contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of MUAR BAN LEE GROUP BERHAD will be held at No. JR52, Lot 1818, Jalan Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor Darul Takzim on Tuesday, 16th day of June, 2015 at 12.00 noon to transact the following matters:-

AGENDA

As Ordinary Businesses

1) To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. (Please refer to Note A)

2) To re-elect the following Directors retiring under the Article 97 of the Company's Articles of Association, and who, being eligible offer themselves for re-election:
   a) Chua Heok Wee (Resolution 1)
   b) Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Resolution 2)
   c) Teh Eng Aun (Resolution 3)

3) To approve the payment of Directors' fees of RM240,000.00 for the financial year ended 31 December 2014. (Resolution 4)

4) To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)

As Special Businesses

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolution:-

5) Ordinary Resolution I (Resolution 6)

Authority to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6) Ordinary Resolution II (Resolution 7)

Proposed Renewal of Authority for Share Buy-Back

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Securities and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:-

NOTICE OF ANNUAL GENERAL MEETING

i. the maximum number of MBL shares which may be purchased by the Company shall not be exceed ten per centum (10%) of the issued and paid-up share capital of the Company at any point of time;

ii. the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the retained profits and share premium account of the Company, as at 31 December 2014;

iii. the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:-

  a. the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  b. the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authorities;

iv. upon completion of the purchase(s) of the MBL Shares by the Company ("Purchase Shares"), the Purchase Shares shall be dealt with either of the following manner:-

  a. cancel the Purchase Shares if the Directors of the Company deem that there is excess share capital and wish to reduce the number of shares in circulation; or
  b. retain the Purchase Shares as treasury shares held by the Company; or
  c. retain part of the Purchase Shares as treasury shares and cancel the remainder; or
  d. resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; or
  e. distribute the Purchase Shares as share dividends if the Directors of the Company wish to reward the shareholders of MBL, which will depend on the availability of, among others, retained profits, share premium and tax credits of the Company.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of MBL Shares."

7) To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

Lee Hong Lim (MIA 12949)
Company Secretary

Muar, Johor Darul Takzim
Date: 22 May, 2015

NOTICE OF ANNUAL GENERAL MEETING

Note A :

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

Notes :

1) For the purpose of determining a member who shall be entitled to attend at the Annual General Meeting, the Company shall be requesting a General Meeting Record of Depositors as at 8 June 2015. Only a depositor whose name appears on the Record of Depositors as at 8 June 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

2) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3) Where a member appoints two proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.

4) The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.

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

6) The Proxy Form must be deposited at the Registered Office of the Company at 87, Muntri Street, 10200 Penang, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Note on Special Businesses :

1) Resolution 6 - Authority to Issue Shares

The Ordinary Resolution 6, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purpose as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 16 June 2014 and which will lapse at the conclusion of the Ninth Annual General Meeting.

2) Resolution 7 - Proposed Renewal of Authority for Share Buy-Back

The Ordinary Resolution 7, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company. Please refer to the Statement to Shareholders dated 22 May 2015 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Statement Accompanying Notice of The Ninth Annual General Meeting Pursuant To Paragraph 8.27(2) of The Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors who are standing for re-election pursuant to the Company's Articles of Association are as follows:-

    a) Chua Heok Wee
    b) Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
    c) Teh Eng Aun

2. Details of the profile of Directors are set out in the Board of Directors on page 9 to page 10 of the Annual Report.

3. Details of the directors' interest in the securities of the Company are set out in the Directors' Report on page 31 to page 35 of this Annual Report.

4. The directors' family relationships with other directors and/or substantial shareholder of the Company are disclosed in the Directors' Profile on page 10 of the Annual Report.

5. None of the directors have any conflict of interest in the Company.

6. None of the directors have been convicted for offences within the past ten (10) years other than minor offences, if any.

7. None of the directors hold any directorship in any public listed company except Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, Khairilanuar Bin Tun Abdul Rahman, Tuan Hj Ismail Bin Tunggak @ Hj Ahmad and Teh Eng Aun.

CORPORATE INFORMATION

Board of Directors

Dato' Chua Ah Ba @ Chua Eng Ka
(Executive Chairman)

Chua En Hom *(Deputy Executive Chairman)*

Chua Eng Hui *(Executive Director)*

Chua Heok Wee *(Managing Director)*

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
(Executive Director/Finance Director)

Teh Eng Aun *(Independent Non-Executive Director)*

Khairilanuar Bin Tun Abdul Rahman
(Independent Non-Executive Director)

Tuan Hj Ismail Bin Tunggak @ Hj Ahmad
(Independent Non-Executive Director)

Members of Audit Committees

Teh Eng Aun *(Chairman)*
Khairilanuar Bin Tun Abdul Rahman (Member)
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad (Member)

Members of Remuneration Committees

Tuan Hj Ismail Bin Tunggak @ Hj Ahmad *(Chairman)*
Khairilanuar Bin Tun Abdul Rahman *(Member)*
Teh Eng Aun *(Member)*

Members of Nomination Committees

Khairilanuar Bin Tun Abdul Rahman *(Chairman)*
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad *(Member)*
Teh Eng Aun *(Member)*

Company Secretary

Lee Hong Lim
(MIA No. 12949)

Registered Office

No. 87, Muntri Street
10200 Pulau Pinang
Tel. no.: 04-263 8100
Fax. no.: 04-263 8500
E-mail: tcms@tcms.com.my

Principal Place of Business

JR52, Lot 1818, Jalan Raja,
Kawasan Perindustrian Bukit Pasir,
84300 Muar,
Johor Darul Takzim.
Tel. no.: 06-985 9998
Fax. no.: 06-985 8889
Website: www.mbl.com
E-mail: mbl@mbl.com

Share Registrars

Plantation Agencies Sdn Berhad
3rd Floor, Standard Chartered Bank Chambers,
Lebuh Pantai,
10300 Pulau Pinang.
Tel. no.: 04-262 5333
Fax. no.: 04-262 2018
E-mail: general@plantationagencies.com.my

Auditors

UHY (AF 1411)
Chartered Accountants

Principal Bankers

CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
AmBank (M) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad
Bank Muamalat Malaysia Berhad

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
(Listed since 28th October 2009)
Stock Name: MBL
Stock Code: 5152

CORPORATE STRUCTURE

As at 29 April 2015

MUAR BAN LEE GROUP BERHAD (MBL)

- **MUAR BAN LEE ENGINEERING SDN BHD (MBLE)** — 100%
- **MUAR BAN LEE TECHNOLOGY SDN BHD (MBLT)** — 100%
- **MBL BIOTECH SDN BHD (MBLB)** — 30%
- **PALM OCEAN ENGINEERING SDN BHD** *(formerly known as M2 Vessel)* **(POE)** — 50%
- **MBL WASTE PROCESSING TECHNOLOGY SDN BHD (MBLWPT)** — 95%
  - **POME TREATMENT TECHNOLOGY SDN BHD (POMETT)** — 52.25%
- **MBL PLANTATION SDN BHD (MBLP)** — 100%
  - **SOKOR GEMILANG LADANG SDN BHD (SOKOR)** — 100%
  - **SPA HIDAYAH ENTERPRISE SDN BHD (SPA)** — 100%

CORPORATE STRUCTURE

The principal activities of our subsidiary companies are as follows:-

Name	Registration no	Date/ Place of incorporation	Issued and paid-up share capital (RM)	Equity Interest (%)	Principal activities
MBLE	166822-V	8 December 1987/ Malaysia	2,000,000	100.00	Manufacturing of oil seed expellers and related parts
MBLT	664866-T	6 September 2004/ Malaysia	1,000,000	100.00	Manufacturing of automated kernel crushing plants and related parts
MBLB	924087-K	2 December 2010/ Malaysia	100,000	30.00	Dormant
POE	920960-X	4 November 2010/ Malaysia	2	50.00	Dormant
MBLWPT	910968-D	9 August 2010/ Malaysia	100,000	95.00	Dormant
MBLP	980076-K	29 February 2012/ Malaysia	2	100.00	Investment holding company involving in agricultural industry
POMETT*	938073-V	28 March 2011/ Malaysia	100,000	52.25	Manufacturing of machinery and equipment for waste management and power generation from palm oil waste
SOKOR	742516-X	28 July 2006/ Malaysia	2,000,000	100.00	Cultivation of oil palm plantation
SPA	1043099-H	18 April 2013/ Malaysia	2	100.00	Cultivation of agricultural products.

* The total effective equity interest held by the Group is 52.25%, of which 55% is directly held by MBLWPT.

At present, we are mainly involved in the following:-

- design and manufacture of oil seed expellers, and ancillary machinery for oil seed crushing plants;
- design, fabrication, installation and commissioning of oil seed crushing plants; and
- manufacture and sale of spare parts.

DIRECTORS' PROFILE

Dato' Chua Ah Ba @ Chua Eng Ka

A Malaysian, aged 69, is the Executive Chairman of our Group and was appointed to our Board on 30 June 2009. He is the founder of our Group and has accumulated more than 41 years experience and expertise in the design and manufacture of oil seed expellers, ancillary machinery and spare parts. His vision and stewardship over the past years has taken our Group from a small scale manufacturer to our current position as one of the top manufacturers of oil seed expellers in Malaysia. He currently works together with Mr. Chua Heok Wee in the overall business operation and strategic planning.

Chua En Hom

A Malaysian, aged 61, is the Deputy Executive Chairman of our Group and was appointed to our Board on 30 June 2009. He has over 35 years experience in metal engineering industry and is involved in the daily operations of our factories. He is responsible for the overall production activities in MBLE and MBLT.

Chua Eng Hui

A Malaysian, aged 59, is the Executive Director of our Group and was appointed to our Board on 30 June 2009. He has accumulated more than 40 years of experience in the engineering industry and is currently responsible for engineering and technical operations of our Group as well as overseeing our R&D activities.

Chua Heok Wee *

A Malaysian, aged 42, is the Managing Director of our Group and was appointed to our Board on 30 June 2009. He joined as a foreman and assisted his father, Dato' Chua Ah Ba @ Chua Eng Ka in 1995 and was subsequently promoted to Project Manager in 1997. With more than 21 years experience in the design and manufacture of oil seed expellers, ancillary machinery and spare parts, he has steered MBLE from a small scale manufacturer to be one of the major manufacturers of oil seed expellers in Malaysia. He is responsible for the overall business planning, marketing, product development and brand building of our Group. He has participated in many international metal product trade fairs and exhibitions held overseas and locally.

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *

A Malaysian, aged 60, is the Executive Director/ Finance Director of our Group and was appointed to our Board on 30 June 2009. He is a member of the Institute of Certified Public Accountants, Ireland and fellow member of Malaysian Association of Company Secretaries. He has over 34 years of working experience in the fields of auditing, accounting and corporate finance. He is primarily responsible for the finance department of MBL. He was the Executive Director of Pensonic Holdings Berhad from 13 September 1995 to 13 December 2003 and was re-designated as a Non-Executive Director, however, he was re-designated as Executive Director on 28 April 2014. He sits on the Board of Unimech Group Berhad (as a Senior Independent Non-Executive Director) and Denko Industrial Corporation Berhad (as an Independent Non-Executive Director) which are listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of several other private limited companies. He has no family relationship with any other Director or major shareholder of our Group.

Teh Eng Aun *

A Malaysian, aged 64, was appointed as the Independent Non-Executive Director of our Group and Chairman of Audit Committee on 30 June 2009. He obtained his Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1975 and practiced as a Chartered Accountant in a public accounting firm between 1981 and 1995. In 1996, he joined a stockbroking firm as a Remisier. He has over 26 years of experience in corporate consultancy, financial management and auditing. He is presently a member of the Penang Chinese Chamber of Commerce and a member of the Malaysian Institute of Accountants. He is an Independent Non-Executive Director of Multi-Usage Holdings Berhad. He has no family relationship with any other Director or major shareholder of our Group.

DIRECTORS' PROFILE

Khairilanuar Bin Tun Abdul Rahman

A Malaysian, aged 50, was appointed as the Independent Non-Executive Director of our Group on 30 June 2009. He graduated from Institute of Technology Mara in 1988 and was an entrepreneur from 1989 to 1993 dealing with electric cables and ballast. As business grew, he incorporated a private limited company and became its Executive Director in 1993. Encik Khairilanuar has been a committee member of UMNO Youth in the Kepala Batas Division since 2001. He also acts as Independent Non-Executive Director in the Boards of Farlim Group (M) Berhad (since 18 August 2011), Pensonic Holdings Berhad (since 28 June 2013) and Unimech Group Berhad (since 1 October 2013), all of the companies are also listed on Bursa Malaysia Securities Berhad. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or major shareholder of our Group.

Tuan Hj Ismail Bin Tunggak @ Hj Ahmad

A Malaysian, aged 65, was appointed as the Independent Non-Executive Director of our Group on 30 June 2009. He was the Head of POS Malaysia & Services Holdings Berhad, Bukit Pasir from 1976 to 1983 and Sungai Mati from 1983 to 1987. He was the Penghulu of Mukim Sri Menanti from 1987 to 1997 and of Mukim Tangkak from 1997 to 2000 before holding the post of Penghulu of Mukim Parit Bakar from 2000. He is an Independent Non-Executive Director and an Audit Committee member of SWS Capital Berhad since 2004. He is also a committee member of the Anti Drug Agency. He has no family relationship with any other Director or major shareholder of our Group.

ADDITIONAL INFORMATION ON THE DIRECTORS

Save as disclosed below, there are no family relationships amongst the Directors and senior management staff of our Group:

(i) Dato' Chua Ah Ba @ Chua Eng Ka, Chua En Hom and Chua Eng Hui are siblings;
(ii) Chua Heok Wee is the son of Dato' Chua Ah Ba @ Chua Eng Ka;
(iii) Chua Chang Yee and Chua Chang Huat are the sons of Chua En Hom; and
(iv) Chua Yi Ting and Chua Kang Sing are daughter and son of Chua Eng Hui respectively.

* Directors who are standing for re-election

MESSAGE FROM THE EXECUTIVE CHAIRMAN

Dear Shareholders, on behalf of the Board of Directors of Muar Ban Lee Group Berhad ("MBL" or "the Company"), it is my honour to present to you Muar Ban Lee Group Berhad's Annual Report for the financial year ended 31 December 2014 ("FYE2014").

PERFORMANCE REVIEW

For the financial year under review, the Group registered revenue of RM47.32 million and a profit before tax ("PBT") of RM4.87 million as compared with RM50.33 million and RM7.54 million recorded in the preceding financial year respectively.

Being subjected to weaknesses in the external environment notably the decline of average crude palm oil prices, the lower revenue recorded was mainly attributable to the lower numbers and value of projects sales (referred as sales of plant setup, ancillary machinery, oil seed expeller and EFB machine segment) secured and booked in the current financial year as compared with last year (2014: RM22.53 million, 2013: RM28.02 million). Revenue contribution rate from the project sales has been reduced to 47.6% on the total revenue as compared with 55.7% registered in preceding year. Meanwhile, revenue contribution rate from the sale of spare parts has increased to 47.9% on the total revenue from 44.3% recorded in year 2013 although the revenue amount was marginally higher at RM22.7 million from RM22.3 million in last year.

Consequent from the lower revenue generated, the Group achieved a Profit after Tax of RM4.05 million (2013: RM6.28 million) despite a marginal lower distribution and administration expenses and lower effective tax rate than the nominal rate of 25% incurred.

DIVIDEND

The Board has declared and paid the following dividends for the FYE2014,:

1. First interim single tier dividend of 1.0 sen per ordinary share, amounting to RM0.92 million was paid on 30 December 2014.

2. Second interim single tier dividend of 2.0 sen per ordinary share, amounting to RM1.84 million has been declared and will be paid on 3 June 2015.

CORPORATE DEVELOPMENT

As at the date of this report, there was no share issued under Share Grant Plan ("SGP") for the listing of 9,200,000 new ordinary shares of RM0.50 each in MBL on the Main Market of Bursa Securities, representing up to 10% of the issued and paid-up share capital of MBL (excluding treasury shares) as at the date of this report.

Similarly, our Company had not purchased, cancelled and/or re-sold any treasury shares under the mandate approved by shareholders in the last Annual General Meeting held on 16 June 2014 for the Proposed Renewal of authority of Share Buy-Back. At present, our Company does not hold any treasury shares.

MESSAGE FROM THE EXECUTIVE CHAIRMAN

PROSPECTS

Our Group will continue to focus on its core business in designing, fabrication, installation and commissioning of oil seed crushing plant to its clients globally. We plan to intensify our research & development and marketing activities in order to capture more market shares which in turns will contribute positively to the Group's result.

For Sokor Gemilang Ladang Sdn Bhd ("SGLSB"), our wholly-owned subsidiary, MBL Plantation Sdn. Bhd. ("MBLPSB") has entered into a Memorandum of Understanding ("MOU") with Kenali Berkat Sdn. Bhd. ("KBSB") to dispose 2,000,000 ordinary shares of RM1.00 each in SGLSB representing 100% equity interest in SGLSB and novation of the sum owing from the creditors of SGLSB to KBSB for a total consideration of RM35,100,000 to be satisfied by cash. If the MOU is materialised, the disposal will enable us to realise our investment and the proceeds from the disposal would provide future cash flow for the Group's working capital purposes, reduce its borrowings and/or contribute towards expansion of our core business.

In a nut shell, the Board expects the Group to achieve satisfactory results in year 2015 barring any unforeseen changes in global economic conditions.

A WORD OF APPRECIATION

I would like to take this opportunity to express our deepest appreciation to our Board of Directors, the management team and staffs and all other stakeholders including our customers, suppliers business associates and shareholders who has provided invaluable supports thereby sustaining our Group's strong growth.

Thank you

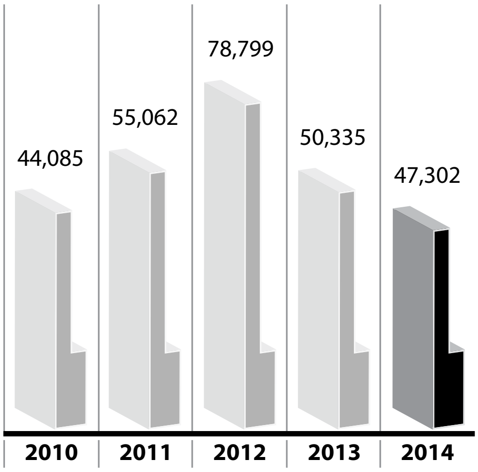
Dato' Chua Ah Ba @ Chua Eng Ka
Executive Chairman

Date: 6 May 2015

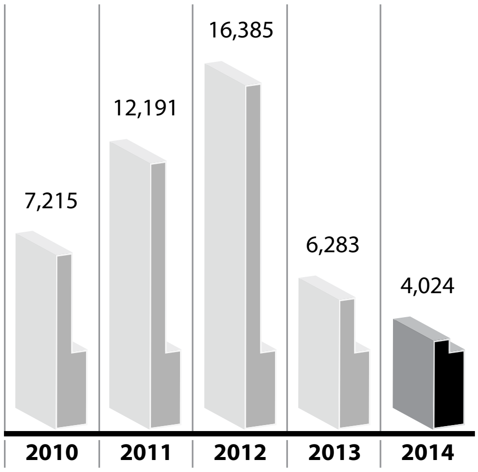
FINANCIAL HIGHLIGHTS

Five Year Financial Highlights	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
Revenue	47,302	50,335	78,799	55,062	44,085
Profit Before Taxation	5,002	7,540	17,334	12,379	7,929
Profit After Taxation	4,024	6,283	16,385	12,191	7,215
Net Profit Attributable to Owner of the Company	4,068	6,306	16,415	12,208	7,215
Net Tangible Assets	78,235	78,507	81,154	69,339	58,307
Earnings Per Share (Sen)	4.42	6.85	17.87	13.27	7.80
Net Tangible Assets Per Share (RM)	0.85	0.85	0.88	0.75	0.63
Gross Dividend Per Share (Sen)	3.0	7.0	10.0	5.5	3.0

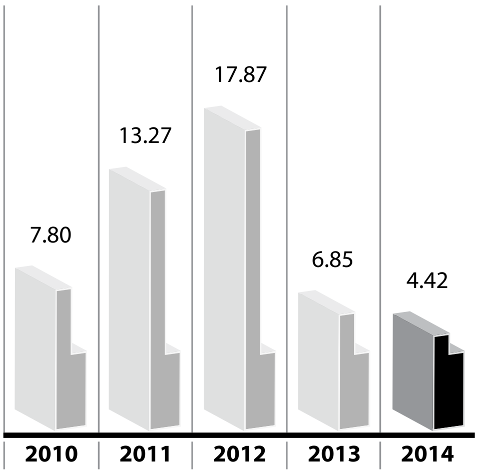
REVENUE
(RM'000)



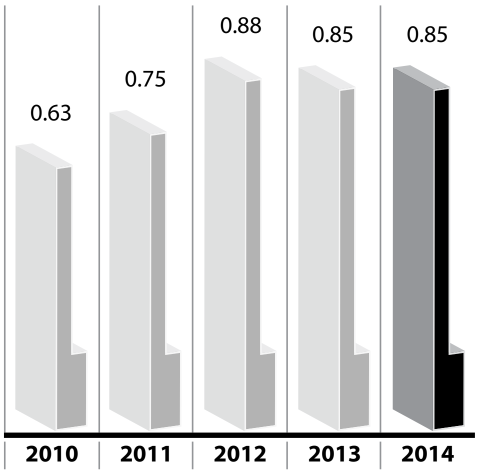
PROFIT AFTER TAXATION
(RM'000)



EARNINGS PER SHARE
(sen)



NET TANGIBLE ASSETS PER SHARE (RM)



STATEMENT OF CORPORATE GOVERNANCE

It is the commitment of the Board of Directors (the "Board") of Muar Ban Lee Group Berhad ("MBL" or "the Company") to ensure the adoption of good governance throughout the Company and its subsidiaries ("the Group") in order to protect and enhance the shareholders' value and the performance of the Group. The Board is fully committed to developing and maintaining high standards of corporate governance by implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012 or the "Code"). The principles and best practices on structures that companies may adopt and implement to achieve the ultimate objective of maximizing long term shareholders' value are set-out in the Code.

Pursuant to paragraph 15.25 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), the Board of Directors is pleased to disclose herein the Group's application of the Principles and Recommendations as set out in the MCCG 2012 and the extent of compliance during this transition period throughout the financial year 2014 and to the date of this statement.

A. DIRECTORS

The Board and Board Balance

The Board of Directors has overall responsibility for strategic planning and direction, setting the corporate goals, organising resources, monitoring the achievement of goals and identifying critical business risks. The Board assume full responsibility for the overall performance of the Company and its subsidiaries by providing leadership and direction as well as management supervision. It also lays down the appropriate policies for managing the related risks to ensure that good internal control is in place for operational efficiency and effectiveness of the Group.

The Board consists of eight (8) members comprising five (5) executive directors, and three (3) non-executive directors. Three of the eight directors are Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 (1) of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is represented by Independent Non-Executive Directors who are independent of management, thereby ensuring independence in the Board deliberations and decision-making. Given the scope of responsibilities for managing the Group's business operations, the Board considers its current composition and size are adequate.

Whilst the Board acknowledges that the general call and support for gender diversity in a board's composition, the Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board.

The profile of the Directors is set out in this Annual Report.

The Directors combined in them have expertise and experience in various fields. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group. There is a clear division of responsibility between the Executive Chairman and the Managing Director to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Executive Chairman is responsible for the overall strategic direction of the Group and the leadership of the Board is to ensure effectiveness of the Board while the Managing Director manages the Group's day-to-day activities in achieving corporate and business objective. The Independent Non-Executive Directors are not employees and do not take in the daily management and the day-to-day operations of the Group. However, they bring an outside perspective and assist to develop proposals on strategy, assess the performance of the management in achieving goals and objectives and monitor the risk profile of the Group's business. They provide independent views, advice and judgment and take into account the interests of the Group and the various parties involved which include shareholders, employees, customers, suppliers and other communities in which the Group conducts its business, and their presence brings an additional element of balance on the Board.

Key matters reserved for the Board's approval include the overall strategic direction of the Group, annual operating and capital expenditure budget, dividend policy, expansion of core business, structure and capital e.g. issuance of new securities and ensuring that there is a sound system of internal control and risk management in place.

STATEMENT OF CORPORATE GOVERNANCE

The Board notes that the Code also recommends that where the Chairman of the Board is not an independent director, the Board must comprise a majority of independent directors. The Board is of the opinion that although it does not comprise a majority of independent directors, the Board has nevertheless always discharged its duties and responsibility in the best interest of the Group and its shareholders. The Board will nevertheless review and evaluate the appropriateness of the composition and size of the Board from time to time.

Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hand.

The role and function of the Board, which includes the differing roles of Executive Directors and Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in a Board Charter.

Appointment and Re-election

The Company's Articles of Association governs the appointment and re-election onto its Board. Directors who are appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. The Articles also provide that one-third or the number nearest to one-third of the Directors shall retire from office by rotation at every AGM. The Directors to retire in each year are the Directors who have been longest in office since their last re-appointment. The re-election of each Director is voted on separately. Retiring Directors are eligible offer themselves for re-election. In compliance with the Code, each Director shall retire from office at least once in every three (3) years.

Annual assessment is carried out on the Independent Directors by the Nomination Committee. Recommendation of MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine years. Currently, none of the Independent Directors' tenure has exceeded a cumulative term of nine years.

To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for re-election is furnished in a separate statement accompanying the Notice of the AGM.

Information Dissemination

It is recognized by the Board that timely and quality information are required for sound decision making process. Accordingly, the Board members are given full and unrestricted access to whatever information required pertaining to the Group's business activities and state of affairs. Important matters are tabled to their attention for consideration. The Directors are also provided with an agenda and a set of Board papers prior to each Board meetings to ensure the Directors have sufficient time to obtain explanations and clarifications, where necessary. The Directors also get advice of the Company Secretary and have a transparent dealing with the external auditors in order to discharge their stewardship responsibilities. Where and when deemed necessary, the Board also seeks independent professional advice and the related cost will be borne by the Company. It is the Company Secretary's role to ensure that proper policies and procedures are in place and the governing statutory and regulatory requirements pertaining to a Directors' duties and responsibilities are complied with and that all proceedings of the Board are recorded in writing for the effective functioning of the Board. The Company Secretary also updates and provides the Directors with materials on key corporate governance developments and salient changes on the MMLR, laws and regulations.

STATEMENT OF CORPORATE GOVERNANCE

Directors' Training

It is acknowledged by the Board on the importance of continuous education and training to enable the Directors to discharge their responsibilities effectively. All the Directors have successfully undergone the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. The Directors have attended various training programmes and seminars during the year under review in areas relating to general management, latest regulatory developments, financial reporting to enhance their knowledge and expertise. To further enhance their skills and knowledge in discharging their duties as Director in an effective manner, the Directors will continue to participate in other relevant training programmes. The adequacy and suitability of the training requirements of the Directors on a regular basis is reviewed by the Board.

The training programme, seminar and/or conference attended by the Directors during the financial year are as follows:-

a) Seminar on 2015 Budget Talk & GST Roadshow dated 27 November 2014
b) Seminar on 2015 Investment Outlook dated 7th March 2015
c) Seminar on Economic Forum dated 26th April 2015

Attendance at Meetings

The attendance record for Board and Audit Committee meetings during the financial year ended 31 December 2014 are as follows:-

Board of Directors Meetings

Directors	Meeting Attendance	Percentage (%)
Dato' Chua Ah Ba @ Chua Eng Ka	3/4	75
Chua En Hom	3/4	75
Chua Eng Hui	3/4	75
Chua Heok Wee	4/4	100
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3/4	75
Khairilanuar Bin Tun Abdul Rahman	4/4	100
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	3/4	75
Teh Eng Aun	4/4	100

Audit Committee Meetings

Audit Committee	Meeting Attendance	Percentage (%)
Teh Eng Aun	4/4	100
Khairilanuar Bin Tun Abdul Rahman	4/4	100
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	3/4	75

Board Committees

The Board has delegated certain functions to several committees namely:

- The Audit Committee;
- The Nomination Committee; and
- The Remuneration Committee

The functions and terms of reference of the respective committees, as well as the authority delegated by the Board to these committees have been clearly defined by the Board.

STATEMENT OF CORPORATE GOVERNANCE

Composition of the Committees

(i) Audit Committee

The members of our Audit Committee are as follows:

Designation	Directors	Directorship
Chairman	Teh Eng Aun	Independent Non-Executive Director
Member	Khairilanuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	Independent Non-Executive Director

The Audit Committee is responsible for recommending to the Board regarding selection of external auditors, reviewing the results and scope of audit and other services provided by our Group's external auditors as well as reviewing and evaluating our Group's internal audit and control functions. The Audit Committee is also responsible in financial risk assessment and matters relating to related party transactions and conflicts of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. The composition, summary of the terms of reference and summary of activities of the Audit Committee is included in the Audit Committee Report of this Annual Report.

(ii) Nomination Committee

The members of our Nomination Committee are as follows:

Directors	Designation
Khairilanuar Bin Tun Abdul Rahman	Chairman (Independent Non-Executive Director)
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	Member (Independent Non-Executive Director)
Teh Eng Aun	Member (Independent Non-Executive Director)

The Nomination Committee meets as and when required, and at least once a year. The Nominating Committee met once during the financial year ended 31 December 2014.

The Nomination Committee's responsibilities include assessing and recommending to the Board the candidature of directors, appointment of directors to Board Committee, re-election and re-appointment of directors, review of board's succession plans and training programme for the Board.

Annually, the Nominating Committee reviews the overall composition of the Board in term of appropriate size, required mix of knowledge, skills, experience and core competencies and adequacy of balance between Executive Directors and Independent Non-Executive Directors. As part of the recruitment process and annual assessment of directors, the Nominating Committee will review the professionalism, integrity, honesty, competency, commitment, contribution and performance and ensure no conflict of interest arises that would impair their ability to represent in the interest of the Company's shareholders and stakeholders and to fulfil the responsibility of a director. The Nominating Committee will also consider a mix of board members that represents a diversity of background and experience. No individuals shall be discriminated against on the basis of race, religion, national origin, disability or any other basis, including gender.

(iii) Remuneration Committee

The members of our Remuneration Committee are as follows:

Directors	Designation
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	Chairman (Independent Non-Executive Director)
Khairilanuar Bin Tun Abdul Rahman	Member (Independent Non-Executive Director)
Teh Eng Aun	Member (Independent Non-Executive Director)

STATEMENT OF CORPORATE GOVERNANCE

The Remuneration Committee is responsible for recommending to our Board the remuneration framework for the Executive Directors and assists the Board in ensuring that the remuneration of the Executive Directors reflects the performance, responsibility, experience and commitment of the Executive Directors concerned. The Executive Directors on the Committee abstains from deliberations in respect of his own remuneration. The determination of the remuneration of Non-Executive Directors is a matter for our Board as a whole. During the financial year, the Remuneration Committee met once, attended by all the members.

B. DIRECTORS' REMUNERATION

The remuneration of the Executive Director is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors to run the Group successfully. For the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. Remuneration of the Executive Director is considered and recommended by the Nomination and Remuneration Committee. Remuneration of Non-Executive Directors and the Executive Directors is approved by the full Board of Directors with directors' fee recommended to the shareholders for approval.

The aggregate remuneration of the Directors for the financial year ended 31 December 2014 is as follows:-

Category	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	1,940,000	4,426,412	6,366,412
Non-Executive Directors	90,000	7,000	97,000

For 2014, the number of directors of the Company whose total remuneration during the financial year falls in bands of RM50,000 is analysed below :

	Number of Directors	
Range of Remuneration In RM	Executive Director	Non-Executive Director
Below 50,000	–	3
50,000 - 100,000	–	–
100,001 - 150,000	–	–
150,001 - 200,000	–	–
200,001 - 250,000	–	–
250,001 and above	5	–

The Board is of the opinion that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

C. INVESTOR RELATION AND SHAREHOLDER COMMUNICATION

It is acknowledged by the Board of the need for its shareholders, investors and stakeholders to be informed of all material business matters affecting the Group. The shareholders, investors and stakeholders are kept abreast with the development in the Group through the various announcements made to the Bursa Securities. If required, relevant information is provided in a Circular to its shareholders. Regular communication by the Group with its shareholders are made through timely release of financial results, statement of affairs and other material financial information on quarterly basis. The Board responds to all formal queries by Bursa Securities and other regulatory authorities on a timely manner. A comprehensive avenue for information dissemination, with dedicated sections on corporate information, press releases and company news are provided via the Company's website at www.mbl.com.

STATEMENT OF CORPORATE GOVERNANCE

The main forum for dialogue with shareholders remains at the general meetings. Shareholders are encouraged to participate in the proceedings of the general meetings and to direct questions concerning the business and financial performance of the Group to the Board. General meetings are held by the Company at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

Notices of meetings convening the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices were advertised in a national English newspaper within the prescribed deadlines.

Minutes of the proceedings of the general meetings were properly maintained and the shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

D. ACCOUNTABILITY AND AUDIT

1. Financial reporting

It is the responsibility of the Board to present a balanced, clear and comprehensive assessment of the Group's financial position and prospects through the quarterly and annual financial reporting to the shareholders. Reasonable diligence is exercised reasonable by the Board and the Audit Committee to ensure that the financial statements are drawn up in accordance with in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

The Board has ensured that the Audited Financial Statements give a true and fair view of the state of affairs of the Group and the Company, and have been prepared based on applicable accounting policies in accordance with MRFS, and are supported by reasonable judgements and estimates.

2. Internal Control

The Board assumes responsibility on the Group's financial and operational controls, and ensures compliance with the related rules and legislation. Regular risk assessment and internal control review are conducted to identify control inefficiency and major risks areas affecting business operations and viability. It is recognized by the Board that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable assurance against material misstatements, loss or fraud.

The internal control system of the Group is supported by an established organizational structure with well-defined authority and responsibility lines, and which comprises of appropriate financial, operational and compliance controls. The effectiveness of the system of internal controls of the Company and of the Group is reviewed by the Audit Committee during its quarterly meeting. The review covers the financial, operational and the compliance controls as well as risk management functions. The Statement of Internal Control which provides an overview of the state of the internal control within the Company and the Group, is included in this Annual Report.

3. Relationship with Auditors

The Company's external auditors continue to provide the independent assurance to shareholders on the Group's and the Company's financial statements. The Board maintains a formal and transparent relationship with the auditors to meet their professional requirements.

The Group has established a transparent and appropriate professional relationship with the Group's Auditors both external and internal through the Audit Committee.

COMPLIANCE STATEMENT

The Board recognizes the importance of the Group practicing good corporate governance. It is a corporate policy to continually improve on its corporate governance practices and structure to achieve an optimal governance framework. Throughout the financial year ended 31 December 2014, the Group has complied with all the best practices set out in the Code.

This statement is issued in accordance with a resolution of the Directors dated 29 April, 2015.

AUDIT COMMITTEE REPORT

Pursuant to paragraph 15.15 of the Bursa Malaysia Securities Berhad Listing Requirements, the members of the Audit Committee of Muar Ban Lee Group Berhad ("MBL" or "the Company") are pleased to present the report of the Audit Committee for the financial year ended 31 December 2014.

1. MEMBERS

The primary objectives of the Audit Committee are to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the Group and the Company's management of principal risks, internal control, accounting and financial reporting and compliance of statutory and legal requirements and to maintain effective communication between the Board of Directors, senior management, internal auditors and external auditors in order to provide assurance that the information presented by management is relevant, reliable and timely.

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 December 2014 are as follows:

Audit Committee	Designation
Teh Eng Aun	Chairman (Independent Non-Executive Director)
Khairilanuar Bin Tun Abdul Rahman	Member (Independent Non-Executive Director)
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	Member (Independent Non-Executive Director)

2. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Audit Committee held four (4) meetings during the financial year ended 31 December 2014. The details of the attendance of the meetings are as follows :-

Audit Committee	Total Meetings Attended	Percentage (%)
Teh Eng Aun	4/4	100
Khairilanuar Bin Tun Abdul Rahman	4/4	100
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	3/4	75

During the four (4) meetings held for the financial year ended 31 December 2014, the Committee carried out the following activities:-

i) Review and discuss the memorandum of matters and issues with external auditors and management's response to all pertinent issues and findings raised and noted by the external auditors during their audit of the financial statements, together with recommendations in respect of their findings.

ii) Review the unaudited quarterly financial statements and announcements and the year-end audited financial statements of the Group with the management and the external auditors to ensure that the Group complied with the provisions of the Companies Act, the Bursa Malaysia Securities Berhad Listing Requirements, Malaysian Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board (MASB) and other statutory and regulatory requirements.

iii) Ensure that the financial reporting and disclosure requirements of the relevant authorities had been complied with prior to approval by the Board of Directors.

iv) Review the procedures for identification of related party transactions of the Group.

v) Review and discuss the Audit Committee Report and Statement on Internal Control for inclusion in the Group's Annual Report.

AUDIT COMMITTEE REPORT

vi) Review and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the year including follow-up reviews of previous audits undertaken and the status of actions taken by management to resolve and rectify major issues raised by the auditors.

vii) Brief the Board of Directors on any major issues discussed at the Audit Committee meeting for further deliberation or decision as the case may be.

viii) Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established follow during the financial year.

3. TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

Membership

i) The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors. All of Audit Committee members must be non-executive directors, with a majority of them being independent directors.

ii) In this respect, the Board adopts the definition of "independent director" as defined under Bursa Malaysia Securities Berhad ("Bursa Securities"), Main Market Listing Requirements.

iii) All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

(a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or

(b) if he is not a member of the MIA, he must have at least (3) years of working experience and:

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountant Act 1967.

(c) Fulfils such other requirements as prescribed by Bursa Securities.

iv) No alternate director of the Board shall be appointed as a member of the Audit Committee.

v) In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.

vi) The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT

Quorum

The quorum for an Audit Committee meeting shall consist of two (2) members and the majority of members present must be independent directors.

Authority of The Audit Committee

The Audit Committee is empowered by the Board of Directors with the following authority:

a) Have the authority to investigate any matter within its terms of reference.

b) Have the resources which are required to perform its duties.

c) Have full and unrestricted access to any information pertaining to the Group.

d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

e) Be able to obtain independent professional or other advice.

f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

Functions of The Audit Committee

The Audit Committee shall, amongst others, discharge the following functions:

i) To review the following and report the same to the Board of Directors:

  a) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;

  b) with the external auditor, his evaluation of the system of internal controls;

  c) with the external auditor, his audit report, his management letter and the management's response;

  d) the assistance given by the Company's employees to the external auditor;

  e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

  f) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

  g) to review any appraisal or assessment of the performance of members of the internal audit function;

  h) to approve any appointment or termination of senior staff members of the internal audit function;

  i) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

AUDIT COMMITTEE REPORT

j) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

- changes in or implementation of major accounting policy changes;
- significant and unusual events;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

k) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions on management integrity;

l) any letter of resignation from the external auditors; and

m) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.

ii) To recommend the nomination of a person or persons as external auditors.

iii) To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

iv) To carry out any other functions as may be agreed by the Audit Committee and the Board of Directors.

Internal Audit Function

The Company has appointed an independent professional firm to provide outsourced internal audit function for the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The internal audit activities have been carried out in accordance with the internal audit plan which has been approved by the Audit Committee. The internal audit function reports directly to the Audit Committee and provides the Committee with independent and objective assurance on the adequacy and integrity of its system of internal controls.

The internal audit adopts a risk based auditing approach by focusing on identify high risk areas and to recommend corrective measurements for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of control.

The fees paid to the independent professional firm during the financial year 2014 amounted RM 20,000.00.

This statement is issued in accordance with a resolution of the Audit Committees dated 29 April, 2015.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Malaysian Code of Corporate Governance 2012 ("MCCG 2012") requires public listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company's internal control in their Annual Report.

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") requires public listed companies to maintain a sound system of internal control to safeguard its shareholders' investments and the Group's assets.

The Board of Directors ("Board") of Muar Ban Lee Group Berhad ("MBL" or "the Company") continues with its commitment to maintain sound system of risk management and internal control throughout MBL and its subsidiaries ("Group"). In compliance with the MMLR and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guideline"), the Board is pleased to provide the following statement with outlines the nature and scope of risk management and internal control of the Group during the financial year in review. For the purpose of this Statement, the Group means the Company and its subsidiaries. As the Company does not have control over the operations, management and internal control system of associated companies, this Statement does not cover the associated companies

Responsibility for Risk Management and Internal Control

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound risk management framework and internal control system. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating, monitoring and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

Controls Structure and Environment

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement structure and environment for the proper conduct of the Group's business operations as follows:

a) The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate control. In addition, the Board is kept updated on the Group' activities and its operations on a quarterly basis;

b) An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;

c) A process of hierarchical reporting which provides for a documented and auditable trail of accountability;

d) A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvements. A documented delegation of authority with clear lines of accountability and responsibility serve as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval;

d) Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and

e) Regular visits to operating units by members of the Board and senior management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board and management practice proactive significant risks identification in the processes and activities of the Group, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

It is the responsibility of key management staffs to indentify, evaluate and manage significant risks faced by the Group on an on-going basis within the defined parameters. Risk assessment for the Group is carried out on a regular basis. The deliberation of risks and related mitigating responses are carried out at regular management meetings attended by the Managing Director, Executive Directors and key management staffs. Significant risks are communicated to the Board at the quarterly scheduled meetings. The practices and initiatives by Management serve as on on-going process adopted by the Group to continuously review, identify, evaluate and mange risk faced by the Group.

Internal Audit

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The Internal Auditor independently reviews the adequacy and integrity of the internal controls put in place and the risk management processes and reports directly to the Audit Committee.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Schedule internal audit are carried out by the Internal Auditor based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk audit and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls.

The Audit Committee has full and direct access to the Internal Auditor and the Audit Committee receives reports on all internal audits performed. The Internal Auditor continues to independently and objectively monitor compliance with regard to the effectiveness of the internal control systems. Significant findings and recommendations for improvement are highlighted to management and the Audit Committee, with periodic follow-up of the implementation of action plans. The management is responsible for ensuring that corrective actions were implemented accordingly.

Based on the internal auditor's reports for the financial year ended 31 December 2014, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, address. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Conclusion

The Board believes that the development of the system of internal controls is an on-going process and has taken steps throughout the year under review to improve its internal control system and will continue to do so.

The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others or the occurrence of unforeseeable circumstances. The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of Bursa Securities Listing Requirements and pursuant to the scope set out in the Recommended Practice Guide 5 ("RPG5"): Guidance for Auditors on the Review of Directors' Statements of Risk Management and Internal Control issued by the Malaysia Institute of Accountants. From the review conducted, the external auditors have reported that nothing have come to their attention that cause them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

This statement is issued in accordance with a resolution of the Directors and Audit Committees dated 29 April, 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements("MMLR") so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and statements of cash flows for the year then ended.

In preparing the financial statements for the financial year ended 31 December 2014, the Directors are satisfied that the Company and the Group had maintained adequate and proper accounting records and sufficient internal control to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position as at 31 December 2014, and the profit and loss for the financial year ended 31 December 2014 of the Company and the Group. The Directors have:

a) adopted the appropriate accounting policies and applied them consistently (except those new accounting policies which are being adopted for the first time) under the new Malaysian Financial Reporting Standards ("MFRSs");

b) made judgements and estimates that are reasonable and prudent;

c) ensured applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements;

d) ensured the financial statements have been prepared on a going concern basis; and

e) provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the financial statements.

The Directors also have responsibilities for taking such steps as are reasonably available to them to safeguard the assets of the Group and the Company, to prevent and detect fraud and other irregularities.

This statement is issued in accordance with a resolution of the Directors dated 29 April, 2015.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility is an integral part of any organisation's way of succeeding in business and contributing to the welfare of employees in particular and society at large and also to all communities in the environment it operates. This approach to - business balancing economic, social and environmental interests are commonly referred to as Corporate Responsibility or Sustainability. In this context, the Board of Directors of Muar Ban Lee Group Berhad regards the need for Corporate Responsibility (CR) as an integral part of a business's operations and practices.

CR initiatives undertaken by the Group are summarized below :-

Manufacturing Operations

At MBL, sustainable production and operations mean taking measures to supply and manufacture products in an economically, environmentally and socially sustainable way. It is in MBL's interest that it takes the necessary measures today to operate responsibly and, safeguard the environment in order to protect its current and future investments.

The notion of sustainable development extends beyond factories to include the entire product lifecycle.

Creating shared value is MBL's concept of corporate responsibility, which means that as employees create value for the company, they must also benefit the community. It is a business strategy that brings value to society by examining multiple points where MBL touches society and make long term investments that benefit its stakeholders.

Community

During the year of 2014, the Group contributed to the communities through donations and sponsorship to various organizations and charities.

Environment

The Group acknowledges responsibility for care of the environment. The Group considers safety and environmental factors in all operating decisions and explores feasible opportunities to minimize any adverse impact from manufacturing operations, waste disposal to product design and packaging.

Employee

The Group believes that employee's involvement is vital to the success of the Group. The Group strives to motivate and retain the best employees by providing continuous training by sending them to attend relevant courses to upgrade their knowledge and skills within their job scope. The Group also organizes annual get-togethers for its employees through annual trips and dinners where they will get to know each other better outside the workplace which can greatly enhance their workplace relationship.

As an employer, the Group recognizes and accepts its responsibilities for providing and maintaining a safe and healthy workplace for all its employees, contractors and visitors.

The Group Managing Director has the ultimate responsibility for the health, safety and welfare for all employees, visitors and by delegation through individual companies' health and safety structure, to provide a safe working environment.

Information on safety matters is communicated through various Health & Safety Committees, Safety Representatives, Notice Boards and regular management briefings.

OTHER DISCLOSURE REQUIREMENTS

Utilisation of Proceeds

Not applicable as none was proposed.

Share Buy-Back

The Company did not carry out any share buy-back for the financial year under review.

Options, Warrants or Convertible Securities

During the financial year, the company did not issue any options, warrants or convertible securities.

Share Grant Plan ("SGP")

Since the approval granted from Bursa Malaysia and approved by shareholders at the Extraordinary General Metting (EGM) held on 14 June 2013 on the SGP for the listing of 9,200,000 new ordinary shares of RM0.50 each in MBL on the Main Market of Bursa Securities, representing up to 10% of the issued and paid-up share capital of MBL (excluding treasury shares), there was no share issued under SGP as at the date of this report.

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

The Company has not sponsored any ADR or GDR programme during the financial year.

Sanctions and/ or Penalties

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management arising from any significant breach of rules/guidelines by the relevant regulatory bodies during the financial year.

Non-Audit Fees

Non-audit fees paid to the external auditors amounting to RM3,000 during the financial year for the Company.

Variation in Results

There was no material variation between the audited results for the financial year and the unaudited results previously announced.

OTHER DISCLOSURE REQUIREMENTS

Profit Guarantee

There were no profit guarantees given by the Company during the financial year.

Material Contracts Involving Directors' of Major Shareholders' Interest

The Company has not entered into any material contracts with any directors or substantial shareholders of the Company nor any persons connected to a directors or major shareholders of the Company during the financial year.

Recurrent Related Party Transactions

The related party transactions are secretarial fee for the subsidiary companies amounting to RM18,380 charged by Tan Commercial Management Services Sdn. Bhd. and of which one of the director has interest over the company and able to exercise control. Furthermore, a rental fee of RM7,200 was paid to certain directors of which the directors owned the said property and have interest over the property. Both transactions have been entered into in the normal course of business.

Revaluation Policy on Landed Properties

The Group is adopting a policy on regular revaluation on its landed properties.

This statement is issued in accordance with a resolution of the Directors dated 29 April, 2015.

financial statements

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.

Directors' Report

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

Directors' Report

Interests in the Company	At 1.1.2014	Addition	Disposed	At 31.12.2014
	Number of ordinary shares of RM0.50 each			
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.

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.

Directors' Report

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

(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.

Directors' Report

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

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 39 to 108 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 108 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

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 39 to 108 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

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 39 to 107.

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.

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.

Independent Auditors' Report

To The Members Of Muar Ban Lee Group Berhad

Other Reporting Responsibilities

The supplementary information set out in Note 43 on page 108 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.

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.

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UHY
Firm Number: AF 1411
Chartered Accountants

....

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

KUALA LUMPUR
29 April 2015

Consolidated Statement Of Financial Position

As At 31 December 2014

	Note	Group 2014 RM	Group 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

Consolidated Statement Of Financial Position

As At 31 December 2014

	Note	Group 2014 RM	Group 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.

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

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 31 December 2014

	Note	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

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

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
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.

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			
- Continuing 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)
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 loan		(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)

Consolidated Statement Of Cash Flows
For The Financial Year Ended 31 December 2014

	Note	2014 RM	2013 RM
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

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

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

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.

Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year 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

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

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.

Statement Of Cash Flows

For The 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

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

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 No. 87, Muntri Street, 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").

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.

Notes To The Financial Statements

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (cont'd)

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.

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.

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:

Notes To The Financial Statements

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (cont'd)

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.

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.

Notes To The Financial Statements

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions

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

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:

<u>Operating lease commitments - Group as lessor</u>

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.

<u>Classification between investment properties and property, plant and equipment</u>

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.

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

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.

Notes To The Financial Statements

2. Basis of Preparation (Cont'd)

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

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:

<u>Useful lives of property, plant and equipment (Note 4)</u>

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.

<u>Impairment of property, plant and equipment</u>

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.

<u>Impairment of goodwill on consolidatio</u>n

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.

<u>Development costs</u>

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.

<u>Impairment of investments in subsidiary companies</u>

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.

2. Basis of Preparation (Cont'd)

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

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.

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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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.

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.

Notes To The Financial Statements

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.

(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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

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

(i) Recognition and measurement (cont'd)

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.

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.

Notes To The Financial Statements

3. **Significant Accounting Policies (Cont'd)**

(c) **Property, plant and equipment (cont'd)**

(iii) ***Depreciation (cont'd)***

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

Leasehold land	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.

(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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(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.

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.

Notes To The Financial Statements

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.

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.

Notes To The Financial Statements

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial assets (cont'd)**

(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.

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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (cont'd)

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.

(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.

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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

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.

(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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

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.

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.

Notes To The Financial Statements

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.

Notes To The Financial Statements

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.

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.

Notes To The Financial Statements

3. Significant Accounting Policies (Cont'd)

(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.

(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.

Notes To The Financial Statements

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
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

Notes To The Financial Statements

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

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Furniture, fittings and Plant and machinery RM	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
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

Notes To The Financial Statements

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

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).

Notes To The Financial Statements

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
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

Notes To The Financial Statements

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.

Notes To The Financial Statements

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 RM	2013 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 incorpration	Effective interest (%) 2014	Effective interest (%) 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
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

Notes To The Financial Statements

7. Investments in Subsidiary Companies (Cont'd)

* 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.

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

Notes To The Financial Statements

8. Biological Assets

	Group	
	2014 RM	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		Company	
	2014 RM	2013 RM	2014 RM	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	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

Notes To The Financial Statements

11. Trade Receivables

	Group	
	2014 RM	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	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	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.

Notes To The Financial Statements

12. Other Receivables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 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 RM	2013 RM	2014 RM	2013 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).

Notes To The Financial Statements

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

	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.

Notes To The Financial Statements

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.

Notes To The Financial Statements

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

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

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

Notes To The Financial Statements

21. Deferred Tax Liabilities (Cont'd)

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

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

	Group	
	2014 RM	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.

Notes To The Financial Statements

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

Notes To The Financial Statements

23. Bank Borrowings (Cont'd)

	Group	
	2014 RM	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 %	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.

Notes To The Financial Statements

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 RM	2013 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 RM	2013 RM	2014 RM	2013 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	–	–

Notes To The Financial Statements

30. Employee Benefits Expenses

Continuing operations	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 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

Notes To The Financial Statements

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	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		Company	
	2014 RM	2013 RM	2014 RM	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.

Notes To The Financial Statements

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

Notes To The Financial Statements

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

Notes To The Financial Statements

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	–	–

Notes To The Financial Statements

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.

Notes To The Financial Statements

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.

Notes To The Financial Statements

37. Segment Information (Cont'd)

(a) Business segments

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

	Investment holding RM	Manufacturing RM	Trading and 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

Notes To The Financial Statements

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

Notes To The Financial Statements

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.

Notes To The Financial Statements

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

Notes To The Financial Statements

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

Notes To The Financial Statements

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.

Notes To The Financial Statements

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.

Notes To The Financial Statements

38. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (cont'd)

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.

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

Company	On demand or within 1 year RM
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

Notes To The Financial Statements

38. Financial Instruments (Cont'd)

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

(iii) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than respective functional currencies of Group entities. The 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.

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

Notes To The Financial Statements

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)

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

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)	–

Notes To The Financial Statements

38. Financial Instruments (Cont'd)

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

(iii) Market risk (cont'd)

(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.

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

<u>Fair value sensitivity for fixed rate instruments</u>

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.

<u>Cash flow sensitivity analysis for floating rate instruments</u>

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.

Notes To The Financial Statements

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

	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

Notes To The Financial Statements

38. Financial Instruments (Cont'd)

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

(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).

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

Notes To The Financial Statements

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.

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 RM	**2013 RM**	**2014 RM**	**2013 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.

Notes To The Financial Statements

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.

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.

Notes To The Financial Statements

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 RM	**2013 RM**	**2014 RM**	**2013 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.

LIST OF GROUP PROPERTIES

The details of landed properties owned by the Group are as follows:

Registered Owner	Address	Title/ Location	Existing use/ Description	Land/ (Built-up area)	Age of building/ Tenure	Net book value as at 31st December 2014
MBLE	21, Jalan Rami 4, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor	HS(D)21319, PTD No 1463, Mukim of Sungai Raya District of Muar Johor	Industrial land together with 2 storey factory and office building	0.607 hectares/ (38,934 sq. ft.)	14 years/60 years lease expiring on 20 May 2056	2,343,649.00
MBLE	JR 52, Lot 1818 Jln Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor	GM No 1416, Lot No 1818, Mukim of Sungai Raya, District of Muar State of Johor	Industrial land together with factory building and 3-storey permanent office	1.3835 hectares/ (148,918 sq. ft.)	Freehold	7,092,297.00
MBLE	Not applicable	HS(M)780, PTD No 1303, Mukim of Sungai Raya District of Muar State of Johor	Agricultural	0.6766 hectares	Freehold	250,000.00
MBLE	Not applicable	HS(M)781, PTD No 1304, Mukim of Sungai Raya, District of Muar State of Johor	Agricultural	0.6766 hectares	Freehold	250,000.00
MBLE	Not applicable	GM No 4757 Lot No 8564 Mukim Jalan Bakri District of Muar State of Johor	Agricultural	1.972 hectares	Freehold	730,000.00
MBLE	Unit No A-33-14, Tower A, Berjaya Times Square No. 1 Jalan Imbi 55100 Kuala Lumpur	Parcel No A-33-06, Type D, Star City Service Suites, Berjaya Star City held under Master Title Geran No 7866 & 10798 56069, Lot 339 & Lot 145, Section 52, Town and District of Kuala Lumpur, Wilayah Persekutuan	Service Suite Apartment	Not applicable/ (665 sq. ft.)	8 years/ Freehold	507,600.00

LIST OF GROUP PROPERTIES

Registered Owner	Address	Title/ Location	Existing use/ Description	Land/ (Built-up area)	Age of building/ Tenure	Net book value as at 31st December 2014
MBLE	No. 2-6, Jalan Sungai Abong 84000 Muar, Johor Darul Takzim	HS(M)6312, PTD No. 12352 Mukim of Bandar, District of Muar State of Johor	2- storey shophouse	2,926 sq. ft./ (143 sq. meters)	7/ Freehold	323,313.00
MBLE	No. 06-02 (Type B) Kondominium Ruby Jalan Sg Abong, township of Bandar Maharani, Johor Darul Takzim	Master Title Geran 55495 (formerly 13016 Lot No. 4129 Bandar Maharani Muar, Johor	Condominium	Not applicable/ (1,218 sq. ft.)	10/ Freehold	113,811.00
MBLE	Not applicable	GM 7285 Lot 23176 Mukim of Bandar Parit Buaya, District of Muar State of Johor.	Agricultural	1.199 hectares	Freehold	3,484,525.00
MBLE	Not applicable	GM 82835 Lot 859 Bandar Maharani District of Muar State of Johor	Nil	2701.2767 sq. meters	Freehold	2,733,144.00

ANALYSIS OF SHAREHOLDINGS

PRINCIPAL STATISTICS AS AT 27 APRIL 2015

Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per ordinary share
Authorised Share Capital	:	RM100,000,000
Issued and Paid-up Capital	:	RM46,000,000

SUBSTANTIAL SHAREHOLDERS AS AT 27 APRIL 2015

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
MBL Realty Sdn. Bhd.	41,605,980	45.22	–	–
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,425,100	6.98	(d) 2,591,600	2.82

DIRECTORS' SHAREHOLDINGS AS AT 27 APRIL 2015

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Chua Ah Ba @ Chua Eng Ka	498,000	0.54	(a)(b) 41,755,980	45.39
Chua En Hom	150,000	0.16	(a)(c) 41,611,980	45.23
Chua Eng Hui	150,000	0.16	(a) 41,605,980	45.22
Chua Heok Wee	150,000	0.16	(a) 41,605,980	45.22
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,425,100	6.98	(d) 2,591,600	2.82
Khairilanuar Bin Tun Abdul Rahman Abbas	150,000	0.16	–	–
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	30,000	0.03	–	–
Teh Eng Aun	–	–	–	–

Notes:

(a) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act and Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No of shares**
Chua Heok Wee (Son)	150,000

(c) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act and Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No. of shares**
Chua Chang Huat (Son)	6,000

(d) Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No. of shares**
Puan Sri Datin Seri Chan Mei Cheng (Spouse)	136,600
Tan Hui Lun (Daughter)	2,455,000

ANALYSIS OF SHAREHOLDINGS

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 27 APRIL 2015

Size of Shareholdings	No. of Holders	Total Holdings	% of Total Issued Capital
less than 100 shares	3	102	#
100 to 1,000 shares	180	110,218	0.12
1,001 to 10,000 shares	1,247	7,331,900	7.97
10,001 to 100,000 shares	566	17,941,700	19.50
100,001 to less than 5% of issued shares	79	28,010,100	30.45
5% and above of issued shares	1	38,605,980	41.96
Total	2,076	92,000,000	100.00

Negligible

30 LARGEST SECURITIES ACCOUNT SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 APRIL 2015

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MBL REALTY SDN. BHD.	38,605,980	41.96
2	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN. BHD. (SMART)*	3,000,000	3.26
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI*	2,814,800	3.06
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)*	1,700,000	1.85
5	YEN MEE FOONG	1,042,200	1.13
6	LIM NGAK CHEW	1,016,500	1.10
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR TAN KING TAI @ TAN KHOON HAI (MP0218)*	1,000,000	1.09
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (6000117)*	1,000,000	1.09
9	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)*	1,000,000	1.09
10	TAN KIM HENG	934,500	1.02
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR GOH SIN BONG (MP0081)*	838,600	0.91
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)*	731,600	0.80
13	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN HUI LUN (SMART)*	620,000	0.67
14	LIM MAY CHOON	550,000	0.60
15	CHUA AH BA @ CHUA ENG KA	498,000	0.54

ANALYSIS OF SHAREHOLDINGS

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *TAN KING TAI @ TAN KHOON HAI (E-BMM)*	405,300	0.44
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *PHNUAH FARN FARN (474003)*	398,000	0.43
18	KUEK CHEE LONG	350,000	0.38
19	LIM HUI HUAT @ LIM HOOI CHANG	319,000	0.35
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SOO SIEW PHANG*	296,000	0.32
21	ONG KIM BOON	290,000	0.32
22	TANG JUI LIANG	288,200	0.31
23	HOO KHEE LIANG	280,000	0.30
24	SAW LIP THONG	250,000	0.27
25	NG YONG CHANG	250,000	0.27
26	ABDUL RAHMAN BIN ABBAS	250,000	0.27
27	EU TEK HOO	249,000	0.27
28	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE*	236,200	0.26
29	LOW YIK CHOON	220,000	0.24
30	TAN KING TAI @ TAN KHOON HAI	205,000	0.22
	TOTAL	**59,638,880**	**64.82**

ANALYSIS OF WARRANTHOLDINGS

PRINCIPAL STATISTICS AS AT 27 APRIL 2015

Class of Shares	:	46,000,000 warrants
Exercise price of warrants	:	RM0.80 for each warrant
Expiry date of warrants	:	29 November 2022
Voting Rights	:	One vote per warrant at any warrantholders' meeting

SUBSTANTIAL WARRANTHOLDERS AS AT 27 APRIL 2015

	Direct Interest		Indirect Interest	
Name of Warrantholder	**No. of Warrants**	**%**	**No. of Warrants**	**%**
MBL Realty Sdn. Bhd.	21,418,630	46.56	–	–
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,493,400	7.59	[d]747,000	1.62

DIRECTORS' WARRANTHOLDINGS AS AT 27 APRIL 2015

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Warrants**	**%**	**No. of Warrants**	**%**
Dato' Chua Ah Ba @ Chua Eng Ka	75,000	0.16	[a][b] 21,493,630	46.73
Chua En Hom	75,000	0.16	[a][c] 21,421,730	46.57
Chua Eng Hui	75,000	0.16	[a] 21,418,630	46.56
Chua Heok Wee	75,000	0.16	[a] 21,418,630	46.56
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,493,400	7.59	[d] 747,000	1.62
Khairilanuar Bin Tun Abdul Rahman Abbas	–	–	–	–
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	–	–	–	–
Teh Eng Aun	–	–	–	–

Notes:

(a) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act and Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No of warrants**
Chua Heok Wee (Son)	75,000

(c) Deemed interested by virtue of their interest in MBL Realty pursuant to Section 6A of the Act and Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No. of warrants**
Chua Chang Huat (Son)	3,100

(d) Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965

Name	**No. of warrants**
Tan Hui Lun (Daughter)	747,000

ANALYSIS OF WARRANTHOLDINGS

DISTRIBUTION SCHEDULE OF WARRANTS AS AT 27 APRIL 2015

Size of Warrantholdings	No. of Holders	Total Holdings	%
less than 100 warrants	2	100	#
100 to 1,000 warrants	56	36,920	0.08
1,001 to 10,000 warrants	257	1,473,600	3.20
10,001 to 100,000 warrants	286	11,566,650	25.15
100,001 to less than 5% of issued warrants	45	11,504,100	25.01
5% and above of issued warrants	1	21,418,630	46.56
Total	647	46,000,000	100.00

Negligible

30 LARGEST SECURITIES ACCOUNT WARRANTHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 27 APRIL 2015

No	Name of Warrantholders	No. of Warrants	%
1	MBL REALTY SDN. BHD.	21,418,630	46.56
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)*	1,393,600	3.03
3	TAN KING TAI @ TAN KHOON HAI	1,033,900	2.25
4	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	847,200	1.84
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR TAN KING TAI @ TAN KHOON HAI (MP0218)*	804,900	1.75
6	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR TAN HUI LUN (SMART)*	747,000	1.62
7	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR YEW KOK MENG @ YOW KOK MENG*	528,500	1.15
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG CHOOI GUAN (M10)*	312,200	0.68
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)*	259,000	0.56
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHIANG HOOI @ TAN SIANG HOOI (E-BMM)*	250,000	0.54
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEAH YAW TONG*	250,000	0.54
12	TAN CHEE HWA	215,000	0.47
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (E-BMM)*	209,400	0.46
14	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN BEE EAN*	205,000	0.45
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NG TENG WAH (NGT0027C)*	190,000	0.41

ANALYSIS OF WARRANTHOLDINGS

No	Name of Warrantholders	No. of Warrants	%
16	CHIA KENG KUANG	190,000	0.41
17	KON CHI MIN	180,000	0.39
18	CHUNG KHIN SIN	170,000	0.37
19	TAN WEE TENG	165,000	0.36
20	HLIB NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHOO ALEC KHENG BENG (CCTS)*	160,400	0.35
21	LENG SOO JIC	160,000	0.35
22	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW KA AIK*	156,000	0.34
23	TAN KIM SIW	155,300	0.34
24	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM KOCK PENG*	150,000	0.33
25	KUEK CHEE LONG	150,000	0.33
26	LEE CHONG WEE	150,000	0.33
27	ANG BEE GIN	140,800	0.31
28	KHOR HUN CHOU	140,000	0.30
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD YONG HOOI KIE	140,000	0.30
30	PUBLIC INVEST NOMINEES (ASING) SDN BHD *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)*	140,000	0.30
	TOTAL	**31,011,830**	**67.42**

MUAR BAN LEE GROUP BERHAD **PROXY FORM**

(Company No. 753588-P)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Shares Held	CDS Account No.

Telephone no. (During office hours): ....

I/We .... NRIC No. / Company No. ....
of ....being a member / members of **Muar Ban Lee Group Berhad** hereby appoint the following person(s) :-

Name of Proxy & NRIC	No. of shares to be presented by Proxy
1.	
2.	

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at No. JR52, Lot 1818, Jalan Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor Darul Takzim on Tuesday, 16th day of June, 2015 at 12.00 noon or at any adjournment thereof, to vote as indicated below :-

Ordinary Businesses		**For**	**Against**
Re-election of Chua Heok Wee as Director	(Resolution 1)		
Re-election of Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai as Director	(Resolution 2)		
Re-election of Teh Eng Aun as Director	(Resolution 3)		
Approval of payment of Directors' Fee	(Resolution 4)		
Appointment of Auditors	(Resolution 5)		
Special Businesses			
Authority to Issue Shares	(Resolution 6)		
Proposed Renewal of Authority for Share Buy-Backs	(Resolution 7)		

(Please indicate with a "X" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this................................ day of 2015

....
Signature of Member(s) or/ Common Seal

Notes :

1) *For the purpose of determining a member who shall be entitled to attend at the Annual General Meeting, the Company shall be requesting a General Meeting Record of Depositors as at 8 June 2015. Only a depositor whose name appears on the Record of Depositors as at 8 June 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*

2) *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

3) *Where a member appoints two proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.*

4) *The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.*

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

6) *The Proxy Form must be deposited at the Registered Office of the Company at 87, Muntri Street, 10200 Penang, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)

THE SECRETARY
87, MUNTRI STREET,
10200 PENANG.

1st fold here