

MUAR BAN LEE GROUP BERHAD
(Company No: 753588-P)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

Registered office:
85, Lebuhr Muntri
10200 Penang

Principal place of business:
JR52, Lot 1818, Jalan Raja
Kawasan Perindustrian Bukit Pasir
84300 Muar, Johor

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

Financial Results

	Group RM	Company RM
Net profit for the financial year		
- profit after tax from continuing operations	11,114,021	4,141,487
- loss after tax from discontinued operation	(308,565)	-
	<u>10,805,456</u>	<u>4,141,487</u>
Attributable to:		
Owners of the parent	9,512,863	4,141,487
Non-controlling interests	1,292,593	-
	<u>10,805,456</u>	<u>4,141,487</u>

Reserves and Provisions

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

Dividends

Since the end of last financial year, the Company has declared and paid the following dividends:

	RM
A first interim single tier dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2017 paid on 29 March 2018	<u>2,007,936</u>

The Board of Directors does not recommend any final dividend in respect of the current financial year.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Treasury Shares

As at 31 December 2017, the Company held 730,200 shares out of the total 92,000,000 issued ordinary shares. Further relevant details are disclosed in Note 17 to the financial statements.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Warrants

The Company had issued 46,000,000 warrants which were listed on Bursa Malaysia Securities Berhad on 3 December 2012 in conjunction with the right issue on the basis of one (1) warrant for every two (2) existing shares.

The warrants are constituted by a Deed Poll dated 12 December 2012 executed by the Company. Each warrant entitled the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.80 per share, subject to adjustment in accordance with the provision of the Deed Poll.

The salient features of the warrants are as disclosed in Note 19 to the financial statements.

As at 31 December 2017, the total numbers of warrants that remain unexercised were 46,000,000.

Directors

The Directors in office during the financial year until the date of this report are:

Dato' Chua Ah Ba @ Chua Eng Ka *
Chua En Hom *
Chua Eng Hui *
Chua Heok Wee *
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *
Teh Eng Aun
Khairilnuar Bin Tun Abdul Rahman *
Hj Ismail Bin Tunggak @ Hj Ahmad

Directors (Cont'd)

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Abdullah Bin Mohd Omar
Kong Kwai Ching
Sian
Zairaz Bin Ismail

* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	Addition	Disposed	At 31.12.2017
Interests in the Holding Company				
(MBL Realty Sdn. Bhd.)				
Direct Interests				
Dato' Chua Ah Ba @ Chua Eng Ka	40,000	-	-	40,000
Chua En Hom	20,000	-	-	20,000
Chua Eng Hui	20,000	-	-	20,000
Chua Heok Wee	20,000	-	-	20,000
Indirect Interests				
Dato' Chua Ah Ba @ Chua Eng Ka #	20,000	-	-	20,000
Interests in the Company				
Direct Interests				
Dato' Chua Ah Ba @ Chua Eng Ka	666,000	-	-	666,000
Chua En Hom	150,000	-	-	150,000
Chua Eng Hui	150,000	-	-	150,000
Chua Heok Wee	150,000	-	-	150,000
Tan Sri Dato' Seri Tan King Tai				
@ Tan Khoon Hai	6,347,100	-	-	6,347,100
Khairilnuar Bin Tun Abdul Rahman	150,000	-	-	150,000
Hj Ismail Bin Tunggak @ Hj Ahmad	30,000	-	-	30,000

Directors' Interests in Shares (Cont'd)

	Number of ordinary shares			
	At 1.1.2017	Addition	Disposed	At 31.12.2017
Interests in the Company				
Indirect Interests				
Dato' Chua Ah Ba				
@ Chua Eng Ka # *	41,755,980	-	-	41,755,980
Chua En Hom # *	41,611,980	-	-	41,611,980
Chua Eng Hui *	41,605,980	-	-	41,605,980
Chua Heok Wee *	41,605,980	-	-	41,605,980
Tan Sri Dato' Seri Tan King Tai				
@ Tan Khoon Hai #	3,351,200	-	-	3,351,200

deemed interest by virtue of shares held by spouse/children.

* deemed interest by virtue of the shareholdings in the holding company.

By virtue of their interests in the shares of the Company, Dato' Chua Ah Ba @ Chua Eng Ka, Chua En Hom, Chua Eng Hui and Chua Heok Wee are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 38 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and secretary fee paid to a firm in which a Director is a member as disclosed in Note 38(b) to the financial statements.

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

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage paid for the Directors and officers of the Company were RM5,000,000. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current asset might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
 - (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet obligations when they fall due;
 - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

Other Statutory Information (Cont'd)

(d) In the opinion of the Directors: (Cont'd)

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

Holding Company

The Directors regard MBL Realty Sdn. Bhd., company incorporated in Malaysia, as the holding company.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Notes 7 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 30 to the financial statements.

Significant Event and Subsequent Event

The significant event and subsequent event are disclosed in Note 42 to the financial statements.

Company No.

753588	P
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Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 April 2018.

DATO' CHUA AH BA @ CHUA ENG KA

CHUA EN HOM

KUALA LUMPUR

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 17 to 124 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and the cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 April 2018.

DATO' CHUA AH BA @ CHUA ENG KA

CHUA EN HOM

KUALA LUMPUR

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, DATO' CHUA AH BA @ CHUA ENG KA, being the Director primarily responsible for the financial management of Muar Ban Lee Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 17 to 124 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.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 27 April 2018)

DATO' CHUA AH BA @ CHUA ENG KA

Before me,

Commissioner for Oaths

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muar Ban Lee Group Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
<p>1. Impairment assessment on intangible assets</p> <p>Intangible assets of the Group included goodwill, license fees and development costs. Intangible assets are subject to annual impairment test to assess the recoverability and to determine whether there is any indication of impairment.</p> <p>This assessment requires the management to exercise significant judgement involved in the estimation of future cash flows and associated discount rates and growth rates based on the management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is considered as a key audit matter.</p>	<p>We evaluated whether the cash flow forecast and projections prepared by the management are in accordance with the requirements of FRS 136 <i>Impairment of Assets</i>.</p> <p>We reviewed the estimation uncertainty and performed a sensitivity analysis on the key assumptions to assess their reasonableness and the achievability of the forecasting.</p> <p>We testing the mathematical accuracy of the impairment assessment.</p> <p>We assessed the appropriateness of the discounted rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money.</p> <p>We have reviewed the appropriateness of the disclosures made in accordance with FRS 136 <i>Impairment of Assets</i>.</p>

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
<p>2. Inventory valuation</p> <p>As at 31 December 2017, the Group held a significant inventory amounted to RM30.8 million as disclosed in Note 9 to the financial statements and it constituted approximately 37% of the Group's total current assets. As described in the Accounting Policies in Note 3(1) to the financial statements, inventories are carried at the lower of cost and net realisable value.</p> <p>The Group's assessment of the carrying value of the inventories, being the lower of cost and net realisable value and this involved significant judgements in determining the net realisable value. The net realisable value is estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.</p>	<p>We reviewed the Group's policy on inventory valuation that are in accordance with FRS 102 <i>Inventories</i>. We evaluated the operating effectiveness of key controls over the inventory system in recording the cost of inventory on weighted average basis.</p> <p>We reviewed and verified the value of a sample of inventory item by comparing the unit price used in the final inventory listing summary to current price lists, recent sales invoices, or recent vendor invoices to ensure inventories are stated at the lower of cost and net realisable value.</p> <p>We assessed the adequacy of the disclosures made in financial statements.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary company of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUAR BAN LEE GROUP BERHAD (CONT'D)**

(Company No.: 753588-P)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411

Chartered Accountants

NG WEE TEIK

Approved Number: 1817/12/2018 (J)

Chartered Accountant

KUALA LUMPUR

27 April 2018

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	41,424,232	36,148,376
Investment properties	5	645,000	650,000
Intangible assets	6	3,456,498	3,261,067
Investments in an associate company	8	4,656,662	4,274,252
		<u>50,182,392</u>	<u>44,333,695</u>
Current assets			
Inventories	9	30,770,287	36,315,662
Trade receivables	10	29,729,611	25,066,936
Other receivables	11	10,935,677	8,426,577
Deposits, bank and cash balances	13	11,275,622	13,692,018
Tax recoverable		-	148,649
		<u>82,711,197</u>	<u>83,649,842</u>
Assets included in disposal group classified as held for sale	14	27,277,204	27,053,568
		<u>109,988,401</u>	<u>110,703,410</u>
Total assets		<u>160,170,793</u>	<u>155,037,105</u>
EQUITY			
Share capital	15	47,157,846	46,000,000
Share premium	16	-	1,157,846
Treasury shares	17	(570,686)	(570,686)
Revaluation reserve	18	6,487,141	6,559,219
Discount on shares	19	(13,340,000)	(13,340,000)
Warrant reserves	19	17,940,000	17,940,000
Foreign currency translation reserve	20	(539,105)	356,989
Retained earnings	21	46,811,007	39,234,002
Equity attributable to owners of the parent		<u>103,946,203</u>	<u>97,337,370</u>
Non-controlling interests		6,581,307	6,129,953
Total equity		<u>110,527,510</u>	<u>103,467,323</u>

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONT'D)**

	Note	2017 RM	2016 RM
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	22	749,489	234,421
Bank borrowings	23	11,926,805	11,526,264
Deferred tax liabilities	24	2,397,760	2,215,000
		<u>15,074,054</u>	<u>13,975,685</u>
Current liabilities			
Finance lease liabilities	22	391,251	227,153
Bank borrowings	23	6,970,579	7,707,898
Amount owing to contract customers	25	-	2,043,957
Trade payables	26	10,712,438	14,204,239
Other payables	27	14,213,549	11,475,694
Provision for taxation		2,122,439	1,748,947
		<u>34,410,256</u>	<u>37,407,888</u>
Liabilities included in disposal group classified as held for sale	14	158,973	186,209
		<u>34,569,229</u>	<u>37,594,097</u>
Total liabilities		<u>49,643,283</u>	<u>51,569,782</u>
Total equity and liabilities		<u>160,170,793</u>	<u>155,037,105</u>

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
Revenue	28	183,607,519	179,832,896
Cost of sales		<u>(145,260,408)</u>	<u>(142,240,863)</u>
Gross profit		38,347,111	37,592,033
Other income		1,479,251	2,364,150
Distribution and administrative expenses		<u>(23,368,513)</u>	<u>(22,889,087)</u>
Profit from operation		16,457,849	17,067,096
Finance costs	29	(1,012,929)	(938,210)
Share of results of an associate		<u>382,410</u>	<u>342,962</u>
Profit before tax	30	15,827,330	16,471,848
Taxation	32	<u>(4,713,309)</u>	<u>(2,653,488)</u>
Profit for the continuing operations		11,114,021	13,818,360
Discontinued operation			
Loss from discontinued operation, net of tax	14	<u>(308,565)</u>	<u>(237,371)</u>
Profit for the financial year		<u>10,805,456</u>	<u>13,580,989</u>
Profit for the financial year attributable to:			
Owners of the parent			
- from continuing operations		9,821,428	12,154,969
- from discontinued operation		<u>(308,565)</u>	<u>(237,371)</u>
		9,512,863	11,917,598
Non-controlling interests		<u>1,292,593</u>	<u>1,663,391</u>
		<u>10,805,456</u>	<u>13,580,989</u>
Earnings per share (sen)			
- Basic, for the year from continuing operations		10.76	13.27
- Basic, for the year from discontinued operation		<u>(0.34)</u>	<u>(0.26)</u>
- Basic, for the financial year	33(a)	<u>10.42</u>	<u>13.01</u>
- Diluted, for the year from continuing operations		9.39	12.53
- Diluted, for the year from discontinued operation		<u>(0.29)</u>	<u>(0.24)</u>
- Diluted, for the financial year	33(b)	<u>9.10</u>	<u>12.29</u>

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	2017	2016
	RM	RM
Profit for the financial year	10,805,456	13,580,989
Other comprehensive income		
Items that will not be reclassified		
subsequently to profit of loss, net of tax		
- Revaluation of land and buildings	-	4,086,971
- Effect of changes of tax rate on revaluation reserve	-	(63,268)
- Realisation of revaluation surplus upon depreciation	72,078	20,827
- Transfer of revaluation reserve to retained earnings	(72,078)	(20,827)
	<u>-</u>	<u>4,023,703</u>
Items that are or may be reclassified		
subsequently to profit or loss		
Exchange translation differences for foreign operations	<u>(1,757,047)</u>	<u>781,359</u>
Other comprehensive (loss)/income for the financial year	<u>(1,757,047)</u>	<u>4,805,062</u>
Total comprehensive income for the financial year	<u>9,048,409</u>	<u>18,386,051</u>
Total comprehensive income attributable to:		
Owners of the parent	8,616,769	16,379,671
Non-controlling interests	431,640	2,006,380
	<u>9,048,409</u>	<u>18,386,051</u>

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Attributable to owners of the parent										
	Non-distributable							Distributable			
	Share capital	Share premium	Treasury shares	Revaluation reserve	Discount on shares	Warrant reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2017	46,000,000	1,157,846	(570,686)	6,559,219	(13,340,000)	17,940,000	356,989	39,234,002	97,337,370	6,129,953	103,467,323
Profit for the financial year	-	-	-	-	-	-	-	9,512,863	9,512,863	1,292,593	10,805,456
Realisation of revaluation surplus upon depreciation	-	-	-	(72,078)	-	-	-	72,078	-	-	-
Foreign exchange translation reserve	-	-	-	-	-	-	(896,094)	-	(896,094)	(860,953)	(1,757,047)
Total comprehensive income for the financial year	-	-	-	(72,078)	-	-	(896,094)	9,584,941	8,616,769	431,640	9,048,409

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

Attributable to owners of the parent												
Non-distributable								Distributable				
	Share capital	Share premium	Treasury shares	Revaluation reserve	Discount on shares	Warrant reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	
Note	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Transactions with owners:												
Acquisition of equity interest in subsidiary company	7(b)(i)	-	-	-	-	-	-	-	-	19,714	19,714	
Dividends to owners of the Company	34	-	-	-	-	-	-	(2,007,936)	(2,007,936)	-	(2,007,936)	
Total transactions with owners		-	-	-	-	-	-	(2,007,936)	(2,007,936)	19,714	(1,988,222)	
Transition to no-par value regime on 31 January 2017	15	1,157,846	(1,157,846)	-	-	-	-	-	-	-	-	
At 31 December 2017		47,157,846	-	(570,686)	6,487,141	(13,340,000)	17,940,000	(539,105)	46,811,007	103,946,203	6,581,307	110,527,510

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	Attributable to owners of the parent										
	Non-distributable							Distributable			
	Share capital RM	Share premium RM	Treasury shares RM	Revaluation reserve RM	Discount on shares RM	Warrant reserves RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2016	46,000,000	1,157,846	(289,967)	2,556,343	(13,340,000)	17,940,000	(81,381)	30,946,369	84,889,210	6,682,297	91,571,507
Profit for the financial year	-	-	-	-	-	-	-	11,917,598	11,917,598	1,663,391	13,580,989
Revaluation of land and buildings	-	-	-	4,086,971	-	-	-	-	4,086,971	-	4,086,971
Effect of changes of tax rate on revaluation reserve	-	-	-	(63,268)	-	-	-	-	(63,268)	-	(63,268)
Realisation of revaluation surplus upon depreciation	-	-	-	(20,827)	-	-	-	20,827	-	-	-
Foreign exchange translation reserve	-	-	-	-	-	-	438,370	-	438,370	342,989	781,359
Total comprehensive income for the financial year	-	-	-	4,002,876	-	-	438,370	11,938,425	16,379,671	2,006,380	18,386,051

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

		Attributable to owners of the parent										
		Non-distributable						Distributable				
		Share capital	Share premium	Treasury shares	Revaluation reserve	Discount on shares	Warrant reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Transactions with owners:												
Share repurchased	17	-	-	(280,719)	-	-	-	-	-	(280,719)	-	(280,719)
Dividends to owners of the Company	34	-	-	-	-	-	-	-	(3,650,792)	(3,650,792)	-	(3,650,792)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(2,558,724)	(2,558,724)
Total transactions with owners		-	-	(280,719)	-	-	-	-	(3,650,792)	(3,931,511)	(2,558,724)	(6,490,235)
At 31 December 2016		46,000,000	1,157,846	(570,686)	6,559,219	(13,340,000)	17,940,000	356,989	39,234,002	97,337,370	6,129,953	103,467,323

The accompanying notes from an integral part of the financial statements

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax			
- Continuing operations		15,827,330	16,471,848
- Discontinued operation	14	<u>(308,565)</u>	<u>(237,371)</u>
		15,518,765	16,234,477
Adjustments for:			
Depreciation of investment properties		5,000	2,120
Depreciation of property, plant and equipment		3,028,138	2,260,319
Finance costs		1,017,029	943,923
Gain on disposal of property, plant and equipment		(486,615)	(205,084)
Impairment loss on property, plant and equipment		-	33,144
Finance income		(139,629)	(102,452)
Reversal of impairment losses of property, plant and equipment		-	(480,938)
Share of results of an associate		(382,410)	(342,962)
Unrealised gain on foreign exchange		<u>(47,168)</u>	<u>(223,293)</u>
Operating profit before working capital changes		18,513,110	18,119,254
Change in working capital:			
Inventories		<u>5,352,476</u>	<u>(4,042,585)</u>
Receivables		<u>(8,123,993)</u>	<u>(4,336,016)</u>
Payables		<u>(1,301,720)</u>	<u>4,769,904</u>
Contract customers		<u>(2,043,957)</u>	<u>2,043,957</u>
		<u>(6,117,194)</u>	<u>(1,564,740)</u>
Cash generated from operations		12,395,916	16,554,514
Tax paid		(3,527,596)	(1,230,342)
Tax refund		<u>177,968</u>	<u>185,520</u>
Net cash from operating activities		<u>9,046,288</u>	<u>15,509,692</u>

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	Note	2017 RM	2016 RM
Cash flows from investing activities			
Acquisition of biological assets	14	(72,238)	(114,480)
Acquisition of an associate		-	(3,931,290)
Acquisition of property, plant and equipment	4(e)	(8,309,647)	(5,109,253)
Acquisition of subsidiary company, net of cash acquired	7(b)(ii)	(165,007)	-
Interest received		139,629	102,452
Proceeds from disposal of property, plant and equipment		504,717	709,560
Net cash used in investing activities		<u>(7,902,546)</u>	<u>(8,343,011)</u>
Cash flows from financing activities			
Dividends paid	34	(1,825,396)	(1,825,396)
Dividend paid to non-controlling interests of subsidiary		-	(2,558,724)
Interest paid		(1,017,029)	(943,923)
Purchase of treasury shares	17	-	(280,719)
Placement of pledged fixed deposits		(13,108)	(9,895)
Proceeds from bankers acceptance		3,201,000	2,498,000
Net change of revolving credits		(4,121,778)	(1,241,255)
Proceeds from term loans		1,700,000	75,000
Repayment of term loans		(1,116,118)	(1,033,752)
Repayment of finance lease liabilities		(400,834)	(273,561)
Repayment from/(Advances to) an associates		143,223	(1,521,777)
Net cash used in financing activities		<u>(3,450,040)</u>	<u>(7,116,002)</u>
Net (decrease)/increase in cash and cash equivalents		(2,306,298)	50,679
Effect of exchange translation differences on cash and cash equivalents		(169,666)	533,284
Cash and cash equivalents at the beginning of the financial year		<u>13,571,944</u>	<u>12,987,981</u>
Cash and cash equivalents at the end of the financial year		<u>11,095,980</u>	<u>13,571,944</u>

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	Note	2017 RM	2016 RM
Cash and cash equivalents at the end of the financial year comprises:			
Continuing operations			
Fixed deposits with licensed banks	13	390,220	377,112
Cash and bank balances	13	10,885,402	13,314,906
Bank overdraft	23	(118)	-
		<u>11,275,504</u>	<u>13,692,018</u>
Less: Fixed deposits pledged with licensed banks	13	(390,220)	(377,112)
		<u>10,885,284</u>	<u>13,314,906</u>
 Discontinued operation			
Cash and bank balances	14	<u>210,696</u>	<u>257,038</u>
		<u>11,095,980</u>	<u>13,571,944</u>

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
ASSETS			
Non-current asset			
Investments in subsidiary companies	7	<u>37,394,999</u>	<u>36,524,999</u>
Current assets			
Other receivables	11	5,008,724	8,724
Amounts owing by subsidiary companies	12	39,724,070	27,566,146
Tax recoverable		11,972	6,472
Cash and bank balances	13	<u>193,103</u>	<u>356,006</u>
		<u>44,937,869</u>	<u>27,937,348</u>
Total assets		<u>82,332,868</u>	<u>64,462,347</u>
EQUITY			
Share capital	15	47,157,846	46,000,000
Share premium	16	-	1,157,846
Treasury shares	17	(570,686)	(570,686)
Discount on shares	19	(13,340,000)	(13,340,000)
Warrant reserves	19	17,940,000	17,940,000
Retained earnings	21	<u>2,287,019</u>	<u>153,468</u>
Total equity		<u>53,474,179</u>	<u>51,340,628</u>
LIABILITIES			
Current liabilities			
Other payables	27	2,406,914	2,164,515
Amounts owing to subsidiary companies	12	<u>26,451,775</u>	<u>10,957,204</u>
Total liabilities		<u>28,858,689</u>	<u>13,121,719</u>
Total equity and liabilities		<u>82,332,868</u>	<u>64,462,347</u>

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
Revenue	28	5,000,000	4,800,000
General and administration expenses		<u>(858,513)</u>	<u>(1,103,359)</u>
Profit before tax	30	4,141,487	3,696,641
Taxation	32	<u>-</u>	<u>66,299</u>
Profit for the financial year, representing total comprehensive income for the financial year		<u>4,141,487</u>	<u>3,762,940</u>

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

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Non-distributable				Distributable		
	Note	Share capital RM	Share premium RM	Treasury shares RM	Discount on shares RM	Warrant reserves RM	Retained earnings RM	Total equity RM
At 1 January 2017		46,000,000	1,157,846	(570,686)	(13,340,000)	17,940,000	153,468	51,340,628
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	-	4,141,487	4,141,487
Transactions with owners:								
Dividends to owners of the Company	34	-	-	-	-	-	(2,007,936)	(2,007,936)
Transition to no-par value regime on 31 January 2017	15	1,157,846	(1,157,846)	-	-	-	-	-
At 31 December 2017		47,157,846	-	(570,686)	(13,340,000)	17,940,000	2,287,019	53,474,179

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	Note	Non-distributable				Distributable	Total equity RM
		Share capital RM	Share premium RM	Treasury shares RM	Discount on shares RM	Warrant reserves RM	
At 1 January 2016		46,000,000	1,157,846	(289,967)	(13,340,000)	17,940,000	51,509,199
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	-	3,762,940
Transactions with owners:							
Shares repurchased	17	-	-	(280,719)	-	-	(280,719)
Dividends to owners of the Company	34	-	-	-	-	-	(3,650,792)
At 31 December 2016		46,000,000	1,157,846	(570,686)	(13,340,000)	17,940,000	51,340,628

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax		4,141,487	3,696,641
Adjustments for:			
Dividend income		(5,000,000)	(4,800,000)
Impairment loss on amount owing by a subsidiary company		-	385,081
Operating loss before working capital changes		(858,513)	(718,278)
Change in working capital:			
Receivables		-	(1,378)
Payables		59,859	6,005
		59,859	4,627
Cash used in operations		(798,654)	(713,651)
Tax paid		(5,500)	(6,464)
Tax refund		-	189,304
Net cash used in operating activities		(804,154)	(530,811)
Cash flows from investing activities			
Dividends received		-	4,800,000
Acquisition of subsidiary companies	7(b)	(870,000)	-
Net cash (used in)/from investing activities		(870,000)	4,800,000
Cash flows from financing activities			
Advances from/(Advances to) subsidiary companies		3,336,647	(1,990,939)
Dividend paid	34	(1,825,396)	(1,825,396)
Purchase of treasury shares	17	-	(280,719)
Net cash from/(used in) financing activities		1,511,251	(4,097,054)
Net (decrease)/increase in cash and cash equivalents		(162,903)	172,135

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

	Note	2017 RM	2016 RM
Cash and cash equivalents at the beginning of the financial year		356,006	183,871
Cash and cash equivalents at the end of the financial year		193,103	356,006
Cash and cash equivalents at the end of the financial year comprises:			
Cash and bank balances	13	193,103	356,006

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

MUAR BAN LEE GROUP BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**

1. Corporate Information

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

The principal place of business of the Company is at JR52, Lot 1818, Jalan Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.

The registered office of the Company is located at 85, Lebuhr Muntri, 10200 Penang.

The principal activity of the Company is investment holding company. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The holding company is MBL Realty Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia. The controlling party of the Group is Dato' Chua Ah Ba @ Chua Eng Ka who is the controlling stakeholder of the holding company.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendment to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 - 2016 Cycle	Amendments to FRS 12

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****Adoption of new and amended standards (Cont'd)**

Adoption of above amendments to FRSs did not have any significant impact on the financial statements of the Group and the Company, except for the adoption of the Amendments to FRS 107 required additional disclosure of changes in liabilities arising from financing activities in Note 35.

Standards issued but not yet effective

The Group and the Company have not applied the following new FRSs, new interpretations and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4	Applying FRS 9 <i>Financial Instruments</i> with FRS 4 <i>Insurance Contracts</i>	1 January 2018 *
Annual Improvements to FRSs 2014 - 2016 Cycle:		
• Amendments to FRS 1		1 January 2018
• Amendments to FRS 128		1 January 2018
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in FRS 4, paragraph 20B, may chose to defer the application of FRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group's and the Company's financial statements for annual period beginning 1 January 2018 will be prepared in accordance with Malaysian Financial Reporting Standards issued by the MASB. As a result, the Group and the Company will not be adopting the above FRSs, interpretations and amendments.

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company consider that they are achieving their schedule milestone and expect to be in the position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

Certain subsidiary companies and associate of the Group which do not fall within the scope of Transition Entities have adopted the MFRS Framework. Accordingly, reconciliations have been performed for the different financial reporting frameworks. However, the difference did not have significant impact to these consolidated financial statements.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

The Directors expect the adoption of MFRS Framework will have no material impacts on the financial statements of the Group and the Company except as mentioned below:

(i) MFRS 141 *Agriculture*; and MFRS 141 *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141) (Effective upon the adoption of the MFRS Framework)

MFRS 141 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. It requires measurement of fair value less costs to sell, from initial recognition of biological assets up to the point of harvest.

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 *Property, Plant and Equipment* will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants remain in the scope of MFRS 141 and measured at fair value less costs to sell. However, the Group has yet to complete the quantification of the financial impact.

(ii) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (effective for annual period beginning on or after on 1 January 2018)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)****(ii) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (effective for annual period beginning on or after on 1 January 2018) (Cont'd)**

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that existed at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's consolidated financial statements as follows:

(i) Classification and measurement

Based on its assessment, the Group and the Company believe that the new classification requirements will have no material impact on the Group's and the Company's financial assets and financial liabilities.

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)**

New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

(ii) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (effective for annual period beginning on or after on 1 January 2018) (Cont'd)

(ii) Impairment

The Group and the Company have chosen to apply the simplified approach prescribed by MFRS 9, which requires a lifetime expected credit loss to be recognised from initial recognition of the trade and other receivables, including financial assets. Due to the strong creditworthiness of the Group's and of the Company's receivables, the Group and the Company believe that the new impairment model will not have any significant impact on the Group's and the Company's financial statements. However, the Group and the Company have yet to complete the quantification of the financial impact.

(iii) Hedge accounting

As the Group and the Company do not apply hedge accounting, applying the hedging requirements of MFRS 9 will not have a significant impact on the Group's and the Company's consolidated financial statements.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 9.

(iii) MFRS 15 *Revenue from Contracts with Customers* (effective for annual period beginning on or after on 1 January 2018)

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

(iii) MFRS 15 Revenue from Contracts with Customers (effective for annual period beginning on or after on 1 January 2018) (Cont'd)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

- (1) Identify the contracts with a customer;
- (2) Identify the performance obligation in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract;
- (5) Recognise revenue when the entity satisfies a performance obligation.

The Group and the Company intend to adopt the standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on its consolidated financial statements. However, the Group and the Company have yet to complete the quantification of the financial impact.

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)****(iv) MFRS 16 Leases (effective for annual period beginning on or after on 1 January 2019)**

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company do not expect the application of MFRS 16 to have a significant impact on its consolidated financial statements.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Control over Palm Ocean Engineering Sdn. Bhd. and MBL Biotech Sdn. Bhd.

Note 7 describes that Palm Ocean Engineering Sdn. Bhd. and MBL Biotech Sdn. Bhd. are subsidiary companies of the Group even though the Group owns less than half of the ownership interest in these entities and less than half of their voting power. The Group control Palm Ocean Engineering Sdn. Bhd. and MBL Biotech Sdn. Bhd. by virtue of an agreement with its other shareholders.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives of property, plant and equipment and investment property

The Group regularly review the estimated useful lives of property, plant and equipment and investment property based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment property would increase the recorded depreciation and decrease the value of property, plant and equipment and investment property. The carrying amount at the reporting date for property, plant and equipment and investment property are disclosed in Notes 4 and 5 respectively.

2. Basis of Preparation (Cont'd)**(c) Significant accounting judgements, estimates and assumptions (Cont'd)****Key sources of estimation uncertainty (Cont'd)**Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development costs is disclosed in Note 6 to the financial statements.

This amount includes significant investment in the development of a tree pulverizer machine. Prior to being marketed, the Group will make necessary improvements on the machine to ensure that machine will run in a sound condition.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences 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 profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 24 to the financial statements.

Construction contracts

The Group recognises construction contracts revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on experience and by relying on the work of specialists. The details of construction contracts are disclosed in Note 25 to the financial statements.

2. Basis of Preparation (Cont'd)

- (c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

3. Significant Accounting Policies

The Group and the Company apply the significant policies set put below, consistently throughout all periods presented in the financial statements unless otherwise stated.

- (a) Basis of consolidation
- (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

3. Significant Accounting Policies

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

(b) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

3. Significant Accounting Policies (Cont'd)

(b) Investments in associates (Cont'd)

An associate is accounted for either at cost or equity method as described in FRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of either cost or equity method, the Group applies FRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are either stated at cost less accumulated impairment losses or equity method. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(o)(i) to the financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)**(d) Property, plant and equipment (Cont'd)****(i) Recognition and measurement (Cont'd)**

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of property is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of property are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Capital work-in-progress consists of building under construction. The amount is stated at cost.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

3. Significant Accounting Policies (Cont'd)**(d) Property, plant and equipment (Cont'd)****(iii) Depreciation (Cont'd)**

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land and buildings	Over the remaining lease period
Buildings	2% - 5%
Plant and machinery	6% - 12%
Furniture, fittings and office equipment	5% - 25%
Motor vehicles	12% - 25%

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

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of the lease. The arrangement is, or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee**(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

3. Significant Accounting Policies (Cont'd)**(e) Leases (Cont'd)**As lessee (Cont'd)**(ii) Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using cost model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Freehold land is not depreciated. Freehold building is depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are 2%.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

3. Significant Accounting Policies (Cont'd)

(f) Investment properties (Cont'd)

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(g) Intangible assets

(i) Internally-generated intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Significant Accounting Policies (Cont'd)

(g) Intangible assets (Cont'd)

(ii) Licensing fee

Licensing fee with finite useful lives is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 50 years. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(h) Biological assets

New planting and replanting expenditure incurred on land clearing, development and upkeep of immature oil palms during the pre-maturity period (pre-cropping costs) is capitalised under biological assets and is not amortised. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss and the capitalised pre-cropping cost is amortised on a straight line basis over 20 years.

All replanting expenditure is also capitalised in biological assets and amortised on the above-mentioned basis.

(i) Financial assets

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

3. Significant Accounting Policies (Cont'd)

(i) Financial assets (Cont'd)

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

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or losses that had been recognised in other comprehensive income as accumulated in equity is recognised in profit or loss.

(j) Financial liabilities

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

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

3. Significant Accounting Policies (Cont'd)

(j) Financial liabilities (Cont'd)

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities measured at amortised cost

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

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

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

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

3. Significant Accounting Policies (Cont'd)

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads are stated on a weighted average basis (which approximates average actual cost).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

3. Significant Accounting Policies (Cont'd)

(m) Construction contracts (Cont'd)

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the reporting period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts owing by contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts owing to contract customers.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(o) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3. Significant Accounting Policies (Cont'd)**(o) Impairment of assets (Cont'd)****(i) Non-financial assets (Cont'd)**

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies and associate 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.

3. Significant Accounting Policies (Cont'd)

(o) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset 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 reversal is recognised in profit or loss.

(p) Share capital

(i) Ordinary shares

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. Significant Accounting Policies (Cont'd)**(p) Share capital (Cont'd)****(ii) Treasury shares**

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(q) Employee benefits**(i) Short term employee benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3. Significant Accounting Policies (Cont'd)**(r) Revenue****(i) Sale of goods**

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Project income

Revenue on project income is recognised to the extent of the project work is completed. The incomplete portion of the project income that has been invoiced to customer is treated as deferred revenue.

(iii) Construction contracts

Revenue from construction contracts is accounted in accordance to the accounting policies as described in Note 3(m) to the financial statements.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. Significant Accounting Policies (Cont'd)

(s) Borrowing costs (Cont'd)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(t) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which 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 be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. Significant Accounting Policies (Cont'd)

(t) Income taxes (Cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivable from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(v) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(x) Disposal groups held for sale and discontinued operation

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3. Significant Accounting Policies (Cont'd)

(x) Disposal groups held for sale and discontinued operation (Cont'd)

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

4. Property, Plant and Equipment

	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Group							
2017							
Cost/Valuation							
At 1 January 2017	12,491,416	1,200,000	11,803,722	15,972,549	2,396,796	6,575,031	50,439,514
Additions	2,100,626	-	833,522	3,513,054	364,176	2,400,269	9,211,647
Disposals and written off	-	-	-	(311,289)	(7,600)	(1,950,062)	(2,268,951)
Reclassification	-	-	-	(451,215)	(316,300)	767,515	-
Foreign currency translation differences	(89,401)	-	(146,119)	(935,338)	(60,205)	(7,583)	(1,238,646)
At 31 December 2017	14,502,641	1,200,000	12,491,125	17,787,761	2,376,867	7,785,170	56,143,564
Representing:							
At cost	-	-	-	17,787,761	2,376,867	7,785,170	27,949,798
At valuation	14,502,641	1,200,000	12,491,125	-	-	-	28,193,766
At 31 December 2017	14,502,641	1,200,000	12,491,125	17,787,761	2,376,867	7,785,170	56,143,564

4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Group 2017							
Accumulated depreciation							
At 1 January 2017	-	-	407,402	7,029,309	1,546,763	5,274,520	14,257,994
Charge for the financial year	-	30,444	253,373	1,599,425	186,466	958,430	3,028,138
Disposals and written off	-	-	-	(311,289)	(7,600)	(1,931,960)	(2,250,849)
Reclassification	-	-	-	(72,480)	(89,454)	161,934	-
Foreign currency translation differences	-	-	(43,049)	(269,707)	(27,440)	(8,899)	(349,095)
At 31 December 2017	-	30,444	617,726	7,975,258	1,608,735	4,454,025	14,686,188
Accumulated impairment loss							
At 1 January 2017/							
At 31 December 2017	33,144	-	-	-	-	-	33,144
Total accumulated depreciation and impairment loss	33,144	30,444	617,726	7,975,258	1,608,735	4,454,025	14,719,332
Carrying amount							
At cost	-	-	-	9,812,503	768,132	3,331,145	13,911,780
At valuation	14,469,497	1,169,556	11,873,399	-	-	-	27,512,452
At 31 December 2017	14,469,497	1,169,556	11,873,399	9,812,503	768,132	3,331,145	41,424,232

4. Property, Plant and Equipment (Cont'd)

Group	Freehold	Long term			Furniture,		Capital	
2016	land	leasehold	Buildings	Plant and	fittings and	Motor	work-in-	Total
Cost/Valuation	RM	land	RM	machinery	office	vehicles	progress	RM
		RM		RM	equipment	RM	RM	RM
At 1 January 2016	10,801,823	980,000	8,575,798	12,353,885	2,111,508	6,112,021	1,425,000	42,360,035
Additions	-	-	383,061	3,970,480	255,022	917,690	-	5,526,253
Increase resulting from revaluation	1,643,475	330,321	2,602,679	-	-	-	-	4,576,475
Disposals	-	-	-	(772,295)	-	(454,680)	-	(1,226,975)
Elimination of accumulated depreciation on revaluation	-	(110,321)	(1,232,679)	-	-	-	-	(1,343,000)
Reclassification	-	-	1,425,000	-	-	-	(1,425,000)	-
Foreign currency translation differences	46,118	-	49,863	420,479	30,266	-	-	546,726
At 31 December 2016	12,491,416	1,200,000	11,803,722	15,972,549	2,396,796	6,575,031	-	50,439,514
Representing:								
At cost	-	-	-	15,972,549	2,396,796	6,575,031	-	24,944,376
At valuation	12,491,416	1,200,000	11,803,722	-	-	-	-	25,495,138
At 31 December 2016	12,491,416	1,200,000	11,803,722	15,972,549	2,396,796	6,575,031	-	50,439,514

4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Group 2016								
Accumulated depreciation								
At 1 January 2016	-	88,256	1,418,717	5,925,569	1,352,721	5,132,913	-	13,918,176
Charge for the financial year	-	22,065	199,481	1,261,948	180,539	596,286	-	2,260,319
Disposals	-	-	-	(267,820)	-	(454,679)	-	(722,499)
Elimination of accumulated depreciation on revaluation	-	(110,321)	(1,232,679)	-	-	-	-	(1,343,000)
Foreign currency translation differences	-	-	21,883	109,612	13,503	-	-	144,998
At 31 December 2016	-	-	407,402	7,029,309	1,546,763	5,274,520	-	14,257,994
Accumulated impairment loss								
At 1 January 2016	410,000	-	70,938	-	-	-	-	480,938
Impairment loss recognised	33,144	-	-	-	-	-	-	33,144
Reversal of impairment loss	(410,000)	-	(70,938)	-	-	-	-	(480,938)
At 31 December 2016	33,144	-	-	-	-	-	-	33,144
Total accumulated depreciation and impairment loss	33,144	-	407,402	7,029,309	1,546,763	5,274,520	-	14,291,138
Carrying amount								
At cost	-	-	-	8,943,240	850,033	1,300,511	-	11,093,784
At valuation	12,458,272	1,200,000	11,396,320	-	-	-	-	25,054,592
At 31 December 2016	12,458,272	1,200,000	11,396,320	8,943,240	850,033	1,300,511	-	36,148,376

4. Property, Plant and Equipment (Cont'd)**(a) Assets pledged as securities to financial institutions**

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 23 are:

	Group	
	2017	2016
	RM	RM
Freehold land	11,484,045	9,450,000
Leasehold land	1,169,556	1,200,000
Buildings	9,944,035	10,028,599
	<u>22,597,636</u>	<u>20,678,599</u>

(b) Assets held under finance leases

At 31 December 2017, the carrying amount of leased motor vehicles of the Group was RM2,511,241 (2016: RM1,053,750).

Leased assets are pledged as security for the related finance lease liabilities.

(c) Revaluation of land and buildings

In the previous financial year, land and buildings of a subsidiary company were revalued on 31 December 2016 by Messrs. Kuljeet Singh, an independent professional valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. A slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

4. Property, Plant and Equipment (Cont'd)**(c) Revaluation of land and buildings (Cont'd)**

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment loss, their carrying amount would have been as follows:

	Freehold land RM	Leasehold land RM	Buildings RM
Group 2017			
Carrying amount	<u>8,483,136</u>	<u>228,304</u>	<u>7,425,136</u>
2016			
Carrying amount	<u>8,483,136</u>	<u>236,177</u>	<u>7,492,007</u>

(d) Leasehold land

The remaining lease term of the leasehold land is 39 years (2016: 40 years).

(e) Acquisition of property, plant and equipment

The aggregate cost for the property, plant and equipment of the Group during the financial year under finance lease and cash payment are as follows:

	Group	
	2017 RM	2016 RM
Aggregate costs		
- continuing operations	9,211,647	5,526,253
- discontinued operation	153,000	-
Less: Finance lease financing	<u>(1,055,000)</u>	<u>(417,000)</u>
Cash payments	<u>8,309,647</u>	<u>5,109,253</u>

5. Investment Properties

Group	Freehold	Building	Total
2017	land	RM	RM
Valuation	RM	RM	RM
At 1 January/31 December	400,000	250,000	650,000
Accumulated depreciation			
At 1 January 2017	-	-	-
Charge for the financial year	-	5,000	5,000
At 31 December 2017	-	5,000	5,000
Carrying amount			
At 31 December 2017	400,000	245,000	645,000
Fair value of investment properties	614,420	376,580	991,000
2016			
Valuation			
At 1 January 2016	169,000	165,000	334,000
Increase resulting from revaluation	231,000	101,500	332,500
Elimination of accumulated depreciation on revaluation	-	(16,500)	(16,500)
At 31 December 2016	400,000	250,000	650,000
Accumulated depreciation			
At 1 January 2016	-	14,380	14,380
Charge for the financial year	-	2,120	2,120
Elimination of accumulated depreciation on revaluation	-	(16,500)	(16,500)
At 31 December 2016	-	-	-
Carrying amount			
At 31 December 2016	400,000	250,000	650,000
Fair value of investment properties	400,000	250,000	650,000

Investment properties comprise of a freehold land and building that are leased to third party. Leases contains a cancellable period ranging from 1 to 3 years. Subsequent renewals are negotiated with the lessee on an average renewal period of 1 to 3 years. No contingent rents are charged.

5. Investment Properties (Cont'd)

In the previous financial year, the Group's investment properties was revalued on 31 December 2016 by Messrs. Kuljeet Singh, an independent professional valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. A slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2017	2016
	RM	RM
Rental income	31,520	28,200
Direct operating expenses	<u>1,158</u>	<u>1,158</u>

6. Intangible Assets

	Goodwill	Licensing	Development	Total
	RM	fees	costs	RM
		RM	RM	RM
Group				
2017				
Cost				
At 1 January	2,018,754	872,104	819,036	3,709,894
Addition through business combination	<u>195,431</u>	<u>-</u>	<u>-</u>	<u>195,431</u>
At 31 December	<u>2,214,185</u>	<u>872,104</u>	<u>819,036</u>	<u>3,905,325</u>
Accumulated impairment loss				
At 1 January/31 December	<u>18,756</u>	<u>325,000</u>	<u>105,071</u>	<u>448,827</u>
Carrying amount				
At 31 December 2017	<u>2,195,429</u>	<u>547,104</u>	<u>713,965</u>	<u>3,456,498</u>

6. Intangible Assets (Cont'd)

	Goodwill	Licensing	Development	Total
	RM	fees	costs	RM
		RM	RM	
Group				
2016				
Cost				
At 1 January/31 December	<u>2,018,754</u>	<u>872,104</u>	<u>819,036</u>	<u>3,709,894</u>
Accumulated impairment				
loss				
At 1 January/31 December	<u>18,756</u>	<u>325,000</u>	<u>105,071</u>	<u>448,827</u>
Carrying amount				
At 31 December 2016	<u>1,999,998</u>	<u>547,104</u>	<u>713,965</u>	<u>3,261,067</u>

(a) Description of material intangible assets

Licensing fees are related to wood logging at Kelantan, Malaysia. The rights of wood logging are covered approximately 404 hectare and the estimated useful life is 50 years.

The development costs related to the development of tree pulverizer machine project.

(b) Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest CGU level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- (i) Cash flows were projected based on actual operating results and a three-year business plan.
- (ii) Revenue was projected at anticipated annual revenue growth of approximately between 30% and 31% for the years 2018 to 2020.
- (iii) Expenses were projected at annual increase of approximately between 26% and 28% for the years 2018 to 2020.
- (iv) A pre-tax discount rate of 8% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

6. Intangible Assets (Cont'd)**(b) Impairment testing for cash-generating units ("CGU") containing goodwill (Cont'd)**

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

With regards to the assessments of value-in-use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

7. Investments in Subsidiary Companies

	Company	
	2017	2016
	RM	RM
In Malaysia		
Unquoted shares, at cost	37,394,999	36,524,999

Details of the subsidiary companies are as follows:

Name of Company	Country of incorporation	Effective interest (%)		Principal activities
		2017	2016	
Muar Ban Lee Engineering Sdn. Bhd.	Malaysia	100.00	100.00	Manufacturer of oil seed expeller and related parts and engage in construction of biogas plant
Muar Ban Lee Technology Sdn. Bhd.	Malaysia	100.00	100.00	Manufacturer of automated kernel crushing plants and related parts
Palm Ocean Engineering Sdn. Bhd. *	Malaysia	50.00	50.00	Involved in renewable energy, palm oil mill effluent waste treatment and empty fruit bunch composting and related activities
MBL Biotech Sdn. Bhd. *	Malaysia	30.00	30.00	Dormant
MBL Waste Processing Technology Sdn. Bhd.	Malaysia	95.00	95.00	Investment holding

7. Investments in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of Company	Country of incorporation	Effective interest (%)		Principal activities
		2017	2016	
MBL Plantation Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Muar Ban Lee Machinery Sdn. Bhd. (Formerly known as Wajah Pertiwi Sdn. Bhd.)	Malaysia	95.00	-	Manufacturer of automated processing machinery and equipment and related parts and components for palm oil industry
Held through MBL Plantation Sdn. Bhd.				
SPA Hidayah Enterprise Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
Sokor Gemilang Ladang Sdn. Bhd.	Malaysia	100.00	100.00	Cultivation of palm oil plantation
Held through MBL Waste Processing Technology Sdn. Bhd.				
POME Treatment Technology Sdn. Bhd. **	Malaysia	52.25	52.25	Design, fabricate, supply and installation of machinery and ancillary equipment for waste management and energy generation for palm oil mill and other industries
Held through Muar Ban Lee Engineering Sdn. Bhd.				
PT. Serdang Jaya Perdana ^	Indonesia	51.00	51.00	Engaged in the business of palm kernel crushing plant where crude palm kernel oil is extracted from palm kernel

7. Investments in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

^ Subsidiary company not audited by UHY.

* Currently the Company exercise full control over Palm Ocean Engineering Sdn. Bhd. ("POE") and MBL Biotech Sdn. Bhd. ("MBLB"). As such, POE and MBLB are recognised as the subsidiary companies of the Company even though the Company's equity interest in these respective subsidiary companies is less than or equal to 50%.

** The total effective equity interest held by the Group is 52.25%, of which 55% is held through MBL Waste Processing Technology Sdn. Bhd..

(a) Material partly-owned subsidiary company

Set out below are the Group's subsidiary company that has material non-controlling interests:

Name of Company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017	2016	2017	2016
	%	%	RM	RM	RM	RM
PT. Serdang Jaya Perdana	49	49	<u>449,643</u>	<u>2,098,176</u>	6,503,019	6,053,376
Individually immaterial subsidiaries with non-controlling interests					<u>78,288</u>	<u>76,577</u>
Total non-controlling interests					<u>6,581,307</u>	<u>6,129,953</u>

Summarised financial information for subsidiary company that has non-controlling interests that is material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

7. Investments in Subsidiary Companies (Cont'd)**(a) Material partly-owned subsidiary company (Cont'd)****(i) Summarised statement of financial position**

	2017	2016
	RM	RM
Non-current assets	8,001,243	7,718,056
Current assets	8,637,352	11,034,538
Non-current liabilities	-	(160,129)
Current liabilities	<u>(703,967)</u>	<u>(3,575,475)</u>
Net assets	<u>15,934,628</u>	<u>15,016,990</u>

(ii) Summarised statement of profit or loss and other comprehensive income

	2017	2016
	RM	RM
Revenue	80,204,433	71,784,650
Net profit for the financial year	2,674,685	3,500,632
Other comprehensive (loss)/income for the financial year	(1,757,047)	781,359
Total comprehensive income for the financial year	<u>917,638</u>	<u>4,281,991</u>

(iii) Summarised statement of cash flows

	2017	2016
	RM	RM
Net cash from operating activities	2,590,202	7,054,970
Net cash used in investing activities	(2,257,472)	(3,450,867)
Net cash used in financing activities	<u>(583,948)</u>	<u>(2,558,724)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(251,218)</u>	<u>1,045,379</u>
Dividend paid to non-controlling interests	<u>-</u>	<u>(2,558,724)</u>

7. Investments in Subsidiary Companies (Cont'd)**(b) Acquisition of subsidiary company**

On 4 April 2017, MBL Plantation Sdn. Bhd. ("MBLP"), a wholly-owned subsidiary company of the Company increased its issued and paid-up share capital from RM100,000 to RM400,000 by allotment of 300,000 ordinary shares of RM1.00 each. The Company subscribed for the additional 300,000 ordinary shares of RM1.00 each for a total cash consideration of RM300,000.

On 5 July 2017, SPA Hidayah Enterprise Sdn. Bhd. ("SPA"), a wholly-owned subsidiary company of MBLP increased its issued and paid-up share capital from RM2 to RM199,998 by allotment of 199,998 ordinary shares of RM1.00 each. MBLP had subscribed for the additional 199,998 ordinary shares of RM1.00 for a total cash consideration of RM199,998.

On 30 August 2017, the Company acquired 380,000 new ordinary shares in Muar Ban Lee Machinery Sdn. Bhd. ("MBLM") (Formerly known as Wajah Pertiwi Sdn. Bhd.) for a total consideration of RM570,000 represented 95% equity interest in MBLM. The acquisition was deemed to be completed by 11 October 2017 and as a result, MBLM becomes a partly owned subsidiary of the Company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

(i) Fair value of identifiable assets acquired and liabilities assumed

	MBLM RM
Cash and cash equivalents	404,993
Other payables	(10,710)
Non-controlling interests	(19,714)
Total identifiable assets and liabilities	<u>374,569</u>

(ii) Net cash outflows arising from acquisition of subsidiary company

	MBLM RM
Purchase consideration settled in cash	(570,000)
Cash and cash equivalents acquired	404,993
Net cash outflows on acquisition of subsidiary	<u>(165,007)</u>

7. Investments in Subsidiary Companies (Cont'd)

(b) Acquisition of subsidiary company (Cont'd)

(iii) Goodwill arising from business combination

	MBLM RM
Fair value of consideration transferred	570,000
Fair value of identifiable assets acquired and liabilities assumed	<u>(374,569)</u>
Goodwill	<u>195,431</u>

Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

The effect of acquisition of subsidiary company did not have any material effect on the financial results and position of the Group.

There was no acquisition in the previous financial year.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

8. Investment in an Associate Company

	Group	
	2017 RM	2016 RM
At cost		
Unquoted shares outside Malaysia	3,931,290	3,931,290
Share of post-acquisition reserve	<u>725,372</u>	<u>342,962</u>
Balance at end of financial year	<u>4,656,662</u>	<u>4,274,252</u>

8. Investment in an Associate Company (Cont'd)

Details of the associate company are as follows:

Name of Company	Country of incorporation	Effective interest (%)		Principal activity
		2017	2016	
PT. Banyuasin Nusantara Sejahtera *	Indonesia	33%	33%	Engaged in the business of palm kernel crushing plant where crude palm kernal oil is extracted from palm kernel

* Associate not audited by UHY.

Acquisition of an associate company

In the previous financial year, on 24 October 2016, Muar Ban Lee Engineering Sdn. Bhd. ("MBLE"), a wholly-owned subsidiary of the Company had subscribed a newly addition allotment of IDR12,540,000,000 (which is equivalent to RM3,931,290) paid up share capital in PT. Banyuasin Nusantara Sejahtera ("BNS") at par value. The new subscription of share capital is presented 33% shareholding of total issued and paid up share capital of BNS. BNS is become an associate company of MBLE.

The Group's associate is not material individually to the financial position, financial performance and cash flows of the Group.

Aggregate information of associates that are individually immaterial:

	2017	2016
	RM	RM
The Group's share of profit from continuing operation	382,410	342,962
The Group's share of total comprehensive income	382,410	342,962
Carrying amount of the Group's interests in this associate	382,410	342,962

9. Inventories

	Group	
	2017	2016
	RM	RM
At cost:		
Raw materials	10,517,573	16,689,987
Work-in progress	20,091,416	19,625,675
Finished goods	161,298	-
	30,770,287	36,315,662
Recognised in profit or loss:		
Inventories recognised as cost of sales	136,779,714	141,978,763

10. Trade Receivables

	Group	
	2017	2016
	RM	RM
Trade receivables		
- Third parties	28,583,440	23,100,528
- Amount owing by an associate	1,146,171	1,966,408
	29,729,611	25,066,936

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	20,128,204	17,247,517
Past due less than 3 months but not impaired	6,400,494	4,770,669
Past due more than 3 months but not impaired	3,200,913	3,048,750
Total past due but not impaired	9,601,407	7,819,419
	29,729,611	25,066,936

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

10. Trade Receivables (Cont'd)

As at 31 December 2017, trade receivables of RM9,601,407 (2016: RM7,819,419) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

11. Other Receivables

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Amount owing by an associate	1,521,777	1,665,000	-	-
Other receivables	2,267,436	2,124,328	5,724	5,724
Sundry deposits	2,732,124	467,294	3,000	3,000
Prepayments	4,414,340	4,169,955	-	-
Dividend receivables	-	-	5,000,000	-
	<u>10,935,677</u>	<u>8,426,577</u>	<u>5,008,724</u>	<u>8,724</u>

Amount owing by an associate with non-interest bearing are unsecured and repayable on demand.

Included in prepayments of the Group is an amount of RM3,039,904 (2016: RM51,708) being amount paid to suppliers for purchase of raw materials that are yet to received.

12. Amounts Owing by/(to) Subsidiary Companies

	Company	
	2017	2016
	RM	RM
Amount owing by subsidiary companies		
<u>Non-trade related</u>		
Non-interest bearing	40,109,151	27,951,227
Less: Accumulated impairment losses	<u>(385,081)</u>	<u>(385,081)</u>
	<u>39,724,070</u>	<u>27,566,146</u>
Amount owing to subsidiary companies		
<u>Non-trade related</u>		
Non-interest bearing	<u>26,451,775</u>	<u>10,957,204</u>

12. Amounts Owning by/(to) Subsidiary Companies (Cont'd)

Movements in the allowance for impairment loss are as follows:

	Company	
	2017	2016
	RM	RM
At 1 January	385,081	-
Impairment losses recognised	-	385,081
At 31 December	<u>385,081</u>	<u>385,081</u>

Amount owing by/(to) subsidiary companies with non-interest bearing are unsecured and repayable on demand.

In the previous financial year, the Company had recognised an impairment loss of RM385,081 on an amount owing by a subsidiary company as the amount may not be recoverable.

13. Deposits, Bank and Cash Balances

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	10,885,402	13,314,906	193,103	356,006
Fixed deposits with licensed banks	<u>390,220</u>	<u>377,112</u>	<u>-</u>	<u>-</u>
	<u>11,275,622</u>	<u>13,692,018</u>	<u>193,103</u>	<u>356,006</u>

Fixed deposits with licensed banks of the Group amounting to RM390,220 (2016: RM377,112) are pledged as securities for bank guarantees facilities as disclosed in Note 36.

The fixed deposits with licensed banks of the Group earn effective interest at rates ranging from 2.8% to 3.0% (2016: 2.8% to 3.2%) per annum.

Deposits of the Group have a maturity period of 12 months (2016: 1 to 12 months).

14. Disposal Group Held For Sale and Discontinued Operation

In the previous financial years, the Company announced the decision to discontinue and dispose of its subsidiary company, Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB"), comprising its entire plantation division.

Accordingly, the assets and liabilities of SGLSB have been presented on the consolidated statement of financial position as a disposal group held for sale and results from this subsidiary company is presented separately on the consolidated statement of profit or loss and other comprehensive income as discontinued operation.

The disposal of the subsidiary company is due to be completed on financial year 2018. As at 31 December 2017, final negotiations for the sale were in progress.

Consolidated Statement of Financial Position

The major classes of assets and liabilities of Sokor Gemilang Ladang Sdn. Bhd. classified as held for sale as at the end of financial years are as follows:

	Group	
	2017	2016
	RM	RM
Assets		
Land use right	24,800,000	24,800,000
Biological assets	1,382,592	1,310,354
Property, plant and equipment	807,153	654,153
Trade receivables	76,763	32,023
Cash and bank balances	210,696	257,038
Assets included in disposal group classified as held for sale	<u>27,277,204</u>	<u>27,053,568</u>
Liabilities		
Trade payables	225	48,272
Other payables	103,909	58,098
Finance lease liabilities	54,839	79,839
Liabilities included in disposal group classified as held for sale	<u>158,973</u>	<u>186,209</u>
Net assets directly associated with disposal group classified as held for sale	<u>27,118,231</u>	<u>26,867,359</u>

14. Disposal Group Held For Sale and Discontinued Operation (Cont'd)**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

The results of Sokor Gemilang Ladang Sdn. Bhd. are as follows:

	Group	
	2017	2016
	RM	RM
Revenue	686,779	727,727
Cost of sales	<u>(355,069)</u>	<u>(309,139)</u>
Gross profit	331,710	418,588
Distribution and administrative expenses	(636,175)	(650,246)
Finance cost	<u>(4,100)</u>	<u>(5,713)</u>
Loss before tax	<u>(308,565)</u>	<u>(237,371)</u>
Taxation	<u>-</u>	<u>-</u>
Loss from discontinued operation, net of tax	<u><u>(308,565)</u></u>	<u><u>(237,371)</u></u>

The loss from discontinued operation is attributable entirely to the owners of the Company.

Included in arriving loss before tax of the discontinued operation are as follows:

	Group	
	2017	2016
	RM	RM
Auditors' remuneration	13,000	12,000
Staff costs	<u>203,363</u>	<u>398,064</u>

Consolidated Statement of Cash Flows

Cash flows attributable to Sokor Gemilang Ladang Sdn. Bhd. are as follows:

	Group	
	2017	2016
	RM	RM
Net cash used in operating activities	(355,541)	(157,792)
Net cash from/(used in) investing activities	334,199	(114,480)
Net cash (used in)/from financing activities	<u>(25,000)</u>	<u>292,993</u>
Effect on cash flows	<u><u>(46,342)</u></u>	<u><u>20,721</u></u>

15. Share Capital

	Group and Company	
	2017	2016
	RM	RM
Authorised:		
Ordinary shares of RM1.00 each	-	100,000,000

	Group and Company			
	Number of ordinary shares		Amount	
	2017	2016	2017	2016
	Units	Units	RM	RM
Issued and fully paid:				
At 1 January	92,000,000	92,000,000	46,000,000	46,000,000
Transition to no-par value regime on 31 January 2017				
- Share premium	-	-	1,157,846	-
At 31 December	92,000,000	92,000,000	47,157,846	46,000,000

The new Companies Act 2016 (the “Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company’s share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets. In respect of the Company’s treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

16. Share Premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act 2016 (the “Act”), on 31 January 2017, the amounts standing to the credit of the share premium account becomes part of the Company’s share capital (Note 15). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,157,846 for purposes as set out in Sections 618(3) of the Act.

17. Treasury Shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 30 May 2017, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

Group and Company

	2017		2016	
	Number of ordinary shares Units	Amount RM	Number of ordinary shares Units	Amount RM
At 1 January	730,200	570,686	385,800	289,967
Own shares acquired	-	-	344,400	280,719
At 31 December	<u>730,200</u>	<u>570,686</u>	<u>730,200</u>	<u>570,686</u>

In the previous financial year, the Company repurchased 344,400 units of its issued share capital from the open market at an average price of RM0.82 per share including transaction costs. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

18. Revaluation Reserve

The revaluation reserve represents increase in the fair value of land and buildings, net of tax, and decrease to the extent that such decrease relate to an increase on the same asset previously recognised in other comprehensive income.

19. Warrant Reserves

On 3 December 2012, the Group and the Company issued a Renounceable Rights Issue of 46,000,000 warrants in the Group and the Company on the basis of 1 warrant for every 2 existing shares of the Group and of the Company at an issue price of RM0.10 per warrant.

The warrant reserves represent the fair value of the warrants on the issue date of RM0.39 based on the Black-Scholes Model. The discount on shares represents the fair value of the warrants less the proceeds received from the issuance of the said warrants.

Each warrant entitles the registered holder of warrant to subscribe for one new ordinary share in the Company at any time on or after 3 December 2012 up to the date of expiry on 28 November 2022, at an exercise price of RM0.80 per share.

During the financial year, no Warrants were exercised. The outstanding number of warrants as at 31 December 2017 was 46,000,000 (2016: 46,000,000).

19. Warrant Reserves (Cont'd)**Other Reserve**

This represents fair value allocated to the detachable warrants issued in conjunction with right issue.

20. Foreign Currency Translation Reserve

The foreign currency translation reserve represents 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.

21. Retained Earnings

The entire retained earnings of the Group and of the Company are available for distribution as single-tier dividends.

22. Finance Lease Liabilities

	Group	
	2017	2016
	RM	RM
Minimum lease payments:		
Repayable within one year	440,352	245,636
Repayable within one to two years	382,487	139,512
Repayable within two to five years	418,198	108,896
	<u>1,241,037</u>	<u>494,044</u>
Less: Future finance charges	<u>(100,297)</u>	<u>(32,470)</u>
Present value of minimum lease payments	<u>1,140,740</u>	<u>461,574</u>
 Present value of minimum lease payments:		
Repayable within one year	391,251	227,153
Repayable within one to two years	353,785	129,931
Repayable within two to five years	395,704	104,490
	<u>1,140,740</u>	<u>461,574</u>
 Representing minimum lease payments:		
Current portion	391,251	227,153
Non-current portion	<u>749,489</u>	<u>234,421</u>
	<u>1,140,740</u>	<u>461,574</u>

22. Finance Lease Liabilities (Cont'd)

The finance lease liabilities bear effective interest at the rates ranging from 4.44% to 6.54% (2016: 4.44% to 6.54%) per annum.

The Group leases motor vehicles under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

23. Bank Borrowings

	Group	
	2017	2016
	RM	RM
Secured		
Term loans	13,198,266	12,614,384
Bank overdraft	118	-
Bankers acceptance	5,699,000	2,498,000
Revolving credits	-	4,121,778
	<u>18,897,384</u>	<u>19,234,162</u>
Non-current		
Term loans	<u>11,926,805</u>	<u>11,526,264</u>
Current		
Term loans	1,271,461	1,088,120
Bank overdraft	118	-
Bankers acceptance	5,699,000	2,498,000
Revolving credits	-	4,121,778
	<u>6,970,579</u>	<u>7,707,898</u>
Total bank borrowings	<u>18,897,384</u>	<u>19,234,162</u>

	Group	
	2017	2016
	RM	RM
Maturity of bank borrowings is as follows:		
Repayable within one year	6,970,579	7,707,898
Repayable within one to two years	1,340,681	1,145,334
Repayable within two to five years	3,193,865	3,038,836
Repayable more than five years	7,392,259	7,342,094
	<u>18,897,384</u>	<u>19,234,162</u>

23. Bank Borrowings (Cont'd)

The effective interest rates per annum at the end of the reporting period for the bank borrowings were as follows:

	Group	
	2017	2016
	%	%
Term loans	4.52 - 5.70	4.52 - 5.65
Bank overdraft	8.12	-
Bankers acceptance	4.53 - 4.82	4.48
Revolving credits	-	2.94 - 3.32

The term loans, bank overdraft, bankers acceptance and revolving credits are secured by the following:

- (i) Legal charge over the land and buildings of the Group as disclosed in Note 4 to the financial statements.
- (ii) Corporate guarantee by the Company and a subsidiary company.

24. Deferred Tax Liabilities

	Group	
	2017	2016
	RM	RM
At 1 January	2,215,000	1,311,000
Recognised in profit or loss		
- relating to origination and reversal of temporary difference	(581)	182,605
- relating to crystallisation of deferred tax liability on revaluation reserve	(22,762)	(4,876)
Relating to revaluation of land and buildings	-	822,003
Effect of changes of tax rate	-	63,268
Under/(Over) provision in prior years	206,103	(159,000)
At 31 December	<u>2,397,760</u>	<u>2,215,000</u>

24. Deferred Tax Liabilities (Cont'd)

The net deferred tax liabilities and assets shown on the consolidated statement of financial position after appropriate offsetting are as follows:

	Group	
	2017	2016
	RM	RM
Deferred tax liabilities	2,483,181	2,215,590
Deferred tax assets	(85,421)	(590)
	<u>2,397,760</u>	<u>2,215,000</u>

The components and movements of deferred tax liabilities and assets are as follows:

Group	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Deferred tax liabilities			
At 1 January 2016	978,067	332,933	1,311,000
Recognised in profit or loss	183,195	(4,876)	178,319
Revaluation of land and buildings	-	822,003	822,003
Effect of changes of tax rate	-	63,268	63,268
Over provision in prior years	(159,000)	-	(159,000)
At 31 December 2016	<u>1,002,262</u>	<u>1,213,328</u>	<u>2,215,590</u>
At 1 January 2017	1,002,262	1,213,328	2,215,590
Recognised in profit or loss	84,250	(22,762)	61,488
Under provision in prior years	206,103	-	206,103
At 31 December 2017	<u>1,292,615</u>	<u>1,190,566</u>	<u>2,483,181</u>

24. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:
(Cont'd)

	Unutilised capital allowances RM	Unutilised tax losses RM	Total RM
Deferred tax assets			
At 1 January 2016	-	-	-
Recognised in profit or loss	-	(590)	(590)
At 31 December 2016	-	(590)	(590)
At 1 January 2017	-	(590)	(590)
Recognised in profit or loss	(7,074)	(77,757)	(84,831)
At 31 December 2017	(7,074)	(78,347)	(85,421)

Deferred tax asset has not been recognised in respect of the following items:

	Group 2017 RM	2016 RM
Unutilised tax losses	208,514	196,373

Deferred tax asset has not been recognised in respect of this item as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

25. Amount Owing to Contract Customers

	Group 2017 RM	2016 RM
Contract costs incurred to date	15,424,606	11,418,789
Attributable profits	1,184,357	1,151,518
	16,608,963	12,570,307
Less: Progress billings	(16,608,963)	(14,614,264)
	-	(2,043,957)
Presented as:		
Amount owing to contract customers	-	2,043,957

26. Trade Payables

Credit terms of trade payables of the Group ranged from 30 to 90 days (2016: 30 to 90 days) depending on the terms of the contracts.

27. Other Payables

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	425,666	760,659	-	-
Deposits received				
- associate	15,431	-	-	-
- third parties	9,077,483	6,246,730	-	-
Accruals	2,664,605	2,642,909	398,978	339,119
Amount owing to Directors	22,428	-	-	-
Dividend payable	2,007,936	1,825,396	2,007,936	1,825,396
	<u>14,213,549</u>	<u>11,475,694</u>	<u>2,406,914</u>	<u>2,164,515</u>

Included in the deposits of the Group is an amount of RM8,669,695 (2016: RM5,730,736) being deposits received for securing sales contract.

Amount owing to Directors with non-interest bearing are unsecured and repayable on demand.

28. Revenue

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Sale of goods	183,607,519	179,832,896	-	-
Dividend income from subsidiary companies	-	-	5,000,000	4,800,000
	<u>183,607,519</u>	<u>179,832,896</u>	<u>5,000,000</u>	<u>4,800,000</u>

29. Finance Costs

	Group	
	2017	2016
	RM	RM
Continuing operations		
Interest expenses on:		
- Bank overdraft	26,414	44,002
- Bankers acceptance	270,732	90,339
- Finance lease liabilities	46,150	20,563
- Term loans	588,078	650,577
- Revolving credits	81,555	132,729
	1,012,929	938,210

30. Profit Before Tax

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Auditors' remuneration				
- statutory audits	105,580	87,000	27,000	25,000
- non-audit services	5,000	5,000	5,000	5,000
Depreciation of investment properties	5,000	2,120	-	-
Depreciation of property, plant and equipment	3,028,138	2,260,319	-	-
Foreign exchange gain				
- realised	(615,807)	(1,335,395)	-	-
- unrealised	(47,168)	(223,293)	-	-
Gain on disposal of property, plant and equipment	(486,615)	(205,084)	-	-
Impairment loss on property, plant and equipment	-	33,144	-	-
Impairment loss on amount owing by a subsidiary company	-	-	-	385,081
Interest income	(139,629)	(102,452)	-	-

30. Profit Before Tax (Cont'd)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-executive Directors' remunerations				
- fees	120,000	108,000	120,000	108,000
- other emoluments	6,000	6,000	6,000	6,000
Rental expenses	473,872	232,562	-	-
Rental income	(31,520)	(28,200)	-	-
Research and development costs	95,389	59,925	-	-
Reversal of impairment lossess of property, plant and equipment	-	(480,938)	-	-
	<u>-</u>	<u>(480,938)</u>	<u>-</u>	<u>-</u>

31. Staff Costs

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Salaries, wages and other emoluments	14,741,109	13,349,979	456,077	424,577
Social security contributions	58,398	50,313	-	-
Defined contribution plans	1,325,715	1,211,278	23,058	23,058
Other benefits	192,693	64,377	-	-
	<u>16,317,915</u>	<u>14,675,947</u>	<u>479,135</u>	<u>447,635</u>

31. Staff Costs (Cont'd)

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Executive Directors				
Fees	1,990,000	1,970,000	200,000	180,000
Salaries and other emoluments	2,324,097	2,311,788	130,077	130,577
Social security contributions	3,150	2,617	-	-
Bonus	1,416,672	1,416,672	-	-
Defined contribution plans	672,865	670,558	23,058	23,058
	<u>6,406,784</u>	<u>6,371,635</u>	<u>353,135</u>	<u>333,635</u>

32. Taxation

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Tax expenses recognised in profit or loss				
Continuing operations				
Current tax:				
Current year provision	4,701,639	2,663,387	-	-
Over provision in prior years	<u>(171,090)</u>	<u>(28,628)</u>	<u>-</u>	<u>(66,299)</u>
	<u>4,530,549</u>	<u>2,634,759</u>	<u>-</u>	<u>(66,299)</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(581)	182,605	-	-
Relating to crystallisation of deferred tax liability on revaluation reserve	(22,762)	(4,876)	-	-
Under/(Over) provision in prior years	<u>206,103</u>	<u>(159,000)</u>	<u>-</u>	<u>-</u>
	<u>182,760</u>	<u>18,729</u>	<u>-</u>	<u>-</u>
	<u>4,713,309</u>	<u>2,653,488</u>	<u>-</u>	<u>(66,299)</u>

32. Taxation (Cont'd)

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

Effective year of assessment 2017, tax rate for Malaysian resident Companies have been given a reduction in the income tax rate ranging from 0% to 4% on the incremental chargeable income compared to the immediate proceeding year of assessment, based on the percentage of increase in chargeable income.

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and of the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Profit before tax	15,827,330	16,471,848	4,141,487	3,696,641
At Malaysian statutory tax rate of 24% (2016: 24%)	3,798,559	3,953,244	993,957	887,194
Expenses not deductible for tax purposes	883,940	528,340	206,043	264,806
Income not subject to tax	(20,188)	(1,702,843)	(1,200,000)	(1,152,000)
Changes in tax rate	35,833	35,797	-	-
Relating to crystallisation of deferred tax liability on revaluation reserve	(22,762)	(4,876)	-	-
Deferred tax assets not recognised	2,914	31,454	-	-
Under/(Over) provision of deferred tax in prior years	206,103	(159,000)	-	-
Over provision of income tax in prior years	(171,090)	(28,628)	-	(66,299)
	<u>4,713,309</u>	<u>2,653,488</u>	<u>-</u>	<u>(66,299)</u>

A subsidiary company of the Company was accorded pioneer status under the Promotion of Investment Act 1986 and has been granted with 100% tax exemption on its statutory income for Automated Kernel Crushing Plant and Parts for ten (10) years commencing 21 November 2006 until 20 November 2016.

32. Taxation (Cont'd)

The Group has estimated unutilised capital allowances and unutilised tax losses carried forward, available to off-set against future taxable profits as follows:

	Group	
	2017	2016
	RM	RM
Unutilised capital allowances	29,474	-
Unutilised tax losses	534,960	198,831
	<u>564,434</u>	<u>198,831</u>

33. Earnings per Share**(a) Basic earnings per share**

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017	2016
	RM	RM
Profit attributable to owners of the parent		
- from continuing operations	9,821,428	12,154,969
- from discontinued operation	(308,565)	(237,371)
	<u>9,512,863</u>	<u>11,917,598</u>
Wighted average number of ordinary shares in issues		
Issued ordinary shares at 1 January	91,269,800	91,810,869
Effect of treasury shares	-	(236,197)
Weighted average number of ordinary shares as at 31 December	<u>91,269,800</u>	<u>91,574,672</u>
Basic earnings per ordinary shares (in sen)		
- from continuing operations	10.76	13.27
- from discontinued operation	(0.34)	(0.26)
	<u>10.42</u>	<u>13.01</u>

33. Earnings per Share (Cont'd)**(b) Diluted earnings per share**

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential shares as follows:

	Group	
	2017	2016
	RM	RM
Profit attributable to owners of the parent		
- from continuing operations	9,821,428	12,154,969
- from discontinued operation	(308,565)	(237,371)
	<u>9,512,863</u>	<u>11,917,598</u>
Weighted average number of ordinary shares used in the calculation of basic earning per share	91,269,800	91,574,672
Effect of dilution of the warrants	<u>13,350,080</u>	<u>5,428,909</u>
Weighted average number of ordinary shares at 31 December (diluted)	<u>104,619,880</u>	<u>97,003,581</u>
Diluted earnings per share (in sen)		
- from continuing operations	9.39	12.53
- from discontinued operation	(0.29)	(0.24)
	<u>9.10</u>	<u>12.29</u>

34. Dividends

	Group and Company	
	2017	2016
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
In respect of the financial year ended 31 December 2016:		
First interim single tier dividend of RM0.02 per ordinary share paid on 5 October 2016	<u>-</u>	<u>1,825,396</u>

34. Dividends (Cont'd)

	Group and Company	
	2017	2016
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company: (Cont'd)		
Second interim single tier dividend of RM0.02 per ordinary share payable on 29 March 2017	-	1,825,396
In respect of the financial year ended 31 December 2017:		
First interim single tier dividend of RM0.02 per ordinary share paid on 29 March 2018	2,007,936	-
	<u>2,007,936</u>	<u>3,650,792</u>

The Directors do not recommend the payment of a final dividend for the current financial year.

35. Reconciliation of Liabilities Arising from Financial Activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2017 RM	Financing cash flows (i) RM	Changes in bank overdraft RM	Non-cash changes New finance lease (Note 4(e)) RM	Other changes (ii) RM	At 31 December 2017 RM
Group						
Finance lease liabilities (Note 22)	461,574	(375,834)	-	1,055,000	-	1,140,740
Term loans (Note 23)	12,614,384	583,882	-	-	-	13,198,266
Other bank borrowings (Note 23)	6,619,778	(920,778)	118	-	-	5,699,118
Dividends payable	1,825,396	(1,825,396)	-	-	2,007,936	2,007,936
	<u>21,521,132</u>	<u>(2,538,126)</u>	<u>118</u>	<u>1,055,000</u>	<u>2,007,936</u>	<u>22,046,060</u>
Company						
Dividends payable	<u>1,825,396</u>	<u>(1,825,396)</u>	<u>-</u>	<u>-</u>	<u>2,007,936</u>	<u>2,007,936</u>

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

(ii) Other changes include dividend payable.

36. Contingent Liabilities

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unsecured				
Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies	-	-	9,578,943	11,300,629
Bank guarantee given to tender deposit and third parties in respect of a contract entered	-	901,686	-	-
Bank guarantee given to financial institutions for customs duties and supply of electricity	38,000	38,000	-	-

37. Commitments

	Group	
	2017	2016
	RM	RM
Capital expenditure		
Authorised and contracted for property, plant and equipment	1,255,000	717,367

Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	2017	2016
	RM	RM
Within one year	82,235	164,205
Later than one year but not later than two years	59,490	159,705
Later than two years but not later than five years	11,500	106,470
	153,225	430,380

Leasing arrangements

Operating lease commitments represent rentals payables for use of building. Leases are negotiated for terms ranging from 1 to 3 years.

38. Related Party Disclosures**(a) Identifying related parties**

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Transaction with subsidiaries:				
- Dividend income receivable/received from subsidiary companies	-	-	5,000,000	4,800,000
Transaction with associate:				
- Sale of goods	1,399,797	93,000	-	-
Transaction with a company in which Directors of the Company have substantial financial interest				
- Secretarial fees paid	<u>12,722</u>	<u>12,503</u>	<u>-</u>	<u>-</u>

38. Related Party Disclosures (Cont'd)**(b) Significant related party transactions (Cont'd)**

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows: (Cont'd)

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Transaction with				
Directors:				
- Rental paid	24,000	24,000	-	-

(c) Compensation of key management personnel

There are no other transactions with the key management personnel of the Group and of the Company other than the remuneration package accordance with the terms and conditions of their appointment as disclosed in Notes 30 and 31 to the financial statements.

39. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has five reportable segments as follows:

Investment holding	Investment holding and provision of management services.
Manufacturing	Manufacture of oil seed expeller, automated kernel crushing plants and related parts.
Trading and services	Involved in renewable energy, Palm Oil Mill Effluent waste treatment, Empty Fruit Brunch composting and biogas plant project.
Oil milling	Engaged in the business of palm kernel crushing plant where crude palm kernel oil is extracted from palm kernel.
Plantation (Discontinued)	Involved in oil palm plantation.

Other non-reportable segments comprise operations related to rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2017 and 2016.

39. Segment Information (Cont'd)

Except as indicated above, no operating segments have been aggregated to from the above reportable operating segments.

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 profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

39. Segment Information (Cont'd)

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers is set out below:

	Investment holding RM	Manufacturing RM	Trading and services RM	Oil milling RM	Plantation (discontinued) RM	Adjustments and eliminations RM	Consolidated RM
Group 2017							
Revenue							
External reveue	-	99,364,431	4,038,655	80,204,433	686,779	-	184,294,298
Inter-segment revenue	5,000,000	820,531	-	-	-	(5,820,531)	-
Total revenue	<u>5,000,000</u>	<u>100,184,962</u>	<u>4,038,655</u>	<u>80,204,433</u>	<u>686,779</u>	<u>(5,820,531)</u>	<u>184,294,298</u>
Results							
Interest income	-	139,629	-	-	-	-	139,629
Finance costs	-	(1,012,929)	-	-	(4,100)	-	(1,017,029)
Depreciation of:							
- Property, plant and equipment	-	(1,942,368)	(1,036)	(1,084,734)	-	-	(3,028,138)
- Investment properties	-	(5,000)	-	-	-	-	(5,000)
Share of results of an associate	382,410	-	-	-	-	-	382,410
Other non-cash items	-	(2,682,954)	28,655	(909,420)	-	-	(3,563,719)
Segment (loss)/profit	<u>(886,630)</u>	<u>9,187,923</u>	<u>(4,203)</u>	<u>2,816,932</u>	<u>(308,566)</u>	<u>-</u>	<u>10,805,456</u>
Segment assets	<u>107,794,364</u>	<u>142,607,333</u>	<u>740,810</u>	<u>16,638,595</u>	<u>1,960,638</u>	<u>(109,570,947)</u>	<u>160,170,793</u>
Segment liabilities	<u>54,487,193</u>	<u>60,479,286</u>	<u>18,576</u>	<u>703,967</u>	<u>3,210,545</u>	<u>(69,256,284)</u>	<u>49,643,283</u>

39. Segment Information (Cont'd)

(a) Business segments (Cont'd)

	Investment holding RM	Manufacturing RM	Trading and services RM	Oil milling RM	Plantation (discontinued) RM	Adjustments and eliminations RM	Consolidated RM
Group 2016							
Revenue							
External reveue	-	95,401,939	12,646,307	71,784,650	727,727	-	180,560,623
Inter-segment revenue	4,800,000	1,247,592	-	-	-	(6,047,592)	-
Total revenue	<u>4,800,000</u>	<u>96,649,531</u>	<u>12,646,307</u>	<u>71,784,650</u>	<u>727,727</u>	<u>(6,047,592)</u>	<u>180,560,623</u>
Results							
Interest income	-	94,343	-	8,109	-	-	102,452
Finance costs	-	(938,210)	-	-	(5,713)	-	(943,923)
Depreciation of:							
- Property, plant and equipment	-	(1,499,383)	(1,034)	(759,902)	-	-	(2,260,319)
- Investment properties	-	(2,120)	-	-	-	-	(2,120)
Share of results of an associate	-	-	-	342,962	-	-	342,962
Other non-cash items	66,299	265,977	21,438	(795,636)	-	-	(441,922)
Segment (loss)/profit	<u>(732,415)</u>	<u>9,345,953</u>	<u>970,876</u>	<u>4,233,946</u>	<u>(237,371)</u>	<u>-</u>	<u>13,580,989</u>
Segment assets	<u>93,789,363</u>	<u>136,395,223</u>	<u>853,686</u>	<u>18,752,594</u>	<u>1,921,866</u>	<u>(96,675,627)</u>	<u>155,037,105</u>
Segment liabilities	<u>43,087,625</u>	<u>56,516,747</u>	<u>2,188,690</u>	<u>3,735,604</u>	<u>2,687,344</u>	<u>(56,646,228)</u>	<u>51,569,782</u>

39. Segment Information (Cont'd)

(a) Business segments (Cont'd)

Adjustments and eliminations

Inter-segment revenues and balances are eliminated on consolidation.

Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2017	2016
	RM	RM
Gain on disposal of property, plant and equipment	486,615	205,084
Reversal of impairment losses on property, plant and equipment	-	480,938
Impairment loss on property, plant and equipment	-	(33,144)
Unrealised exchange gain	47,168	223,293
Realised exchange gain	615,807	1,335,395
Taxation	(4,713,309)	(2,653,488)
	<u>(3,563,719)</u>	<u>(441,922)</u>

39. Segment Information (Cont'd)**(b) Geographical segments**

The revenue information based on the geographical location of customers are presented as below:

	Group	
	2017	2016
	RM	RM
Continuing operations		
Malaysia	10,111,448	11,321,222
Indonesia	137,771,486	147,634,080
Thailand	8,316,847	2,494,183
Gabon	-	4,868
Guatamala	9,001,526	3,125,675
Papua New Guinea	1,951,028	461,366
Colombia	1,060,773	713,197
Nigeria	1,720,025	7,440,207
Douala	250,525	-
Others outside Malaysia	13,423,861	6,638,098
Discontinued operation		
Malaysia	686,779	727,727
	<u>184,294,298</u>	<u>180,560,623</u>

(c) Major customers

Revenue from nine (2016: seven) major customers amount to approximately RM43,830,020 (2016: RM106,901,336), arising from sales in the manufacturing and oil milling segment.

40. Financial Instruments**(a) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expense including fair values gains or losses are recognised.

40. Financial Instruments (Cont'd)**(a) Classification of financial instruments (Cont'd)**

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

Group	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
2017			
Financial assets			
Trade receivables	29,729,611	-	29,729,611
Other receivables	6,521,337	-	6,521,337
Deposits, bank and cash balances	11,275,622	-	11,275,622
	<u>47,526,570</u>	<u>-</u>	<u>47,526,570</u>
Financial liabilities			
Finance lease liabilities	-	1,140,740	1,140,740
Bank borrowings	-	18,897,384	18,897,384
Trade payables	-	10,712,438	10,712,438
Other payables	-	14,213,549	14,213,549
	<u>-</u>	<u>44,964,111</u>	<u>44,964,111</u>
2016			
Financial assets			
Trade receivables	25,066,936	-	25,066,936
Other receivables	4,256,622	-	4,256,622
Deposits, bank and cash balances	13,692,018	-	13,692,018
	<u>43,015,576</u>	<u>-</u>	<u>43,015,576</u>
Financial liabilities			
Finance lease liabilities	-	461,574	461,574
Bank borrowings	-	19,234,162	19,234,162
Trade payables	-	14,204,239	14,204,239
Other payables	-	11,475,694	11,475,694
	<u>-</u>	<u>45,375,669</u>	<u>45,375,669</u>

40. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

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: (Cont'd)

Company	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
2017			
Financial assets			
Other receivables	5,008,724	-	5,008,724
Amounts owing by subsidiary companies	39,724,070	-	39,724,070
Cash and bank balances	193,103	-	193,103
	44,925,897	-	44,925,897
Financial liabilities			
Other payables	-	2,406,914	2,406,914
Amount owing to subsidiary companies	-	26,451,775	26,451,775
	-	28,858,689	28,858,689
2016			
Financial assets			
Other receivables	8,724	-	8,724
Amounts owing by subsidiary companies	27,566,146	-	27,566,146
Cash and bank balances	356,006	-	356,006
	27,930,876	-	27,930,876
Financial liabilities			
Other payables	-	2,164,515	2,164,515
Amount owing to subsidiary companies	-	10,957,204	10,957,204
	-	13,121,719	13,121,719

40. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM9,578,943 (2016: RM11,300,629), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by one customer (2016: eight customers) which constituted approximately 24% (2016: 58%) of its trade receivables as at the end of the reporting period.

40. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(i) Credit risk (Cont'd)**Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2017	2016
	RM	RM
Belgium	6,883,818	-
China	50	33,301
Columbia	168,157	645,418
Guatemala	318,690	-
India	97,100	-
Indonesia	19,132,539	21,857,538
Italy	36,868	40,716
Malaysia	2,476,011	1,909,610
Nigeria	-	369,996
Papua New Guinea	87,837	44,389
Singapore	-	34,250
Thailand	519,712	131,718
United States	8,829	-
	29,729,611	25,066,936

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Group	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2017						
Non-derivative financial liabilities						
Finance lease liabilities	440,352	382,487	418,198	-	1,241,037	1,140,740
Bank borrowings	7,609,350	1,910,232	4,537,302	9,521,867	23,578,751	18,897,384
Trade payables	10,712,438	-	-	-	10,712,438	10,712,438
Other payables	14,213,549	-	-	-	14,213,549	14,213,549
	<u>32,975,689</u>	<u>2,292,719</u>	<u>4,955,500</u>	<u>9,521,867</u>	<u>49,745,775</u>	<u>44,964,111</u>
2016						
Non-derivative financial liabilities						
Finance lease liabilities	245,636	139,512	108,896	-	494,044	461,574
Bank borrowings	9,433,576	1,686,216	4,318,353	9,658,015	25,096,160	19,234,162
Trade payables	14,204,239	-	-	-	14,204,239	14,204,239
Other payables	11,475,694	-	-	-	11,475,694	11,475,694
	<u>35,359,145</u>	<u>1,825,728</u>	<u>4,427,249</u>	<u>9,658,015</u>	<u>51,270,137</u>	<u>45,375,669</u>

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2017			
Non-derivative financial liabilities			
Other payables	2,406,914	2,406,914	2,406,914
Amount owing to subsidiary companies	26,451,775	26,451,775	26,451,775
Financial guarantee liabilities *	9,578,943	9,578,943	-
	38,437,632	38,437,632	28,858,689
2016			
Non-derivative financial liabilities			
Other payables	2,164,515	2,164,515	2,164,515
Amount owing to subsidiary companies	10,957,204	10,957,204	10,957,204
Financial guarantee liabilities *	11,300,629	11,300,629	-
	24,422,348	24,422,348	13,121,719

* Based on the maximum amount that can be called for under the financial guarantee contract.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM9,578,943 as at 31 December 2017 (2016: RM11,300,629). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantee have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Indonesia Rupiah ("IDR").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

		Denominated in		
	USD	IDR	Others	Total
Group	RM	RM	RM	RM
2017				
Trade receivables	12,071,899	1,185,044	-	13,256,943
Other receivables	1,883,581	4,470,578	-	6,354,159
Deposits, bank and cash balances	1,186,420	1,852,419	120,877	3,159,716
Trade payables	(2,070,067)	(192,836)	-	(2,262,903)
Other payables	(2,114,405)	(230,389)	-	(2,344,794)
	<u>10,957,428</u>	<u>7,084,816</u>	<u>120,877</u>	<u>18,163,121</u>
2016				
Trade receivables	6,929,789	1,949,954	-	8,879,743
Other receivables	51,708	5,878,712	-	5,930,420
Deposits, bank and cash balances	2,070,189	2,316,072	133,175	4,519,436
Trade payables	(3,028,597)	(1,857,252)	-	(4,885,849)
Other payables	-	(3,752,804)	-	(3,752,804)
Bank borrowings	(4,121,778)	-	-	(4,121,778)
	<u>1,901,311</u>	<u>4,534,682</u>	<u>133,175</u>	<u>6,569,168</u>

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, IDR and others exchange rates against RM, with all other variables held constant.

		2017	2016
		Effect on	Effect on
		profit	profit
		before tax	before tax
		RM	RM
Change in currency rate			
RM			
USD	Strengthened 5% (2016: 5%)	547,871	95,066
	Weakend 5% (2016: 5%)	(547,871)	(95,066)
IDR	Strengthened 5% (2016: 5%)	354,241	226,734
	Weakend 5% (2016: 5%)	(354,241)	(226,734)
Others	Strengthened 5% (2016: 5%)	6,044	6,659
	Weakend 5% (2016: 5%)	(6,044)	(6,659)

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

40. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017	2016
	RM	RM
Group		
Fixed rate instruments		
Financial asset	390,220	377,112
Financial liabilities	(6,839,740)	(7,081,352)
	<u>(6,449,520)</u>	<u>(6,704,240)</u>
Floating rate instrument		
Financial liabilities	(13,198,384)	(12,614,384)

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have decreased the Group's profit before tax by RM131,984 (2016: RM126,144), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

40. Financial Instruments (Cont'd)**(c) Fair values of financial instruments**

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Fair value of financial instruments not carried at fair value					
Group	Level 1	Level 2	Level 3	Total	Carrying
2017	RM	RM	RM	fair value	amount
Financial liability				RM	RM
Finance lease liabilities	-	750,934	-	750,934	749,489
<hr/>					
2016					
Financial liability					
Finance lease liabilities	-	236,605	-	236,605	234,421
<hr/>					

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

40. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(iii) Level 2 fair value (Cont'd)

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

41. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group	
	2017	2016
	RM	RM
Finance lease liabilities (Note 22)	1,140,740	461,574
Bank borrowings (Note 23)	18,897,384	19,234,162
	20,038,124	19,695,736
Less: Cash and cash equivalents	(10,885,284)	(13,314,906)
Net debts	9,152,840	6,380,830
Total equity	110,527,510	103,467,323
Gearing ratio (times)	0.08	0.06

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

42. Significant Event and Subsequent Event

- (a) On 28 March 2017, MBL Plantation Sdn. Bhd. (“MBLP”), a wholly-owned subsidiary of the Company has entered into a new Memorandum of Understanding (“MOU”) with Everhome International (M) Sdn. Bhd. (“EISB”) to outline the basic principles for the disposal of entire issued and paid-up ordinary share capital of Sokor Gemilang Ladang Sdn. Bhd. (“SOKOR”), a wholly owned subsidiary company of MBLP to EISB (“Proposed Disposal”).

Pursuant to the MOU, MBLP will dispose 2,000,000 ordinary shares in SOKOR, representing 100% equity interest in SOKOR and novation of the sum owing from the creditors of SOKOR to EISB for a total consideration of RM35,100,000 to be satisfied by cash.

The Proposed Disposal shall have no binding effect until the entering into a definite agreement (“DA”). The MOU sets out the understanding and intention of the parties during this interim exploratory period. The DA is expected to be executed within (6) months from the date of the MOU.

On 28 September 2017, the Board of Directors of the Company announced that there is no conclusion on the negotiations between the parties as at the expiry date of the MOU in relation to the proposed disposal of 100% equity interest in SOKOR by MBLP to EISB. In view thereof, the MOU expires and lapses on 28 September 2017.

- (b) On 4 April 2017, the Company subscribe for the additional 300,000 new ordinary shares in MBLP for a total cash consideration of RM300,000.
- (c) On 30 August 2017, the Company acquired 380,000 ordinary shares in Muar Ban Lee Machinery Sdn. Bhd. (“MBLM”) (Formerly known as Wajah Pertiwi Sdn. Bhd.) from the shareholders (all of them are individuals) for a total consideration of RM570,000 which representing 95% equity interest in MBLM. Balance 5% equity interest in MBLM will be remained owned by the founder of the Company.
- (d) On 13 October 2017, the Company proposed to undertake a private placement of up to 10% of the issued shares of the Company (“Proposed Private Placement”). The Proposed Private Placement will entail the issuance of up to 9,126,980 new Placement Shares (“PS”).

The first tranche of the Private Placement comprising 4,626,980 PS were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 17 January 2018. The second tranche of the Private Placement comprising 2,250,000 PS were listed and quoted on the Bursa Malaysia on 12 February 2018. The Private Placement has been completed following the completion of the third tranche of the Private Placement comprising 2,250,000 PS were listed and quoted on the Bursa Malaysia on 8 March 2018.

- (e) On 1 March 2018, the Company acquired additional 1 new ordinary share of Palm Ocean Engineering Sdn. Bhd. (“POE”) for a total consideration of RM15,000. As a result, POE became wholly-owned subsidiary company of the Company.

42. Significant Event and Subsequent Event (Cont'd)

- (f) On 3 April 2018, the Company repurchased 24,000 ordinary shares of its issued share capital from the open market at an average price of RM1.10 per share. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

43. Comparative Information

Certain comparatives were restated to conform with current financial year's presentation. There was no significant impact to the financial performance in relation to the financial year ended 31 December 2016.

44. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2018.