MUAR BAN LEE GROUP BERHAD

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

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2014

Registered office:
87 Lebuh Muntri
10200 Penang

Principal place of business:
No JR52 Lot 1818 Jalan Raja
Kawasan Perindustrian Bukit Pasir
84300 Muar Johor

Company No. | 753588 | P |

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

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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 2014.

Principal Activities

The Company is an investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

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

Financial Results

	Group RM	Company RM
Profit for the financial year		
- from continuing operations	3,885,029	3,622,733
- from discontinuing operations	139,266	-
	4,024,295	3,622,733
Profit attributable to:		
Owners of the parent	4,067,811	3,622,733
Non-controlling interests	(43,516)	-
	4,024,295	3,622,733

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 paid:

(a) Second interim single tier dividend of 3.0 sen on 92,000,000 ordinary share of RM0.50 each totalling RM2,760,000 in respect of the financial year ended 31 December 2013 on 30 April 2014; and

(b) First interim single tier dividend of 1.0 sen on 92,000,000 ordinary share of RM0.50 each totalling RM920,000 in respect of the financial year ended 31 December 2014 on 30 December 2014.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2014.

Issue of Shares and Debentures

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

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 2014, the total numbers of warrants that remain unexercised were 46,000,000.

Directors

The Directors in office since the date of the last 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
Khairilanuar Bin Tun Abdul Rahman
Hj Ismail Bin Tunggak @ Hj Ahmad

Directors' Interests

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end according to Register of Directors' Shareholdings are as follows:

Interests in the Holding Company (MBL Realty Sdn. Bhd.)	**Number of ordinary shares of RM1.00 each**			
	At 1.1.2014	**Addition**	**Disposed**	**At 31.12.2014**
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	**Number of ordinary shares of RM0.50 each**			
	At 1.1.2014	**Addition**	**Disposed**	**At 31.12.2014**
Direct Interests				
Dato' Chua Ah Ba @ Chua Eng Ka	250,000	81,000	-	331,000
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	7,475,500	250,000	1,500,000	6,225,500
Khairilanuar Bin Tun Abdul Rahman	150,000	-	-	150,000
Hj Ismail Bin Tunggak @ Hj Ahmad	30,000	-	-	30,000
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 #	187,100	2,603,000	25,900	2,764,200

deemed interest by virtue of shares held by spouse/children.
* deemed interest by virtue of the shareholdings in the holding company.

Directors' Interests (Cont'd)

By virtue of their interest in the Company, Dato' Chua Ah Ba @ Chua Eng Ka, Chua En Hom, Chua Eng Hui and Chua Heok Wee are deemed to have interest in all the related companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other Directors in office at the end of the financial year had any interest in 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 emoluments received or due and receivable by Directors as shown in 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 as disclosed in Note 36 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.

Other Statutory Information

(a) Before the statements of financial position and statement of profit or loss and other comprehensive income of the Group and of the Company were made out, 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 there were no known bad debts to be written off and no allowance for doubtful debts was required; and

 (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

 (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; 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

Other Statutory Information (Cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances: (Cont'd)

(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 or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(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 its obligations as and 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

(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.

Significant Event

The significant event is disclosed in Note 40 to the financial statements.

Subsequent Events

The subsequent events is disclosed in Note 41 to the financial statements.

Holding Company

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

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 29 April 2015.

CHUA ENG HUI	CHUA EN HOM

KUALA LUMPUR

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

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

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 12 to 96 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and the cash flows for the financial year then ended.

The supplementary information set out in Note 43 to the financial statements on page 97 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 April 2015.

CHUA ENG HUI

CHUA EN HOM

KUALA LUMPUR

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

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

I, Chua Eng Hui, 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 12 to 97 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 29 April 2015)
)
)
)

CHUA ENG HUI

Before me,

No. W 521
MOHAN A.S. MANIAM
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 Financial Statements

We have audited the financial statements of Muar Ban Lee Group Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 96.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUAR BAN LEE GROUP BERHAD (CONT'D)
(Company No.: 753588-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUAR BAN LEE GROUP BERHAD (CONT'D)
(Company No.: 753588-P)
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Other Matters

As stated in Note 2(a) to the financial statements, Muar Ban Lee Group Berhad had re-adopted the Financial Reporting Standards ("FRS") on 1 January 2014 with a transition date of 1 January 2013. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2013 and 1 January 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2013 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2014 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2014 do not contain misstatements that materially affect the financial position as at 31 December 2014 and the financial performance and cash flow for the financial year ended.

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

UHY
Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK
Approved Number: 1817/12/16(J)
Chartered Accountant

KUALA LUMPUR
29 April 2015

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 RM	2013 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	22,769,969	23,641,222
Investment properties	5	323,313	326,613
Intangible assets	6	3,602,058	2,942,178
Other investments	9	450,000	450,000
		27,145,340	27,360,013
Current Assets			
Inventories	10	24,744,841	22,607,924
Trade receivables	11	10,344,488	8,883,107
Other receivables	12	2,770,580	2,541,308
Fixed deposits with licensed banks, bank and cash balances	14	5,095,577	35,826,062
		42,955,486	69,858,401
Assets included in disposal group classified as held for sale	15	26,399,612	-
		69,355,098	69,858,401
Total Assets		96,500,438	97,218,414
EQUITY			
Share capital	16	46,000,000	46,000,000
Share premium	17	1,157,846	1,157,846
Revaluation reserve	18	2,580,577	2,653,280
Discount on shares	19	(13,340,000)	(13,340,000)
Warrant reserves	19	17,940,000	17,940,000
Retained earnings	20	27,498,827	27,038,313
Equity attributable to owners of the parent		81,837,250	81,449,439
Non-controlling interests		6,216	49,732
Total Equity		81,843,466	81,499,171

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (CONT'D)

	Note	2014 RM	2013 RM
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	21	1,240,000	1,239,000
Hire purchase payables	22	294,748	340,892
Bank borrowings	23	3,637,492	3,997,409
		5,172,240	5,577,301
Current Liabilities			
Trade payables	24	2,460,648	3,308,663
Other payables	25	4,105,068	6,118,238
Hire purchase payables	22	208,104	200,563
Bank borrowings	23	2,386,561	355,880
Tax payable		15,476	158,598
		9,175,857	10,141,942
Liabilities included in disposal group classified as held for sale	15	308,875	-
		9,484,732	10,141,942
Total Liabilities		14,656,972	15,719,243
Total Equity and Liabilities		96,500,438	97,218,414

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 2014

	Note	2014 RM	2013 RM
Revenue	27	47,301,983	50,334,866
Less : Revenue from discontinued operations		(982,510)	-
Revenue from continuing operations		46,319,473	50,334,866
Cost of sales		(25,078,952)	(26,404,213)
Gross profit		21,240,521	23,930,653
Other income		799,830	1,669,065
Distribution and administration expenses		(16,914,714)	(17,984,684)
Profit from operations		5,125,637	7,615,034
Finance costs	28	(263,345)	(75,425)
Profit before taxation	29	4,862,292	7,539,609
Taxation	31	(977,263)	(1,256,623)
Profit for the continuing operations		3,885,029	6,282,986
Discontinued operations			
Profit from discontinued operations, net of tax	15	139,266	-
Profit for the financial year		4,024,295	6,282,986
Profit attributable to:			
Owners of the parent			
- from continuing operations		3,928,545	6,305,836
- from discontinued operations		139,266	-
		4,067,811	6,305,836
Non-controlling interests		(43,516)	(22,850)
		4,024,295	6,282,986
Earnings per share (sen)			
- Basic, for the year from continuing operations		4.27	6.85
- Basic, for the year from discontinued operations		0.15	-
- Basic, for the financial year	32(a)	4.42	6.85
- Diluted, for the year from continuing operations		3.95	6.19
- Diluted, for the year from discontinued operations		0.14	-
- Diluted, for the financial year	32(b)	4.09	6.19

MUAR BAN LEE GROUP BERHAD
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	2014 RM	2013 RM
Profit for the financial year	4,024,295	6,282,986
Other comprehensive income, net of tax		
- Realisation of revaluation surplus upon depreciation	72,703	-
- Transfer of revaluation reserve to retained earnings	(72,703)	-
Other comprehensive income for the financial year	-	-
Total comprehensive income for the financial year	4,024,295	6,282,986
Total comprehensive income attributable to:		
Owners of the parent	4,067,811	6,305,836
Non-controlling interests	(43,516)	(22,850)
	4,024,295	6,282,986

MUAR BAN LEE GROUP BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to owners of the parent								
		Non-distributable					Distributable			
	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Discount on shares RM	Warrant reserves RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2013		46,000,000	1,157,846	2,653,280	(13,340,000)	17,940,000	27,172,477	81,583,603	72,582	81,656,185
Total comprehensive income for the financial year		-	-	-	-	-	6,305,836	6,305,836	(22,850)	6,282,986
Transaction with owners:										
Dividends to owners of the Company	33	-	-	-	-	-	(6,440,000)	(6,440,000)	-	(6,440,000)
At 31 December 2013		46,000,000	1,157,846	2,653,280	(13,340,000)	17,940,000	27,038,313	81,449,439	49,732	81,499,171

MUAR BAN LEE GROUP BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

		Attributable to owners of the parent								
		Non-distributable					Distributable			
	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Discount on shares RM	Warrant reserves RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2014		46,000,000	1,157,846	2,653,280	(13,340,000)	17,940,000	27,038,313	81,449,439	49,732	81,499,171
Profit for the financial year		-	-	-	-	-	4,067,811	4,067,811	(43,516)	4,024,295
Realisation of revaluation surplus upon depreciation		-	-	(72,703)	-	-	72,703	-	-	-
Total comprehensive income for the financial year		-	-	(72,703)	-	-	4,140,514	4,067,811	(43,516)	4,024,295
Transaction with owners:										
Dividends to owners of the Company	33	-	-	-	-	-	(3,680,000)	(3,680,000)	-	(3,680,000)
At 31 December 2014		46,000,000	1,157,846	2,580,577	(13,340,000)	17,940,000	27,498,827	81,837,250	6,216	81,843,466

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

MUAR BAN LEE GROUP BERHAD
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before taxation			
- Continung operations		4,862,292	7,539,609
- Discontinued operations		139,266	-
		5,001,558	7,539,609
Adjustments for:			
Bargain purchase of subsidiary		(210,826)	-
Depreciation of investment properties		3,300	3,601
Depreciation of property, plant and equipment		1,912,370	1,551,679
Impairment loss on goodwill		-	6,072
Interest expenses		263,345	75,425
Interest income		(142,881)	(992,657)
Unrealised gain on foreign exchange		(148,709)	(481,297)
Operating profit before working capital changes		6,678,157	7,702,432
Changes in working capital:			
Inventories		(2,136,917)	(5,457,282)
Receivables		(1,908,225)	13,828,716
Payables		(2,789,011)	(5,347,910)
		(6,834,153)	3,023,524
Cash (used in)/generated from operations		(155,996)	10,725,956
Tax paid		(1,183,372)	(1,172,999)
Net cash (used in)/generated from operating activities		(1,339,368)	9,552,957
Cash flows from investing activities			
Additional of biological assets	15	(760,725)	-
Acquisition of intangible assets	6	(659,880)	(512,109)
Acquisition of property, plant and equipment	(i)	(660,347)	(7,623,549)
Net cash outflow from acquisition of subsidiary	7 (a)	(24,750,000)	(1,999,998)
Interest received		142,881	992,657
Net cash used in investing activities		(26,688,071)	(9,142,999)

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Note	2014 RM	2013 RM
Cash flows from financing activities			
Dividends paid	33	(3,680,000)	(6,440,000)
Interest paid		(263,345)	(75,425)
Placement of pledged fixed deposits		(12,344)	(11,787)
Net increase in bankers acceptance		355,000	-
Drawdown from bank borrowings		-	4,450,000
Repayments of term laon		(351,990)	(96,711)
Repayments of hire purchase payables		(258,603)	(218,557)
Net cash used in financing activities		(4,211,282)	(2,392,480)
Net decrease in cash and cash equivalents		(32,238,721)	(1,982,522)
Unrealised gain on foreign exchange		-	320,020
Cash and cash equivalents at beginning of the financial year		35,427,086	37,089,588
Cash and cash equivalents at end of the financial year		3,188,365	35,427,086
Cash and cash equivalents at end of the financial year comprises:			
Continuing operations			
Fixed deposits with licensed banks		713,801	23,776,253
Cash and bank balances		4,381,776	12,049,809
Bank overdraft		(1,667,754)	-
		3,427,823	35,826,062
Less: Fixed deposits pledged with licensed banks		(411,320)	(398,976)
		3,016,503	35,427,086
Discontinued operations			
Cash and bank balances		171,862	-
		3,188,365	35,427,086

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

Notes:

(i) Acquisition of property, plant and equipment

	2014 RM	2013 RM
Continuing operations		
Aggregate additional cost of property, plant and equipment	844,122	7,723,549
Less: Hire purchase arrangement	(220,000)	(100,000)
	624,122	7,623,549
Discontinued operations		
Aggregate additional cost of property, plant and equipment	161,225	-
Less: Hire purchase arrangement	(125,000)	-
	36,225	-
Net cash payments	660,347	7,623,549

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 RM	2013 RM
ASSETS			
Non-Current Assets			
Investments in subsidiary companies	7	36,524,999	36,524,999
Other investments	9	250,000	250,000
		36,774,999	36,774,999
Current Assets			
Other receivables	12	7,346	33,000
Amounts owing by subsidiary companies	13	27,948,795	3,843,632
Tax recoverable		128,316	79,116
Fixed deposits with licensed banks, bank and cash balances	14	673,230	11,422,849
		28,757,687	15,378,597
Total Assets		65,532,686	52,153,596
EQUITY			
Share capital	16	46,000,000	46,000,000
Share premium	17	1,157,846	1,157,846
Discount on shares	19	(13,340,000)	(13,340,000)
Warrant reserves	19	17,940,000	17,940,000
Retained earnings	20	44,482	101,749
Total Equity		51,802,328	51,859,595
LIABILITIES			
Current Liabilities			
Other payables	25	292,879	294,001
Amounts owing to subsidiary companies	26	13,437,479	-
Total Liabilities		13,730,358	294,001
Total Equity and Liabilities		65,532,686	52,153,596

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 2014

	Note	2014 RM	2013 RM
Revenue	27	4,260,000	6,000,000
Other income		28,496	264,341
General and administration expenses		(659,314)	(775,614)
Profit before taxation	29	3,629,182	5,488,727
Taxation	31	(6,449)	(44,821)
Profit for the financial year, representing total comprehensive income for the financial year		3,622,733	5,443,906

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Non-distributable				Distributable	
	Note	Share capital RM	Share premium RM	Discount on shares RM	Warrant reserves RM	Retained earnings RM	Total equity RM
At 1 January 2013		46,000,000	1,157,846	(13,340,000)	17,940,000	1,097,843	52,855,689
Total comprehensive income for the financial year		-	-	-	-	5,443,906	5,443,906
Transaction with owners:							
Dividends to owners of the Company	33	-	-	-	-	(6,440,000)	(6,440,000)
At 31 December 2013		46,000,000	1,157,846	(13,340,000)	17,940,000	101,749	51,859,595
At 1 January 2014		46,000,000	1,157,846	(13,340,000)	17,940,000	101,749	51,859,595
Total comprehensive income for the financial year		-	-	-	-	3,622,733	3,622,733
Transaction with owners:							
Dividends to owners of the Company	33	-	-	-	-	(3,680,000)	(3,680,000)
At 31 December 2014		46,000,000	1,157,846	(13,340,000)	17,940,000	44,482	51,802,328

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 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before taxation		3,629,182	5,488,727
Adjustments for:			
Dividend income		(4,260,000)	(6,000,000)
Interest income		(28,496)	(264,341)
Operating loss before working capital changes		(659,314)	(775,614)
Changes in working capital:			
Receivables		25,654	750,072
Payables		(1,122)	10,892
		24,532	760,964
Cash used in operations		(634,782)	(14,650)
Tax paid		(55,649)	(26,317)
Net cash used in operating activities		(690,431)	(40,967)
Cash flows from investing activities			
Dividends received		4,260,000	6,000,000
Interest received		28,496	264,341
Investments in subsidiary companies		-	(100,000)
Net cash generated from operating activities		4,288,496	6,164,341
Cash flows from financing activities			
Advances to subsidiary companies		(10,667,684)	(4,037,092)
Dividend paid	33	(3,680,000)	(6,440,000)
Net cash used in financing activities		(14,347,684)	(10,477,092)
Net decrese in cash and cash equivalents		(10,749,619)	(4,353,718)
Cash and cash equivalents at beginning of the financial year		11,422,849	15,776,567
Cash and cash equivalents at end of the financial year		673,230	11,422,849
Cash and cash equivalents at end of the financial year comprises:			
Fixed deposits with licensed banks		-	4,000,000
Cash and bank balances		673,230	7,422,849
		673,230	11,422,849

MUAR BAN LEE GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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

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

The registered office is located at 87 Lebuh Muntri, 10200 Penang.

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

The Directors regards MBL Realty Sdn. Bhd., a company incorporated and domiciled in Malaysia as the holding Company.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared with the re-adoption of Financial Reporting Standards ("FRSs") as further explained below and in accordance with the requirements of the Companies Act, 1965 in Malaysia.

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

<u>Reversion from Malaysian Financial Reporting Standards ("MFRSs") to FRSs</u>

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

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Reversion from Malaysian Financial Reporting Standards ("MFRSs") to FRSs (Cont'd)

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 2017.

In previous financial years, the financial statements of the Group and of the Company were prepared in accordance with the MFRSs as they were not Transitioning Entities as defined by the MASB. The Group and the Company met the criteria as Transitioning Entities during current financial year, and have chosen to revert and adopt FRSs.

Following the reversion from MFRSs to FRSs, the Group and the Company have consistently applied the same accounting policies in their opening FRS statements of financial position as at the date of reversion from MFRSs to FRSs, i.e. 1 January 2013, and throughout all financial years presented, as if these policies had always been in effect. The re-adoption of FRSs did not have any significant impacts on the financial statements of the Group and of the Company.

Being Transitioning Entities as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with FRSs for the financial years ending 31 December 2014 to 2016 and will present its first MFRS financial statements for the financial year ending 31 December 2017.

Adoption of new and amended standards and IC Interpretation

The accounting policies adopted in preparing the financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2013 except as discussed below:

During the financial year, the Group and the Company have adopted the following amendments to FRSs, IC Interpretation issued by the MASB that are mandatory for current financial year:

Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of above amendments to FRSs and IC Interpretation did not have any significant impact on the financial statements of the Group and of the Company.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective date for financial periods beginning on or after
Amendments to FRS 119	Defined Benefit Plans : Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010 - 2012 Cycle		1 July 2014
Annual Improvements to FRSs 2011 - 2013 Cycle		1 July 2014
FRS 14	Regulatory Deferred Accounts	1 January 2016
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to FRSs 2012 - 2014 Cycle		1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

The Group and the Company intend to adopt the FRSs when they become effective.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

The initial applications of the abovementioned FRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

FRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of FRS 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. FRS 9 when effective will replace FRS 139 Financial Instruments: Recognition and Measurement.

FRS 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 FRS 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. FRS 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 use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 139.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective

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 2017.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective (Cont'd)

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 2017. 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 have not completed its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Framework. Accordingly, the consolidated and separate financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2014 could be different if prepared under the MFRS Framework.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency and all values have been rounded to the nearest RM except when otherwise stated.

(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.

Judgments

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:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2. Basis of Preparation (Cont'd)

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

Judgments (Cont'd)

Classification between investment properties and property, plant and equipment

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

Control over Palm Ocean Engineering Sdn. Bhd. (formerly known as M2 Vessel Sdn. Bhd.) and MBL Biotech Sdn. Bhd.

Note 7 describes that Palm Ocean Engineering Sdn. Bhd. (formerly known as M2 Vessel 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. (formerly known as M2 Vessel 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 (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment 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 would increase the recorded depreciation and decrease the value of property, plant and equipment.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Impairment of property, plant and equipment

The Group assesses whether there is any indication that property, plant and equipment are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

The impairment assessment of property, plant and equipment is disclosed in Note 4.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment assessment of goodwill is disclosed in Note 6.

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. Details of development costs are disclosed in Note 6.

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. However, the Group is confident that the machine will ready for market within next 12 months.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Impairment of investments in subsidiary companies

The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units to which the investments in subsidiary companies belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 7.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 11, 12 and 13 respectively.

Income taxes

Judgment 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 matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 31.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group, for matters in the ordinary course of business. Details of contingent liabilities are disclosed in Note 34.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 38(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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 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 off in profit or loss as incurred.

If the business combination is achieved in stages, 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.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 Financial Instruments: Recognition and Measurement either in profit or loss or other comprehensive income. 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(l) 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.

(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.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(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(l) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

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.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l).

(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. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained earnings.

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.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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 land 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 land 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.

(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.

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

Leasehold land	Over the remaining lease period
Buildings	2%
Plant and machinery	10%
Furniture, fittings and office equipment	5%-20%
Motor vehicles	20%

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.

3. Significant Accounting Policies (Cont'd)

(d) Leases

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

(i) Finance lease

Leases in terms of which the Group 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.

(ii) Operating lease

Leases, where the Group 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 statement 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.

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.

(e) 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.

3. Significant Accounting Policies (Cont'd)

(e) Investment properties (Cont'd)

Freehold land is not depreciated. Freehold building are 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.

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(l) 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.

(f) 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 in 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)

(f) Intangible assets (Cont'd)

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(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(l) to the financial statements on impairment of non-financial assets for intangible assets.

(g) 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.

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.

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) 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.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

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

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

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.

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

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 loss that had been recognised in equity is recognised in profit or loss.

(h) 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.

The Group and the Company classify their financial liabilities at initial recognition, into other financial liabilities measured at amortised cost.

The Group's and the Company's other 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.

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)

(i) 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.

(j) Inventories

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

Cost of raw material is determined on a first-in-first out (or weighted average) basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments 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.

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits, investment property measured at fair value 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 and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

3. Significant Accounting Policies (Cont’d)

(l) Impairment of assets (Cont’d)

(i) Non-financial assets (Cont’d)

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.

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.

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(ii) Financial assets

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

<u>Financial assets carried at amortised cost</u>

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.

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive incime is reclassified from equity to profit or loss.

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

Unquoted equity securities carried at cost

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

(m) Share capital

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 nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

3. Significant Accounting Policies (Cont'd)

(n) 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 contributions to the state pension scheme, the Employee Provident Fund ("EPF"). 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.

(o) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods 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) Rental income

Rental income is recognised on accrual basis.

(iv) Interest income

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

(v) Dividend income

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

3. Significant Accounting Policies (Cont'd)

(p) 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 theirs 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.

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.

(q) 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 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 years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement 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, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

3. Significant Accounting Policies (Cont'd)

(q) Income taxes (Cont'd)

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.

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.

(r) Earnings per ordinary share

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

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

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

(s) Segment 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.

(t) 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.

3. Significant Accounting Policies (Cont’d)

(u) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal group) 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.

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

Group	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
2014							
Cost/Valuation							
At 1 January 2014	10,039,669	1,098,088	8,435,614	6,603,234	1,601,432	5,658,451	33,436,488
Acquisition of subsidiary	-	-	603,599	866,300	29,533	499,892	1,999,324
Additions	-	-	11,452	319,024	63,719	611,152	1,005,347
Reclassification	-	(118,088)	(497,065)	-	-	-	(615,153)
Transfer to assets held for sale	-	-	(603,599)	(866,300)	(33,176)	(657,474)	(2,160,549)
At 31 December 2014	10,039,669	980,000	7,950,001	6,922,258	1,661,508	6,112,021	33,665,457
Representing:							
At cost	6,217,669	-	569,842	6,922,258	1,661,508	6,112,021	21,483,298
At valuation	3,822,000	980,000	7,380,159	-	-	-	12,182,159
At 31 December 2014	10,039,669	980,000	7,950,001	6,922,258	1,661,508	6,112,021	33,665,457

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

Group	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
2014							
Accumulated depreciation							
At 1 January 2014	-	155,453	1,285,333	3,397,652	845,755	3,630,135	9,314,328
Acquisition of subsidiary	-	-	125,524	565,264	10,914	402,151	1,103,853
Charge for the financial year	-	28,827	189,608	609,399	157,995	926,541	1,912,370
Reclassification	-	(118,088)	(497,065)	-	-	-	(615,153)
Transfer to assets held for sale	-	-	(185,884)	(661,393)	(11,278)	(442,293)	(1,300,848)
At 31 December 2014	-	66,192	917,516	3,910,922	1,003,386	4,516,534	10,414,550
Accumulated impairment loss							
At 1 January 2014	410,000	-	70,938	-	-	-	480,938
Acquisition of subsidiary	-	-	25,150	141,036	18,621	20,740	205,547
Transfer to assets held for sale	-	-	(25,150)	(141,036)	(18,621)	(20,740)	(205,547)
31 December 2014	410,000	-	70,938	-	-	-	480,938
Total accumulated depreciation and impairment loss	410,000	66,192	988,454	3,910,922	1,003,386	4,516,534	10,895,488
Carrying amount							
At cost	6,217,669	-	550,101	3,011,336	658,122	1,595,487	12,032,715
At valuation	3,412,000	913,808	6,411,446	-	-	-	10,737,254
At 31 December 2014	9,629,669	913,808	6,961,547	3,011,336	658,122	1,595,487	22,769,969

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

Group	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
2013							
Cost/Valuation							
At 1 January 2013	3,991,000	980,000	8,242,288	6,302,734	1,299,040	5,133,463	25,948,525
Additions	6,217,669	-	378,000	300,500	302,392	524,988	7,723,549
Transfer to investment properties (Note 5)	(169,000)	-	(184,674)	-	-	-	(353,674)
At 31 December 2013	10,039,669	980,000	8,435,614	6,603,234	1,601,432	5,658,451	33,318,400
Representing:							
At cost	7,857,669	-	5,892,549	6,603,234	1,601,432	5,658,451	27,613,335
At valuation	2,182,000	1,098,088	2,543,065	-	-	-	5,823,153
At 31 December 2013	10,039,669	1,098,088	8,435,614	6,603,234	1,601,432	5,658,451	33,436,488

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

Group	**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**
2013							
Accumulated depreciation							
At 1 January 2013	-	140,049	1,143,387	2,916,991	815,587	2,770,095	7,786,109
Charge for the financial year	-	15,404	165,406	480,661	30,168	860,040	1,551,679
Transfer to investment properties (Note 5)	-	-	(23,460)	-	-	-	(23,460)
At 31 December 2013	-	155,453	1,285,333	3,397,652	845,755	3,630,135	9,314,328
Accumulated impairment loss							
At 1 January 2013/ 31 December 2013	410,000	-	70,938	-	-	-	480,938
Total accumulated depreciation and impairment loss	410,000	155,453	1,356,271	3,397,652	845,755	3,630,135	9,795,266
Carrying amount							
At cost	7,857,669	-	5,046,174	3,205,582	755,677	2,028,316	18,893,418
At valuation	1,772,000	942,635	2,033,169	-	-	-	4,747,804
At 31 December 2013	9,629,669	942,635	7,079,343	3,205,582	755,677	2,028,316	23,641,222

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	
	2014	**2013**
	RM	**RM**
Freehold land	6,217,669	6,217,669
Leasehold land	913,808	942,635
Buildings	1,429,840	1,530,657
	8,561,317	8,690,961

(b) Assets held under finance leases

At 31 December 2014, the carrying amount of leased motor vehicle of the Group was RM1,078,012 (2013: RM1,257,189).

(c) Revaluation of land and buildings

Freehold, leasehold land and buildings of a subsidiary company were revalued on 27 December 2011 and 18 January 2012 by independent professional qualified valuers, SR. Wong Yin Fook (Registered Valuer, V231) and Kuljeet Singh (Registered Valuer, V431) using the comparison method and cost method.

Details of the Group's land and buildings and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1	**Level 2**	**Level 3**	**Total fair value**
	RM	**RM**	**RM**	**RM**
Freehold land	-	3,412,000	-	3,412,000
Leasehold land	-	980,000	-	980,000
Buildings	-	6,850,000	-	6,850,000

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			
2014			
Carrying amount	2,265,467	251,923	5,759,878
2013			
Carrying amount	2,265,467	259,796	5,901,611

(d) Leasehold land

The remaining lease term of the leasehold land is 42 years (2013: 43 years).

5. Investment Properties

	Freehold land RM	Building RM	Total RM
Group			
2014			
Valuation			
At 1 January 2014	169,000	184,674	353,674
Reclassification	-	(19,674)	(19,674)
At 31 December 2014	169,000	165,000	334,000
Accumulated depreciation			
At 1 January 2014	-	27,061	27,061
Charge for the financial year	-	3,300	3,300
Reclassification	-	(19,674)	(19,674)
At 31 December 2014	-	10,687	10,687
Carrying amount			
At 31 December 2014	169,000	154,313	323,313

5. Investment Properties (Cont'd)

	Freehold land RM	Building RM	Total RM
2013			
Valuation			
At 1 January 2013	-	-	-
Transfer from property, plant and equipment (Note 4)	169,000	184,674	353,674
At 31 December 2013	169,000	184,674	353,674
Accumulated depreciation			
At 1 January 2013	-	-	-
Transfer from property, plant and equipment (Note 4)	-	23,460	23,460
Charge for the financial year	-	3,601	3,601
	-	27,061	27,061
Carrying amount			
At 31 December 2013	169,000	157,613	326,613

The Group's land and building was revalued on 27 December 2011 by independent professional qualified valuers, SR. Wong Yin Fook (Registered Valuer, V231) using the comparison method and cost method.

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

	Group	
	2014 RM	2013 RM
Rental income	22,525	24,000
Direct operating expenses	1,005	1,005

6. Intangible Assets

	Goodwill RM	Licensing fee RM	Development costs RM	Total RM
Group				
2014				
Cost				
At 1 January 2014	2,018,754	325,000	617,180	2,960,934
Addition through internally generated	-	547,104	112,776	659,880
At 31 December 2014	2,018,754	872,104	729,956	3,620,814
Accumulated impairment loss				
At 1 January 2014/ 31 December 2014	18,756	-	-	18,756
Carrying amount				
At 31 December 2014	1,999,998	872,104	729,956	3,602,058
Group				
2013				
Cost				
At 1 January 2013	12,684	325,000	105,071	442,755
Addition through internally generated	-	-	512,109	512,109
Addition through business combination [Note 7(c)]	2,006,070	-	-	2,006,070
At 31 December 2013	2,018,754	325,000	617,180	2,960,934
Accumulated impairment loss				
At 1 January 2013	12,684	-	-	12,684
Impairment loss	6,072	-	-	6,072
At 31 December 2013	18,756	-	-	18,756
Carrying amount				
At 31 December 2013	1,999,998	325,000	617,180	2,942,178

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.

6. Intangible Assets (Cont'd)

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:

(a) Cash flows were projected based on actual operating results and a five-year business plan.

(b) Revenue was projected at anticipated annual revenue growth of approximately between 20% and 50% for the years 2015 to 2019.

(c) Expenses were projected at annual increase of approximately between 20% and 46% for the years 2015 to 2019.

(d) 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.

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	
	2014	**2013**
	RM	**RM**
In Malaysia		
Unquoted shares, at cost	36,524,999	36,524,999

Details of the subsidiary companies are as follows:

Name of Company	**Country of incorporation**	**Effective interest (%) 2014**	**2013**	**Principal activities**
Muar Ban Lee Engineering Sdn. Bhd.	Malaysia	100.00	100.00	Manufacturer of oil seed expeller and related parts
Muar Ban Lee Technology Sdn. Bhd.	Malaysia	100.00	100.00	Manufacture of automated kernel crushing plants and related parts

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 (%) 2014	2013	Principal activities
Palm Ocean Engineering Sdn. Bhd. (formerly known as M2 Vessel Sdn. Bhd.) *	Malaysia	50.00	50.00	Involved in renewable energy, palm oil mill effluent waste treatment and empty fruit bunch compositing 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 company
MBL Plantation Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding company
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	-	Cultivation of palm oil
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

* Currently the Company exercise full control over Palm Ocean Engineering Sdn. Bhd. (formerly known as M2 Vessel 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..

The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

7. Investments in Subsidiary Companies (Cont'd)

Acquisition of subsidiary company

On 13 February 2014, MBL Plantation Sdn. Bhd. ("MBLP"), a wholly-owned subsidiary of the Company had acquired 2,000,000 ordinary shares of RM1.00 each of Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB") for a total consideration of RM24,750,000. With the acquisition, SGLSB is now a wholly-owned subsidiary of the MBLP.

(a) Net cash outflow arising from acquisition of subsidiary companies

	Group	
	2014	**2013**
	RM	**RM**
Purchase consideration settled in cash	(24,750,000)	(2,000,002)
Cash and cash equivalents acquired	-	4
Net cash outflows on acquisition of subsidiaries	(24,750,000)	(1,999,998)

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

	Group	
	2014	**2013**
	RM	**RM**
Property, plant and equipment	689,924	-
Land use right	24,800,000	-
Cash in hand	-	4
Other payables	(465,111)	(6,072)
Deferred tax liabilities	(63,987)	-
Total identifiable assets and liabilities	24,960,826	(6,068)

The land use right refer to the right granted by Perbadanan Pembangunan Ladang Rakyat Negeri Kelantan to use and develop the plantation land.

(c) (Bargain purchase)/Goodwill arising from business combination

	Group	
	2014	**2013**
	RM	**RM**
Fair value of consideration transferred	24,750,000	2,000,002
Fair value of identifiable assets acquired and liabilities assumed	(24,960,826)	6,068
(Bargain purchase)/Goodwill	(210,826)	2,006,070

8. Biological Assets

	Group 2014 RM	Group 2013 RM
At 1 January 2014	-	-
Additions	760,725	-
Transfer to assets held for sales (Note 15)	(760,725)	-
At 31 December 2014	-	-

9. Other Investments

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Available-for-sale financial assets				
- Medium Term Note	250,000	250,000	250,000	250,000
- Premium Capital Income Secure Saver	200,000	200,000	-	-
	450,000	450,000	250,000	250,000

The investment in Premium Capital Income Secure Saver is held in trust by a Director.

The interest rate for the investments as at 31 December 2014 ranges from 3.30% to 7.15% (2013: 3.30% to 7.15%) per annum.

10. Inventories

	Group 2014 RM	Group 2013 RM
At cost:		
Raw materials	6,408,746	7,940,628
Work-in progress	18,336,095	14,667,296
	24,744,841	22,607,924
Recognised in profit or loss:		
Inventories recognised as cost of sales	25,288,936	27,735,213

11. Trade Receivables

	Group 2014 RM	Group 2013 RM
Trade receivables	10,344,488	8,883,107

The Group's normal trade credit terms range from 30 to 120 days (2013: 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.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group 2014 RM	Group 2013 RM
At 1 January	-	200,000
Amount written off	-	(200,000)
At 31 December	-	-

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

	Group 2014 RM	Group 2013 RM
Neither past due nor impaired	5,513,006	4,121,668
Pass due less than 3 months but not impaired	3,326,394	1,100,303
Pass due more than 3 months but not impaired	1,505,088	3,661,136
Total past due but not impaired	4,831,482	4,761,439
Trade receivables	10,344,488	8,883,107

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

As at 31 December 2014, trade receivables of RM4,831,482 (2013: RM4,761,439) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

12. Other Receivables

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other receivables	475,923	109,701	4,346	-
Sundry deposits	537,094	198,041	3,000	33,000
Prepayments	1,757,563	2,233,566	-	-
	2,770,580	2,541,308	7,346	33,000

Included in prepayments of the Group is an amount of RM Nil (2013: RM1,223,500) being amount paid for acquisition of subsidiary company by the Group.

13. Amounts Owing by Subsidiary Companies

Amounts owing by subsidiary companies are non-trade in nature, non-interest bearing, unsecured and repayable on demand.

14. Fixed Deposits with Licensed Banks, Bank and Cash Balances

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Cash and bank balances	4,381,776	12,049,809	673,230	7,422,849
Fixed deposit with licensed banks	713,801	23,776,253	-	4,000,000
	5,095,577	35,826,062	673,230	11,422,849

Fixed deposits with licensed banks of the Group amounting to RM411,320 (2013: RM398,976) are pledged as securities for bank guarantees facilities as disclosed in Note 34.

The fixed deposits with licensed banks of the Group and of the Company earn effective interest at rates ranging from 2.75% to 3.3% (2013: 2.55% to 3.25%) per annum.

Deposits of the Group and the Company have maturity periods ranging from 1 to 12 months (2013: 1 to 12 months).

15. Disposal Group Held For Sale and Discontinued Operation

On 28 April 2015, the Company announced that MBL Plantation Sdn. Bhd. ("MBLP"), a wholly owned subsidiary of the Company proposed to dispose of its entire 2,000,000 ordinary shares of RM1.00 each in Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB"), a wholly owned subsidiary of MBLP and novation of the sum owing from the creditors of SGLSB to Kenali Berkat Sdn. Bhd., for a total consideration of RM35,100,000.

Statements of Financial Position

The major classes of assets and liabilities of Sokor Gemilang Ladang Sdn. Bhd. classified as held for sale as at 31 December 2014 are as follows:

	Group 2014 RM
Assets	
Land use right	24,800,000
Biological assets	760,725
Property, plant and equipment (Note 4)	654,154
Trade receivables	12,871
Cash and bank balances	171,862
Assets included in disposal group classified as held for sale	26,399,612
Liabilities	
Trade payables	92,779
Other payables	91,096
Hire purchase payables	125,000
Liabilities included in disposal group classified as held for sale	308,875
Net assets directly associated with disposal group classified as held for sale	26,090,737

Statements of Profits or Loss and Other Comprehensive Income

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

	Group 2014 RM
Revenue	982,510
Cost of sales	(742,240)
Gross profit	240,270
Distribution and administration expenses	(101,004)
Profit from discontinued operations, net of tax	139,266

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

15. Disposal Group Held For Sale and Discontinued Operation (Cont'd)

Included in arriving profit before taxation of the discontinued operations are as follows:

	Group 2014 RM
Auditors' remuneration	12,000
Depreciation of property, plant and equipment	196,995
Employee benefits expenses	60,181

Statements of Cash Flows

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

	Group 2014 RM
Net cash from operating activities	449,729
Net cash used in investing activities	(796,949)
Effect on cash flow	(347,220)

16. Share Capital

	Group/Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2014 Units	2013 Units	2014 RM	2013 RM
Authorised:				
At 1 January/31 December	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January/31 December	92,000,000	92,000,000	46,000,000	46,000,000

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.

17. Share Premium

Share premium amounting to RM3,150,000 arose from issuance of 21,000,000 shares of RM0.50 each at a premium of RM0.15 per share in year 2009, net of listing expense amounting to RM1,157,846.

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/Discount on Shares

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 reserve represents 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 2014 was 46,000,000 (2012: 46,000,000).

20. Retained Earnings

Under the single tier system introduced by the Finance Act 2007 which came into effect from the year of assessment 2007, dividends paid under this system are tax exempt in the hands of shareholders. As such, the whole retained earnings of the Company can be distributed to shareholders as tax exempt dividends.

21. Deferred Tax Liabilities

	Group	
	2014	**2013**
	RM	**RM**
At 1 January	1,239,000	1,139,000
Acquisition of subsidiary	63,987	-
Recognised to profit or loss (Note 31)		
- relating to origination and reversal of temporary difference	55,275	119,642
- relating to crystallisation of deferred tax liability on revaluation reserve	(24,234)	-
- over provision in prior year	(94,028)	(19,642)
At 31 December	1,240,000	1,239,000

21. Deferred Tax Liabilities (Cont'd)

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

	Group 2014 RM	Group 2013 RM
Deferred tax assets	(812)	-
Deferred tax liabilities	1,240,812	1,239,000
	1,240,000	1,239,000

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

Group
Deferred tax assets

	Unused tax losses RM	Unused capital allowance RM	Total RM
At 1 January 2014	-	-	-
Recognised in profit or loss	-	812	812
At 31 December 2014	-	812	812

Group
Deferred tax liabilities

	Property, plant and equipment RM	Revaluation surplus RM	Total RM
At 1 January 2013	773,755	365,245	1,139,000
Recognised in profit or loss	100,000	-	100,000
At 31 December 2013	873,755	365,245	1,239,000
Acquisition of subsidiary	63,987	-	63,987
Recognised in profit or loss	(37,941)	-	(37,941)
Recognised in other comprehensive income	-	(24,234)	(24,234)
At 31 December 2014	899,801	341,011	1,240,812

21. Deferred Tax Liabilities (Cont'd)

Deferred tax assets have not been recognised in respect of the following temporary difference due to uncertainty of its recoverability:

	Group 2014 RM	Group 2013 RM
Unutilised capital allowance	16,633	-
Unutilised tax losses	104,256	-
Other deductible temporary differences	15,017	-
	135,906	-

Deferred tax assets have not been recognised in respect of these items 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.

22. Hire Purchase Payables

	Group 2014 RM	Group 2013 RM
Minimum hire purchase payments:		
Repayable within one year	226,152	220,396
Repayable within one to two years	199,267	147,552
Repayable within two to five years	106,124	213,717
	531,543	581,665
Less: Future finance charges	(28,691)	(40,210)
Present value of hire purchase liabilities	502,852	541,455
Present value of hire purchase payments:		
Repayable within one year	208,104	200,563
Repayable within one to two years	190,454	135,330
Repayable within two to five years	104,294	205,562
	502,852	541,455
Representing hire purchase liabilities:		
Current portion	208,104	200,563
Non-current portion	294,748	340,892
	502,852	541,455

The hire purchase liabilities bear interest at the rates ranging from 2.34% to 3% (2013: 2.34% to 3.15%) per annum.

23. Bank Borrowings

	Group 2014 RM	Group 2013 RM
Secured		
Non-current		
Term loan	3,637,492	3,997,409
Current		
Term loan	363,807	355,880
Bank overdraft	1,667,754	-
Bankers acceptance	355,000	-
	6,024,053	4,353,289

	Group 2014 RM	Group 2013 RM
Maturity of bank borrowings is as follows:		
Repayable within one year	2,386,561	355,880
Repayable within one to two years	383,755	373,823
Repayable within two to five years	1,282,194	1,242,665
Repayable more than five years	1,971,543	2,380,921
	6,024,053	4,353,289

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

	Group 2014 %	Group 2013 %
Term loan	5.35	5.10
Bank overdraft	7.35	-
Bankers acceptance	5.26	-

The term loan, bank overdraft and bankers acceptance are secured by the following:

(i) legal charge over the Group’s freehold, leasehold land and building as mentioned in Note 4; and

(ii) corporate guarantee by the Company.

24. Trade Payables

Credit terms of trade payables of the Group ranged from 30 to 90 days (2013: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

25. Other Payables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	192,792	194,568	-	-
Deposits received	2,192,790	4,090,735	-	-
Accruals	1,719,486	1,832,935	292,879	294,001
	4,105,068	6,118,238	292,879	294,001

26. Amounts Owing to Subsidiary Companies

Amounts owing to subsidiary companies are non-trade in nature, non-interest bearing, unsecured and repayable on demand.

27. Revenue

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Sale of goods	47,301,983	50,334,866	-	-
Dividend income from subsidiary companies	-	-	4,260,000	6,000,000
	47,301,983	50,334,866	4,260,000	6,000,000
Less : Revenue from discontinued operations	(982,510)	-	-	-
Revenue from continuing operations	46,319,473	50,334,866	4,260,000	6,000,000

28. Finance Costs

	Group	
	2014	2013
	RM	RM
Continuing operations		
Interest expenses on:		
- Bank overdraft	18,899	-
- Bankers acceptance	126	-
- Hire purchase payables	27,293	29,882
- Term loan	217,027	45,543
	263,345	75,425

29. Profit Before Taxation

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

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Continuing operations				
Auditors' remuneration				
- audit fee	71,000	64,000	17,500	18,000
- non-audit fee	3,000	3,000	3,000	3,000
- over provision for prior year	-	(1,200)	-	(500)
Bargain purchase of subsidiary	(210,826)	-	-	-
Depreciation of investment properties	3,300	3,601	-	-
Depreciation of property, plant and equipment	1,715,375	1,551,679	-	-
Employee benefits expenses (Note 30)	11,958,213	11,699,529	402,630	405,780
Foreign exchange gain				
- realised	(209,361)	(188,269)	-	-
- unrealised	(148,709)	(481,297)	-	-
Impairment loss on goodwill	-	6,072	-	-
Interest income	(142,881)	(992,657)	(28,496)	(264,341)
Rental expenses	668,297	602,535	-	-
Rental income	(36,525)	(24,000)	-	-
Research and development costs	379,904	179,510	-	-

30. Employee Benefits Expenses

	Group		Company	
	2014	2013	2014	2013
Continuing operations	**RM**	**RM**	**RM**	**RM**
(a) Employee benefits expenses				
i) Factory staff costs				
- Salaries, wages, bonus, allowances and overtime	3,045,928	2,881,075	-	-
- Contributions to defined contribution plan	165,999	195,582	-	-
- Other costs	58,484	79,191	-	-
	3,270,411	3,155,848	-	-
ii) Admin staff costs				
- Salaries, wages, bonus, allowances and overtime	1,974,340	1,907,043	2,500	3,150
- Contributions to defined contribution plan	231,510	253,396	-	-
- Other costs	18,540	17,956	-	-
	2,224,390	2,178,395	2,500	3,150
Total employee benefits expenses on staff	5,494,801	5,334,243	2,500	3,150
(b) Director' remuneration				
Executive:				
Directors' fees	1,940,000	1,940,000	150,000	150,000
Salaries and other emoluments	3,728,323	3,699,584	130,077	130,577
Contribution to defined contribution plan	670,512	581,952	23,053	23,053
Other costs	27,577	44,750	-	-
	6,366,412	6,266,286	303,130	303,630
Non-executive:				
Directors' fees	90,000	90,000	90,000	90,000
Allowances	7,000	9,000	7,000	9,000
	97,000	99,000	97,000	99,000
Total Director's remuneration	6,463,412	6,365,286	400,130	402,630
Total employee benefits expenses	11,958,213	11,699,529	402,630	405,780

30. Employee Benefits Expenses (Cont'd)

The numbers of Directors of the Group whose total remuneration during the year fall within the following bands are as follows:

	Group 2014	Group 2013
Executive:		
RM350,001 to RM400,000	-	1
RM400,001 to RM450,000	1	-
RM1,300,001 to RM1,350,000	3	3
RM1,900,001 to RM1,950,000	1	1
	5	5
Non-executive:		
Below RM50,000	3	3

31. Taxation

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current tax:				
Current year provision	1,025,079	1,091,282	6,500	60,740
Under/(Over) provision in prior year	15,171	65,341	(51)	(15,919)
	1,040,250	1,156,623	6,449	44,821
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	55,275	119,642	-	-
Relating to crystallisation of deferred tax liability on revaluation reserve	(24,234)	-	-	-
Over provision in prior year	(94,028)	(19,642)	-	-
	(62,987)	100,000	-	-
	977,263	1,256,623	6,449	44,821

Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profits for the financial year.

31. Taxation (Cont'd)

A reconciliation of income tax expenses applicable to profit before taxation 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	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Profit before taxation				
- Continuing operations	4,862,292	7,539,609	3,629,182	5,488,727
- Discontinued operations	139,266	-	-	-
	5,001,558	7,539,609	3,629,182	5,488,727
At Malaysian statutory tax rate of 25%	1,262,389	1,884,902	907,296	1,372,182
Income not subject to tax	(694,566)	(1,386,122)	(1,065,000)	(1,500,000)
Expenses not deductible for tax purpose	515,696	712,144	164,204	188,558
Relating to crystallisation of deferred tax liability on revaluation reserve	(24,234)	-	-	-
Movement in deferred tax assets not recognised	(3,165)	-	-	-
Over provision of deferred tax in prior year	(94,028)	(19,642)	-	-
Under/(Over) provision of income tax in prior year	15,171	65,341	(51)	(15,919)
	977,263	1,256,623	6,449	44,821

A subsidiary company of the Group 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.

The amount and future availability of unutilised tax losses and capital allowances are as follows:

	Group	
	2014	**2013**
	RM	**RM**
Unutilised capital allowance	16,633	-
Unutilised tax losses	104,256	-
Other deductible temporary differences	18,277	-
	139,166	-

32. 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	
	2014	**2013**
Profit attributable to ordinary shareholders (RM)		
- from continuing operations	3,928,545	6,305,836
- from discontinued operations	139,266	-
	4,067,811	6,305,836
Number of ordinary shares in issue	92,000,000	92,000,000
Basic earnings per share (sen)		
- from continuing operations	4.27	6.85
- from discontinued operations	0.15	-
	4.42	6.85

(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	
	2014	**2013**
Profit attributable to ordinary shareholders (RM)		
- from continuing operations	3,928,545	6,305,836
- from discontinued operations	139,266	-
	4,067,811	6,305,836
Weighted average number of ordinary shares used in the calculation of basic earning per share	99,565,426	101,921,569
Basic earnings per share (sen)		
- from continuing operations	3.95	6.19
- from discontinued operations	0.14	-
	4.09	6.19

33. Dividends

	Group/Company 2014 RM	Group/Company 2013 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
In respect of the financial year ended 31 December 2013:		
Final single tier dividend of RM0.03 per ordinary share on 23 July 2013	-	2,760,000
First interim single tier dividend of RM0.04 per ordinary share on 28 November 2013	-	3,680,000
Second interim single tier dividend of RM0.03 per ordinary share on 30 April 2014	2,760,000	-
In respect of the financial year ended 31 December 2014:		
First interim single tier dividend of RM0.01 per ordinary share on 30 December 2014	920,000	-
	3,680,000	6,440,000

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

34. Contingent Liabilities

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Secured				
Financial guarantee given to financial institutions for credit facilities granted to subsidiary companies	-	-	6,847,177	6,205,289
Bank guarantee given to third party	123,374	-	-	-
Bank guarantee given to tender deposit and third parties in respect of a contract entered	699,750	-	-	-
Bank guarantee given to financial institutions for customs duties and supply of electricity	34,000	21,500	-	-

35. Commitments

	Group 2014 RM	Group 2013 RM
Capital expenditure		
Authorised and contracted for:		
- Investment	-	24,750,000
- Property, plant and equipment	1,757,920	-
	1,757,920	24,750,000
Authorised and not contracted for:		
- Biological assets	1,000,000	-

Operating lease commitments - as lessee

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

	Group 2014 RM	Group 2013 RM
Within one year	184,594	303,826
Later than one year but not later than two years	124,862	184,594
Later than two years but not later than five years	4,500	129,362
	313,956	617,782

36. 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 include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiary companies of the Group.

The Company has related party relationships with its holding company, subsidiary companies, Directors’ related companies and key management personnel.

36. Related Party Disclosures (Cont'd)

(b) Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed in Notes 13 and 26 to the financial statements, the significant related party transactions of the Group and the Company are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
With subsidiaries:				
Dividend income received from subsidiary companies	-	-	4,260,000	6,000,000
With related party:				
Secretarial fees paid	18,380	17,596	9,600	9,600
With Directors:				
Rental paid	7,200	7,200	-	-

(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 Note 30.

37. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four 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 service	Trading of renewable energy, Palm Oil Mill Effuent waste treatment and Empty Fruit Brunch composting and related activities.
Plantation	Involved in oil palm plantation.

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.

37. Segment Information (Cont'd)

(a) Business segments (Cont'd)

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 service RM	Plantation (discontinued) RM	Adjustment and eliminations RM	Consolidated RM
Group						
2014						
Revenue						
External reveue	-	46,120,599	198,874	982,510	-	47,301,983
Inter-segment revenue	4,260,000	648,330	8,800	-	(4,917,130)	-
Total revenue	4,260,000	46,768,929	207,674	982,510	(4,917,130)	47,301,983
Results						
Interest income	28,496	114,385	-	-	-	142,881
Finance costs	-	(263,345)	-	-	-	(263,345)
Depreciation of:						
- Property, plant and equipment	-	(1,714,725)	(650)	(196,995)	-	(1,912,370)
- Investment properties	-	(3,300)	-	-	-	(3,300)
Other material profit or loss items:						
- Bargain purchase of subsidiary	210,826	-	-	-	-	210,826
- Unrealised exchange gain	-	148,709	-	-	-	148,709
- Realised exchange gain	-	207,439	1,922	-	-	209,361
- Taxation	57,538	(1,034,801)	-	-	-	(977,263)
Segment (loss)/profit	(426,965)	4,372,934	(60,940)	139,266	-	4,024,295
Segment assets	2,592,854	65,434,419	291,159	26,399,612	1,782,394	96,500,438
Segment liabilities	310,549	13,995,091	260,061	308,875	(217,604)	14,656,972

37. Segment Information (Cont'd)

(a) Business segments (Cont'd)

	Investment holding RM	Manufacturing RM	Trading and service RM	Plantation (discontinued) RM	Adjustment and eliminations RM	Consolidated RM
Group						
2013						
Revenue						
External reveue	-	50,334,866	-	-	-	50,334,866
Inter-segment revenue	6,000,000	1,175,000	-	-	(7,175,000)	-
Total revenue	6,000,000	51,509,866	-	-	(7,175,000)	50,334,866
Results						
Interest income	264,341	728,316	-	-	-	992,657
Finance costs	-	(75,425)	-	-	-	(75,425)
Depreciation of:						
- Property, plant and equipment	-	(1,551,679)	-	-	-	(1,551,679)
- Investment properties	-	(3,601)	-	-	-	(3,601)
Other material profit or loss items:						
- Impairment loss on goodwill	-	-	-	-	6,072	6,072
- Unrealised exchange gain (net)	-	481,297	-	-	-	481,297
- Realised exchange gain	-	188,269	-	-	-	188,269
- Taxation	(44,821)	(1,211,802)	-	-	-	(1,256,623)
Segment (loss)/profit	(886,835)	7,175,893	-	-	(6,072)	6,282,986
Segment assets	13,780,675	81,516,857	-	-	1,920,882	97,218,414
Segment liabilities	536,925	15,261,434	-	-	(79,116)	15,719,243

37. Segment Information (Cont'd)

(b) Geographical segments

The segment information by geographical location is presented as below:

	2014 RM	2013 RM
Continuing operations		
Malaysia	3,920,762	9,194,205
Indonesia	31,999,302	19,239,114
Thailand	3,285,687	2,869,739
Gabon	1,142,943	-
Guatamala	1,179,021	3,784,214
Papua New Guinea	1,314,830	3,773,531
Colombia	489,913	4,560,964
Outside Malaysia	2,987,015	6,913,099
Discontinuing operations		
Malaysia	982,510	-
	47,301,983	50,334,866

(c) Major customers

Revenue from five (2013: four) major customer amount to approximately RM16,375,000 (2013: RM17,000,000), arising from sales in the manufacturing segment.

38. 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 expenses including fair values gain or loss are recognised.

38. 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:

	Loans and receivables RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
Group				
2014				
Financial Assets				
Other investments	-	450,000	-	450,000
Trade receivables	10,344,488	-	-	10,344,488
Other receivables	2,770,580	-	-	2,770,580
Fixed deposits with licensed banks, bank and cash balances	5,095,577	-	-	5,095,577
	18,210,645	450,000	-	18,660,645
Financial Liabilities				
Trade payables	-	-	2,460,648	2,460,648
Other payables	-	-	4,105,068	4,105,068
Hire purchase payables	-	-	502,852	502,852
Bank borrowings	-	-	6,024,053	6,024,053
	-	-	13,092,621	13,092,621
2013				
Financial Assets				
Other investments	-	450,000	-	450,000
Trade receivables	8,883,107	-	-	8,883,107
Other receivables	2,541,308	-	-	2,541,308
Fixed deposits with licensed banks, bank and cash balances	35,826,062	-	-	35,826,062
	47,250,477	450,000	-	47,700,477
Financial Liabilities				
Trade payables	-	-	3,308,663	3,308,663
Other payables	-	-	6,118,238	6,118,238
Hire purchase payables	-	-	541,455	541,455
Bank borrowings	-	-	4,353,289	4,353,289
	-	-	14,321,645	14,321,645

38. 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)

	Loans and receivables RM	**Available-for-sale RM**	**Other financial liabilities at amortised cost RM**	**Total RM**
Company				
2014				
Financial Assets				
Other investments	-	250,000	-	250,000
Other receivables	7,346	-	-	7,346
Amounts owing by subsidiary companies	27,948,795	-	-	27,948,795
Fixed deposits with licensed banks, bank and cash balances	673,230	-	-	673,230
	28,629,371	250,000	-	28,879,371
Financial Liabilities				
Other payables	-	-	292,879	292,879
Amounts owing to subsidiary companies	-	-	13,437,479	13,437,479
	-	-	13,730,358	13,730,358
2013				
Financial Assets				
Other investments	-	250,000	-	250,000
Other receivables	33,000	-	-	33,000
Amounts owing by subsidiary companies	3,843,632	-	-	3,843,632
Fixed deposits with licensed banks, bank and cash balances	11,422,849	-	-	11,422,849
	15,299,481	250,000	-	15,549,481
Financial Liability				
Other payables	-	-	294,001	294,001

38. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The Group has not active engaged in the trading of financial assets for speculative purposes nor does it write options. The Group does not apply hedge accounting.

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 loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group have 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 loans and 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 RM6,847,177 (2013: RM6,205,289), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk relates to the amounts owing by seven customers (2013: seven customers) which constituted approximately 41% (2013: 43%) of its trade receivables as at the end of the reporting period.

38. 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	
	2014	**2013**
	RM	**RM**
Columbia	370,279	-
Gabon	271,935	-
Independent State of Papua New Guinea	171,891	78,255
Kingdom of Belgium	171,445	7,752
Kingdom of Thailand	95,245	276,854
Malaysia	1,066,650	2,218,024
Republic of China	-	34,110
Republic of Guatemala	-	130,571
Republic of India	-	9,209
Republic of Indonesia	8,197,043	5,988,299
Solomon Islands	-	140,033
	10,344,488	8,883,107

(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. 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.

38. 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
2014						
Financial Liabilities						
Trade payables	2,460,648	-	-	-	2,460,648	2,460,648
Other payables	4,105,068	-	-	-	4,105,068	4,105,068
Hire purchase payables	226,152	199,267	126,624	-	552,043	502,852
Bank borrowings	2,591,770	569,016	1,707,048	2,185,413	7,053,247	6,024,053
Total undiscounted financial liabilities	9,383,638	768,283	1,833,672	2,185,413	14,171,006	13,092,621
2013						
Financial Liabilities						
Trade payables	3,308,663	-	-	-	3,308,663	3,308,663
Other payables	6,118,238	-	-	-	6,118,238	6,118,238
Hire purchase payables	220,396	147,552	213,717	-	581,665	541,455
Bank borrowings	569,016	569,016	1,707,048	2,702,826	5,547,906	4,353,289
Total undiscounted financial liabilities	10,216,313	716,568	1,920,765	2,702,826	15,556,472	14,321,645

38. 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
Company	
2014	
Financial Liabilities	
Other payables	292,879
Amounts owing to subsidiary companies	13,437,479
Total undiscounted financial liabilities	13,730,358
2013	
Financial Liability	
Other payables	294,001
Total undiscounted financial liability	294,001

(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 currency giving rise to this risk is primarily United States Dollar ("USD").

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.

38. 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 RM	**Others RM**	**Total RM**
Group			
2014			
Financial Assets			
Trade receivables	3,163,124	-	3,163,124
Other receivables	710,565	-	710,565
Fixed deposits with licensed banks, bank and cash balances	706,932	92,935	799,867
	4,580,621	92,935	4,673,556
Financial Liabilities			
Trade payables	553,610	-	553,610
Other payables	1,351,052	-	1,351,052
	1,904,662	-	1,904,662
Net currency exposure	2,675,959	92,935	2,768,894
2013			
Financial Assets			
Trade receivables	3,486,057	-	3,486,057
Fixed deposits with licensed banks, bank and cash balances	3,988,650	-	3,988,650
	7,474,707	-	7,474,707
Financial Liabilities			
Trade payables	1,051,375	-	1,051,375
Other payables	2,261,010	-	2,261,010
	3,312,385	-	3,312,385
Net currency exposure	4,162,322	-	4,162,322

38. 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

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

		2014 RM	2013 RM
Group			
USD/RM	- strengthened 5% (2013: 5%)	133,798	208,116
	- weakened 5% (2013: 5%)	(133,798)	(208,116)
Others/RM	- strengthened 5% (2013: 5%)	4,647	-
	- weakened 5% (2013: 5%)	(4,647)	-

(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.

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.

38. 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 carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	2014 RM	2013 RM
Group		
Fixed rate instruments		
Financial asset	713,801	23,776,253
Financial liabilities	(857,852)	(541,455)
	(144,051)	23,234,798
Floating rate instruments		
Financial liability	(5,669,053)	(4,353,289)
Company		
Fixed rate instruments		
Financial asset	-	4,000,000

Interest rate risk sensitivity analysis

Fair value sensitivity for fixed rate instruments

The Group and the Company do 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 increased/(decreased) the Group's profit before tax by RM56,691 (2013: RM43,533), 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.

38. 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.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those 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				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Group					
2014					
Financial asset					
Other investments	450,000	-	-	450,000	450,000
Financial liability					
Hire purchase payables	-	-	273,254	273,254	294,748
2013					
Financial asset					
Other investments	450,000	-	-	450,000	450,000
Financial liability					
Hire purchase payables	-	-	363,541	363,541	340,892

38. Financial Instruments (Cont'd)

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

	Fair value of financial instruments not carried at fair value				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Company					
2014					
Financial assets					
Other investments	250,000	-	-	250,000	250,000
Amount owing by subsidiary companies	-	-	27,948,795	27,948,795	27,948,795
	250,000	-	27,948,795	28,198,795	28,198,795
2013					
Financial assets					
Other investments	250,000	-	-	250,000	250,000
Amount owing by subsidiary companies	-	-	3,843,632	3,843,632	3,843,632
	250,000	-	3,843,632	4,093,632	4,093,632

(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).

38. 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.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	**Description of valuation technique and inputs used**
Hire purchase payables and loan to subsidiary companies	Discounted cash flow using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date

39. Capital Management

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The Group and the Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions to ensure that the Group and the Company is able to continue as a going concern and maintains an optimal capital structure so as to miximise shareholder value. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

39. Capital Management (Cont'd)

The Group and the Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debts. Net debts comprise trade, other payables and accruals, amounts owing to subsidiary companies, hire purchase payables and bank borrowings less cash and cash equivalents. Total equity includes equity attributable to the owners of the Group and the Company.

The gearing ratios are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Trade payables	2,460,648	3,308,663	-	-
Other payables	4,105,068	6,118,238	292,879	283,109
Amounts owing to subsidiary companies	-	-	-	750,000
Hire purchase payables	502,852	541,455	-	-
Bank borrowings	6,024,053	-	-	-
	13,092,621	9,968,356	292,879	1,033,109
Less: Cash and cash equivalents	(3,016,503)	(35,427,086)	(673,230)	(11,422,849)
Net debts	10,076,118	(25,458,730)	(380,351)	(10,389,740)
Total equity	81,837,250	81,449,439	51,802,328	51,859,595
Net debts and equity	91,913,368	55,990,709	51,421,977	41,469,855
Gearing ratio (times)	0.11	N/A*	N/A*	N/A*

* The gearing ratio is not applicable as the Group and the Company have sufficient cash and cash equivalents to settle the liabilities as at year end.

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

The Group is not subject to any externally imposed capital requirements.

40. Significant Event

On 15 March 2013, MBL Plantation Sdn. Bhd. ("MBLP"), a wholly owned subsidiary of the Company had entered into a conditional Share Sale Agreement ("SSA") with the existing shareholders of Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB") for the acquisition of the entire issued and paid up share capital of SGLSB comprising 2,000,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM12,235,000 to be satisfied in cash.

40. Significant Event (Cont'd)

As part of the terms and conditions of the SSA, SGLSB will novate the sum owing of RM12,515,000 from the creditors to MBLP. Hence, the total consideration in relation to the acquisition amounts to RM24,750,000.

All the conditions precedent of the SSA dated 15 March 2013 have been satisfied and the SSA has become unconditional on 17 December 2013 ("Unconditional Date"). Pursuant to the terms of the SSA, MBLP shall settle the balance sum and the sum owing within two (2) months from the Unconditional Date.

The acquisition was completed on 13 February 2014 after the payment of consideration balances and resulted an increase of investments in subsidiary companies of the MBLP by RM24,750,000 for the financial year ending 31 December 2014. With this acquisition, SGLSB is now a wholly owned subsidiary of the MBLP.

41. Subsequent Events

On 19 January 2015 the Group had entered into a Sale and Purchase Agreement with BGC Development Sdn. Bhd. for the acquisition of a property for a cash consideration of RM1,500,000 of which a 1% deposit has been made. The property is located at Bintulu, Sarawak and is intended to be the new workshop of the Group.

On 28 April 2015, the Company announced that MBL Plantation Sdn. Bhd. ("MBLP"), a wholly owned subsidiary of the Company had entered into a Memorandum of Understanding with Kenali Berkat Sdn. Bhd. ("KBSB") and proposed to dispose of its entire 2,000,000 ordinary shares of RM1.00 each in Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB"), a wholly owned subsidiary of MBLP and novation of the sum owing from the creditors of SGLSB to KBSB, for a total consideration of RM35,100,000.

42. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 29 April 2015.

43. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at 31 December 2014 is analysed as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiary companies				
- realised	59,682,738	61,141,797	44,482	101,749
- unrealised	(1,047,698)	(873,755)	-	-
	58,635,040	60,268,042	44,482	101,749
Less: Consolidation adjustments	(31,136,213)	(33,229,729)	-	-
Total retained earnings	27,498,827	27,038,313	44,482	101,749

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