contents

NOTICE OF ANNUAL GENERAL MEETING **2**

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING **4**

CORPORATE INFORMATION **5**

CORPORATE STRUCTURE **6**

DIRECTORS' PROFILE **7**

MESSAGE FROM THE EXECUTIVE CHAIRMAN **9**

STATEMENT OF CORPORATE GOVERNANCE **11**

AUDIT COMMITTEE REPORT **16**

STATEMENT ON INTERNAL CONTROL **20**

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS **22**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT **23**

OTHER DISCLOSURE REQUIREMENTS **24**

FINANCIAL STATEMENTS **26**

LIST OF GROUP PROPERTIES **83**

ANALYSIS OF SHAREHOLDINGS **85**

PROXY FORM .... **ENCLOSED**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth 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 Friday, 15th day of June, 2012 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, 2011 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 Articles 97 of the Company's Articles of Association, and who, being eligible offer themselves for re-election:

   a) Mr. Chua Eng Hui (Resolution 1)

   b) Mr. Chua Heok Wee (Resolution 2)

   c) Mr. Teh Eng Aun (Resolution 3)

3) To approve the payment of Directors' fees of RM192,000.00 for the financial year ended 31 December 2011. (Resolution 4)

4) To re-appoint Messrs. PKF 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 resolution as Ordinary Resolutions:-

5) Ordinary Resolutions

   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." (Resolution 6)

6) 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 : 24 May, 2012

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 2012. Only a depositor whose name appears on the Record of Depositors as at 8 June 2012 shall be entitled to attend, vote and speak at the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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 or more 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) 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 Business :

1) ***Resolution 6 - Authority to Issue Shares***

The Ordinary Resolution 6, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purpose as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members on the last Annual General Meeting ('the previous mandate") which will lapse at the conclusion of the Sixth Annual Meeting. As at the date of this Notice, the previous mandate was not utilised and accordingly no proceeds were raised. 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.

Statement Accompanying Notice of Annual General Meeting

Statement Accompanying Notice of The 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) Mr. Chua Eng Hui

    b) Mr. Chua Heok Wee

    c) Mr. Teh Eng Aun

2. Details of the profile of Directors are set out in the Board of Directors on page 7 to page 8 of the Annual Report.

3. Details of the above directors' interest in the securities of the Company are set out in the Directors' Report on page 27 to page 30 of this Annual Report.

4. The above directors' family relationships with other directors and/or substantial shareholder of the Company are disclosed in the Directors' Profile on page 8 of the Annual Report.

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

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

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

Corporate Information

Board of Directors

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

Mr. Chua En Hom *(Deputy Executive Chairman)*

Mr. Chua Eng Hui *(Executive Director)*

Mr. Chua Heok Wee *(Managing Director)*

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

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

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

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

Members of Audit Committees

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

Members of Remuneration Committees

Dato' Chua Ah Ba @ Chua Eng Ka *(Chairman)*
En. Khairilanuar Bin Tun Abdul Rahman *(Member)*
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad *(Member)*

Members of Nomination Committees

Mr. Chua Heok Wee *(Chairman)*
En. Khairilanuar Bin Tun Abdul Rahman *(Member)*
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad *(Member)*

Company Secretary

Mr. Lee Hong Lim (MIA No. 12949)
11-10-07, Tingkat Paya Terubong 2
Taman Terubong Jaya
11060 Paya Terubong
Pulau Pinang
Tel. no.: 04-264 4877
Fax. no.: 04-264 4878

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

PKF (AF 0911)
Accountants & Business Advisers

Principal Bankers

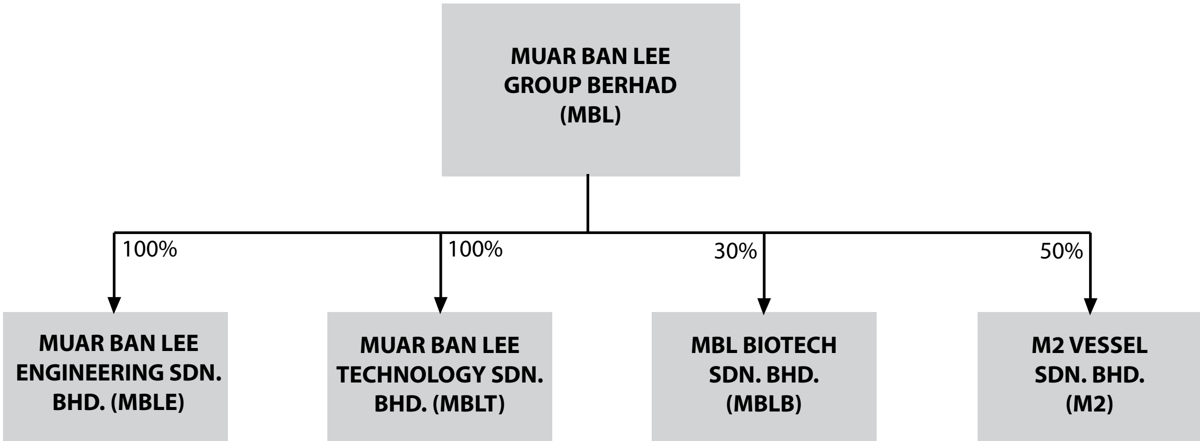
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (M) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

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

Corporate Structure

We were incorporated in Malaysia under the Companies Act on 20 November 2006 as a private limited company under the name of Muar Ban Lee Group Sdn Bhd. We are an investment holding company. Subsequently, on 11 January 2007, our Company was converted into a public company and assumed its current name. As at the date of this report, our corporate structure is set out below:-



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	100.0	Manufacturing of oil seed expellers and its related parts
MBLT	664866-T	6 September 2004/ Malaysia	1,000,000	100.0	Manufacturing o f automated oil seed expellers and its related parts
MBLB	924087-K	2 December 2010/ Malaysia	100,000	30.0	Manufacturing of a system of extracting kernel oil through solvent
M2	920960-X	4 November 2010/ Malaysia	2	50.0	Dormant

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, aged 66, a Malaysian, 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 39 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, aged 58, a Malaysian, is the Deputy Executive Chairman of our Group and was appointed to our Board on 30 June 2009. He has over 32 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, aged 56, a Malaysian, is the Executive Director of our Group and was appointed to our Board on 30 June 2009. He has accumulated more than 38 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, aged 39, a Malaysian, 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, Mr. Chua Ah Ba @ Chua Eng Ka in 1995 and was subsequently promoted to Project Manager in 1997. With more than 18 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, aged 57, a Malaysian, 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 council member of Malaysian Association of Company Secretaries. He has over 31 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 Holding Berhad from 13 September 1995 to 13 December 2003 and was subsequently re-designated as a Non-Executive Director. He sits on the Board of Unimech Group Berhad and Denko Industrial Corporation Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of several other private limited companies.

Khairilanuar Bin Tun Abdul Rahman, aged 47, a Malaysian, 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 is an Independent Non-Executive Director of Farlim Group (M) Berhad which is listed on the Main Market of 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.

Hj Ismail Bin Tunggak @ Hj Ahmad, aged 62, a Malaysian, 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.

Directors' Profile

Teh Eng Aun, aged 61, a Malaysian, 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 UT Securities Sdn Bhd (now known as Inter-Pacific Securities Sdn Bhd) as a Remisier. He has over 21 years of experience in corporate consultancy, financial management and auditing. He is an Independent Non-Executive Director of Ire-Tex Corporation Berhad since 2009.

Family Relationships

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; and

(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

Message From The Executive Chairman

Malaysian Economy in 2011

Despite the challenging international economic environment, Malaysian economy recorded steady pace of growth of 5.1% in 2011 as compare with 7.2% in 2010. The growth are mainly led by services, manufacturing and agriculture sectors but was affected by the external overall weakness in the advanced economies and the disruptions in the global manufacturing supply chain arising from the Japan earth quake. Nevertheless, the growth from the higher domestic private and public sector spending has cushioned the slowing external demand (Bank Negara Malaysia).

As at 31 December 2011, Malaysia's net international reserves stood at RM423.3 billion (equivalent to USD133.6 billion), which is adequate to finance 9.6 months of retained imports and is 4.1 times the short-term external debt. In the other hand, external trade balance surplus increase by 9.4% or RM10.3 billion to RM120.3 billion in which total trade valued at RM1.3 trillion with total exports increased by 8.7% to RM694.5 billion and total imports grew by 8.6% to RM574.2 billion as compared with 2010 (Department of Statistic Malaysia).

Financial Performance

Despite the global economy uncertainty, the Group's managed to register a remarkable result in year 2011. On the back of higher revenue recorded, the Group's profit before tax has improved to RM12.38 million as compared with RM7.93 million in 2010. The Group's profit after tax was higher at RM12.19 million as compared with RM7.22 million in the preceding year due to the lower provision of deferred tax and tax exempt status of one of its subsidiary company during the year.

In year 2011, sales of Plant setup ancillary machinery, oil seed expeller and Empty Fruit Bunch "EFB" machines has grew by 27.2% to RM37.63 million which contributed about 68.3% of the total revenue, whilst the sale of spare parts improved by 20.7% to RM17.35million which represents about 31.5% of total revenue. As a result of higher sales from both segments, the revenue improved from RM44.08 million recorded in the preceding year to RM55.06 million in 2011.

Dividend Quantum

The Board has approved the first interim single tier tax exempt dividend of 2.5 sen per ordinary share, amounting to RM2.30 million was paid on 16 December 2011 for the financial year under review.

The second interim single tier tax exempt dividend of 3.0 sen per ordinary shares amounting to RM2.76 million in respect of financial year ended 31 December 2011 was approved by the Board and paid on 18 April 2012.

In future, the Board plans to allocate about 40% of the profit after tax for distribution of dividend to reward the shareholders of the company.

Prospect for 2012

IMF has projected the global economy to grow at 3.5% in 2012 and 4.1% in 2013 (PPP-weighted). However, some analyst are of the opinion that global growth rate will be lower at 3.1% in 2012. The growth is capped by household deleveraging which is likely to remain widespread drag across advance economies and unresolved euro zone debt crisis which is likely to cause further episodes of heightened risk aversion.

Amid the more challenging external environment, Malaysia economy is projected to register a growth of 4 to 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth where certain measures in 2012 Budget are expected to support private consumption. Further, with the implementation of Economic Transformation Programme (ETP) and encouraging progress in various Entry Point Projects (EPP) will further boost the economic activities in the Country.

Message From The Executive Chairman

With current CPO prices trading above RM3,000 per MT, analysts further projected that palm oil price may touch RM4,000 per MT by end 2012 as supplies are expected to remain tight due to poor weather. As the commodity-based economy and the second largest world producer of palm oil, Malaysia economy will be benefited from the strong commodity prices.

The Group's clienteles are those downstream palm oil plantation owners or millers and regarded as a close proxy to the plantation sector or palm oil industry. The Group expects its performance will be better than previous year in view of the strong order book on hand. With the establishment of servicing offices in Indonesia will further enhance the business activities through prompt and better customers' service. By empowering profitability of its clients, our Group's market shares for its core business shall be growing at steady pace in the near future.

Looking forward, the Group plans to expand its core business by actively exploring opportunities to venture into or diversify to downstream palm oil sector, i.e. palm oil plantation. This will propel the Group into a new era by capitalized on the hand-on experiences in palm oil industry.

Corporate governance

The Board remains committed to subscribe to the best practices in all our activities as per the Malaysia Code on Corporate Governance. Details of our Statement of Corporate Governance and its related reports appear on page 11 to 15 of this Annual Report.

Acknowledgements

On behalf of the Board of Directors I wish to take this opportunity to express my gratitude and appreciation to our employees for their contribution, dedication and loyalty especially during this challenging time.

I also wish to thank all our customers, business partners, shareholders and fellow Board members for their continued strong support.

Thank you.

Sincerely,

DATO' CHUA AH BA @ CHUA ENG KA
Executive Chairman

Date : 25 April, 2012

Statement of Corporate Governance

Pursuant to paragraph 15.25 of the Bursa Malaysia Securities Berhad Listing Requirements, the Directors are under obligations to issue a statement pertaining to the status of compliances by the Company and its subsidiaries ("The Group") with The Code of Corporate Governance ("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.

It is the commitment of the Board of Directors (the "Board") of Muar Ban Lee Group Berhad to ensure the adoption of good governance throughout the Group in order to protect and enhance the shareholders' value and the performance of the Group. For the financial year ended 31 December 2011, the Group has applied the key principles of corporate governance and best practices as set out in the Code as outlined in the following statement.

DIRECTORS

1. The Board and Board Balance

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 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 independent directors. Given the scope of responsibilities for managing the Group's business operations, the Board considers its current composition and size are adequate.

The Board of Directors is involved in the areas of reviewing the Group's strategic plan and identifying critical business risks. 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 independent non-executive directors 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.

2. 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 at every AGM and if eligible, may offer themselves for re-election. In compliance with the Code, each Director shall retire from office at least once in every three (3) years.

3. Attendance at Meetings

The attendance record for Board and Audit Committee meetings during the financial year ended 31 December 2011 are as follows:-

Board of Directors Meetings

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

Statement of Corporate Governance

Audit Committee Meetings

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

4. 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.

5. 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.

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	Hj Ismail Bin Tunggak @ Hj Ahmad	Independent Non-Executive Director

Our Audit Committee is responsible for recommending to our 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. Our Audit Committee is also responsible in financial risk assessment and matters relating to related party transactions and conflicts of interests. Our Audit Committee m a y obtain advice from independent parties and other professionals in the performance of its duties.

(ii) Nomination Committee

The members of our Nomination Committee are as follows:

Designation	Directors	Directorship
Chairman	Chua Heok Wee	Managing Director
Member	Khairilanuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Hj Ismail Bin Tunggak @ Hj Ahmad	Independent Non-Executive Director

Our Nomination Committee recommends to our Board suitable candidates for appointment as Directors to our Board of the company as well as appointment of Directors to committees of our Board. It also reviews our Board's structure, size and composition and recommends to our Board the required mix skills and experience our Board requires in order to function completely and efficiently.

(iii) Remuneration Committee

The members of our Remuneration Committee are as follows:

Designation	Directors	Directorship
Chairman	Dato' Chua Ah Ba @ Chua Eng Ka	Executive Chairman
Member	Khairilanuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Hj Ismail Bin Tunggak @ Hj Ahmad	Independent Non-Executive Director

Our Remuneration Committee is responsible for recommending to our Board the remuneration framework for our Executive Directors and assists our 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.

Statement of Corporate Governance

DIRECTORS' REMUNERATION

The remuneration package for the Directors after due consideration is given on individual contribution and a rewarding remuneration package granted to retain and attract Directors with the relevant experience and expertise to manage the Group effectively.

The remuneration of the Directors is reviewed annually by the respective Executive Directors are abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended 31 December 2011 is as follows:-

Category	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	584,000	2,699,596	3,283,596
Non-Executive Directors	72,000	7,000	79,000

For 2011, the number of directors of the Company whose total remuneration during the financial year falls in bands of RM50,000 is analysed below :

Range of Remuneration In RM	Number of Directors Executive Director	Non-Executive Director
Below 50,000	–	3
50,000 - 100,000	–	–
100,001 - 150,000	–	–
150,001 - 200,000	1	–
200,001 - 250,000	–	–
250,001 and above	4	–

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.

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.

Statement of Corporate Governance

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 the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. 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 Financial Reporting Standards, and are supported by reasonable judgements and estimates. The accounting policies had also been consistently applied (except those new accounting policies which are being adopted for the first time during the financial year) under the revised Financial Reporting Standards ("FRSs") which are relevant to their operations and effective for financial period beginning on or after 1 January 2010.

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.

3. Relationship with Auditors

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 2011, the Group has complied with all the best practices set out in the Code.

Audit Committee Report

The members of the Audit Committee of Muar Ban Lee Group Berhad are pleased to present the report of the Audit Committee for the financial year ended 31 December 2011.

1. MEMBERS

As at the date of this annual report, the members of the Audit Committee, who are all Independent Non-Executive Directors, are as follows :-

Audit Committee	Designation
Teh Eng Aun	Independent Non-Executive Director
Khairilanuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Hj Ismail Bin Tunggak @ Hj Ahmad	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 2011. The details of the attendance of the meetings are as follows :-

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

During the four (4) meetings held for the financial year ended 31 December 2011, 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, the approved accounting standards for entities other than private entities [Financial Reporting Standards (FRS)] 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.

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.

Audit Committee Report

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 whom shall be non-executive. All of the Audit Committee members shall be 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

i) 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 accounting 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.

Statement on Internal Control

Introduction

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

Pursuant to Paragraph 15.26(b) of the Bursa Securities Listing Requirements, the Board of Directors of Muar Ban Lee Group Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement of Guidance for Directors of Public Listed Companies ("Statement on Internal Control") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

For the purpose of this Statement, the Group means the Company and its subsidiary companies. As the Company does not have control over the operations, management and internal control system of the associated companies, this Statement does not cover the associated companies.

Responsibility for Risk 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 system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. 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, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating 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.

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.

Internal Audit

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

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

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

c) A set of documented internal policies and procedures which is subject to regular review and improvements;

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

e) Quarterly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and

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

Statement on Internal Control

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.

This statement is issued in accordance with a resolution of the Directors dated 25 April, 2012.

Statement of Directors' Responsibility on Financial Statements

The Directors are responsible for the preparation of financial statements for each financial year. They are reasonable for ensuring that these financial statements give a true and fair view of the state of affairs of the Group and the Company and the results and cash flow for the financial year then ended.

The financial statements are prepared in accordance with Financial Reporting Standards, the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements for the financial year ended 31 December 2011, 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 2011, and the profit and loss for the financial year ended 31 December 2011 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 Financial Reporting Standards ("FRSs");

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.

They have general 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.

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 is 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 2011, 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

The gross proceeds from the Public Issue of RM13.65 million shall be utilised in the following manner:-

Nature of utilisation	Time frame for utilisation from the date of the Listing	Proposed utilisation (RM'000)	Actual utilisation (RM'000)
Purchase of machineries	Within 2 years	3,000	3,000
Setup service offices in Indonesia, PNG and Nigeria	Within 2 years	1,500	1,500
Repayment of bank borrowings	Within 6 months	2,500	2,500
R&D expenditure	Within 1 year	500	500
Working capital	Within 1 year	4,350	4,350
Listing expenses	Within 3 months	1,800	1,992
Total		13,650	13,842

In conjunction with the Public Issue and Offer for Sale, the Group entire issued and paid-up shares capital of the Group comprising 92,000,000 ordinary shares of RM0.50 each was listed and quoted on the Main Market of Bursa Securities on 28 October 2009.

Share Buybacks

The Company has not engaged in any share buybacks arrangement during the financial year.

Options, Warrants or Convertible Securities

The Company has not granted any options, warrants or convertible securities to any parties to take up unissued shares in the Company during the financial year.

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 RM3,700.00 due to Tan Commercial Management Services Sdn. Bhd. of which one of the director has interest over the Company and able to exercise control. The 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.

financial statements

DIRECTORS' REPORT 27

STATEMENT BY DIRECTORS 31

STATUTORY DECLARATION 31

REPORT OF THE INDEPENDENT AUDITORS 32

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 34

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 35

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 36

CONSOLIDATED STATEMENTS OF CASH FLOWS 37

STATEMENTS OF COMPREHENSIVE INCOME 39

STATEMENTS OF FINANCIAL POSITION 40

STATEMENTS OF CHANGES IN EQUITY 41

STATEMENTS OF CASH FLOWS 42

NOTES TO THE FINANCIAL STATEMENTS 43

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 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the Company	12,207,938	5,595,712
Non-controlling interests	(17,399)	–
Profit for the financial year	12,190,539	5,595,712

RESERVES AND PROVISIONS

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

DIVIDENDS

Dividends proposed and paid since the end of the previous financial year were as follows:

(i) A single tier tax exempt final dividend of 3% totaling RM1,380,000 in respect of the financial year ended 31 December 2010, paid on 26 July 2011; and
(ii) A single tier tax exempt interim dividend of 5% totaling RM2,300,000 in respect of the financial year ended 31 December 2011, paid on 16 December 2011.

The Directors do not recommend any further dividend to be declared in respect of the financial year ended 31 December 2011.

DIRECTORS

The Directors who have held office since the date of the last report are:

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' Report

DIRECTORS' INTEREST IN SHARES

The interest of the directors who held office at the end of the financial year in shares in the Company and its related companies is as follows:

	Number of ordinary shares of RM0.50 each			
The Company	**At 1.1.2011**	**Bought**	**Sold**	**At 31.12.2011**
Direct interest in the Company:				
Chua Ah Ba @ Chua Eng Ka	150,000	–	–	150,000
Chua En Hom	150,000	–	–	150,000
Chua Eng Hui	150,000	–	–	150,000
Chua Heok Wee	150,000	–	–	150,000
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,144,600	–	–	6,144,600
Teh Eng Aun	150,000	–	–	150,000
Khairilanuar Bin Tun Abdul Rahman	150,000	–	–	150,000
Hj Ismail Bin Tunggak @ Hj Ahmad	150,000	–	–	150,000
MBL Realty Sdn. Bhd. (761104-U) (Ultimate Holding Company)				
Direct interest:				
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

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, Mr Teh Eng Aun, Encik Khairilanuar Bin Tun Abdul Rahman and Tuan Hj Ismail Bin Tunggak @ Hj Ahmad do not have any direct/deemed interest in the ultimate holding company.

By virtue of their interest in the Company, Mr Chua Ah Ba @ Chua Eng Ka, Mr Chua En Hom, Mr Chua Eng Hui and Mr Chua Heok Wee are deemed to have interest in all the related companies to the extent of the interest of the ultimate holding company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any 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 corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 25 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued 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.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

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

(i) which would necessitate the writing off of bad debts or provision for doubtful debts; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in the Note 27 to the financial statements.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Directors' Report

HOLDING COMPANY

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

AUDITORS

The auditors, Messrs PKF, have indicated their willingness to continue in office.

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

....	....
CHUA AH BA @ CHUA ENG KA	**CHUA EN HOM**

Kuala Lumpur

25 April 2012

Statement By Directors

Pursuant To Section 169 (15) Of The Companies Act, 1965

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year ended on that date.

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

....
CHUA AH BA @ CHUA ENG KA

....
CHUA EN HOM

Penang

25 April 2012

Statutory Declaration

Pursuant To Section 169 (16) Of The Companies Act, 1965

I, **CHUA AH BA @ CHUA ENG KA**, being the Director primarily responsible for the financial management of **MUAR BAN LEE GROUP BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements 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 Wilayah)
Persekutuan on 25 April 2012)

....
CHUA AH BA @ CHUA ENG KA

Before me,

COMMISSIONER FOR OATHS

Report Of The Independent Auditors

To The Members Of Muar Ban Lee Group Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **MUAR BAN LEE GROUP BERHAD**, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view of the financial positions and of the financial performances of the Group and of the Company in accordance with applicable approved Financial Reporting Standards and the Companies Act, 1965, and for such internal controls as the Directors determine are necessary to enable the preparation of the 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 whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and their cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) The audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

Report Of The Independent Auditors

To The Members Of Muar Ban Lee Group Berhad

OTHER MATTERS

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. 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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the directive of Bursa Malaysia Securities Berhad.

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.

....
PKF
AF 0911
CHARTERED ACCOUNTANTS

....
LOH CHYE TEIK
1652/8/12(J)
CHARTERED ACCOUNTANT

Kuala Lumpur

25 April 2012

Consolidated Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Revenue	2	55,061,774	44,084,838
Cost of sales		(30,599,069)	(27,233,636)
Gross profit		24,462,705	16,851,202
Other income		1,949,283	753,866
Distribution and administration expenses		(14,014,637)	(9,641,462)
Profit from operations		12,397,351	7,963,606
Finance costs	3	(18,150)	(35,057)
Profit before tax	4	12,379,201	7,928,549
Tax expense	6	(188,662)	(713,212)
Profit for the financial year		12,190,539	7,215,337
Other comprehensive income, net of tax			
Revaluation of land and building		3,298,885	–
Transferred to deferred taxation		(365,245)	–
Total other comprehensive income for the financial year		2,933,640	–
Total comprehensive income for the financial year		15,124,179	7,215,337
Profit attributable to:			
Owners of the company		12,207,938	7,215,337
Non-controlling interests		(17,399)	–
Profit for the financial year		12,190,539	7,215,337
Total comprehensive income attributable to:			
Owners of the company		15,141,578	7,215,337
Non-controlling interests		(17,399)	–
Total comprehensive income for the financial year		15,124,179	7,215,337
Basic average earnings per ordinary share	7	13.27	7.80

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

Consolidated Statements Of Financial Position

As At 31 December 2011

	Note	2011 RM	2010 RM
Non-current assets			
Property, plant and equipment	8	18,794,757	16,604,034
Intangible assets	10	430,071	–
Other investment	11	450,000	450,000
Current assets			
Inventories	12	26,142,632	23,465,807
Trade receivables	13	14,857,297	15,571,775
Non-trade receivables, deposits and prepayment		4,830,317	621,938
Prepaid taxes		821,125	1,126,283
Deposits with licensed banks	15	13,063,256	7,547,051
Cash and bank balances		5,497,579	4,974,984
		65,212,206	53,307,838
TOTAL ASSETS		84,887,034	70,361,872
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	16	46,000,000	46,000,000
Share premium	17	1,157,846	1,157,846
Revaluation reserves	18	2,933,640	–
Retained profits	19	19,677,198	11,149,260
		69,768,684	58,307,106
Non-controlling interests		52,602	–
Total equity		69,821,286	58,307,106
Non-current liabilities			
Deferred taxation	20	1,160,975	780,000
Hire purchase payables	21	174,930	206,616
		1,335,905	986,616
Current liabilities			
Trade payables	22	4,914,820	2,946,408
Non-trade payables and accruals		8,587,767	7,920,532
Hire purchase payables	21	129,221	201,210
Derivatives	23	97,482	–
Current income taxes		553	–
		13,729,843	11,068,150
Total liabilities		15,065,748	12,054,766
TOTAL EQUITY AND LIABILITIES		84,887,034	70,361,872

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

Consolidated Statements Of Changes In Equity

For The Financial Year Ended 31 December 2011

		← Attributable to owners of the Company →						
		← Non-distributable →			Distributable			
	Note	Share capital RM	Share premium RM	Revaluation reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2010		46,000,000	1,307,756	–	6,693,923	54,001,679	–	54,001,679
Listing expenses		–	(149,910)	–	–	(149,910)	–	(149,910)
Total comprehensive income for the financial year		–	–	–	7,215,337	7,215,337	–	7,215,337
Dividends	24	–	–	–	(2,760,000)	(2,760,000)	–	(2,760,000)
At 31 December 2010		46,000,000	1,157,846	–	11,149,260	58,307,106	–	58,307,106
Total comprehensive income for the financial year		–	–	2,933,640	12,207,938	15,141,578	52,602	15,194,180
Dividends	24	–	–	–	(3,680,000)	(3,680,000)	–	(3,680,000)
At 31 December 2011		46,000,000	1,157,846	2,933,640	19,677,198	69,768,684	52,602	69,821,286

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

Consolidated Statements Of Cash Flows

For The Financial Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax		12,379,201	7,928,549
Adjustments for:			
Depreciation		1,353,340	1,152,615
Fair value adjustment on derivatives		97,482	–
Gain on disposal of property, plant and equipment		(76,257)	(224,595)
Interest expense		18,150	35,057
Impairment loss on property, plant and equipment		480,938	–
Interest income		(327,101)	(354,377)
Loss on disposal of property, plant and equipment		22,668	–
Unrealised loss on foreign exchange		–	(140,103)
Operating profit before working capital changes		13,948,421	8,397,146
Increase in inventories		(2,676,825)	(12,079,353)
(Increase)/Decrease in receivables		(3,337,311)	3,583,851
Increase/(Decrease) in payables		2,635,647	(53,364)
Cash generated from/(used in) operations		10,569,932	(151,720)
Income tax refunded/(paid)		132,779	(879,741)
Net cash generated from/(used in) operating activities		10,702,711	(1,031,461)
Cash flows from investing activities			
Acquisition of intangible assets		(430,071)	–
Acquisition of other investment		–	(450,000)
Acquisition of property, plant and equipment	(i)	(907,527)	(4,348,776)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(ii)	70,001	–
Interest received		327,101	354,377
Proceeds from disposal of property, plant and equipment		385,000	420,000
Net cash used in investing activities		(555,496)	(4,024,399)
Cash flows from financing activities			
Dividend paid		(3,680,000)	(2,760,000)
Interest paid		(18,150)	(35,057)
Listing expenses paid		–	(149,910)
Repayment of hire purchase payables		(253,675)	(302,923)
Repayment of term loan		–	(637,119)
Withdrawal/(Placement) of fixed deposits pledge		664,779	(624,767)
Net cash used in financing activities		(3,287,046)	(4,509,776)
Net increase/(decrease) in cash and cash equivalents		6,860,169	(9,565,636)
Cash and cash equivalents at 1 January		10,102,076	19,667,712
Cash and cash equivalents at 31 December	(iii)	16,962,245	10,102,076

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

Consolidated Statements Of Cash Flows

For The Financial Year Ended 31 December 2011

Note:

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,057,527 (2010: RM4,548,776) of which RM150,000 (2010: RM200,000) were acquired by means of hire-purchase arrangement.

(ii) Acquisition of subsidiaries, net of cash and cash equivalents acquired

	2011 RM	2010 RM
Total purchase consideration discharged by cash	(30,001)	–
Cash and cash equivalents of subsidiaries acquired	100,002	–
Net cash inflow on acquisition of subsidiaries	70,001	–

(iii) Cash and cash equivalents

Cash and cash equivalents, included in the statement of cash flows comprise the following:

	2011 RM	2010 RM
Cash and bank balances	5,497,579	4,974,984
Deposits with licensed banks	13,063,256	7,547,051
	18,560,835	12,522,035
Fixed/other deposits pledged	(1,598,590)	(2,263,369)
	16,962,245	10,258,666
Unrealised exchange gain	–	(156,590)
	16,962,245	10,102,076

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

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Revenue	2	5,500,000	2,700,000
Other income		538,682	189,644
General and administration expenses		(385,345)	(741,622)
Profit before tax	4	5,653,337	2,148,022
Tax expense	6	(57,625)	–
Total comprehensive income for the financial year		5,595,712	2,148,022

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

Statements Of Financial Position

As At 31 December 2011

	Note	2011 RM	2010 RM
Non-current assets			
Investment in subsidiaries	9	36,329,999	36,299,998
Other investment	11	250,000	250,000
Amount due from subsidiaries	14	–	4,257,370
Current assets			
Non-trade receivables, deposits and prepayment		2,541,000	501,000
Amount due from subsidiaries	14	8,701,881	4,989,564
Prepaid taxes		4,912	20,000
Deposits with licensed banks	15	1,300,000	2,016,000
Cash and bank balances		312,168	471,815
		12,859,961	7,998,379
TOTAL ASSETS		49,439,960	48,805,747
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	16	46,000,000	46,000,000
Share premium	17	1,157,846	1,157,846
Retained profits	19	2,044,681	128,969
Total equity		49,202,527	47,286,815
Current liabilities			
Non-trade payables and accruals		237,433	1,518,932
TOTAL EQUITY AND LIABILITIES		49,439,960	48,805,747

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2011

	Note	*Non-distributable* Share capital RM	Share premium RM	*Distributable* Retained profits RM	Total RM
At 1 January 2010		46,000,000	1,307,756	740,947	48,048,703
Listing expenses		–	(149,910)	–	(149,910)
Total comprehensive income for the financial year		–	–	2,148,022	2,148,022
Dividends	24	–	–	(2,760,000)	(2,760,000)
At 31 December 2010		46,000,000	1,157,846	128,969	47,286,815
Total comprehensive income for the financial year		–	–	5,595,712	5,595,712
Dividends	24	–	–	(3,680,000)	(3,680,000)
At 31 December 2011		46,000,000	1,157,846	2,044,681	49,202,527

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax		5,653,337	2,148,022
Adjustments for:			
Interest income		(49,911)	(189,644)
Fair value adjustment on amount due from subsidiary		(488,771)	488,771
Operating profit before working capital changes		5,114,655	2,447,149
Increase in receivables		(2,040,000)	(6,462,871)
(Decrease)/Increase in payables		(1,281,499)	28,912
Cash generated from/(used in) operations		1,793,156	(3,986,810)
Income tax paid		(42,537)	(20,000)
Net cash generated from/(used in) operating activities		1,750,619	(4,006,810)
Cash flows from investing activities			
Acquisition of other investment		–	(250,000)
Increase of investment in subsidiaries		(30,001)	(800,000)
Interest received		49,911	189,644
Net cash generated from/(used in) investing activities		19,910	(860,356)
Cash flows from financing activities			
Dividend paid		(3,680,000)	(2,760,000)
Listing expenses paid		–	(149,910)
Advances from subsidiaries		1,033,824	–
Net cash used in financing activities		(2,646,176)	(2,909,910)
Net decrease in cash and cash equivalents		(875,647)	(7,777,076)
Cash and cash equivalents at 1 January		2,487,815	10,241,891
Cash and cash equivalents at 31 December	(i)	1,612,168	2,487,815

Note:

(i) Cash and cash equivalents

Cash and cash equivalents, included in the statement of cash flows comprise the following:

	2011 RM	2010 RM
Cash and bank balances	312,168	471,815
Deposits with licensed banks	1,300,000	2,016,000
	1,612,168	2,487,815

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

Notes To The Financial Statements

For The Year Ended 31st December 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the notes to financial statements and in accordance with the provisions of the Companies Act, 1965, in Malaysia and applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board.

(a) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the following new and amended FRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
• FRS 1, First-time Adoption of Financial Reporting Standards (Compiled Jan 2011)	1 July 2010
• FRS 3, Business Combinations (Compiled Apr 2011)	1 July 2010
• FRS 127, Consolidated and Separate Financial Statements (Compiled Jan 2011)	1 July 2010
• Amendment to FRSs (Improvements to FRSs 2010):	
- FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
- FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 & Disclosures for First-time Adopter	1 January 2011
- FRS 1, First-time Adoption of Financial Reporting Standards – Additional Exemptions for First-time Adopter	1 January 2011
- FRS 2, Share-based Payment	1 July 2010
- FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2011
- FRS 3, Business Combinations	1 January 2011
- FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
- FRS 7, Financial Instruments: Disclosures	1 January 2011
- FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2011
- FRS 101, Presentation of Financial Statements	1 January 2011
- FRS 121, The Effects of Changes in Foreign Exchange Rates	1 January 2011
- FRS 128, Investments in Associates	1 January 2011
- FRS 131, Interests in Joint Ventures	1 January 2011
- FRS 132, Financial Instruments : Presentation	1 January 2011
- FRS 134, Interim Financial Reporting	1 January 2011
- Amendment to FRS 138, Intangible Assets (Revised)	1 July 2010
- FRS 139, Financial Instruments: Recognition and Measurement	1 January 2011
• IC Interpretation 4, Determining Whether and Arrangement contains a Lease	1 January 2011
• IC Interpretation 12, Service Concession Arrangements	1 July 2010
• IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
• IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
• IC Interpretation 18, Transfer of Assets from Customers	1 January 2011
• Amendment to IC Interpretations:	
- IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
- IC Interpretation 13, Customer Loyalty Programmes	1 January 2011
- IC Interpretation 15, Agreements for the Construction of Real Estate	30 August 2011
• TR i-4, Shariah Compliant Sales Contracts	1 January 2011

Notes To The Financial Statements

For The Year Ended 31st December 2011

Except for the changes in accounting polices arising from the adoption of the revised FRS 3 and Revised FRS 127, as well as the new disclosures required under the amendments to FRS 7, the adoption of the other standards and interpretations above did not have any effect on the financial performance or position of the Group and of the Company.

The effects of changes in accounting policy are described below:

<u>Amendment to FRS 7, Financial Instruments: Disclosures</u>

Amendments to the FRS 7, introduces addition disclosures to improve the information about fair value measurements and liquidity risk.

(a) Fair value hierarchy

The Group and the Company shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the Group and the Company shall disclose that change and the reasons for making it.

In addition, the Group and the Company shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and

(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(b) Liquidity risk

The Group and the Company shall disclose:

(i) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;

(ii) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

(iii) A description of how it manages the liquidity risk inherent in (i) and (ii) above.

The additional disclosures are included in the note to the financial statements for the year ended 31 December 2011. Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

<u>Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements</u>

The revised FRS 3 introduces a number of changes in the accounting or business combinations occurring after 1 January 2011.

The FRS requires the acquirer, having recognised the identifiable assets, the liabilities and any non-controlling interests, to identify any difference between:

(i) The aggregate of the fair value of consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

Notes To The Financial Statements

For The Year Ended 31st December 2011

(ii) The net identifiable assets acquired.

The difference will, generally, be recognised as goodwill. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss.

Revised FRS 127 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss. Furthermore, the standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107, Statements of Cash Flows, FRS 112, Income Taxes, FRS 121, The Effects of Changes in Foreign Exchange Rates, FRS 128, Investments in Associates and FRS 131, Interests in Joint Ventures.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

(b) Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
• FRS 10, Consolidated Financial Statements	1 January 2013
• FRS 11, Joint Arrangements	1 January 2013
• FRS 12, Disclosure of Interests in Other Entities	1 January 2013
• FRS 13, Fair Value Measurement	1 January 2013
• FRS 119, Employee Benefits	1 January 2013
• FRS 124, Related Party Disclosures	1 January 2012
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
• FRS 127, Separate Financial Statements	1 January 2013
• FRS 128, Investment in Associated and Joint Ventures	1 January 2013
• Amendment to FRSs :	
- FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
- FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012
- FRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
- FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012
• IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Following the issuance of Malaysian Financial Reporting Standards ("MFRS") and IC interpretation by Malaysian Accounting Standards Board on 19 November 2011, the Group's and the Company's next set of financial statements will be prepared in accordance with International Financial Reporting Standards Framework. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(c) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(ii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Allowance for Inventories

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

(iv) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(v) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(vi) *Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the statements of financial position date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the statements of financial position date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statements of comprehensive income in the period in which actual realisation and settlement occurs.

(vii) *Impairment of Available-for-sale Financial Assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(viii) *Revaluation of properties*

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(d) Basis of consolidation

(i) *Subsidiary*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) *Accounting for business combinations*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

Notes To The Financial Statements

For The Year Ended 31st December 2011

From 1 January 2011, the Group has applied Revised FRS 3, Business Combinations, in accounting for business combinations.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisitions between 1 January 2006 to 1 January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statement of comprehensive income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(iii) *Non-controlling interests*

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

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

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

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(iv) *Transactions with Non-controlling interests*

Transactions with Non-controlling interests are accounted for using the entity concept method, whereby, transactions with Non-controlling interests are accounted for as transactions with owners.

On acquisition of Non-controlling interest, the difference between the consideration and the Group' share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to Non-controlling interests is recognised directly in equity.

(v) *Special purpose entities*

The Group has established a number of special purpose entities (SPEs) for trading and investment purpose. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated as if it is a subsidiary, if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(vi) *Loss of control*

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

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

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and their carrying amount would be regarded as cost on initial measurement of the investment.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(vii) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the group has significant influence. An associate is equity accounted for from the date the group obtains significant influence until the date the group ceases to have significant influence over the associate.

The group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the group's share of the net fair value of the associates identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the group's share of the associates profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the group determines whether it is necessary to recognize an additional impairment loss on the group investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss.

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

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(viii) Jointly-controlled entity

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group recognises its interest in jointly controlled entity using the equity method. Under the equity method, the investment in the jointly controlled entity is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses.

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

In the Company's separate financial statements, its investment in jointly controlled entity is stated at cost less any impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

(ix) Jointly-controlled operation and assets

The interest of the Company or of the Group in unincorporated joint ventures and jointly-controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(x) *Transactions eliminated on consolidation*

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

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currencies

(i) *Functional and presentation currency*

The individual financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which are the Group and the Company's functional currency.

(ii) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group and the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

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

The principal exchange rates for every unit of foreign currency ruling at statement of financial position date used are as follow:

	2011 RM	2010 RM
1 Chinese Renminbi	0.50	0.47
1 Euro	4.11	4.08
1 Singapore Dollar	2.44	2.39
1 United States Dollar	3.18	3.08
100 Indonesian Rupiah	0.03	0.03

Notes To The Financial Statements

For The Year Ended 31st December 2011

(f) Intangible assets

(i) License fee

License fee related to the exclusive license to manufacture, use, exercise and exploit the Licensor's technical information and the patent in Malaysia and in any other part of the world to manufacture the licensed products.

The licensed products refer to palm kernel oil extraction plant using supercritical carbon dioxide as a solvent.

License fee is recognised at cost on acquisition and has a finite useful life. The license fee is carried at cost less any accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their useful lives of 10 years.

No amortisation is charged during the current financial year as the subsidiary company has not commenced operation yet.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new or scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Development activities involve the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use.

The bulk of the development activity relates to costs incurred in manufacturing of the pilot plant in accordance with description or specification of the invention.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has adequate resources to complete development and to use or sell the asset. The expenditure capitalised comprises all costs, including costs of materials, services and direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as expense incurred. Capitalised development expenditure stated at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight line method to allocate cost over the period of the expected benefit.

No amortisation is charged during the current financial year as the subsidiary company has not commenced operation.

(g) Revenue

Revenue is recognised to the extend that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes To The Financial Statements

For The Year Ended 31st December 2011

(ii) *Rental income*

Rental income from investment property is recognized on a straight-line basis over the term of lease.

(iii) *Dividend income*

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

(iv) *Interest income*

Interest income is recognised on an accrual basis, based on effective yield on the investment.

(h) Employee benefits

(i) *Short-term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) *Defined contribution plans*

The Group's and the Company's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further liability in respect of the defined contribution plans.

(i) Tax expense

(i) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) *Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Notes To The Financial Statements

For The Year Ended 31st December 2011

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination

(j) Impairment

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor 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 and the Company'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 default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

Notes To The Financial Statements

For The Year Ended 31st December 2011

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(k) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Freehold land is stated at valuation less impairments losses recognised after the date of revaluation. Long term leasehold land and buildings are stated at valuation less accumulated amortisation or depreciation and impairment losses recognised after the date of the revaluation.

Land and buildings are revalued periodically, at least once in every 5 years or earlier if circumstances indicate that the carrying amount may differ significantly from the market value.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is calculated on the straight-line basis at the following annual rates based on their estimated useful lives:

Long leasehold land	2%
Building	1.7% - 2.4%
Plant and equipment	10%
Furniture and fittings	5%
Office equipment	10% - 20%
Motor vehicles	20%

Notes To The Financial Statements

For The Year Ended 31st December 2011

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

(l) Intangible assets

(i) Goodwill on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 1(d) to the financial statements.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Notes To The Financial Statements

For The Year Ended 31st December 2011

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with and indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Deferred expenditure

Deferred expenditure comprises product development expenditure and cost of acquisition of technical known-how.

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs, considered to have infinite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are not reviewed at each balance sheet date.

(m) Financial assets

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

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

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

(i) Financial assets at fair value through profit or loss

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

Notes To The Financial Statements

For The Year Ended 31st December 2011

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

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

(ii) *Loans and receivables*

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

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

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

(iii) *Held-to-maturity investments*

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

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

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

(iv) *Available-for-sale financial assets*

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

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

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

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

Notes To The Financial Statements

For The Year Ended 31st December 2011

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(n) Inventories

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

Cost is determined using weighted average basis. Costs of raw material inventories comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

The cost of finished goods and work-in-progress, comprise costs of raw materials, direct labour and an attributable proportion of production overheads.

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(p) Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

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

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

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

Notes To The Financial Statements

For The Year Ended 31st December 2011

(ii) *Other financial liabilities*

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

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.

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

A financial liability is derecognised when the obligation under the liability is extinguished. 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.

(q) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

A financial guarantee contract is considered a contingent liability in accordance with FRS 4 Insurance Contracts.

(r) Hire-purchase arrangements

Plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are taken up as hire-purchase creditors.

The interest element is charged to the income statement over the year of respective hire-purchase arrangements.

(s) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(t) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the Note to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

(u) Contingencies

A Contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

Notes To The Financial Statements

For The Year Ended 31st December 2011

2. REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Dividend income	–	–	5,500,000	2,700,000
Sales of goods	55,061,774	44,084,838	–	–
	55,061,774	44,084,838	5,500,000	2,700,000

3. FINANCE COSTS

	Group	
	2011 RM	2010 RM
Hire purchase interest	18,150	28,196
Term loan interest	–	6,861
	18,150	35,057

4. PROFIT BEFORE TAX

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration				
- audit fee	50,500	47,000	15,000	15,000
- non-audit fee	3,000	3,000	3,000	3,000
- (over)/under provision for prior year	(3,000)	1,400	(1,500)	1,400
Depreciation	1,353,340	1,152,615	–	–
Employee benefits (Note 5)	7,288,991	5,257,249	199,000	101,500
Fair value adjustments on				
- amount due from subsidiary	–	–	(488,771)	488,771
- derivatives	97,482	–	–	–
Loss on disposal of property, plant and equipment	22,668	–	–	–
Impairment loss on property, plant and equipment	480,938	–	–	–
Realised loss on foreign exchange	112,906	215,389	–	–
Rental expenses	329,015	136,520	–	–
Research and development costs	270,518	175,944	–	–
Unrealised loss on foreign exchange	–	70	–	–
Gain on disposal of property, plant and equipment	(76,257)	(224,595)	–	–
Interest income	(327,101)	(354,377)	(49,911)	(189,644)
Realised gain on foreign exchange	(227,847)	–	–	–
Rental income	(141,285)	(137,400)	–	–
Unrealised gain on foreign exchange	–	(156,590)	–	–

Notes To The Financial Statements

For The Year Ended 31st December 2011

5. EMPLOYEE BENEFITS

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
(a) Staff costs				
(i) Factory staff costs				
- Salaries, wages, allowances and overtime	2,173,155	1,832,330	–	–
- Contributions to defined contribution plan and social security contributions	150,668	141,406	–	–
- Other cost	47,534	–	–	–
	2,371,357	1,973,736	–	–
(ii) Admin staff costs				
- Salaries, wages, allowances and overtime	1,412,226	1,222,517	–	–
- Contributions to defined contribution plan and social security contributions	142,812	129,299	–	–
	1,555,038	1,351,816	–	–
Total staff costs	3,926,395	3,325,552	–	–
(b) Directors' remuneration				
Directors of the Company:*				
Executive:				
Salaries and other emoluments	2,408,358	1,631,942	–	–
Contribution to defined contribution plan	291,238	198,255	–	–
Fees	584,000	60,000	120,000	60,000
	3,283,596	1,890,197	120,000	60,000
Non-executive:				
Allowances	7,000	5,500	7,000	5,500
Fees	72,000	36,000	72,000	36,000
	79,000	41,500	79,000	41,500
Total Directors' remuneration	3,362,596	1,931,697	199,000	101,500
Total employee benefits	7,288,991	5,257,249	199,000	101,500

Notes To The Financial Statements

For The Year Ended 31st December 2011

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

	Group 2011	Group 2010
Executive:		
Below RM50,000	–	–
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	–	–
RM150,001 to RM400,000	5	4
	5	5
Non-executive:		
Below RM50,000	3	3

The total number of employees, inclusive of executive Directors, of the Group and the Company as at the end of the financial year are 121 and 5 (2010: 67 and 5) respectively.

6. TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense				
- current year	224,082	280,463	11,752	–
- (under)/over provision in prior year	(51,150)	2,749	45,873	–
	172,932	283,212	57,625	–
Deferred taxation (Note 20)				
- current year	116,245	487,000	–	–
- over provision in prior year	(100,515)	(57,000)	–	–
	15,730	430,000	–	–
	188,662	713,212	57,625	–

Reconciliation of effective tax expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Profit before tax	12,379,201	7,928,549	5,653,337	2,148,022
Tax at Malaysian tax rates of 25%	3,094,800	1,982,136	1,413,334	537,005
Non-deductible expenses	689,449	333,509	95,611	126,515
Double deduction	(4,004)	(5,341)	–	–
Non-taxable income	(3,439,918)	(1,554,321)	(1,497,193)	(675,000)
Unused tax losses not recognised	–	11,480	–	11,480
	340,327	767,463	11,752	–
Over provision of deferred tax in prior year	(51,150)	(57,000)	–	–
Under provision of income tax in prior year	(100,515)	2,749	45,873	–
	188,662	713,212	57,625	–

Notes To The Financial Statements

For The Year Ended 31st December 2011

7. BASIC AVERAGE EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the financial year held by the Company calculated as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Profit attributable to ordinary shareholders of the Company (RM)	12,207,938	7,215,337	5,595,712	2,148,022
Number of ordinary shares in issue	92,000,000	92,000,000	92,000,000	92,000,000
Basic earnings per share (sen)	13.27	7.80	6.08	2.33

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares outstanding during the financial year.

8. PROPERTY, PLANT AND EQUIPMENT

Group 2011	**Freehold Land RM**	**Long Leasehold Land RM**	**Building RM**	**Plant and machinery RM**	**Furniture, fittings, and office equipment RM**	**Motor Vehicles RM**	**Total RM**
Cost							
At 1 January	3,545,775	393,630	7,362,696	5,270,805	1,003,888	4,494,355	22,071,149
Additions	–	–	–	549,874	122,542	385,111	1,057,527
Disposals	–	–	–	–	–	(679,977)	(679,977)
Reclassify	57,321	–	(57,321)	–	–	–	–
Revaluation	1,837,904	704,458	756,523	–	–	–	3,298,885
At 31 December	5,441,000	1,098,088	8,061,898	5,820,679	1,126,430	4,199,489	25,747,584
Representing:							
At cost	–	–	–	5,820,679	1,126,430	4,199,489	11,146,598
At valuation	5,441,000	1,098,088	8,061,898	–	–	–	14,600,986
	5,441,000	1,098,088	8,061,898	5,820,679	1,126,430	4,199,489	25,747,584
Accumulated depreciation							
At 1 January	–	111,528	829,731	2,108,917	495,304	1,921,635	5,467,115
Charge for the financial year	–	6,560	146,229	376,458	99,308	724,785	1,353,340
Disposals	–	–	–	–	–	(348,566)	(348,566)
At 31 December	–	118,088	975,960	2,485,375	594,612	2,297,854	6,471,889

Notes To The Financial Statements

For The Year Ended 31st December 2011

Group 2011	Freehold Land RM	Long Leasehold Land RM	Building RM	Plant and machinery RM	Furniture, fittings, and office equipment RM	Motor Vehicles RM	Total RM
Accumulated impairment loss							
At 1 January	–	–	–	–	–	–	–
Addition	410,000	–	70,938	–	–	–	480,938
At 31 December	410,000	–	70,938	–	–	–	480,938
Total accumulated depreciation and impairment loss	410,000	118,088	1,046,898	2,485,375	594,612	2,297,854	6,952,827
Net book value							
At cost	–	–	–	3,335,304	531,818	1,901,635	5,768,757
At valuation	5,031,000	980,000	7,015,000	–	–	–	13,026,000
At 31 December	5,031,000	980,000	7,015,000	3,335,304	531,818	1,901,635	18,794,757
Group 2010							
Cost							
At 1 January	3,545,775	393,630	7,314,196	2,771,420	822,344	3,393,250	18,240,615
Additions	–	–	48,500	2,950,634	181,544	1,368,098	4,548,776
Disposals	–	–	–	(451,249)	–	(266,993)	(718,242)
At 31 December	3,545,775	393,630	7,362,696	5,270,805	1,003,888	4,494,355	22,071,149
Accumulated depreciation							
At 1 January	–	104,968	684,172	2,134,040	411,457	1,502,700	4,837,337
Charge for the financial year	–	6,560	145,559	275,220	83,847	641,429	1,152,615
Disposals	–	–	–	(300,343)	–	(222,494)	(522,837)
At 31 December	–	111,528	829,731	2,108,917	495,304	1,921,635	5,467,115
Net book value							
At 31 December	3,545,775	282,102	6,532,965	3,161,888	508,584	2,572,720	16,604,034

Notes To The Financial Statements

For The Year Ended 31st December 2011

	Group 2011 RM	Group 2010 RM
Net carrying amount of land and building charged as securities for credit facilities granted to the Group	2,486,000	1,380,109

The net book value of the property, plant and equipment of the Group acquired under hire purchase and lease terms are as follows:

	Group 2011 RM	Group 2010 RM
Motor vehicles	873,645	–
Plant and machinery, factory equipment	–	1,321,795
	873,645	1,321,795

The Group's land and building was revalued on 27 December 2011 and 18 January 2012 by independent professional qualified valuers using the comparison method and cost method valuation. Had the land and building been carried under the cost method, their carrying amounts would have been as follows:

	Freehold Land RM	Long Leasehold Land RM	Building RM
2011			
Carrying amount	3,603,096	275,542	6,329,415

9. INVESTMENT IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	36,329,999	36,299,998

Notes To The Financial Statements

For The Year Ended 31st December 2011

The details of the subsidiaries are as follows:

Name of companies	Place of incorporation	Percentage of equity held 2011	Percentage of equity held 2010	Principal activities
Muar Ban Lee Engineering Sdn. Bhd.	Malaysia	100%	100%	Manufacturer of oil seed expeller and related parts.
Muar Ban Lee Technology Sdn. Bhd.	Malaysia	100%	100%	Manufacturer of automated kernel crushing plants and related parts.
M2 Vessel Sdn. Bhd.	Malaysia	50%	–	Dormant.
MBL Biotech Sdn. Bhd.	Malaysia	30%	–	Manufacturer of kernel crushing plants and related parts.

10. INTANGIBLE ASSETS

Group	Licensing fee RM	Development cost RM	Total RM
2011			
Cost/NBV			
At 1 January	–	–	–
Additions	325,000	105,071	430,071
At 31 December	325,000	105,071	430,071

11. OTHER INVESTMENT

	Group 2011 Carrying amount RM	Group 2010 Carrying amount RM	Company 2011 Carrying amount RM	Company 2010 Carrying amount RM
Available-for-sale				
- 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 and it is in the midst of transferring the ownership to the Group.

The interest rate for the investments as at 31 December 2011 ranges from 3.3% to 7.15% per annum.

Notes To The Financial Statements

For The Year Ended 31st December 2011

12. INVENTORIES

	Group	
	2011 RM	2010 RM
At cost:		
Raw materials	10,220,332	10,276,875
Work-in-progress	15,922,300	13,188,932
	26,142,632	23,465,807

13. TRADE RECEIVABLES

The Group's normal trade credit term range from 30 to 120 days (2010: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

14. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Amount due from subsidiaries	8,213,110	9,735,705
Fair value adjustment	488,771	(488,771)
	8,701,881	9,246,934

The amount is unsecured, interest free and repayable within the next 12 months.

The remaining maturities of the amount due from subsidiaries are as follows:

	2011 RM	2010 RM
Current assets		
Repayable within one year	8,701,881	4,989,564
Non-current assets		
Repayable within one to two years	–	1,161,962
Repayable within two to five years	–	3,095,408
	–	4,257,370
	8,701,881	9,246,934

Significant related party transactions are disclosed in Note 25 to the financial statements.

Notes To The Financial Statements

For The Year Ended 31st December 2011

15. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Amount pledged as securities for bank guarantees granted to the subsidiaries	1,598,590	2,263,369	–	–
Amount not pledged	11,464,666	5,283,682	1,300,000	2,016,000
	13,063,256	7,547,051	1,300,000	2,016,000

Deposits placed with licensed banks have maturity periods which range from 1 month to 18 months (2010: 1 month to 18 months).

The interest rates for deposits as at 31 December 2011 range from 2.3% to 3.1% (2010: 2.0% to 3.5%) per annum.

16. SHARE CAPITAL

	Group and Company			
	2011	2010	2011	2010
	Number of ordinary shares		RM	RM
Ordinary shares of RM0.50 each:				
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

17. SHARE PREMIUM

	Group and Company RM
Premium arising from public issue	3,150,000
Listing expenses	(1,992,154)
At 31 December 2010/2011	1,157,846

18. REVALUATION RESERVES

The revaluation reserves relates to the revaluation of lands and buildings.

Notes To The Financial Statements

For The Year Ended 31st December 2011

19. RETAINED PROFITS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Distributable:				
Retained profits	19,677,198	11,149,260	2,044,681	128,969

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 profits of the Company can be distributed to shareholders as tax exempt dividends.

20. DEFERRED TAXATION

	Group 2011 RM	Group 2010 RM
At 1 January	780,000	350,000
Transferred from statements of comprehensive income (Note 6)	15,730	430,000
Deferred liabilities on revaluation reserves	365,245	–
At 31 December	1,160,975	780,000

The components and movements of deferred tax liabilities during the financial year are as follows:

	Property, plant and equipment RM
Deferred tax liabilities of the Group:	
At 1 January 2011	780,000
Recognised in statements of comprehensive income	15,730
Deferred liabilities on revaluation reserves	365,245
As at 31 December 2011	1,160,975
At 1 January 2010	350,000
Recognised in statements of comprehensive income	430,000
As at 31 December 2010	780,000

Notes To The Financial Statements

For The Year Ended 31st December 2011

21. HIRE PURCHASE PAYABLES

	Group 2011 RM	Group 2010 RM
Minimum hire purchase payments:		
Repayable within one year	142,444	219,548
Repayable within one to two years	109,260	134,030
Repayable within two to five years	72,844	83,990
Less: Future finance charges	(20,397)	(29,742)
Present value of hire purchase liability	304,151	407,826
Present value of hire purchase liability:		
Repayable within one year	129,221	201,210
Repayable within one to two years	103,224	126,116
Repayable within two to five years	71,706	80,500
	304,151	407,826
Representing hire purchase liability:		
Current portion	129,221	201,210
Non-current portion	174,930	206,616
	304,151	407,826

The hire purchase liabilities bear interest at the rates ranging from 2.56% to 5.67% (2010: 2.42% to 3.59%) per annum.

22. TRADE PAYABLES

The normal trade credit terms granted to Group range from 30 to 90 (2010: 30 to 90) days. Other credit terms are assessed and approved on a case by case basis.

23. DERIVATIVES

	Group			
	2011		2010	
	Contract/ National amount RM	Liabilities RM	Contract/ National amount RM	Liabilities RM
Current Non-hedging derivatives				
Forward currency	6,339,120	97,482	–	–

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to May 2012.

During the financial year, the Group recognised a loss of RM97,482 (2010: RM NIL) arising from fair value change of derivative liabilities. The fair value changes are attributable to changes in foreign exchange closing rate and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29.

Notes To The Financial Statements

For The Year Ended 31st December 2011

24. DIVIDENDS PER ORDINARY SHARE

Dividends recognised by the Group and the Company are:

	Gross dividend per share Sen	Amount of dividend net of tax RM	Date of payment
2011			
In respect of financial year ended 31 December 2010:			
Final dividend	3.00	1,380,000	26 July 2011
In respect of financial year ended 31 December 2011:			
Interim dividend	5.00	2,300,000	16 December 2011
		3,680,000	
2010			
In respect of financial year ended 31 December 2009:			
Final dividend	3.00	1,380,000	11 June 2010
In respect of financial year ended 31 December 2010:			
Interim dividend	3.00	1,380,000	27 January 2011
		2,760,000	

25. SIGNIFICANT RELATED PARTY TRANSACTION

The aggregate value of significant related party transactions and outstanding balances were as follows:

		Transaction Value		Balance outstanding as at 31 December	
Name of companies	Type of Transactions	2011 RM	2010 RM	2011 RM	2010 RM
Company					
With subsidiaries:					
Muar Ban Lee	Dividends	3,000,000	–	–	–
Engineering Sdn. Bhd.	Amounts receivable	–	–	7,686,881	7,231,934
Muar Ban Lee	Dividends	2,500,000	2,700,000	–	–
Technology Sdn. Bhd.	Amounts receivable	–	–	1,015,000	2,015,000
With key management					
Directors' remuneration		199,000	101,500	–	–
Group:					
With key management					
Directors' remuneration		3,362,596	1,931,697	–	–

The Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different obtainable in transactions with unrelated parties.

Notes To The Financial Statements

For The Year Ended 31st December 2011

26. SEGMENTAL INFORMATION

The Group's businesses are presented in the following segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment:

(a) Business segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reportable segment.

The measure used for reporting segment profit is "profit from operation". To arrive at "profit from operations", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include all trade payables and accruals attributable to the manufacturing and sales activities of the individual segments, bank loans managed directly by the segments, and other current liabilities with the exception of deferred tax liabilities and other corporate liabilities.

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

2011	Plant setup ancillary machinery, oil seed expeller and EFB RM	Spare parts RM	Others RM	Eliminations RM	Segment total RM
Revenue from external customers	37,626,022	17,347,830	87,922	–	55,061,774
Inter-segment revenue	–	–	4,040,000	(4,040,000)	–
Reportable segment revenue	37,626,022	17,347,830	4,127,922	(4,040,000)	55,061,774
Reportable segment profit from operations	10,105,215	2,167,899	124,237	–	12,397,351
Interest income	223,522	103,057	522	–	327,101
Finance costs	(10,459)	(7,638)	(53)	–	(18,150)
Depreciation	(924,794)	(426,385)	(2,161)	–	(1,353,340)
Other material profit or loss items:					
Exchange loss (net)	(78,544)	(36,213)	(184)	–	(114,941)
Tax expense	(37,678)	(92,498)	(58,486)	–	(188,662)
Reportable segment assets	9,641,941	5,992,564	43,363	–	15,677,869
Reportable segment liabilities	3,872,824	2,189,762	13,209	–	6,075,795

Notes To The Financial Statements

For The Year Ended 31st December 2011

2010	Plant setup ancillary machinery, oil seed expeller and EFB RM	Spare parts RM	Others RM	Eliminations RM	Segment total RM
Revenue from external customers	29,585,944	14,370,622	128,272	–	44,084,838
Inter-segment revenue	–	–	4,243,000	(4,243,000)	–
Reportable segment revenue	29,585,944	14,370,622	4,371,272	(4,243,000)	44,084,838
Reportable segment profit from operations	6,028,360	1,965,353	33,100	–	8,026,813
Interest income	110,555	53,699	190,123	–	354,377
Finance costs	(20,163)	(14,844)	(50)	–	(35,057)
Depreciation	(773,536)	(375,725)	(3,354)	–	(1,152,615)
Other material profit or loss items:					
Exchange loss (net)	(39,508)	(19,190)	(171)	–	(58,869)
Tax expense	(456,592)	(254,879)	(1,741)	–	(713,212)
Reportable segment assets	10,319,777	6,323,016	35,263	–	16,678,056
Reportable segment liabilities	2,471,954	1,244,050	10,404	–	3,726,408

Reconciliation of Reportable Segment Revenue, Profit or Loss, Assets and Liabilities

	2011 RM	2010 RM
Revenue		
Reportable segment revenue/ Consolidated turnover	55,061,774	44,084,838
Profit		
Reportable segment profit from operations	12,397,351	8,026,813
Finance costs	(18,150)	(35,057)
Tax expense	(188,662)	(713,212)
Unallocated head office and corporate expenses	–	(63,207)
Consolidated net profit for the year	12,190,539	7,215,337

Notes To The Financial Statements

For The Year Ended 31st December 2011

	2011 RM	2010 RM
Assets		
Reportable segment assets	15,677,869	16,678,056
Unallocated head office and corporate assets	69,209,165	53,683,816
Consolidated total assets	84,887,034	70,361,872
Liabilities		
Reportable segment liabilities	6,075,795	3,726,408
Unallocated head office and corporate liabilities	8,989,953	8,328,358
Consolidated total liabilities	15,065,748	12,054,766

(b) Geographical segments

The segmental information by geographical location is presented as below:

	Malaysia		Outside Malaysia		Consolidated	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
Segmental revenue by location	8,844,022	8,222,647	46,217,752	35,862,191	55,061,774	44,084,838

(c) Major Customers

Revenue from four customers of the Group's plant setup ancillary machinery, oil seed expeller and EFB segment represents approximately RM19 million of the Group's total revenue.

Revenue from five customers of the Group's spare parts segment represents approximately RM6 million of the Group's total revenue.

27. CONTINGENT LIABILITY – SECURED

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Financial guarantee given by financial institutions to subsidiary companies	–	–	11,300,000	10,000,000
Bank guarantee given by financial institution for customs duties and supply of electricity	50,000	49,000	–	–
	50,000	49,000	11,300,000	10,000,000

Notes To The Financial Statements

For The Year Ended 31st December 2011

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies.

The Group are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, interest rate risk, foreign currency risk and liquidity risk.

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

(a) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by four customers which constituted approximately 53% of its trade receivables as at the end of the reporting period.

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	
	2011 RM	**2010 RM**
Cameroon	–	13,171
Columbia	122,076	642,090
Federal Republic of Nigeria	–	313,241
Gabonese Republic	–	10,699
Independent State of Papua New Guinea	1,186,724	1,014,471
India	210,862	7,886
Kingdom of Thailand	(593)	–
Malaysia	3,243,882	7,085,056
Republic of Indonesia	5,092,644	6,401,983
Republic of Singapore	4,923,702	800
Solomon Islands	–	82,378
United States of America	78,000	–
	14,857,297	15,571,775

Notes To The Financial Statements

For The Year Ended 31st December 2011

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2011 is as follows:-

Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2011				
Not past due :-	3,905,959	–	–	3,905,959
Past due:				
- less than 3 months	5,394,149	–	–	5,394,149
- more than 3 months	5,557,189	–	–	5,557,189
	14,857,297	–	–	14,857,297

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

At the reporting date, the Company has no significant borrowings. As such, the Group are not sensitive to the change in the interest rate.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in their respective notes to the financial statements.

(c) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar, European Euro, Chinese Renminbi and Indonesian Rupiah. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Notes To The Financial Statements

For The Year Ended 31st December 2011

The Group's exposure to foreign currency is as follows:

	US Dollar RM	Singapore Dollar RM	Chinese Renminbi RM	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
2011						
Financial assets						
Trade receivables	3,160,036	–	–	–	11,697,261	14,857,297
Non-trade receivables, deposits and prepayment	286,769	160,946	–	2,500,000	1,882,602	4,830,317
Prepaid taxes	–	–	–	–	821,125	821,125
Deposits with licensed banks	–	–	–	–	13,063,256	13,063,256
Cash and bank balances	2,053,963	–	–	–	3,443,616	5,497,579
	5,500,768	160,946	–	2,500,000	30,907,860	39,069,574
Financial liabilities						
Trade payables	1,123,774	–	25,202	–	3,765,844	4,914,820
Non-trade payables and accruals	4,149,334	–	–	–	4,438,433	8,587,767
Hire-purchase payables	–	–	–	–	304,151	304,151
Derivatives	97,482	–	–	–	–	97,482
Current income tax	–	–	–	–	553	553
	5,370,590	–	25,202	–	8,508,981	13,904,773
Net currency exposure	130,178	160,946	(25,202)	2,500,000	22,398,879	25,164,801

	US Dollar RM	Singapore Dollar RM	Chinese Renminbi RM	Indonesian Rupiah RM	European Malaysia RM	Ringgit Malaysia RM	Total RM
2010							
Financial assets							
Trade receivables	2,476,930	–	–	–	–	13,094,845	15,571,775
Non-trade receivables, deposits and prepayment	264,811	–	–	–	–	357,127	621,938
Prepaid taxes	–	–	–	–	–	1,126,283	1,126,283
Deposits with licensed banks	–	–	150,814	–	–	7,396,237	7,547,051
Cash and bank balances	1,590,025	–	–	–	–	3,384,959	4,974,984
	4,331,766	–	150,814	–	–	25,359,451	29,842,031
Financial liabilities							
Trade payables	1,155,157	(13,649)	13,941	(505,335)	62,718	2,233,576	2,946,408
Non-trade payables and accruals	1,967,561	–	–	–	–	5,952,971	7,920,532
Hire-purchase payables	–	–	–	–	–	407,826	407,826
	3,122,718	(13,649)	13,941	(505,335)	62,718	8,594,373	11,274,766
Net currency exposure	1,209,048	13,649	136,873	505,335	(62,718)	16,765,078	18,567,265

Notes To The Financial Statements

For The Year Ended 31st December 2011

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the exchange rates against the respective functional currencies of the Group, with all other variables held constant:

	Group			
	2011 %	2010 %	2011 Increase/ (Decrease) RM	2010 Increase/ (Decrease) RM
Effects on profit after taxation				
USD / RM				
Strengthened by	5	5	(91,141)	(19,049)
Weakened by	5	5	91,141	19,049
SGD / RM				
Strengthened by	5	5	8,047	682
Weakened by	5	5	(8,047)	(682)
RMB / RM				
Strengthened by	5	5	(1,260)	(697)
Weakened by	5	5	1,260	697
IDR / RM				
Strengthened by	5	5	125,000	25,267
Weakened by	5	5	(125,000)	(25,267)
Euro / RM				
Strengthened by	5	5	–	(3,136)
Weakened by	5	5	–	3,136

(d) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group	Carrying Amount RM	Within 1 Year RM	1 – 5 Years RM
2011			
Trade payables	4,914,820	4,914,820	–
Non-trade payables and accruals	8,587,767	8,587,767	–
Hire purchase payables	304,151	129,221	174,930
Derivatives	97,482	97,482	–
Current income taxes	553	553	–
Total	13,904,773	13,729,843	174,930

Notes To The Financial Statements

For The Year Ended 31st December 2011

2010			
Trade payables	2,946,408	2,946,408	–
Non-trade payables and accruals	7,920,532	7,920,532	–
Hire purchase payables	407,826	201,210	206,616
Total	11,274,766	11,068,150	206,616

29. FAIR VALUE

Fair value of financial instruments

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated fair values due to the relatively short-term maturity of the financial instruments.

(ii) Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing. The models incorporate various inputs including foreign exchange spot and forward rates.

The fair values of other financial assets and liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amount value RM	**Fair value RM**	**Carrying amount value RM**	**Fair value RM**
Financial liabilities				
Hire purchase payable	304,151	304,151	407,826	407,826
Derivatives	97,482	97,482	–	–

Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

- ✓ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ✓ Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ✓ Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

2011	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Financial liability				
Derivatives	97,482	–	–	97,482

Notes To The Financial Statements

For The Year Ended 31st December 2011

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure the Group will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

Net debt is calculated as trade, non-trade payables and accruals, hire purchase payable, derivatives and current income taxes. Total capital is calculated as equity plus net debt.

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Trade payables	4,914,820	2,946,408	–	–
Non-trade payables and accruals	8,587,767	7,920,532	237,433	1,518,932
Hire purchase payables	304,151	407,826	–	–
Derivatives	97,482	–	–	–
Current income taxes	553	–	–	–
Net debt	13,904,773	11,274,766	237,433	1,518,932
Total equity	69,821,286	58,307,106	49,202,527	47,286,815
Total capital	83,726,059	69,581,872	49,439,960	48,805,747
Gearing ratio	0.17	0.16	0.00	0.03

31. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and presented in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	**Company RM**
Total retained profits of the Company and its subsidiaries		
- Realised	54,218,254	2,044,681
- Unrealised	(1,258,457)	–
Less: Consolidation adjustments	(33,282,599)	–
Retained profits as per financial statement	19,677,198	2,044,681

Notes To The Financial Statements

For The Year Ended 31st December 2011

32. HOLDING COMPANY

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

33. GENERAL 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 is an investment holding company. The principal activities of its subsidiaries are as disclosed in Note 9 to the financial statements.

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2012.

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 2011
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.)	12 years/60 years lease expiring on 20 May 2056	2,486,000
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	6,,864,000
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
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
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
MBLE	Not applicable	GRN 406535 Lot No 16668 and GRN 406534 Lot No 16667 Mukim Jalan Bakri District of Muar State of Johor	Industrial	9620 sq. meters	Freehold	1,450,000

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 2010
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.)	6 years/ Freehold	540,000
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)	5/ Freehold	334,000
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.)	8/ Freehold	122,000

Analysis Of Shareholdings

PRINCIPAL STATISTICS AS AT 30 APRIL 2012

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 30 APRIL 2012

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
MBL Realty Sdn. Bhd.	48,098,980	52.28	–	–
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	8,359,300	9.09	276,600	0.30

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2012

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Chua Ah Ba @ Chua Eng Ka	150,000	0.16	48,098,980	52.28
Chua En Hom	150,000	0.16	48,098,980	52.28
Chua Eng Hui	150,000	0.16	48,098,980	52.28
Chua Heok Wee	150,000	0.16	48,098,980	52.28
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	8,359,300	9.09	276,600 [a]	0.30
Khairilanuar Bin Tun Abdul Rahman Abbas	150,000	0.16	–	–
Hj Ismail Bin Tunggak @ Hj Ahmad	30,000	0.03	–	–
Teh Eng Aun	–	–	–	–

[a]	**Indirect interest held pursuant to Section 134(12)(c) of the Companies Act, 1965**	**No. of shares**
	Puan Sri Datin Seri Chan Mei Cheng	276,600

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 APRIL 2012

Size of Shareholdings	**No. of Holders**	**Total Holdings**	**% of Total Issued Capital**
less than 100 shares	2	100	#
100 to 1,000 shares	158	57,920	0.06
1,001 to 10,000 shares	524	3,330,900	3.62
10,001 to 100,000 shares	351	11,672,600	12.69
100,001 to less than 5% of issued shares	70	28,839,500	31.35
5% and above of issued shares	1	48,098,980	52.28
Total	**1,106**	**92,000,000**	**100.00**

Negligible

Analysis Of Shareholdings

30 LARGEST SECURITIES ACCOUNT SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS
AS AT 30 APRIL 2012

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MBL REALTY SDN. BHD.	48,098,980	52.28
2	TAN KING TAI @ TAN KHOON HAI	3,596,900	3.91
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)*	2,698,600	2.93
4	TIEW LEK BOO	2,382,000	2.59
5	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)*	1,637,900	1.78
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (474003)*	1,586,500	1.72
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR TAN KING TAI @ TAN KHOON HAI (MP0218)*	1,558,500	1.69
8	CHEAH SEE HAN	1,000,000	1.09
9	ONG KIM BOON	800,000	0.87
10	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SOLOMON TAN YIIN YUH*	504,400	0.55
11	ABDUL RAHMAN BIN ABBAS	500,000	0.54
12	TEY KA NGO	463,000	0.50
13	GOH HUAT HENG	450,000	0.49
14	TAN HUI LUN	449,800	0.49
15	TAN MENG HWEE	420,000	0.46
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (E-BMM)*	405,300	0.44
17	TAN KHAI TECK	400,000	0.43
18	MOKE AH KOW	340,000	0.37
19	CIMSEC NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JUTHAMONGKHON SERM (PENANG-CL)*	337,000	0.37
20	WONG SIU CHUNG	326,000	0.35
21	KON CHI MIN	323,000	0.35
22	NG HOOI FUNG @ NG AH NYA	295,000	0.32
23	YAP SOON LAM	290,000	0.32
24	LOH KIM CHOOI	290,000	0.32
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN MEI CHENG (E-BMM)*	276,600	0.30
26	NG YONG CHANG	265,900	0.29
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI (PENANG-CL)*	264,000	0.29
28	HLG NOMINEE (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR LEONG KONG FOO*	251,000	0.27
29	CHIENG NGIE FOO	250,000	0.27
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *YAP KOON TECK*	230,000	0.25

MUAR BAN LEE GROUP BERHAD
(COMPANY NO. 753588-P)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Shares Held

PROXY FORM

I/We ....NRIC No. / Comapny No. ....

of .... being a member/members of

Muar Ban Lee Group Berhad hereby appoint .... or failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixth 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 Friday, 15th day of June, 2012 at 12.00 noon or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTION		FOR	AGAINST
1.	Re-election of Directors:			
	a) Mr. Chua Eng Hui	(Resolution 1)		
	b) Mr. Chua Heok Wee	(Resolution 2)		
	c) Mr. Teh Eng Aun	(Resolution 3)		
2.	Approval of payment of Directors' Fee	(Resolution 4)		
3.	Appointment of Auditors	(Resolution 5)		
4.	As Special Business Authorising Directors to issue shares not exceeding 10% of the issued share capital	(Resolution 6)		

(Please indicate with "X" how you wish to cast your vote)

Date: ....

....
Signature / 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 2012. Only a depositor whose name appears on the Record of Depositors as at 8 June 2012 shall be entitled to attend, vote and speak at the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

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 or more 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) *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
(753588-P)

THE SECRETARY
87, MUNTRI STREET,
10200 PENANG.

1st fold here