	1,107,282
Borrowings	-	-	10,527,109	10,527,109
	-	-	27,463,523	27,463,523

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Company 2015	Loans and receivables RM	Available for sale RM	Other financial liabilities RM	Total RM
Financial assets				
Other receivables and deposits	275,165	-	-	275,165
Amount owing by subsidiaries	27,676,018	-	-	27,676,018
Cash and bank balances	1,254,071	-	-	1,254,071
	29,205,254	-	-	29,205,254
Financial liabilities				
Other payables, deposits and accruals	-	-	1,274,870	1,274,870
Amount owing to subsidiaries	-	-	763,674	763,674
Borrowings	-	-	-	-
	-	-	2,038,544	2,038,544
2014				
Financial assets				
Other receivables and deposits	1,046,435	-	-	1,046,435
Amount owing by subsidiaries	26,389,918	-	-	26,389,918
Cash and bank balances	46,988	-	-	46,988
	27,483,341	-	-	27,483,341
Financial liabilities				
Other payables, deposits and accruals	-	-	1,056,401	1,056,401
Amount owing to subsidiaries	-	-	1,337,323	1,337,323
Borrowings	-	-	26,377	26,377
	-	-	2,420,101	2,420,101

Notes To The Financial Statements (Continued)

33. 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 term loan. 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 2015	Effective interest rate %	Within 1 year RM	1 - 5 years RM	> 5 years RM	Total RM
Financial asset					
Fixed deposits placed with licensed banks	3.15-3.45	1,637,169	-	-	1,637,169
Financial liabilities					
Bankers' acceptance	4.89	2,603,000	-	-	2,603,000
Bank overdraft	8.85	1,091,233	-	-	1,091,233
Hire purchase payables	5.52	574,657	1,284,379	-	1,859,036
Term loans	6.43	451,077	2,116,851	1,244,456	3,812,384

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(i) Interest Rate Risk (Continued)

Group 2014	Effective interest rate %	Within 1 year RM	1 - 5 years RM	> 5 years RM	Total RM
Financial asset					
Fixed deposits placed with licensed banks	3.15-3.45	1,576,606	-	-	1,576,606
Financial liabilities					
Bankers' acceptance	5.03	4,651,000	-	-	4,651,000
Bank overdraft	8.25	3,152,523	-	-	3,152,523
Hire purchase payables	4.15	251,087	487,937	-	739,024
Term loans	6.85	147,298	696,456	1,140,808	1,984,562

Company 2014	Effective interest rate %	Within 1 year RM	1 - 5 years RM	> 5 years RM	Total RM
Financial liabilities					
Hire purchase payables	4.15	26,377	-	-	26,377

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.

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%	
	2015 RM	2014 RM	2015 RM	2014 RM
Group's net profit	(49,036)	(51,371)	49,036	51,371

(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.

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign Currency Risk (Continued)

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.

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:-

	2015				2014			
	Trade Receivables RM	Cash and Equivalents RM	Trade Payables RM	Net Exposure RM	Trade Receivables RM	Cash and Equivalents RM	Trade Payables RM	Net Exposure RM
Australian Dollar	-	13,562	-	13,562	-	13,562	-	13,562
Brunei Dollar	-	158	-	158	-	136	-	136
Indonesian Rupiah	-	3,782	-	3,782	-	-	-	-
Singapore Dollar	-	-	(1,222,978)	(1,222,978)	-	-	(638,202)	(638,202)
United States Dollar	1,712,550	335,688	(388,525)	1,659,713	1,736,490	755	(191,402)	1,545,843
	1,712,550	353,190	(1,611,503)	454,237	1,736,490	14,453	(829,604)	921,339

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%)	
	2015 RM	2014 RM	2015 RM	2014 RM
Group's net profit				
Australian Dollar	136	136	(136)	(136)
Brunei Dollar	2	1	(2)	(1)
Indonesian Rupiah	38	-	(38)	-
Singapore Dollar	12,230	6,382	(12,230)	(6,382)
United States Dollar	16,597	15,458	(16,597)	(15,458)

(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.

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

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:-

Group 2015	Carrying Amount RM	Undiscounted Cash Flows				Total RM
		On Demand or Within 1 Year RM	1 - 5 Years RM	> 5 Years RM		
Financial liabilities:						
Trade payables	9,768,650	9,768,650	-	-		9,768,650
Other payables, deposits and accruals	10,564,814	10,564,814	-	-		10,564,814
Amount due to contract customers	2,554,187	2,554,187	-	-		2,554,187
Bankers' acceptance	2,603,000	2,603,000	-	-		2,603,000
Bank overdraft	1,091,233	1,091,233	-	-		1,091,233
Hire purchase payables	1,859,036	674,796	1,404,746	-		2,079,542
Term loans	3,812,384	680,911	2,723,645	1,380,057		4,784,613
	32,253,304	27,937,591	4,128,391	1,380,057		33,446,039
2014						
Financial liabilities:						
Trade payables	7,700,458	7,700,458	-	-		7,700,458
Other payables, deposits and accruals	8,128,674	8,128,674	-	-		8,128,674
Amount due to contract customers	1,107,282	1,107,282	-	-		1,107,282
Bankers' acceptance	4,651,000	4,651,000	-	-		4,651,000
Bank overdraft	3,152,523	3,152,523	-	-		3,152,523
Hire purchase payables	739,024	280,126	524,270	-		804,396
Term loans	1,984,562	273,876	1,095,504	1,337,697		2,707,077
	27,463,523	25,293,939	1,619,774	1,337,697		28,251,410

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

Maturity analysis (Continued)

Company 2015	Carrying Amount RM	Undiscounted Cash Flows			Total RM
		On Demand or Within 1 Year RM	1 - 5 Years RM	> 5 Years RM	
Financial liabilities:					
Other payables, deposits and accruals	1,274,870	1,274,870	-	-	1,274,870
Amount owing to subsidiaries	763,674	763,674	-	-	763,674
	2,038,544	2,038,544	-	-	2,038,544
2014					
Financial liabilities:					
Other payables, deposits and accruals	1,056,401	996,171	-	-	996,171
Amount owing to subsidiaries	1,337,323	1,337,323	-	-	1,337,323
Hire purchase payables	26,377	27,010	-	-	27,010
	2,420,101	2,360,504	-	-	2,360,504

(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.

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.

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iv) Credit Risk (Continued)

(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 2 (2014: 2) customers representing approximately 45% (2014: 75%) 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.

Notes To The Financial Statements (Continued)

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Total borrowings	9,365,653	10,527,109	-	26,377
Trade and other payables	20,333,464	15,829,132	1,274,870	1,056,401
Less: Cash and cash equivalents	(7,874,602)	(3,739,177)	(1,254,071)	(46,988)
Net debt	21,824,515	22,617,064	20,799	1,035,790
Total equity attributable to the Owners of the Company	44,758,649	38,304,490	49,867,550	47,800,721
Capital and net debts	66,583,164	60,921,554	49,888,349	48,836,511
Gearing ratio	33%	37%	0%	2%

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.

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.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31 December 2015 and 31 December 2014 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared 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.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total (accumulated losses)/retained earnings of Federal Furniture Holdings (M) Berhad and its subsidiaries				
- Realised	(47,246,927)	(55,407,202)	5,086,062	3,019,233
- Unrealised	(566,242)	1,131,736	(7,403)	(7,403)
	<u>(47,813,169)</u>	<u>(54,275,466)</u>	<u>5,078,659</u>	<u>3,011,830</u>
Less: Consolidation adjustments	41,015,158	41,109,364	-	-
Total (accumulated losses)/retained earnings as per statements of financial position	<u>(6,798,011)</u>	<u>(13,166,102)</u>	<u>5,078,659</u>	<u>3,011,830</u>

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 page 34 to 98 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 99 has been prepared 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*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



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



.....
DATO' CHOY WAI HIN
Director

Petaling Jaya, Selangor Darul Ehsan
Date: 25th April 2016

Statutory Declaration

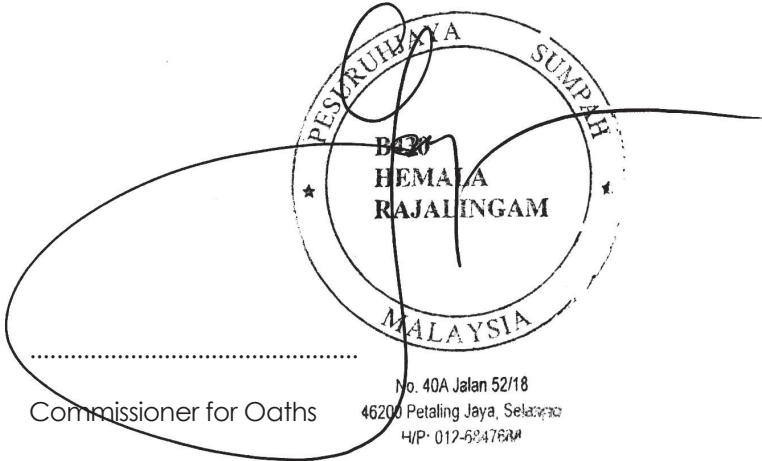
I, **JAMES SHII LIHTON**, being the officer primarily responsible for the financial management of Federal Furniture Holdings (M) Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on page 34 to 98 and the supplementary information set out on page 99 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 25th April 2016.

Before me,



Petaling Jaya, Selangor Darul Ehsan

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 2015 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 98.

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 controls 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 Group's and 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 Group's and 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 2015 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 followings:-

- (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;

Independent Auditors' Report To The Members Of Federal Furniture Holdings (M) Berhad (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

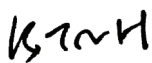
- (b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 7 to the financial statements;
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the 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; and
- (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 in page 99 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. 2916/03/18 (J)
Chartered Accountant

Kuala Lumpur

Date: 25th April 2016

Shareholders' Statistics

As at 31 March 2016

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	16	0.70	343	0.00
100 - 1,000	902	39.56	788,347	0.95
1,001 - 10,000	1,057	46.37	4,356,173	5.26
10,001 - 100,000	239	10.48	7,492,900	9.04
100,001 to less than 5% of issued shares	63	2.76	49,528,277	59.75
5% and above of issued shares	3	0.13	20,720,860	25.00
Total	2,280	100.00	82,886,900	100.00

Substantial Shareholders

Ordinary Shares of RM0.50 Each Held

	Direct	%	Indirect	%
Dato' Dr. Choy Fook On	6,042,120	7.29	12,408,140*#	14.97
Datin Tan Geok Foong	4,476,120	5.40	12,408,140*#	14.97
Choy Fook On & Son Realty Sdn. Bhd.	11,047,340	13.33	-	-
Dato' Choy Wai Hin	3,004,800	3.63	12,100,140*^	14.60
Datuk Choy Wai Ceong	2,500,800	3.02	11,047,340*	13.33

* 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 pursuant to Section 134 of the Companies Act, 1965

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

Shareholders' Statistics (Continued)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No. of Shares	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	11,047,340	13.33
2	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND	5,197,400	6.27
3	TAN GEOK FOONG	4,476,120	5.40
4	GV ASIA FUND LIMITED	3,804,400	4.59
5	LIEW SOON HIN	3,116,407	3.76
6	MEGA GOLD HARVEST SDN BHD	2,845,000	3.43
7	CHOY FOOK ON	2,643,720	3.19
8	CHOY WAI CEONG	2,500,800	3.02
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHOY WAI HIN (PBCL-OG0324)	2,480,800	2.99
10	TUNG SWEE PUAN	2,294,400	2.77
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	2,150,000	2.59
12	CHOY FOOK ON	1,998,400	2.41
13	NG CHAI GO	1,953,900	2.36
14	CARTABAN NOMINEES (TEMPATAN) SDN BHD TMF TRUSTEES MALAYSIA BERHAD FOR RHB PRIVATE FUND - SERIES 6	1,900,000	2.29
15	VOON JYE WAH	1,612,500	1.95
16	CHOY FOOK ON	1,400,000	1.69
17	CHOY SOOK KUEN	1,262,400	1.52
18	NG CHWEE PHO	1,202,450	1.45
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB-OSK PRIVATE FUND - SERIES 3	1,200,000	1.45
20	NG CHAI GO	1,191,100	1.44
21	YEOH SOO KENG	1,052,800	1.27
22	LIEW SOON HIN	926,500	1.12
23	PHANG KWONG YEN @ RAYMOND	755,000	0.91
24	NG CHWEE PHO	737,400	0.89
25	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB DANA HAZEEM	730,000	0.88
26	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB GROWTH AND INCOME FOCUS TRUST	600,000	0.72
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAI HIN (PB)	524,000	0.63
28	TAN KIM KUAN	470,700	0.57
29	LEE KOK LEONG	460,000	0.55
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART BALANCED FUND	394,400	0.48

Shareholders' Statistics (Continued)

Directors' Shareholdings

Ordinary Shares of RM0.50 Each Held

No.	Directors	Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	6,042,120	7.29	12,408,140*#	14.97
2.	Dato' Choy Wai Hin	3,004,800	3.63	12,100,140*^	14.60
3.	Datin Tan Geok Foong	4,476,120	5.40	12,408,140 *#	14.97
4.	Datuk Choy Wai Ceong	2,500,800	3.02	11,047,340*	13.33
5.	Tuan Haji Hussein Bin Hamzah	-	-	-	-
6.	Mohd Arif Bin Mastol	-	-	-	-
7.	Dato' Dr. Hj. Abdul Rasid Bin Ab Malik	-	-	-	-

* 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 pursuant to Section 134 of the Companies Act, 1965

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

Warrantholders' Statistics

As at 31 March 2016

Analysis By Size Of Warrantholdings

Category	No. of Holders	%	No. of Warrants	%
Less than 100	9	1.85	525	0.00
100 - 1,000	65	13.35	14,656	0.05
1,001 - 10,000	208	42.71	1,193,911	3.84
10,001 - 100,000	162	33.26	5,657,229	18.17
100,001 to less than 5% of issued warrants	39	8.01	13,468,521	43.26
5% and above of issued warrants	4	0.82	10,795,586	34.68
Total	487	100.00	31,130,428	100.00

Warrantholders' Statistics (Continued)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No. of Warrants	%
1	CHOY FOOK ON & SONS REALTY SDN BHD	5,275,986	16.95
2	CHOY WAI HIN	2,128,400	6.84
3	CHOY WAI CEONG	1,771,400	5.69
4	ANG YOOK CHU @ ANG YOKE FONG	1,619,800	5.20
5	YEOH SOO KENG	1,251,686	4.02
6	NG CHWEE PHO	1,175,000	3.77
7	TUNG SWEE PUAN	969,035	3.11
8	CHOY SOOK KUEN	894,200	2.87
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG YOOK CHU @ ANG YOKE FONG (8076574)	862,900	2.77
10	LIEW SOON HIN	848,700	2.73
11	PHANG KWONG YEN @ RAYMOND	741,100	2.38
12	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEE GEK	625,000	2.01
13	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH	400,300	1.29
14	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	350,000	1.12
15	LAI HENG @ VOON KIT KIM	320,500	1.03
16	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LAI CHOO (SMT)	320,000	1.03
17	CHAI MING FATT	277,000	0.89
18	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN WEE KEONG (SMT)	270,000	0.87
19	LEE BOK LEONG	264,000	0.85
20	YEOH YUN PYNG	251,000	0.81
21	POH HONG SWEE	250,000	0.80
22	YEOH YUN PYNG	244,600	0.79
23	LEE WAI LEONG	240,000	0.77
24	CHOONG KHUAT LEOK	220,000	0.71
25	TAN SING HAH	200,000	0.64
26	JS NOMINEES (ASING) SDN BHD QUEBEC INVESTMENT LIMITED (QU050)	196,600	0.63
27	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE YNG	186,500	0.60
28	ELIZABETH LOW LIAN YING	180,000	0.58
29	WONG YEE LING	167,000	0.54
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO AH KHOW	159,900	0.51

Warrantheolders' Statistics (Continued)

Directors' Warrantheholdings

No.	Directors	No. of Warrants			
		Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	-	-	6,239,886*#	20.04
2.	Dato' Choy Wai Hin	2,128,400	6.84	5,275,986 *	16.95
3.	Datin Tan Geok Foong	-	-	6,239,886 *#	20.04
4.	Datuk Choy Wai Ceong	1,771,400	5.69	5,275,986 *	16.95
5.	Haji Hussein Bin Hamzah	-	-	-	-
6.	Mohd Arif Bin Mastol	-	-	-	-
7.	Dato' Dr. Hj. Abdul Rasid Bin Ab Malik	-	-	-	-

* 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 pursuant to Section 134 of the Companies Act, 1965

No. of Shares	
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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-Third 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 May 2016 at 3.30 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 declared a Final Dividend of 1 sen per share in respect of the financial year ended 31 December 2015.		
Resolution 2	To approve the payment of Directors' fees for the financial year ended 31 December 2015.		
Resolution 3	<u>Ordinary Resolution 1</u> - To re-appoint Dato' Dr. Choy Fook On who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 4	<u>Ordinary Resolution 2</u> - To re-appoint Datin Tan Geok Foong, who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 5	<u>Ordinary Resolution 3</u> - To re-appoint Tuan Haji Hussein Bin Hamzah, who is due to retire pursuant to Section 129(6) of the Companies Act, 1965.		
Resolution 6	To re-elect Dato' Choy Wai Hin, a director who retires pursuant to Article 98 of the Company's Articles of Association.		
Resolution 7	To re-elect Dato' Dr. Hj. Abdul Rasid Bin Ab. Malik, a Director who retires pursuant to Article 103 of the Company's Articles of Association.		
Resolution 8	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 9	As Special Business <u>Ordinary Resolution 4</u> - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 10	<u>Ordinary Resolution 5</u> - To approve the continuing in office by Tuan Haji Hussein Bin Hamzah as an Independent Non-Executive Director.		
Resolution 11	<u>Ordinary Resolution 6</u> - Proposed Renewal of Authority for the Share Buy Back of up to 10% of the Issued and Paid-Up Share Capital of the Company		
Resolution 12	<u>Special Resolution</u> - Proposed Amendment to the Articles of Association of the Company		

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

Dated this day of 2016
 Signature/Seal

Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A member entitled to attend and vote at this Meeting is entitled to appoint any person as his proxy to attend and vote instead of him. A proxy appointed to attend and vote at this Meeting shall have the same rights as the member to speak at the Meeting.
- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 need not be complied with. There shall be no restriction as to the qualifications of the proxy.
- 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.
- 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 with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- If a corporation is a member of the Company, it may vote by any person authorised by resolution of its directors or other governing body to act as its representative at any meeting in accordance with Article 67 of the Company's Articles of Association.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor be a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised, and shall be deposited at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution.

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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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