All terms and abbreviations used herein shall have the same meanings as those defined in the Definitions section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your MBL Shares, you should at once hand this Abridged Prospectus together with the NPA and the RSF ("collectively referred to as "Documents") to the agent through whom you effected the sale and transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Warrants to our Share Registrar, Plantation Agencies Sdn Berhad, 3rd Floor, Standard Chartered Bank Chambers, Lebuh Pantai, 10300 Pulau Pinang, Malaysia.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue of Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the Registrar of Companies, who takes no responsibility for the contents of the Documents.

The approval of our shareholders for the Rights Issue of Warrants was obtained at our EGM held on 27 August 2012. The approval of Bursa Securities has also been obtained vide its letter dated 27 July 2012 for the admission of the Warrants to the Official List, as well as the listing of and quotation for the Warrants and the new MBL Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Warrants. The admission of the Warrants to the Official List and the listing of and quotation for the Warrants and the new MBL Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Warrants. The official listing and quotation for the Warrants will commence after, amongst others, the receipt of confirmation from Bursa Depository that all the CDS accounts of the Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to this Rights Issue of Warrants including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

The Documents are only despatched to our Entitled Shareholders who have a registered address in Malaysia not later than 5.00 p.m. on 31 October 2012. The Documents are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue of Warrants and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professional advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither we nor AFFIN Investment nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the entitlements to the Warrants made by the Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

AFFIN Investment, being our Adviser for this Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue of Warrants.

MUAR BAN LEE GROUP BERHAD

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

RENOUNCEABLE RIGHTS ISSUE OF 46,000,000 WARRANTS IN MBL ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING MBL SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 31 OCTOBER 2012 AT AN ISSUE PRICE OF RM0.10 PER WARRANT

Adviser

AFFIN INVESTMENT BANK

AFFIN INVESTMENT BANK BERHAD (9999-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	:	Wednesday, 31 October 2012 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Wednesday, 7 November 2012 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Monday, 12 November 2012 at 4.00 p.m.
Last date and time for acceptance and payment	:	Monday, 19 November 2012 at 5.00 p.m. *
Last date and time for excess application and payment	:	Monday, 19 November 2012 at 5.00 p.m. *

* or such later date and time as our Directors may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 31 October 2012

Company No. 753588-P

THE SC AND BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, *INTER-ALIA*, DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

Abridged Prospectus	:	This Abridged Prospectus dated 31 October 2012 in relation to the Rights Issue of Warrants
Act	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
AFFIN Investment	:	AFFIN Investment Bank Berhad (9999-V)
Bloomberg	:	Bloomberg (Malaysia) Sdn Bhd
Board	:	Our Board of Directors
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System
CMSA	:	Capital Markets and Services Act, 2007
Code	:	The Malaysian Code on Take-Over and Mergers, 2010 as amended from time to time and any re-enactment thereof
Deed Poll	:	The deed poll executed by our Company on 12 October 2012 constituting the Warrants
Documents	:	This Abridged Prospectus together with the NPA and RSF
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EFB	:	Empty fruit bunch
EGM	:	Extraordinary General Meeting
Entitlement Date	:	31 October 2012 at 5.00 p.m., being the date and time which the Entitled Shareholders must be registered in our Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue of Warrants
Entitled Shareholder(s)	:	Our shareholder(s) whose names appear on our Record of Depositors on the Entitlement Date
EPS	:	Earnings per Share
ESOS	:	Employee share option scheme
ESOS Options	:	The right to subscribe for new MBL Shares upon acceptance of an offer made under an ESOS
Excess Warrants Application	:	Application(s) for additional Warrants in excess of the Provisional Warrants as set out in Section 10.8 of this Abridged Prospectus
Exercise Price	:	The price at which one (1) Warrant is exercisable into one (1) MBL Share, being RM0.80, subject to the adjustments as may be allowed under the Deed Poll
FPE	:	Financial period ended / ending, as the case may be
FYE	:	Financial year ended / ending, as the case may be
GDP	:	Gross Domestic Product
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	8 October 2012, being the latest practicable date prior to the issuance of this Abridged Prospectus
M&E	:	Machinery and equipment

DEFINITIONS (CONT'D)

Market Day(s)	:	A day on which Bursa Securities is open for trading in securities
MBL or Company	:	Muar Ban Lee Group Berhad (753588-P)
MBL Group or Group	:	MBL and its subsidiary companies, collectively
MBL Realty	:	MBL Realty Sdn Bhd (761104-U)
MBL Share(s) or Share(s)	:	Ordinary share(s) of RM0.50 each in our Company
MBLE	:	Muar Ban Lee Engineering Sdn Bhd (166822-V)
MBLT	:	Muar Ban Lee Technology Sdn Bhd (664866-T)
NA	:	Net assets
NPA	:	Notice of provisional allotment of Warrants
Official List	:	Official list of the Main Market of Bursa Securities
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Provisional Warrants	:	Warrants provisionally allotted to the Entitled Shareholders
Record of Depositors	:	A record of depositors established by Bursa Depository under its rules on depository
Rights Issue of Warrants	:	Renounceable rights issue of 46,000,000 Warrants at an issue price of RM0.10 per Warrant on the basis of one (1) Warrant for every two (2) existing MBL Shares held by the Entitled Shareholders on the Entitlement Date
R&D	:	Research and Development
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights Subscription Forms in relation to the Rights Issue of Warrants
Rules of Bursa Depository	:	The rules of Bursa Depository including the rules in relation to the central depository as described in the SICDA or any subsequent amendments or enactment thereto
SC	:	Securities Commission, Malaysia
SICDA	:	Securities Industry (Central Depositories) Act, 1991 as amended from time to time and any re-enactment thereof
Share Registrar	:	Plantation Agencies Sdn Berhad (2603-D)
sq. ft.	:	Square feet
USD	:	United States Dollar
VWAMP	:	Volume weighted average market price
Warrant(s)	:	46,000,000 new warrants in our Company to be issued pursuant to the Rights Issue of Warrants

All references to "our Company" or "MBL" in this Abridged Prospectus are to Muar Ban Lee Group Berhad and references to "our Group" or "Group" are to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, our Group or our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

TABLE OF CONTENTS

TABLE OF CONTENTS (CONT'D)

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Occupation
Dato' Chua Ah Ba @ Chua Eng Ka *(Executive Chairman)*	No. 33, Jalan Jelawat 8 Taman Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Chua En Hom *(Deputy Executive Chairman)*	75B, Jalan Kedai Baru Bukit Pasir 84300 Muar Johor	Malaysian	Company Director
Chua Eng Hui *(Executive Director)*	75B, Jalan Kedai Baru Bukit Pasir 84300 Muar Johor	Malaysian	Company Director
Chua Heok Wee *(Managing Director)*	No. 33, Jalan Jelawat 8 Taman Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *(Executive Director/Finance Director)*	14-N, Jalan Angsana Ayer Itam 11500 Pulau Pinang	Malaysian	Company Director
Khairilanuar Bin Tun Abdul Rahman *(Independent Non-Executive Director)*	606, Permatang Rambai Penaga 13100 Pulau Pinang	Malaysian	Company Director
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad *(Independent Non-Executive Director)*	107, Taman Pertama Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Teh Eng Aun *(Independent Non-Executive Director)*	No. 4-A, Lorong Selamat Georgetown 10400 Pulau Pinang	Malaysian	Company Director

AUDIT COMMITTEE

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

CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARY	: Lee Hong Lim (MIA No. 12949) 11-10-07, Tingkat Paya Terubong 2 Taman Terubong Jaya Paya Terubong 11060 Pulau Pinang Tel. No.: (604) 264 4877
REGISTERED OFFICE	: No. 87, Muntri Street 10200 Pulau Pinang Tel. No.: (604) 263 8100 Fax No.: (604) 263 8500 E-mail: tcms@tcms.com.my
PRINCIPAL OFFICE	: JR52, Lot 1818, Jalan Raja Kawasan Perindustrian Bukit Pasir 84300 Muar Johor Tel. No.: (606) 985 9998 Fax No.: (606) 985 8889 Email: mbl@mbl.com Website: www.mbl.com
SHARE REGISTRAR	: Plantation Agencies Sdn Berhad 3rd Floor, Standard Chartered Bank Chambers Lebuh Pantai 10300 Pulau Pinang Tel. No.: (604) 262 5333
AUDITORS AND REPORTING ACCOUNTANTS	: PKF (AF 0911) 2nd Floor, Silver Square 309-J Perak Road 10150 Pulau Pinang Tel. No.: (604) 281 4628
PRINCIPAL BANKERS	: CIMB Bank Berhad First Floor, No. 57-3 & 57-4 Jalan Sulaiman 84000 Muar Johor Tel. No.: (606) 953 5399

CORPORATE DIRECTORY (CONT'D)

	:	Malayan Banking Berhad No. 57-1 & 57-2 Jalan Sulaiman 84000 Muar Johor Tel. No.: (606) 952 3221
	:	Public Bank Berhad No. 36-2 & 36-3, Taman Bahagia Jalan Panchor, Bukit Pasir 84300 Muar Johor Tel. No.: (606) 985 6878
	:	United Overseas Bank (Malaysia) Berhad No. 10, Jalan Pesta 1/1 Kg. Kenangang Tun Dr. Ismail (1) Jalan Bakri 84000 Muar Johor Tel. No.: (606) 955 5881
SOLICITORS FOR THE RIGHTS ISSUE OF WARRANTS	:	Zaid Ibrahim & Co 51-22-B&C Menara BHL Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel. No.: (604) 2270 888
ADVISER FOR THE RIGHTS ISSUE OF WARRANTS	:	AFFIN Investment Bank Berhad 27th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: (603) 2142 3700
STOCK EXCHANGE LISTING AND LISTING SOUGHT	:	Main Market of Bursa Securities

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

Registered Office:
No. 87, Muntri Street
10200 Pulau Pinang

31 October 2012

Board of Directors:

Dato' Chua Ah Ba @ Chua Eng Ka *(Executive Chairman)*
Chua En Hom *(Deputy Executive Chairman)*
Chua Eng Hui *(Executive Director)*
Chua Heok Wee *(Managing Director)*
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *(Executive Director / Finance Director)*
Khairilanuar Bin Tun Abdul Rahman *(Independent Non-Executive Director)*
Tuan Hj. Ismail Bin Tunggak @ Hj. Ahmad *(Independent Non-Executive Director)*
Teh Eng Aun *(Independent Non-Executive Director)*

To: Our Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 46,000,000 WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING MBL SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 31 OCTOBER 2012 AT AN ISSUE PRICE OF RM0.10 PER WARRANT

1. INTRODUCTION

On 27 July 2012, AFFIN Investment had, on our behalf, announced that Bursa Securities had, vide its letter dated 27 July 2012, amongst others, resolved to approve the following:

(i) admission to the Official List and listing of and quotation for 46,000,000 Warrants to be issued pursuant to the Rights Issue of Warrants; and

(ii) listing of 46,000,000 new MBL Shares to be issued pursuant to the exercise of the Warrants.

The approval of Bursa Securities is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(i)	MBL and AFFIN Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Warrants;	To be complied.
(ii)	MBL and AFFIN Investment to inform Bursa Securities upon the completion of the Rights Issue of Warrants; and	To be complied.

No.	Conditions imposed	Status of compliance
(iii)	MBL to furnish Bursa Securities with written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Warrants is completed.	To be complied.

On 27 July 2012, AFFIN Investment had, on our behalf announced that the Controller of Foreign Exchange of Bank Negara Malaysia had, vide its letter dated 27 July 2012, approved the following:

(i) the issuance of the Warrants to our entitled non-resident shareholders pursuant to the Rights Issue of Warrants; and

(ii) the issuance of any additional Warrants to our non-resident shareholders or our warrantholders subsequent to the completion of the Rights Issue of Warrants, in the event that the Warrants are subsequently issued to and/or acquired by our non-resident shareholders or our warrantholders, which may be issued from time to time arising from any adjustments made in accordance with the provisions of the Deed Poll.

There were no conditions imposed by the Controller of Foreign Exchange of Bank Negara Malaysia.

On 27 August 2012, our Board announced that our shareholders had at our EGM, approved inter alia the renounceable rights issue of 46,000,000 Warrants on the basis of one (1) Warrant for every two (2) existing MBL Shares held by our Entitled Shareholders at an entitlement date to be determined later at an issue price of RM0.10 per Warrant.

A certified true extract of the ordinary resolution approving the Rights Issue of Warrants at the aforesaid EGM is attached in **Appendix I** of this Abridged Prospectus.

On 12 September 2012, AFFIN Investment had, on our behalf, announced that the exercise price of the Warrants has been fixed at RM0.80 per Warrant.

On 16 October 2012, AFFIN Investment had, on behalf of our Board, announced that the Entitlement Date has been fixed on 31 October 2012.

The Warrants will be admitted to the Official List and the listing of and quotation for the Warrants on the Main Market of Bursa Securities will take place two (2) Market Days upon the receipt, amongst others, of an application for quotation of the Warrants by Bursa Securities as specified under the Listing Requirements.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus and if given or made, such information or representation must not be relied upon as having been authorised by AFFIN Investment or us in connection with the Rights Issue of Warrants.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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2. DETAILS OF THE RIGHTS ISSUE OF WARRANTS

2.1 Particulars

In accordance with the terms of the Rights Issue of Warrants as approved by the relevant authorities and our shareholders at our EGM held on 27 August 2012, and subject to the terms of the Documents, our Company shall provisionally allot 46,000,000 Warrants for the subscription by the Entitled Shareholders on the basis of one (1) Warrant for every two (2) existing MBL Shares held on the Entitlement Date.

In determining the Entitled Shareholders' entitlements under the Rights Issue of Warrants, any fractional Warrants arising from the Rights Issue of Warrants shall be disregarded and shall be dealt with in a fair and equitable manner as our Board may in their absolute discretion deem fit and expedient in the best interest of our Company.

The Rights Issue of Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for or renounce their entitlements to the Warrants in full or in part. Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable, shall be made available for application under the Excess Warrants Application. It is the intention of our Board to allocate the excess Warrants, if any, in a fair and equitable manner, and on a basis as set out in **Section 10.8** of this Abridged Prospectus.

As the Warrants are prescribed securities, your CDS Accounts will be duly credited with the number of Provisional Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Warrants. You will find enclosed in this Abridged Prospectus the NPA notifying you of the number of Warrants which you are entitled to subscribe for under the terms of the Rights Issue of Warrants and the RSF to enable you to subscribe for the Provisional Warrants as well as to apply for excess Warrants if you choose to do so.

Any dealings in our securities will be subject to the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Warrants, upon subscription, will be credited directly to the respective CDS accounts of the successful applicants. No physical warrant certificates will be issued nor will any physical share certificates be issued for the new MBL Shares to be issued pursuant to the exercise of the Warrants, but notices will be despatched to the successful applicants.

2.2 Basis of determining the issue price of the Warrants

On 4 June 2012, our Board had announced the Rights Issue of Warrants and had fixed the issue price of the Warrants at RM0.10 per Warrant.

The issue price of RM0.10 per Warrant was arrived at after taking into consideration various market information including the historical share price and volatility of the underlying MBL Shares. The issue price of RM0.10 per Warrant was also determined after taking into consideration the intended gross proceeds to be raised from the Rights Issue of Warrants and the irrevocable undertaking from our substantial shareholder to subscribe for the Warrants as further described in **Section 8** of this Abridged Prospectus.

2.3 Basis of determining the exercise price of Warrants

On 12 September 2012, our Board had resolved to fix the exercise price of the Warrants at RM0.80. The exercise price of RM0.80 represents a discount of approximately RM0.3054 or approximately 27.59%, based on the five (5)-day VWAMP of our Shares up to and including 11 September 2012 (being the last trading date immediately preceding the price-fixing date) of approximately RM1.1054.

For illustrative purposes only, based on the five (5)-day VWAMP of our Shares up to and including the LPD of approximately RM1.1596, the Exercise Price represents a discount of approximately RM0.3596 or approximately 31.01%. However, if the issue price of RM0.10 is taken into consideration, the aggregate of the issue price and the Exercise Price of RM0.90 per Warrant would translate into a discount of RM0.2596 or approximately 22.39% to the five (5)-day VWAMP of RM1.1596.

The Exercise Price was arrived at after taking into consideration the following:

(i) the market demand for our Shares;

(ii) the prevailing market conditions and the market price of our Shares preceding the price-fixing;

(iii) the par value of our Shares of RM0.50; and

(iv) an appropriate discount up to 30% to the five (5)-day VWAMP of our Shares preceding the price-fixing date to encourage the subscription of the Rights Issue of Warrants.

2.4 Ranking of the new MBL Shares arising from the exercise of the Warrants

The new MBL Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment, rank equally in all respects with the existing MBL Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which precedes the relevant exercise date of the Warrants.

2.5 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Issuer	:	MBL
Issue Size	:	46,000,000 Warrants to be issued in conjunction with the Rights Issue of Warrants to the Entitled Shareholders on the basis of one (1) Warrant for every two (2) existing MBL Shares held by the Entitled Shareholders on the Entitlement Date.
Board lot	:	For purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units of Warrants, unless otherwise revised by the relevant authorities.
Form and Denomination	:	The Warrants will be issued in registered form and constituted by the Deed Poll.
Tenure	:	Ten (10) years from the date of issuance of Warrants.
Exercise Period	:	The Warrants shall be exercisable at any time within the period commencing on, and inclusive of, the date of issue of the Warrants and ending on the date preceding the tenth (10th) anniversary of the date of issue of the Warrants, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non Market Day. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	:	Subject to adjustments in accordance with the provisions of the Deed Poll, the exercise price of the Warrants has been fixed at RM0.80 each.

Mode of Exercise	:	The registered holder of the Warrants shall pay cash for the Exercise Price by way of banker's draft, cashier's order, money order or postal order drawn on a bank or post office in Malaysia when subscribing for new MBL Shares.
Entitlement	:	Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder during the Exercise Period to subscribe for one (1) new MBL Share at the Exercise Price.
Ranking of new MBL Shares from the exercise of Warrants	:	The new MBL Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment, rank equally in all respects with the existing MBL Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which precedes the relevant exercise date of the Warrants.
Rights of the holder	:	The holders of the Warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in our Company until and unless such holder of the Warrants are issued with new MBL Shares arising from the exercise of the Warrants.
Rights of Warrant holders on winding up, compromise, arrangement of our Company		Where a resolution has been passed for a members' voluntary winding up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one (1) or more companies, then: (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the holder of the Warrants (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants; and (ii) in any other case, every holder of the Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies for the exercise of the Warrants to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by such Warrants and be entitled to receive the assets of our Company which would be available in liquidation if he had on such date been the holder of the new MBL Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.
Adjustments in the Exercise Price and/or number of Warrants	:	The Exercise Price and/or the number of Warrants in issue may be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
Transferability	:	The Warrants shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.
Deed Poll	:	The Warrants are constituted under the Deed Poll dated 12 October 2012 executed by our Company.

Listing status	: Approval had been obtained from Bursa Securities on 27 July 2012 for the admission of the Warrants to the Official List and the listing of and quotation for the Warrants as well as the MBL Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.
Governing Law	: The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

2.6 Details of other corporate exercises

As at the LPD, our Board confirms that, save for the Rights Issue of Warrants and the ESOS, there is no other outstanding corporate proposal announced by our Company, but not yet completed.

3. RATIONALE FOR THE RIGHTS ISSUE OF WARRANTS

The Rights Issue of Warrants will enable our Company to raise immediate gross proceeds from the issuance of the Warrants for our Group's working capital requirements. Our Board is of the opinion that the Rights Issue of Warrants is currently the most appropriate means of raising funds based on the following:

(i) upon exercise of the Warrants, the Rights Issue of Warrants will enable us to raise additional funds to finance our future working capital requirements and/or to finance capital expenditure for any potential future business expansion related to the palm oil industry;

(ii) to further strengthen our capitalisation as well as improve the liquidity of MBL Shares in view of the new MBL Shares to be issued upon any exercise of the Warrants;

(iii) to provide our shareholders with the opportunity to further increase their equity participation in our Company at a pre-determined price over the tenure of the Warrants; and

(iv) no immediate dilution of the EPS of our Group until such exercise of the Warrants. The extent of the dilution of the EPS of our Group will depend on the rate of exercise of the Warrants into new MBL Shares and the impact of the utilisation of the proceeds raised from such exercise of the Warrants.

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4. UTILISATION OF PROCEEDS

Based on the issue price of RM0.10 per Warrant, the Rights Issue of Warrants will raise gross proceeds of RM4.6 million.

The gross proceeds arising from the issuance of the Warrants pursuant to the Rights Issue of Warrants, are proposed to be utilised as follows:

Utilisation of proceeds	RM	Expected timeframe for utilisation
Working capital requirement for our Group including but not limited to the purchasing of raw materials and spare parts such as steel related products, gear boxes and motors	4,100,000	Within one (1) year from the listing of the Warrants
Estimated expenses in relation to the Rights Issue of Warrants*	500,000	Within one (1) month from the listing of the Warrants
Total	**4,600,000**	

Note:

* *The breakdown of the estimated expenses in relation to the Rights Issue of Warrants are set out below:*

	RM
Professional fees (including fees for adviser, reporting accountants and solicitors)	*400,000*
Regulatory fees	*45,000*
Miscellaneous expenses (including printing, postage and advertising costs)	*55,000*
Total	***500,000***

If the actual expenses incurred in relation to the Rights Issue of Warrants are higher than budgeted, the deficit will be funded from the portion allocated for our working capital. Conversely, any surplus of funds following the payment of expenses in relation to the Rights Issue of Warrants will be utilised as our working capital.

Until such time when the net proceeds of RM4,100,000 are utilised for working capital purposes, the net proceeds will be invested in interest-bearing deposit accounts or in the money market as our Board may deem fit.

Based on the exercise price of RM0.80 per Warrant, we will raise gross proceeds of up to RM36.8 million from the full exercise of the Warrants. The actual cash proceeds arising from the exercise of the Warrants, if any, would depend on the total number of the Warrants to be exercised during the tenure of the Warrants. Such cash proceeds, to be received as and when any of the Warrants are exercised, will be utilised as working capital and/or to finance our capital expenditure, such as the purchase of property, plant and equipment for any potential future business expansion related to the palm oil industry that may arise, which has yet to be identified at this juncture. The breakdown of utilisation of proceeds from the exercise of Warrants, if any, between working capital and/or financing capital expenditure, which has yet to be determined at this juncture, will depend on the size of the potential business expansion related to the palm oil industry. The requirement for working capital shall depend on the scale of our operations over the tenure of the Warrants.

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5. RISK FACTORS

You and/or your renouncee(s) and/or transferee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on our future performance, in addition to other information contained elsewhere in this Abridged Prospectus, before subscribing for or investing in the Rights Issue of Warrants.

5.1 Business and operational risks

(i) Political, social and economic considerations

Our business operations involve the purchase of raw materials mainly from Malaysia as well as the supply of our products to the domestic and international markets such as Indonesia, Papua New Guinea and Singapore. In this regard, our business prospects and the industry in which we operate are connected to the developments in the political, economic and regulatory conditions in Malaysia as well as the international markets as mentioned above. As such, any adverse developments in the political, social, economic and regulatory conditions in such countries, as mentioned above, may affect our financial performance.

We will continue to monitor the political, social and economic conditions of the countries where we export our products and take effective measures such as prudent financial management and diversifying into other foreign markets.

(ii) Dependence on the palm oil industry

Our financial performance is closely linked to the developments and prospects of the palm oil industry as our products are catered for companies involved in palm-oil related activities. The demand for palm oil is generally related to the performance and fluctuations in the price of crude palm oil ("**CPO**"). Any adverse movements in CPO prices may affect the demand of our products. However, we believe that the demand for palm oil will continue to remain resilient due to it being a primary ingredient in consumer products such as food, soap and detergents.

Notwithstanding the above, we will continue our efforts to explore any potential business expansion related to the palm oil industry, thereby reducing our dependence on the sale of our existing products as a source of revenue and, in turn, minimising any adverse impact on our financial performance.

(iii) Business risks

Our business operations and performance are generally affected by any adverse changes in the global, regional and Malaysian economic conditions, inflation, change in regulatory and business conditions such as labour shortages, increases in operating costs and technological obsolescence.

We will continue to take effective measures in mitigating the risks highlighted above such as expanding our customer and supplier base in the palm oil industry as well as increasing the efficiency of our business operations and improving the quality of our existing products through our R&D initiatives. Based on our audited consolidated financial results for the FYE 31 December 2011, we had incurred R&D expenses of approximately RM270,000 for the improvement of the oil extraction rate and automatic calibration of our existing oil seed expellers as well as field testing for other prototype machines.

(iv) Price of raw materials

We are involved in the manufacturing of oil seed expellers where steel is a major input in the manufacturing process. As such, the price of steel represents a significant cost factor to our Group. Any fluctuations in the prices of steel caused by a shortage in the supply of steel may increase our cost of production of oil seed expellers, as a result, may affect our financial performance.

Nevertheless, we will continue our efforts to mitigate this risk by monitoring the movement of steel prices and implementing effective cost management practices. Notwithstanding this, should there be any increases in the prices of steel, a portion of such an increment will be factored into the price of our products and indirectly passed down to our customers.

(v) Foreign exchange risk

In view that our products and services are exported to the international market such as Indonesia and Papua New Guinea, a significant portion of our foreign trade is made in USD. Based on our audited consolidated financial statements for the FYE 31 December 2011, approximately 58.83% of our total revenue of RM55.1 million was transacted in USD. As such, we are exposed to the fluctuations of foreign exchange rates. Any depreciation in the USD or any adverse fluctuations in other relevant currencies may affect our financial performance.

However, we will continue our efforts to mitigate this foreign exchange risk by actively monitoring the fluctuations in foreign exchange rates especially fluctuations in USD. Notwithstanding this, we would also minimise the impact of the adverse fluctuations in foreign exchange to our Group by hedging the relevant foreign currencies in which we may actively trade through the use of short-term forward foreign exchange contracts. Despite our efforts to minimise the impact of fluctuations in foreign exchange rates, there can be no assurance that such fluctuations will not have a material effect on our financial performance.

(vi) Competition

We are faced with competition from existing local competitors as well as potential new entrants to the M&E industry. We are also exposed to competition from companies which can command a lower cost of production. Given our established customer base, market reputation and track record, we believe that we can continue to remain competitive in the market which we operate in. However, there can be no assurance that we are able to maintain our existing market share in the future.

Nonetheless, we have actively taken steps to mitigate this risk by monitoring the quality of our existing products and services and improving our existing products through our R&D initiatives to remain competitive and expanding our penetration into other export markets in the future.

(vii) Dependence on the Indonesian market

For the FYE 31 December 2011, approximately RM31.9 million, representing approximately 57.95% of our revenue was derived from our exports to the Indonesian market. In this respect, we appear to be dependent on a single export market as a source of revenue. In addition, there can be no assurance that any future changes to the economic climate of the Indonesian market will not affect our financial performance.

However, we are of the view that the significant level of sales derived from customers in Indonesia is reasonable given that Indonesia has one of the largest palm oil production in the region. Nevertheless, we have taken reasonable steps to mitigate this risk of dependence on a single export market by expanding our presence in other countries such as Papua New Guinea and Nigeria. The revenue contribution from Papua New Guinea and Nigeria accounted for approximately 15.1% and 3.1% of our total revenue for the FYE 31 December 2009, approximately 4.7% and 6.2% of our total revenue for the FYE 31 December 2010 and approximately 11.76% and 3.35% of our total revenue for the FYE 31 December 2011, respectively. In addition, our Group envisages to expand our presence into Central and South American regions such as Columbia, Costa Rica and Guatemala, where these countries are developing their palm oil plantations which we believe will create vast opportunities for us to expand our future export market.

(viii) Adequacy of insurance coverage

We have obtained adequate insurance covering our fixed assets such as factory building, machineries and stocks in order to cover the risk of fire breakouts. However, there is no assurance that the insurance coverage for our factory building, machineries and stocks will continue to be available in future or be equivalent to the amount that are equal to the full market value or replacement cost of the insured assets.

In mitigating this risk, we will continue to review and ensure adequate insurance coverage for our factory building, machineries and stocks.

(ix) Dependence on our Directors and key personnel

Our performance and success are dependent to a certain extent on the skills, abilities, experience and competencies of our Directors and key personnel. There can be no assurance that the loss of any key personnel would not affect our business operations and financial performance.

In order to mitigate this risk, we have placed efforts to incorporate effective human resource management and development which includes competitive remuneration packages, training and personnel development programmes to attract and retain qualified and competent staff.

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(x) New customers for plant setup sales and services

Our plant setup sales and services involves the design, fabrication, installation and commissioning services of our oil seed crushing plants. Based on our audited consolidated financial statements for the FYE 31 December 2011, our plant setup sales and services business segment accounted for approximately RM37.6 million or approximately 68% of our total revenue. Out of our total plant setup sales and services of approximately RM37.6 million, approximately RM21.5 million or approximately 57% were derived from new customers and the remainder from existing customers. In the event we are unable to secure sufficient new customers for our plant setup sales and services segment, this may adversely affect our financial performance. However, this risk is mitigated as we receive regular orders from our existing customers for the expansion or the setting up of new plants. As at the LPD, our total order book stood at approximately RM26 million, of which approximately RM18.1 million were orders for the plant setup sales and services business segment. In addition, given our wide range of spare parts, dedicated customer care services, our ability to provide comprehensive plant setup sales and services as well as continuous product design and development, we believe there will be a continuing demand for our plant setup sales and services business segment from our existing and new customers.

5.2 Risks Relating to the Rights Issue of Warrants

(i) Delay or failure in the implementation of the Rights Issue of Warrants

As stated in **Section 8** of this Abridged Prospectus, we have obtained from our substantial shareholder, MBL Realty, a written unconditional and irrevocable undertaking to subscribe in full of its Warrants entitlement and also to subscribe in full for the remaining Warrants which are not subscribed for by other Entitled Shareholders, if any. While AFFIN Investment has verified that MBL Realty has sufficient resources to subscribe for the number of Warrants stated in its letter of unconditional and irrevocable undertaking, the successful implementation of the Rights Issue of Warrants may be affected in the event MBL Realty does not fulfill its obligations as stated in the said letter of undertaking for whatever reason.

In the event of a failure in implementing the Rights Issue of Warrants, we will return in full, all monies received in respect of any application for the subscription of the Warrants in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Warrants and any expenses associated therewith.

(ii) Capital market risk

The Warrants which is to be listed and traded on Bursa Securities will be subject to price fluctuations and may be influenced by factors such as prevailing market sentiment, the volatility of the stock market, movement in interest rates, the outlook of the manufacturing sector and the M&E industry which we operate in, and our financial performance. As such, there can be no assurance that the Warrants will trade at or above the issue price of RM0.10 upon or subsequent to the listing and quotation of the Warrants on the Main Market of Bursa Securities. Similarly, there can be no assurance that the new MBL Shares arising from the exercise of the Warrants will trade at or above the exercise price of RM0.80 upon or subsequent to the listing and quotation of new MBL Shares on the Main Market of Bursa Securities.

The Warrants are a new instrument issued by our Company. As such, there can be no assurance that an active market for the Warrants will develop upon its listing on Bursa Securities, or, if developed, that it will be sustainable. In addition, there is no assurance that the Warrants will be "in-the-money" during the tenure of the Warrants. Accordingly, there is no assurance that the market price of the Warrants will be at a level that meets the objectives or targets of any subscriber of the Warrants.

5.3 Forward-looking statements

Certain statements made in this Abridged Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature which are subject to uncertainties and contingencies. All forward-looking statements are based on the estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by us and/or our advisers that the plans and objectives will be achieved.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

We are principally involved in the following:

(i) design and manufacture of oil seed expellers and ancillary machinery for oil seed crushing plants;

(ii) design, fabrication, installation and commissioning of oil seed crushing plants; and

(iii) manufacture and sale of spare parts.

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

For the FYE 31 December 2011, our segmental revenue contributions are as follows:

Business segments	Revenue contribution	%
	RM'000	
Plant set-up ancillary machinery, oil seed expeller and empty fruit bunch machinery	37,626	68.33
Spare parts	17,348	31.51
Others	88	0.16
Total Revenue	**55,062**	**100.00**

The Indonesian market remains the main source of our revenue, with approximately 57.95% of the total revenue being derived from the Indonesian market during the FYE 31 December 2011 while 16.06% and 11.76% of the total revenue were derived from Malaysia and Papua New Guinea respectively.

In view of the above, presented below is the overview of the Indonesian and Malaysian economy as well as the outlook for the manufacturing industry, the M&E industry in Malaysia and the global palm oil industry.

6.1 Overview of the Indonesian Economy

Indonesia's real GDP growth expanded from +6.3% year on year ("**YoY**") in the 1st quarter of 2012 to +6.4% YoY in the 2nd quarter of 2012, higher than market consensus of +6.1%. This was contributed by increases in government expenditure, which expanded by +7% YoY in the 2nd quarter of 2012 from +5.9% in 1st quarter of 2012, and investments at +12.3% YoY in 2nd quarter of 2012 from +10% in 1st quarter of 2012. Private consumption also grew by +5% YoY in 2nd quarter of 2012 from +4.9% in the 1st quarter of 2012. Private demand, which represents 60% of Indonesia's GDP, helped to offset slowdown in exports (+1.9% YoY in the 2nd quarter of 2012 vs. +7.8% in the 1st quarter of 2012).

Looking at the real GDP by industry, the main contributors to growth was from the services sector at +5.7% in the 2nd quarter of 2012 from +5.5% in the 1st quarter of 2012, mainly the financial, ownership and business industry (+7%), retail (+8.9%), transportation (+10.1%), construction (+7.3%), and electricity, gas and water supplies (+5.9%), helping to offset the slowdown in agriculture at +3.7% YoY in the 2nd quarter of 2012 from +4.3% in the 1st quarter of 2012. The rise in investments (+12.3%) and domestic demand (+5%) is expected to help cushion Indonesia's growth from the sluggish external demand by global economies in the second half of 2012. Bank of Indonesia expects for economic growth for 2012 to be 6.1% - 6.5% and to grow further in 2013 between 6.3% - 6.7%.

The stronger GDP in Indonesia for the 2nd quarter of 2012 helped ease pressure on Bank of Indonesia to cut interest rates further, as the reference rate was maintained for the sixth month in a row at 5.75% on 8 August 2012. This was due to the Bank of Indonesia expecting Indonesia's growth to remain resilient amid the global economic slowdown and uncertainty in the global financial market, subdued current account deficit in the second half of 2012, contained inflation, and financial system stability. According to Bank of Indonesia, continued efforts by the Board of Governors to maintain steady monetary policy were to *"continue to focus on measures to maintain external balance and contain inflation. In this regard, Bank Indonesia will continue to strengthen the existing monetary and macroprudential policy mix. BI rate policy response is continued to be directed to control fundamental inflationary pressure, in line with macroeconomic outlook. In addition, Bank Indonesia will continue to strengthen monetary operation and macroprudential policy, including maintaining adequate liquidity and promoting financial deepening. In addition, coordination with government to maintain macroeconomic stability will also be strengthened".* Bank of Indonesia is expecting inflation to be contained within its target of 4.5%±1% in 2012 and 2013.

(Source: ASEAN Outlook - Indonesia's GDP increased by +6.4% yoy in 2Q2012, AFFIN Investment Bank Berhad - Economic Research)

6.2 Overview of the Malaysian Economy

The Malaysian economy expanded at a faster pace of 5.1% during the first half of 2012 (January - June 2011: 4.7%) despite the increasingly challenging global economic conditions. Growth in the domestic economy was supported by strong private consumption and robust private investment. The global economy is expected to further moderate during the second half of 2012 as the euro area debt crisis shows no clear signs of abating. Additionally, tepid economic growth in advanced economies and the slowdown of emerging economies especially in China and India, point to weakening global economic prospects. The deterioration in the external environment and correction in commodity prices are expected to weigh on Malaysia's export performance during the second half of 2012. Nevertheless, the vibrant domestic demand is expected to be sustained during the second half of 2012, supported by both public and private sectors amid conducive financial market conditions, stable prices and a favourable labour market. Taking into account the downside risks emanating from the external sector and a resilient domestic economy, the real Gross Domestic demand will be the main driver of the Malaysian economy supported by private and public sector expenditure. Growth in private consumption is expected to be buoyed by stable employment and income coupled with lower inflation. Private investment is envisaged to drive economic growth over the medium term, underpinned by the ongoing implementation of the Economic Transformation Programme (ETP) and vibrant construction activity. Growth in private investment will be broad-based in line with positive investors' confidence and strong domestic demand.

On the supply side, growth in 2012 is expected to emanate from the services and manufacturing sectors with the construction sector playing a stronger role in supporting the economy. The strong growth in the services sector is largely due to buoyant wholesale and retail trade, communication, accommodation and restaurant as well as business services subsectors. Manufacturing output, especially domestic-oriented industries, is expected to expand steadily in tandem with strong domestic activities. However, the export-oriented industries are anticipated to moderate during the second half of 2012 in line with the weak global Purchasing Managers Index (PMI). Growth in the agriculture sector is expected to moderate on account of lower output of crude palm oil (CPO) due to the natural production down cycle, after registering a record high production in 2011.

Inflation is expected to moderate to 2% - 2.5% in 2012. Despite the domestic economy growing at a faster pace during the first half of 2012, inflationary pressures are expected to be mitigated by continuous productivity improvement and capacity expansion.

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% - 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand from regional economies and major trading partners will further provide the impetus for a private-led growth. The overall public expenditure is expected to increase, led by higher Non-Financial Public Enterprises's capital investment which will further augment growth. Thus, nominal Gross National Income per capita is expected to increase 6.4% to RM32,947 (2012: 4.4%; RM30,956). In terms of purchasing power parity, per capita income is expected to grow 4.4% to reach USD16,368 (2012: 3.2%; USD15,676).

Given that domestic economic activity is expected to strengthen further in 2013, inflation is estimated to increase moderately, partly mitigated by further capacity expansion in the economy. The key supply side factors that will influence inflation, namely prices of energy and food commodities are expected to ease during the first half of 2013, but are likely to trend up during the second half on the assumption that global growth continues to pick up pace. Hence, for 2013, the average inflation rate is estimated to be between 2% and 3%.

(Source: Economic Report 2012/2013 - Economic Performance and Prospects, Ministry of Finance, Malaysia)

6.3 Outlook for the manufacturing sector and M&E industry in Malaysia

Value-added of the manufacturing sector expanded 5% during the first half of 2012 (January - June 2011: 4.1%). Output of the sector rose 5.2% during the first seven months of 2012 (January - July 2011: 3.6%) in line with the increase in sales value of manufactured products by 6.5% to RM363.1 billion (January - July 2011: 10.6%; RM341 billion). Output from domestic-oriented industries continued to expand 8.6% (January - July 2011: 6.5%) while export-oriented industries grew 4.1% (January - July 2011: 2.8%). The sector continued to attract domestic and foreign investments, with approved investments totalling RM56.1 billion in 2011. Average wage per employee was higher at RM2,455 while productivity increased 4.6% during the first seven months of 2012 (January - July 2011: RM2,299; -2%). Meanwhile, the capacity utilisation rate remained strong during the second quarter of 2012 at 82.8% (Q1 2012: 82.3%) despite continued expansion in capacity on account of new investments.

Value-added of the manufacturing sector is expected to grow 4.9% (2012: 4.2%), Export oriented-industries are expected to benefit from the higher growth of global trade, while domestic-oriented industries expand in line with the better consumer sentiment and business confidence.

(Source: Economic Report 2012/2013 - Economic Performance and Prospects, Ministry of Finance, Malaysia)

The Malaysian Government has identified the machinery and equipment industry to be one of the key areas for growth and development. The growth will focus on the manufacture of high value-added and high technology M&E.

The long term objectives outlined under the Third Industrial Master Plan ("**IMP3**") for the M&E sector is to position Malaysia as:

(i) The regional production hub for high technology and specialised M&E;

(ii) The main distribution centre in the region for all types of M&E; and

(iii) The centre for maintenance related services, refurbishment, reconditioning and upgrading of high technology and specialised M&E.

Malaysia's competitive edge lies in its ability to provide engineering design services with research and development ("**R&D**"), high skilled and knowledgeable workforce, and high technology and high quality production at lower cost compared to other industrialised countries.

With increasing competition from lower cost producing countries, the industry is expected to move away from the manufacture of low-end and low-technology M&E.

Malaysia is now moving towards or focusing on high technology and high value added M&E i.e standard M&E for niche market, and specialised or custom made M&E.

Although Malaysia competes with developed countries where these M&E are produced, Malaysia would have the cost competitive edge.

The global M&E industry is continuously being driven by technological advances, process specialization and customer requirements for shorter throughput times, faster delivery and lower costs.

Malaysian M&E manufacturers, like their counterparts in industrialised countries, are leveraging upon their strengths in core activities, such as R&D, design & development, software development, system integration, assembly, testing and calibration while focusing on quality of production.

The manufacture of parts & components, and modules which are more capital-intensive, are outsourced to an extensive and technically capable local engineering supporting industry to keep costs low.

(Source: Machinery and Equipment Industry, Malaysian Investment Development Authority, http://www.mida.gov.my/env3/index.php?page=machinery-and-equipment-industries)

6.4 Overview of the global palm oil industry

There was a 7.5% fall in world production of total vegetable oils to 44.67 metric tonnes ("**Mn T**") in the first quarter of 2012 from 48.28 Mn T in the fourth quarter of 2011. This was mainly due to decreases in the production of major vegetable oils. Palm oil and palm kernel oil production had declined by 19% to 10.95 Mn T and 16.2% to 1.28 Mn T respectively.

However, year-on-year and compared to the same quarter last year, production of major vegetable oils had slightly increased by 4.7% from 42.66 Mn T to 44.67 Mn T. Production of palm oil and palm kernel oil increased by 6.8% and 10.3% respectively.

Total world export of major vegetable oils for the first quarter 2012 had decreased by 15.1% or by 2.85 Mn T compared to the fourth quarter 2011. This was mainly due to the decreased export of, amongst others, palm oil by 23% to 8.71 Mn T and palm kernel oil by 13% to 0.80 Mn T respectively compared to the previous quarter.

In first quarter 2012, total imports of major vegetable oils had registered a decrease of 7.66 Mn T from 18.13 Mn T in the previous quarter to 16.74 Mn T. This is due to a decline in import of, amongst others, palm oil and palm kernel oil by 10.7% and 14.8% respectively.

The total world crushing of oilseeds in the first quarter 2012 had decreased by 5.8% to 80.61 Mn T. This was mainly contributed by palm kernel crushing with 16.3%; followed by sunflower seed, soybean and rapeseed crushing activities by 9.2%, 5.7% and 1.3% respectively.

(Source: Quarterly Report on Oils and Fats-1st Quarter 2012, Malaysian Palm Oil Board)

For the year 2010, Indonesia is the largest producer of palm oil with a total production of approximately 22.3 million tonnes, followed by Malaysia, Thailand and Nigeria, with a total production of approximately 17.0 million tonnes, 1.5 million tonnes and 885,000 tonnes respectively.

(Source: World Major Producers of Palm Oil: 2000-2010, Economics & Industry Development Division, Malaysian Palm Oil Board)

Following the above, our Board has the view that the overall palm oil market largely relies on 2 countries namely Indonesia and Malaysia, for the worldwide production of palm oil. Due to the low palm oil production in certain palm oil consuming regions such as India and China, the demand in those regions are met through imports from the major palm oil producing regions.

The global palm oil output is mainly used in the food sector. However, the consumption of palm oil in non-food areas is increasingly becoming important, which contributes to the demand for, as well as higher prices of palm oil worldwide. In light of the challenging global economic prospects, our Board expects the short term global demand for palm oil to remain vulnerable and this may continue into the year 2013. However, in the long term, our Board believes that the global demand of palm oil may be supported by long term positive drivers such as the potential increase in consumption of palm oil by certain palm oil consuming regions such as China and the rising world population.

6.5 Prospects of our Group

Presently, our revenue is mainly derived from the sale of oil seed expellers and ancillary machinery for oil seed crushing plants. Our products and services are mainly exported to the international market, amongst others, Indonesia and Papua New Guinea, which constitute approximately 70.0% of our total revenue for the FYE 31 December 2011. Our customers comprise downstream palm oil plantation owners or millers and hence we are considered as being closely related to the palm oil plantation sector or palm oil industry.

Despite the challenging global economy, we expect the palm oil industry to be relatively stable moving forward, in view of the various uses of edible oil and increasing consumption due to global population growth. In this regard, we expect our financial performance to be positive in view of our order book from our customers who are involved in the palm oil industry. As at the LPD, our order book stood at approximately RM26 million. At the same time, we had established one representative office in Jakarta, Indonesia and two representative offices in Kalimantan, Indonesia to further enhance our presence and business activities in Indonesia in order to provide better customer service to Indonesian customers. In this regard, we believe our intensified focus in Indonesia in terms of marketing activities, will result in a continuing demand for our products and may increase our Group's market share in Indonesia for our core business in the future.

In addition, our Group had expanded our presence in other countries such as Papua New Guinea and Nigeria. In the future, we plan to further increase our presence and scale of operations in Nigeria by setting up a representative office in Nigeria. We also envisage to expand our presence into Central and South American regions such as Columbia, Costa Rica and Guatemala as our Board believes that these countries will be further developing their palm oil plantations which will potentially create opportunities for our Group to expand our future export market. Based on the statistics as extracted from the Malaysian Palm Oil Board, Nigeria, Colombia, Papua New Guinea, Costa Rica and Guatemala are ranked 4th, 5th, 7th, 11th and 12th respectively in the world as major producers of palm oil in the year 2010.

Moving forward, we intend to explore any potential business expansion related to the palm oil industry or to venture into or diversify to other palm oil related activities in view of our hands-on experience in the palm oil industry. Our Board is hopeful that if any such opportunity arises and is successfully implemented, it would generate an additional source of revenue to our Group.

Barring any unforeseen circumstances, our Board expects our financial performance to be positive in the fourth quarter of the year 2012. Meanwhile, we will continue to explore viable, synergistic and profitable related business ventures to further enhance our financial performance.

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7. FINANCIAL EFFECTS OF THE RIGHTS ISSUE OF WARRANTS

For illustration purpose, the effects of the Rights Issue of Warrants on our share capital, NA and gearing and the earnings and EPS are as follows:

7.1 Share capital

The proforma effect of the Rights Issue of Warrants on our issued and paid-up share capital is as follows:

	No. of MBL Shares	Share capital
		RM
Existing issued and paid-up share capital as at the LPD	92,000,000	46,000,000
To be issued pursuant to the full exercise of Warrants	46,000,000	23,000,000
Enlarged share capital upon full exercise of Warrants	**138,000,000**	**69,000,000**

7.2 NA and gearing

Based on our audited consolidated statements of financial position as at 31 December 2011 and based on the assumption that the Rights Issue of Warrants had been effected as at that date, the proforma effects of the Rights Issue of Warrants on our NA per Share and gearing are as follows:

		(I)	(II)
	Audited as at 31 December 2011	After the Rights Issue of Warrants	After (I) and assuming full exercise of Warrants
	RM'000	RM'000	RM'000
Share capital	46,000	46,000	69,000
Share premium	1,158	1,158	[(d)]19,558
Revaluation reserves	2,934	2,934	2,934
Discount on Warrants	-	[(a)](13,340)	-
Warrants reserve	-	[(b)]17,940	-
Retained earnings	19,677	[(c)]19,177	19,177
Shareholders' funds/NA	**69,769**	**73,869**	**110,669**
Number of MBL Shares ('000)	92,000	92,000	138,000
NA per Share (RM)	0.76	0.80	0.80
Borrowings (RM'000)	304	304	304
Gearing (times)	*	*	*

Notes:

* *Negligible.*

(a) *The discount on Warrants of RM13.34 million is calculated based on RM0.29 multiplied by 46,000,000 Warrants to be issued pursuant to the Rights Issue of Warrants. The discount on Warrants of RM0.29 is arrived at after taking into the consideration the fair value of the Warrants of RM0.39 less the issue price of RM0.10 per Warrant payable by cash pursuant to the Rights Issue of Warrants.*

(b) *The Warrants reserve is calculated based on the fair value of the Warrants of RM0.39 per Warrant (based on the Black Scholes Option calculation as extracted from Bloomberg as at the LPD) multiplied by 46,000,000 Warrants to be issued pursuant to the Rights Issue of Warrants.*

(c) *After deducting the estimated expenses of approximately RM500,000 in relation to the Rights Issue of Warrants. Any variation to the estimated expenses will result in an adjustment to the amount allocated to the working capital purposes.*

(d) *Based on the exercise price of RM0.80 per Warrant, RM0.30 will be accounted for in the share premium account while the remaining RM0.50, being the par value of MBL Share will be accounted to share capital. In addition, the issue price of RM0.10 per Warrant pursuant to the Rights Issue of Warrants will also be accounted to the share premium account after the full exercise of the Warrants.*

Our proforma consolidated statements of financial position based on our audited consolidated financial statements as at 31 December 2011 together with the reporting accountants' letter thereon are set out in **Appendix III** of this Abridged Prospectus.

7.3 Earnings and EPS

The Rights Issue of Warrants is not expected to have an immediate material effect on our earnings and EPS until such time when the Warrants are exercised. The potential effect arising from the exercise of the Warrants on our future earnings and EPS will depend upon, amongst others, the number of Warrants exercised at any point in time and the returns generated by our Group from the utilisation of such proceeds.

Although, the exercise of Warrants into new MBL Shares is expected to result in a dilution in the EPS of our Group as a result of the additional new MBL Shares to be issued, the utilisation of such proceeds is expected to contribute positively to the future earnings of our Group over time.

8. SHAREHOLDER'S UNDERTAKING AND UNDERWRITING ARRANGEMENT

We have obtained a written unconditional and irrevocable undertaking dated 9 October 2012 from our substantial shareholder, MBL Realty, that it will irrevocably undertake to subscribe in full of its Warrants entitlement and also to subscribe in full for the remaining Warrants which are not subscribed for by other Entitled Shareholders of our Company, details of which are as follows:

	No. of MBL Shares held as at the LPD	%	No. of Warrants to be subscribed pursuant to the undertaking	Issue price	%	Amount
				RM		RM
MBL Realty's entitlement	41,480,980	45.09	20,740,490	0.10	45.09	2,074,049
MBL Realty's subscription for the remaining Warrants in the event of under-subscription	-	-	25,259,510	0.10	54.91	2,525,951
Total number of Warrants available for subscription pursuant to the Rights Issue of Warrants			46,000,000		100.00	4,600,000

Following the above undertaking by our substantial shareholder, there will be no underwriting arrangement. Notwithstanding this, we will ensure the compliance of Paragraph 6.51 of the Listing Requirements where the Warrants to be issued pursuant to the Rights Issue of Warrants, must have at least 100 warrantholders, holding not less than 1 board lot of the Warrants each.

In the event of any disposal of part or all of MBL Realty's shareholdings in our Company prior to the Entitlement Date, MBL Realty will continue to irrevocably undertake to subscribe for 46,000,000 Warrants at the issue price of RM0.10 per Warrant as stated above.

MBL Realty has confirmed vide its letter dated 9 October 2012 that it has sufficient financial resources of RM4,600,000 to subscribe for the Warrants pursuant to the Rights Issue of Warrants as stated above and such confirmation has been verified by AFFIN Investment, being the Adviser for the Rights Issue of Warrants.

After taking into consideration the abovementioned undertaking by MBL Realty, we confirm that the abovementioned subscription will not give rise to any consequences of mandatory take-over offer obligation by MBL Realty pursuant to the Code as the Warrants are not voting shares unless the Warrants are exercised into MBL Shares. MBL Realty had also given its written confirmation dated 9 October 2012, to observe and comply at all times with the provisions of the Code in relation to the exercise of the Warrants into new MBL Shares.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the amount to be raised from the Rights Issue of Warrants, our cash position, the banking facilities available to us and the funds to be generated from our operations, we will have sufficient working capital for a period of one (1) year from the date of this Abridged Prospectus to meet our Group's present and foreseeable future working capital requirements as well as to finance any capital expenditure of our Group in relation to any potential future business expansion that may arise.

9.2 Borrowings

As at the LPD, our total outstanding borrowings is approximately RM200,000. All borrowings are interest-bearing and comprise the following:

	RM'000
Short-term borrowings	
Hire purchase payables	102
Long-term borrowings	
Hire purchase payables	98
Total	**200**

As at the LPD, we do not have any non-interest bearing borrowings and foreign borrowings.

There has been no default on payments of either interest and/or principal sums in respect of any of the borrowings throughout the past one (1) FYE 31 December 2011 and the subsequent financial period thereof immediately preceding the LPD.

9.3 Material commitments and contingent liabilities

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by us, which, upon becoming enforceable, may have a material impact on our financial position.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER OF THE PROVISIONAL WARRANTS AND EXCESS WARRANTS APPLICATION

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Warrants, which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Warrants into your CDS Account and the RSF to enable you to subscribe for such Provisional Warrants, as well as to apply for the Excess Warrants Application if you choose to do so.

10.2 NPA

The Provisional Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Warrants will be by book entries through the CDS accounts and will be governed by the SICDA and Rules of Bursa Depository. You and your renouncee(s) and/or transferee(s) (if applicable) are required to have valid and subsisting CDS accounts when making your application.

10.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Provisional Warrants is **5.00 p.m. on 19 November 2012**, or such later date and time as our Board may in their absolute discretion determine and announce not less than two (2) Market Days before the stipulated date and time.

10.4 Procedure for full acceptance and payment

Acceptance of and payment for the Provisional Warrants must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the Documents. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND/OR THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement, please complete Parts I and III of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be sent to our Share Registrar in the envelope provided (at your own risk), by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND** at your own risk to our Share Registrar at the following address:

PLANTATION AGENCIES SDN BERHAD
3rd Floor, Standard Chartered Bank Chambers
Lebuh Pantai
10300 Pulau Pinang
Malaysia

Tel. No.: (604) 262 5333
Fax No.: (604) 262 2018

so as to arrive **not later than 5.00 p.m. on Monday, 19 November 2012**, being the last date and time for acceptance and payment, or such later date and time as our Board in its absolute discretion may determine and announce not less than two (2) Market Days before the stipulated time and date.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, our Share Registrar at the address stated above, our Registered Office or Bursa Securities' website at http://www.bursamalaysia.com.

One (1) RSF can only be used for acceptance of the Provisional Warrants standing to the credit of one (1) CDS account. Separate RSF(s) must be used for the acceptance of the Provisional Warrants standing to the credit of more than one (1) CDS accounts. If successful, the Warrants subscribed for will be credited into your CDS accounts as stated in the completed RSFs.

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

The minimum number of Warrants that can be subscribed for and accepted is one (1) Warrant. However, you and/or your renouncee(s) and/or transferee(s) (if applicable) should take note that a trading board lot comprises of 100 Warrants. Fractions of a Warrant will be disregarded and shall be dealt with in a fair and equitable manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Warrants allotted to you are not received by our Share Registrar by **5.00 p.m. on 19 November 2012**, being the last date and time for acceptance of and payment for the Provisional Warrants, or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated time and date, you and your renouncee(s) and/or transferee(s) (if applicable) will be deemed to have declined the provisional allotment made to you or the remainder thereof (as the case may be) and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Warrants to the applicants who have made an Excess Warrants Application in the manner set out in **Section 10.8** of this Abridged Prospectus. Our Board reserves the right to not accept or to accept any application.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "MBL RIGHTS WARRANTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE OF WARRANTS WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE WARRANTS.

10.5 Procedure for part acceptance by the Entitled Shareholders

You are entitled to accept part of your Provisional Warrants. The minimum number of Warrants that can be subscribed for or accepted is one (1) Warrant. Applicants should take note that a trading board lot comprises 100 Warrants.

You must complete both Part I of the RSF by specifying the number of Warrants which you are accepting and Part III of the RSF and deliver the completed signed RSF together with the relevant payment to our Share Registrar in the manner as set out in **Section 10.4** of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF, THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Provisional Warrants that have not been accepted shall be allotted to any persons allowed under the law, regulations or rules to accept the transfer of the Provisional Warrants.

10.6 Procedure for sale/transfer of the Provisional Warrants

As the Provisional Warrants are prescribed securities, you may sell or transfer all or part of your entitlements to the Provisional Warrants to one (1) or more than one (1) person(s) through your stockbrokers for the period up to the last date and time for sale or transfer of such Provisional Warrants, without first having to request for a split of the Provisional Warrants standing to the credit of your CDS accounts. To sell/transfer all or part of your Provisional Warrants, you may sell such entitlements in the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Warrants, you may still accept the balance of the Provisional Warrants by completing Parts I and III of the RSF. Please refer to **Section 10.4** of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient Provisional Warrants standing to the credit of your CDS account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Warrants may obtain a copy of this Abridged Prospectus and the RSF from his/ her/ their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website at http://www.bursamalaysia.com.

10.7 Procedure for acceptance by renouncees or transferees

Renouncees and/or transferees who wish to accept the Provisional Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from Bursa Securities' website at http://www.bursamalaysia.com, complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions contained therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in **Section 10.4** of this Abridged Prospectus also applies to renouncees and/or transferees who wish to accept the Provisional Warrants.

RENOUNCEES AND/OR TRANSFEREES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.

10.8 Procedure for Excess Warrants Application

You and/or your renouncee(s) and/or transferee(s) (if applicable) may apply for additional Warrants in excess of your entitlement by completing Part II of the RSF (in addition to Parts I and III) and forwarding it with a **separate remittance made in RM** for the full amount payable for the excess Warrants applied for, to our Share Registrar **not later than 5.00 p.m.** on **Monday, 19 November 2012**, being the last date and time for acceptance and payment for the Provisional Warrants, or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time.

PAYMENT FOR THE EXCESS WARRANTS APPLICATION(S) SHOULD BE MADE IN THE SAME MANNER DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "MBL EXCESS RIGHTS WARRANTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

Our Board reserves the right to allot any excess Warrants applied for under Part II of the RSF in such a manner as it deems fit and expedient in the best interest of our Company subject always that such allocation being made on a fair and equitable basis and that the intention of our Board set out in Section 10.8 (i) to (v) are achieved. Our Board also reserves the right to accept any Excess Warrant Application, in full or in part, without assigning any reason in respect thereof. Nevertheless, the allocation of the excess Warrants will be made in a fair and equitable manner.

Subject to the discretion of our Board to make changes and/or modifications pursuant to the preceding paragraph, it is the intention of our Board generally to allot the excess Warrants based on the following considerations:

(i) firstly, to minimise the incidence of odd lots to the Entitled Shareholders;

(ii) secondly, for allocation to the Entitled Shareholders who have applied for the excess Warrants on a pro-rata basis and in board lots, based on their respective shareholdings as at the Entitlement Date, subject always to the maximum number of excess Warrants applied for by them;

(iii) thirdly, for the allocation to the Entitled Shareholders who have applied for the excess Warrants on a pro-rata basis, calculated based on the quantum of their respective Excess Warrants Application;

(iv) fourthly, to minimise the incidence of odd lots to the renouncee(s) and/or transferee(s) and on a pro-rata basis to the renouncee(s) or transferee(s) who have applied for the excess Warrants, taking into consideration the quantum of their respective Excess Warrants Application; and

(v) lastly, in the event that there are still unsubscribed Warrants after allocating all the excess Warrants, the remaining unsubscribed Warrants will be subscribed by MBL Realty, who has given its irrevocable undertaking to subscribe in full for the remaining Warrants which are not subscribed for by the other Entitled Shareholders of our Company.

For Warrants to be listed, there must be at least 100 warrantholders holding not less than one (1) board lot each. Our Board will ensure that a minimum 100 holders holding not less than one (1) board lot each is met prior to the listing of the Warrants on the Main Market of Bursa Securities.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF FOR THE EXCESS WARRANTS APPLICATION OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS WARRANTS.

IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE OF APPLICATION AND PAYMENT OF THE EXCESS WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCESSFUL EXCESS WARRANTS APPLICATION, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE OF APPLICATION AND PAYMENT OF THE EXCESS WARRANTS BY ORDINARY POST AT THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK.

IF YOU LOSE, MISPLACE OR FOR ANY REASON REQUIRE ANOTHER COPY OF THE RSF, YOU MAY OBTAIN ADDITIONAL COPIES FROM YOUR STOCKBROKER, BURSA SECURITIES' WEBSITE AT http://www.bursamalaysia.com **OR OUR SHARE REGISTRAR.**

10.9 Form of issuance

Bursa Securities has prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Warrants are prescribed securities and as such, all dealings in the Warrants and MBL Shares arising from the exercise of the Warrants will be subject to the SICDA and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected. No physical warrant certificate will be issued to you under the Rights Issue of Warrants. A notice of allotment will be despatched to you and/or your renouncee(s) and/or transferee(s) (if applicable) by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance and payment of the Warrants.

Where the Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing MBL Shares standing to the credit to your CDS account on the Entitlement Date, the acceptance by you of the Provisional Warrants shall mean that you consent to receive such Provisional Warrants as prescribed or deposited securities which will be credited directly into your CDS account.

Any person who has purchased the Provisional Warrants or to whom the Provisional Warrants has been transferred and intends to subscribe for the Warrants must state his or her CDS account number in the space provided in the RSF. The Warrants will be directly credited as prescribed or deposited securities into his or her CDS account upon allotment and issuance.

The excess Warrants, if allotted to the successful applicant who applies for the excess Warrants, will be credited directly as prescribed securities into the CDS account of the successful applicant. The allocation of the excess Warrants will be made on a fair and equitable basis as disclosed in **Section 10.8** of this Abridged Prospectus.

10.10 Laws of foreign jurisdictions

The Documents have not been made (and will not be made) to comply with the laws of any foreign country or jurisdiction and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue of Warrants will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, the Documents will not be sent to the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) who do not have a registered address in Malaysia. However, foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) may collect the Documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue of Warrants.

The foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Warrants to the extent that it would be lawful to do so. AFFIN Investment, our Company, our Directors and offices and other professional advisers would not, in connection with the Rights Issue of Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) shall be solely responsible to seek advice from their legal advisers and other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to.

AFFIN Investment, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renouncee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/or AFFIN Investment in respect of their rights and entitlements under the Rights Issue of Warrants. Such foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) are deemed to have represented, acknowledged, agreed and declared in favour of (and which representations, acknowledgements, and declarations will be relied upon by) AFFIN Investment, our Company, our Directors and officers and other professional advisers that:

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) are or may be subject to;

(ii) the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Warrants;

(iii) the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) are aware that the Warrants can only be transferred, sold or otherwise disposed of, charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Warrants; and

(vi) the foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Warrants.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If the Documents are received by any persons in such country or jurisdiction, or by an agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward the Documents to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Warrants from any such application by foreign Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) in any foreign country or jurisdiction.

We reserve the right, in our absolute discretion, to treat any acceptance of the Warrants as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

11. TERMS AND CONDITIONS

The issuance of the Warrants pursuant to the Rights Issue of Warrants is governed by the terms and conditions set out in this Abridged Prospectus together with the NPA and RSF enclosed herewith.

12. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of our Board
MUAR BAN LEE GROUP BERHAD

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI
Executive Director / Finance Director

APPENDIX I

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF WARRANTS PASSED AT OUR EGM HELD ON 27 AUGUST 2012

MBL

®

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

Specialists In Oil Seed Crushing Machinery

Business Address:
JR.52, Lot 1818, Jalan Raja, Kaw. Perindustrian Bkt. Pasir,
84300 Muar, Johor, Malaysia.
Tel : +606 985 9998 (H.Line) Email : mbl@mbl.com
Fax: +606 985 8889 Website : www.mbl.com

Registered Address:
87, Muntri Street, 10200 Penang.
Tel : 04 2638 100 / 200
Fax : 04 2638 500
Email : tcms@tcms.com.my

Date : 27-08-2012

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE OF WARRANTS PASSED AT THE EXTRAORDINARY GENERAL MEETING HELD ON 27TH AUGUST 2012

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 46,000,000 WARRANTS IN MBL AT AN ISSUE PRICE OF RM0.10 PER WARRANT ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH IN MBL HELD BY THE SHAREHOLDERS OF MBL ("PROPOSED RIGHTS ISSUE OF WARRANTS")

RESOLVED

" **THAT** subject to the approvals of all relevant authorities, the Board be and is hereby authorised to provisionally allot and issue by way of renounceable rights issue of 46,000,000 Warrants at an issue price of RM0.10 per Warrant, on the basis of one (1) Warrant for every two (2) existing MBL Shares in the Company held by the shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board at a later date (**"Entitlement Date"**) (**"Entitled Shareholders"**), on such terms and conditions as the Board may be determined;

THAT the Board be and is hereby authorised to determine and vary if deemed fit, the exercise price of the Warrants in connection with the Proposed Rights Issue of Warrants;

THAT any Warrants which are not validly taken up or which are not allotted for any reason whatsoever shall be made available for excess applications in such manner as the Board shall determine at its absolute discretion;

THAT the Warrants be allotted and issued in registered form on the basis that, subject to any adjustments to the subscription rights attached to the Warrants under the provisions of the deed poll to be executed by the Company constituting the Warrants (**"Deed Poll"**), each Warrant entitles its holder to subscribe for one (1) MBL Share at an exercise price to be determined by the Board at a later date, during its prescribed exercise period;

THAT the Warrants and the additional MBL Shares to be issued arising from the exercise of the Warrants shall be listed on the Main Market of Bursa Malaysia Securities Berhad (**"Bursa Securities"**);

THAT the proceeds of the Proposed Rights Issue of Warrants be utilised for the purposes as set out in **Part A, Section 2.1.7** of the Circular to Shareholders dated 7 August 2012, and the Board be hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities;

<continued to page 2>

MUAR BAN LEE GROUP BERHAD (Co.No.753588-P)
Specialists In Oil Seed Crushing Machinery

Business Address:
JR.52, Lot 1818, Jalan Raja, Kaw. Perindustrian Bkt. Pasir,
84300 Muar, Johor, Malaysia.
Tel : +606 985 9998 (H.Line) Email : mbl@mbl.com
Fax : +606 985 8889 Website : www.mbl.com

Registered Address:
87, Muntri Street, 10200 Penang.
Tel : 04 2638 100 / 200
Fax : 04 2638 500
Email : tcms@tcms.com.my

PROPOSED RIGHTS ISSUE OF WARRANTS (CONTINUE...)

THAT the Board be and is hereby empowered and authorised to:

(i) deal with any fractional entitlements that may arise from the Proposed Rights Issue of Warrants in such manner and on such terms and conditions as the Board shall in its absolute discretion as it may deem fit or think expedient or in the best interests of the Company (including without limitation to disregard such fractional entilements;

(ii) allot and issue such number of additional Warrants pursuant to the adjustments under the Deed Poll ("**Additional Warrants**") and to adjust from time to time the exercise price of the Warrants as a consequence of the adjustments under the provisions of the Deed Poll and/or to effect such modifications, variations and/or amendments as may be imposed/required/permitted by Bursa Securities and any other authorities or parties or otherwise;

(iii) allot and issue such appropriate number of additional MBL Shares to the warrantholders arising from the exercise of the Warrants and the Additional Warrants, and all the additional MBL Shares to be issued pursuant to the exercise of the Warrants and the Additional Warrants shall, when allotted, issued and fully paid-up, rank *pari passu* in all respects with the then existing issued and fully paid-up share capital of the Company, save and except that the said MBL Shares shall not be entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the said MBL Shares;

(iv) enter into a Deed Poll with full power to assent to any conditions, modification, revaluation, variation and/or amendments (if any) as the Board may deem fit, necessary and/or expedient or as may be imposed by the relevant authorities and to take all steps as it may consider necessary in order to implement, finalise and give full effect to the Deed Poll subject to all provisions and adjustments contained therein;

(v) do all acts, deeds and things and execute, sign, deliver and cause to be delivered on behalf of the Company all such transactions, arrangements, agreements and/or documents as may be necessary or expedient in order to implement, give effect to and complete the Proposed Rights Issue of Warrants with full power to assent to any condition, modification, variation and/or amendment to the terms of the Proposed Rights Issue of Warrants as the Board may deem fit, necessary and/or expedient in the interests of the Company or as may be imposed by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue of Warrants;

<continued to page 3>

Company No. 753588-P

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

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PROPOSED RIGHTS ISSUE OF WARRANTS (CONTINUE...)

AND THAT this resolution constitutes a specific approval for the issuance of the Warrants in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Warrants, Additional Warrants and the additional MBL Shares (arising from the exercise of the Warrants or Additional Warrants) to be issued pursuant to or in connection with the Proposed Rights Issue of Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue of Warrants."

WE HEREBY CERTIFY the foregoing to be true copies of the Resolution as entered in the Minutes of the Company and passed at Extraordinary General Meeting of the of the Company held on the 27th day of August, 2012.

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

SECRETARY
Mr. Lee Hong Lim
MIA: 12949 (CA)

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 20 November 2006 as a private limited company under the name of Muar Ban Lee Group Sdn Bhd. Subsequently, on 11 January 2007, our Company was converted into a public company and assumed its current name. On 28 October 2009, our Company was listed on the Main Market of Bursa Securities Berhad.

We are principally involved in the following:

(i) the design and manufacturing of oil seed expellers, and ancillary machinery for oil seed crushing plants;

(ii) the design, fabrication, installation and commissioning of oil seed crushing plants; and

(iii) the manufacture and sale of spare parts.

Our principal place of business is located at JR52, Lot 1818, Jalan Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor, Malaysia which is erected on a freehold land measuring 148,920 sq. ft. with a built-up area of approximately 72,600 sq. ft..

Our principal products are broadly categorised as follows:

- oil seed expellers;
- plant setup ancillary machinery;
- spare parts; and
- plant setup sales and services.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are as follows:

Type	No. of MBL Shares	Par value	RM
		RM	
Authorised	200,000,000	0.50	100,000,000
Issued and paid-up	92,000,000	0.50	46,000,000

3. CHANGES IN SHARE CAPITAL

3.1 Authorised share capital

The change in our authorised share capital for the past three (3) years preceding the LPD is set out below:

Date of creation	No. of MBL Shares created	Par Value	Total
		RM	RM
12 June 2009	199,800,000	0.50	99,900,000

3.2 Issued and paid-up share capital

The changes in the issued and paid up share capital of our company since incorporation up to the LPD is set out below:

Date of allotment	No. of MBL Shares allotted	Par value	Consideration/Type of issue	Cumulative issued and paid-up share capital
		RM		RM
20 November 2009	2	1.00	Subscribers' shares	2
22 February 2007	4	0.50	Share split	2
30 June 2009	70,999,996	0.50	Issued pursuant to the acquisition of MBLE and MBLT	35,500,000
23 October 2009	21,000,000	0.50	Public issue of 21,000,000 MBL Shares by our Company at the initial public offering price of RM0.65 payable in full upon application, subject to the terms and conditions of the Prospectus dated 5 October 2009.	46,000,000

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4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Based on our Record of Depositors as at the LPD, the effects of the Rights Issue of Warrants on our substantial shareholders' shareholdings are as follows:

Scenario 1: Assuming all our Entitled Shareholders subscribe for their respective Warrants entitlements

					I				II			
	As at the LPD				After the Rights Issue of Warrants				After the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial Shareholder(s)	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
MBL Realty	41,481	45.09	-	-	41,481	45.09	-	-	62,221	45.09	-	-
Dato' Chua Ah Ba @ Chua Eng Ka	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua En Hom	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua Eng Hui	150	0.16	41,841[(a)]	45.09	150	0.16	41,841[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua Heok Wee	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7,359	7.99	277[(b)]	0.30	7,359	7.99	277[(b)]	0.30	11,039	7.99	415[(b)]	0.30

Notes:

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

(b) *Deemed interested by virtue of his spouse pursuant to Section 134(12)(c) of the Act.*

Scenario 2: Assuming none of our Entitled Shareholders subscribe for their respective entitlements and MBL Realty subscribes in full its Warrants entitlement and also subscribes for the remaining Warrants which are not subscribed for by the other Entitled Shareholders

					I				II			
	As at the LPD				After the Rights Issue of Warrants				After the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial Shareholder(s)	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
MBL Realty	41,481	45.09	-	-	41,481	45.09	-	-	87,481[c]	63.39	-	-
Dato' Chua Ah Ba @ Chua Eng Ka	150	0.16	41,481[a]	45.09	150	0.16	41,481[a]	45.09	150	0.11	87,481[a]	63.39
Chua En Hom	150	0.16	41,481[a]	45.09	150	0.16	41,481[a]	45.09	150	0.11	87,481 [a]	63.39
Chua Eng Hui	150	0.16	41,841[a]	45.09	150	0.16	41,841[a]	45.09	150	0.11	87,481 [a]	63.39
Chua Heok Wee	150	0.16	41,481[a]	45.09	150	0.16	41,481[a]	45.09	150	0.11	87,481 [a]	63.39
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7,359	7.99	277[b]	0.30	7,359	7.99	277[b]	0.30	7,359	5.33	277[b]	0.20

Notes:

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

(b) *Deemed interested by virtue of his spouse pursuant to Section 134(12)(c) of the Act.*

(c) *Based on MBL Realty's undertaking letter dated 9 October 2012, MBL Realty will observe and comply at all times with the provisions of the Code before exercising the Warrants into MBL Shares after the completion of the Rights Issue of Warrants.*

Our Company will also ensure the compliance of Paragraph 6.51 of the Listing Requirements where the Warrants to be issued pursuant to the Rights Issue of Warrants must have at least 100 warrantholders, holding not less than one (1) board lot of Warrants each.

5. OUR BOARD OF DIRECTORS

5.1 Details of our Directors

The particulars of our Directors as at the LPD are set out below:

Name	Designation	Age	Address	Nationality	Profession
Dato' Chua Ah Ba @ Chua Eng Ka	Executive Chairman	65	No. 33, Jalan Jelawat 8 Taman Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Chua En Hom	Deputy Executive Chairman	58	75B, Jalan Kedai Baru Bukit Pasir 84300 Muar Johor	Malaysian	Company Director
Chua Eng Hui	Executive Director	56	75B, Jalan Kedai Baru Bukit Pasir 84300 Muar Johor	Malaysian	Company Director
Chua Heok Wee	Managing Director	39	No. 33, Jalan Jelawat 8 Taman Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Executive Director / Finance Director	57	14-N, Jalan Angsana Ayer Itam 11500 Pulau Pinang	Malaysian	Company Director
Khairilanuar Bin Tun Abdul Rahman	Independent Non-Executive Director	47	606, Permatang Rambai Penaga 13100 Pulau Pinang	Malaysian	Company Director
Tuan Hj Ismail Bin Tunggak @ Hj Ahmad	Independent Non-Executive Director	62	107, Taman Pertama Sungai Abong 84000 Muar Johor	Malaysian	Company Director
Teh Eng Aun	Independent Non-Executive Director	61	No. 4-A, Lorong Selamat Georgetown 10400 Pulau Pinang	Malaysian	Company Director

5.2 Directors' shareholdings

The shareholdings of our Directors as at the LPD and the effects of the Rights Issue of Warrants on their shareholdings are as follows:

Scenario 1: Assuming all our Entitled Shareholders subscribe for their respective Warrants entitlements

					I				II			
	As at the LPD				After the Rights Issue of Warrants				After the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
Dato' Chua Ah Ba @ Chua Eng Ka	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua En Hom	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua Eng Hui	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Chua Heok Wee	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	225	0.16	62,221[(a)]	45.09
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7,359	7.99	277[(b)]	0.30	7,359	7.99	277[(b)]	0.30	11,039	7.99	415[(b)]	0.30
Khairilanuar Bin Tun Abdul Rahman	150	0.16	-	-	150	0.16	-	-	225	0.16	-	-
Tuan Hj. Ismail Bin Tunggak @ Hj Ahmad	30	0.03	-	-	30	0.03	-	-	44	0.03	-	-
Teh Eng Aun	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

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

(b) *Deemed interested by virtue of his spouse pursuant to Section 134(12)(c) of the Act.*

Scenario 2: Assuming none of our Entitled Shareholders subscribe for their respective entitlements and MBL Realty subscribes in full its Warrants entitlement pursuant to MBL Realty's undertaking letter dated 9 October 2012

					I				II			
	As at the LPD				After the Rights Issue of Warrants				After the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
Dato' Chua Ah Ba @ Chua Eng Ka	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	150	0.11	87,481[(a)]	63.39
Chua En Hom	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	150	0.11	87,481 [(a)]	63.39
Chua Eng Hui	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	150	0.11	87,481 [(a)]	63.39
Chua Heok Wee	150	0.16	41,481[(a)]	45.09	150	0.16	41,481[(a)]	45.09	150	0.11	87,481 [(a)]	63.39
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7,359	7.99	277[(b)]	0.30	7,359	7.99	277[(b)]	0.30	7,359	5.33	277[(b)]	0.20
Khairilanuar Bin Tun Abdul Rahman	150	0.16	-	-	150	0.16	-	-	150	0.11	-	-
Tuan Hj. Ismail Bin Tunggak @ Hj Ahmad	30	0.03	-	-	30	0.03	-	-	30	0.02	-	-
Teh Eng Aun	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

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

Based on MBL Realty's undertaking letter dated 9 October 2012, MBL Realty will observe and comply at all times with the provisions of the Code before exercising the Warrants into MBL Shares after the completion of the Rights Issue of Warrants.

Our Company will also ensure the compliance of Paragraph 6.51 of the Listing Requirements where the Warrants to be issued pursuant to the Rights Issue of Warrants must have at least 100 warrantholders, holding not less than one (1) board lot of Warrants each.

(b) *Deemed interested by virtue of his spouse pursuant to Section 134(12)(c) of the Act.*

6. SUBSIDIARY COMPANIES

As at the LPD, our subsidiary companies are as follows:

Subsidiary companies	Date / Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest
			RM	%
MBLE	8 December 1987 / Malaysia	Manufacturing of oil seed expellers and its related parts	2,000,000	100.0
MBLT	6 September 2004 / Malaysia	Manufacturing of automated oil seed expellers and its related parts	1,000,000	100.0
MBL Waste Processing Technology Sdn Bhd	9 August 2010 / Malaysia	Dormant	100,000	95.0
M2 Vessel Sdn Bhd ("**M2V**")	4 November 2010 / Malaysia	Dormant	2	50.0*
MBL Biotech Sdn Bhd ("**MBL Biotech**")	2 December 2010 / Malaysia	Manufacturing of a system of extracting kernel oil through solvent	100,000	30.0*
POME Treatment Technology Sdn Bhd	28 March 2011 / Malaysia	Dormant	100,000	55.0

Note:

* *Our Company currently exercise full control on M2V and MBL Biotech. As such, M2V and MBL Biotech are recognised as the subsidiary companies of our Company even though our Company's equity interest in these respective subsidiary companies is less than or equal to 50%.*

7. ASSOCIATED COMPANIES

As at the LPD, we do not have any associated companies.

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8. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FPE 31 December 2009 to the FYE 31 December 2011 and the unaudited consolidated financial statements for the 6-month FPE 30 June 2012 are as follows:

	Audited FPE/FYE 31 December			Unaudited 6-month FPE 30 June
	2009	**2010**	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	25,417	44,085	55,062	42,328
Cost of sales	(14,913)	(27,234)	(30,599)	(24,950)
Gross profit	**10,504**	**16,851**	**24,463**	**17,378**
Other income	3,312	754	1,949	602
Distribution and administration expenses	(4,937)	(9,641)	(14,015)	(8,188)
Profit from operations	**8,879**	**7,964**	**12,397**	**9,792**
Finance costs	(83)	(35)	(18)	(7)
Share of profits/losses of associates and joint ventures	-	-	-	-
PBT	**8,796**	**7,929**	**12,379**	**9,785**
Tax expense	(171)	(713)	(189)	(251)
PAT	**8,625**	**7,216**	**12,190**	**9,534**
Profit attributable to:				
Equity holders of our Company	8,625	7,216	12,208	9,569
Non-controlling interest	-	-	(17)	(35)
	8,625	**7,216**	**12,190**	**9,534**
EBITDA	9,236	9,081	13,733	10,446
Gross profit margin (%)	41.33	38.22	44.42	41.06
Net profit margin (%)	33.93	16.37	22.14	22.52
Number of Shares in issue ('000)	92,000	92,000	92,000	92,000
Basic and diluted EPS (sen)	22.1*	7.80	13.27	10.40
Dividends per share (sen)	3.0	3.0	5.5	-

Note:

* *Calculated by dividing the PAT for the year 2009 attributable to the ordinary equity holders of our Company over 39,000,002 MBL Shares, being the weighted average number of MBL Shares during the financial year 2009 of our Company.*

Commentary on the financial performance

FYE 31 December 2009

The year 2009 represents the first financial year of our Group. Our Group was listed on the Main Market of Bursa Securities in October 2009 and the financial results of our Group was consolidated for the six (6) - month period from 1 July 2009 to 31 December 2009 after the completion of the acquisition of MBLE and MBLT on 30 June 2009. In this regard, there is no comparative figure for the FYE 31 December 2008.

Notwithstanding the above, for the FYE 31 December 2009, our Group recorded a revenue of approximately RM25.4 million. Our Group's revenue comprised of the sale of plant setup ancillary machineries, oil seed expellers and EFB machines, representing approximately 70.1% of our Group's total revenue. The sale of plant setup ancillary machineries, oil seed expellers and EFB machines of approximately RM14.2 million were derived from Indonesia, representing approximately 79.5% of the total sales of plant setup ancillary machineries, oil seed expellers and EFB machines for the FYE 31 December 2009.

For the FYE 31 December 2009, our Group also recorded a PAT of approximately RM8.6 million, which included the recognition of negative goodwill of approximately RM3.1 million.

FYE 31 December 2010

For the FYE 31 December 2010, our Group recorded revenue of approximately RM44.1 million, which was comprised mainly of revenue contributions from the sale of plant setup ancillary machineries, oil seed expellers and EFB machines of approximately RM29.6 million, representing approximately 67.1% of our Group's total revenue. The sale of plant setup ancillary machineries, oil seed expellers and EFB machines of approximately RM17.7 million were derived from Indonesia, representing approximately 60.0% of the total sale of plant setup ancillary machineries, oil seed expellers and EFB machines for the FYE 31 December 2010.

However, our Group recorded a lower PAT of approximately RM7.2 million which was mainly due to high depreciation charges and staff costs incurred during the FYE 31 December 2010.

FYE 31 December 2011

For the FYE 31 December 2011, our Group recorded revenue of approximately RM55.1 million as compared to approximately RM44.1 million in the previous FYE 31 December 2010, representing an increase of approximately 24.90%. The increase in revenue was mainly due to the improvement in the sale of machineries segment such as the plant setup ancillary machinery, oil seed expeller and EFB machines of approximately RM37.6 million, representing approximately 68.2% of our Group's total revenue. The sale of plant setup ancillary machinery, oil seed expeller and EFB machines of approximately RM22.7 million were mainly derived from Indonesia, representing approximately 60.4% of total sales of plant setup ancillary machinery, oil seed expeller and EFB machines for the FYE 31 December 2011.

The increase in revenue was also attributable to the sale of machinery spare parts of approximately RM17.3 million, representing approximately 31.5% of our Group's revenue.

Consequently, our Group recorded a PAT of approximately RM12.2 million as compared to RM7.2 million in the previous FYE 31 December 2010, representing an increase of approximately 68.93%. The improvement in the PAT of our Group was mainly due to higher contributions from the sale of plant setup ancillary machineries, oil seed expellers, EFB machines and machinery spare parts.

Unaudited 6-month FPE 30 June 2012

For the unaudited 6-month FPE 30 June 2012, our Group recorded revenue of approximately RM42.3 million as compared to approximately RM24.9 million in the previous corresponding period for the 6-month FPE 30 June 2011, representing an increase of approximately 70.26%. Consequently, our Group recorded a PAT of approximately RM9.5 million for the 6-month FPE 30 June 2012 as compared to a PAT of approximately RM4.8 million in the previous corresponding period for the 6-month FPE 30 June 2011.

The increase in revenue and PAT of our Group was mainly due to higher contributions from the sale of plant setup ancillary machineries, oil seed expellers and EFB machines of approximately RM30.2 million as well as the increase in other income such as gain on disposal of property, plant and equipment recorded for the FPE 30 June 2012. The sale of plant setup ancillary machineries, oil seed expellers and EFB machines of approximately RM18.2 million were derived from Indonesia, representing approximately 60.4% of total sales of of plant setup ancillary machinery, oil seed expeller and EFB machines for the FPE 30 June 2012.

9. HISTORICAL SHARE PRICES

The monthly high and low market prices of our Shares as traded on Bursa Securities for the past twelve (12) months from October 2011 up to September 2012 are as follows:-

	High	**Low**
	RM	**RM**
2011		
October	0.60	0.55
November	0.65	0.58
December	0.64	0.605
2012		
January	0.68	0.60
February	0.735	0.655
March	0.93	0.73
April	0.86	0.78
May	1.08	0.79
June	1.09	0.925
July	1.22	1.03
August	1.18	1.08
September	1.15	1.13

Last transacted price of MBL Shares on 1 June 2012, being the last day on which MBL Shares were traded, prior to the date of announcement of the Rights Issue of Warrants.	RM1.02
Last transacted price of MBL Shares on 25 October 2012, being the latest date before the issuance of this Abridged Prospectus.	RM1.16

(Source: Bloomberg)

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Company No. 753588-P

APPENDIX III

OUR PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND REPORTING ACCOUNTANTS' LETTER THEREON

PKF
(AF 0911)

PKF
Accountants &
Business Advisers

(Prepared for the inclusion of the Abridged Prospectus to be dated 31 October 2012)

Our Ref: SA/M58/PKF/NSP

Date: 18 October 2012

The Board of Directors
Muar Ban Lee Group Berhad
No. 87, Muntri Street
10200 Penang

Dear Sirs,

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

We have reviewed the presentation of the proforma consolidated statements of financial position of Muar Ban Lee Group Berhad ("**MBL**" or "**Company**") and its subsidiaries (hereinafter referred to as "**MBL Group**" or "**Group**") as at 31 December 2011, which we have stamped for the purpose of identification.

The proforma consolidated statements of financial position of MBL Group as at 31 December 2011 have been prepared for illustrative purposes only, to provide information on how the consolidated statements of financial position of MBL Group as at 31 December 2011 that have been presented might have been affected following the renounceable rights issue of 46,000,000 Warrants at an issue price of RM0.10 per Warrant on the basis of one (1) Warrant for every two (2) existing MBL Shares ("**Rights Issue of Warrants**").

This letter has been prepared in accordance with the Abridged Prospectus Guidelines issued by the Securities Commisison Malaysia for the inclusion in the Abridged Prospectus to the shareholders of MBL, and should not relied on for other purposes.

It is the responsibility of the Board of Directors of MBL to prepare the proforma consolidated statements of financial position in respect to the Rights Issue of Warrants for illustration purposes only, in accordance with the requirements of the Abridged Prospectus Guidelines.

It is our responsibility to form an opinion as required by the Abridged Prospectus Guidelines in relation to the proper compilation of the proforma consolidated statements of financial position of the MBL Group and to report that opinion to you.

In our opinion:

(i) the proforma consolidated statements of financial position of MBL Group as at 31 December 2011, has been properly compiled on the basis stated in the accompanying notes to the proforma consolidated statements of financial position, using the consolidated financial statements prepared in accordance with the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and in a manner consistent with both the format of the consolidated statements of financial position and the accounting policies adopted by the MBL Group; and

(ii) each adjustment made to the information used in the preparation of the proforma consolidated statements of financial position is appropriate for the purposes of preparing the proforma consolidated statements of financial position.

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Company No. 753588-P

PKF
(AF 0911)

PKF

Accountants &
Business Advisers

We understand that this letter will be used solely for the inclusion in the Aridged Prospectus of MBL, in connection with the above mentioned Rights Issue of Warrants. As such, this report should not be used or referred to, in whole or in part, for any other purposes without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

PKF
AF 0911
Chartered Accountants

LOH CHYE TEIK
No. 1652/8/14 (J)
Partner
Chatererd Accountant

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MUAR BAN LEE GROUP BERHAD
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AUDITED AS AT 31 DECEMBER 2011 RM	PROFORMA I AFTER THE RIGHTS ISSUE OF WARRANTS RM	PROFORMA II AFTER (I), AND THE FULL EXERCISE OF THE WARRANTS RM
ASSETS				
Non-Current Assets				
Property, plant and equipment		18,794,757	18,794,757	18,794,757
Intangible assets		430,071	430,071	430,071
Other investment		450,000	450,000	450,000
		19,674,828	19,674,828	19,674,828
Current Assets				
Inventories		26,142,632	26,142,632	26,142,632
Trade receivables		14,857,297	14,857,297	14,857,297
Other receivables, deposits and prepayments		4,830,317	4,830,317	4,830,317
Tax recoverable		821,125	821,125	821,125
Fixed deposits with licensed bank		13,063,256	13,063,256	13,063,256
Cash and bank balances	1	5,497,579	9,597,579	46,397,579
		65,212,206	**69,312,206**	**106,112,206**
TOTAL ASSETS		**84,887,034**	**88,987,034**	**125,787,034**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	2	46,000,000	46,000,000	69,000,000
Share premium	2	1,157,846	1,157,846	19,557,846
Reserves	2	2,933,640	7,533,640	2,933,640
Retained earnings	2	19,677,198	19,177,198	19,177,198
		69,768,684	**73,868,684**	**110,668,684**
Non-controlling interests		52,602	52,602	52,602
Total equity		**69,821,286**	**73,921,286**	**110,721,286**
Non-current liabilities				
Deferred tax liabilities		1,160,975	1,160,975	1,160,975
Hire purchase payables		174,930	174,930	174,930
		1,335,905	**1,335,905**	**1,335,905**
Current liabilities				
Trade payables		4,914,820	4,914,820	4,914,820
Non-trade payables and accruals		8,587,767	8,587,767	8,587,767
Hire purchase payables		129,221	129,221	129,221
Derivatives		97,482	97,482	97,482
Provision for taxation		553	553	553
		13,729,843	**13,729,843**	**13,729,843**
Total liabilities		**15,065,748**	**15,065,748**	**15,065,748**
TOTAL EQUITY AND LIABILITIES		**84,887,034**	**88,987,034**	**125,787,034**
No. of ordinary shares		92,000,000	92,000,000	138,000,000
Net assets per share (RM)		0.76	0.80	0.80
NTA per share (RM)		0.75	0.80	0.80
Total borrowings (RM)		304,151	304,151	304,151
Gearing ratio (times)		*	*	*

* Negligible.

3

STAMPED FOR THE PURPOSE OF IDENTIFICATION ONLY.
PKF (AF 0911)
Chartered Accountants

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(I) Basis of preparation

The proforma consolidated statements of financial position have been prepared for illustrative purposes only, based on the audited consolidated statements of financial position of MBL Group as at 31 December 2011, to provide information about how the audited consolidated statements of financial position of MBL Group as at 31 December 2011 might have been affected if the Rights Issue of Warrants were completed as at 31 December 2011.

The audited consolidated financial statements of the MBL Group for the financial year ended 31 December 2011, on which the proforma consolidated statements of financial position are based, were drawn up in accordance with the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the audit report on the audited consolidated financial statements was unqualified.

The proforma consolidated statements of financial position have been prepared based on accounting policies and bases consistent with those normally adopted in the preparation of the audited financial statements of MBL.

(II) Bases and assumptions

Proforma I **Rights Issue of Warrants**

Renounceable rights issue of 46,000,000 Warrants at an issue price of RM0.10 per Warrant on the basis of one (1) Warrant for every two (2) existing MBL Shares held by the shareholders of MBL as at 5.00 p.m. on 31 October 2012.

The fair value of the Warrants is estimated at RM0.39 per warrant based on the following assumptions:

Option value	-	RM0.39
Valuation model	-	Black-Scholes
Volatility	-	39.10%
Strike price	-	RM0.80
Date of valuation	-	8 October 2012

The average volatility of MBL Shares was arrived at based on the volatility of MBL Shares since its listing on 28 October 2009.

Proforma II **Full exercise of the Warrants**

Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder during the exercise period to subscribe for one (1) new MBL Share at the exercise price.

Proforma II incorporates the effects of Proforma I and assuming that the exercise of 46,000,000 Warrants at an indicative exercise price of RM0.80 per Warrant for 46,000,000 new MBL Shares.

Total Warrants to be issued (units)	46,000,000
Indicative exercise price (RM)	0.80
Total proceeds expected to receive arising from the exercise of the Warrants (RM)	**36,800,000**

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Chartered Accountants

(III) EXPLANATORY NOTES TO PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. Cash and bank balances

The movement of the MBL Group cash and bank balances upon the completion of the Rights Issue of Warrants would be as follows:

	RM
Based on the audited financial statements of MBL Group as at 31 December 2011	5,497,579
Proforma I:	
Proceeds arising from the Rights Issues of Warrants	4,100,000*
	9,597,579
Proforma II:	
Proceeds arising upon the full exercise of the Warrants	36,800,000
	46,397,579

Notes:

* After deducting the estimated expenses for the Rights Issue of Warrants of approximately RM500,000.

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Chartered Accountants

2. Equity attributable to owners of the Company

The movements in the share capital, distributable and non-distributable reserves of MBL Group are as follows:

			Non distributable			Distributable	
	Share Capital RM	Share premium RM	Revaluation reserve RM	Discount on warrant RM	Warrant reserve RM	Retained earnings RM	Total RM
Based on the audited financial statements of MBL Group as at 31 December 2011	46,000,000	1,157,846	2,933,640	-	-	19,677,198	69,768,684
Rights Issue of Warrants	-	-	-	(13,340,000)	17,940,000	-	4,600,000
Estimated expenses for the Rights Issue of Warrants	-	-	-	-	-	(500,000)	(500,000)
Proforma I	**46,000,000**	**1,157,846**	**2,933,640**	**(13,340,000)**	**17,940,000**	**19,177,198**	**73,868,684**
Upon the full exercise of the Warrants	23,000,000	18,400,000	-	13,340,000	(17,940,000)	-	36,800,000
Proforma II	**69,000,000**	**19,557,846**	**2,933,640**	**-**	**-**	**19,177,198**	**110,668,684**

STAMPED FOR THE PURPOSE OF IDENTIFICATION ONLY.
PKF (AF 0911)
Chartered Accountants

OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2011 TOGETHER WITH THE AUDITORS' REPORT THEREON

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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' 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Directors' interest in shares (continued)

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.

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 APR 2012

Company No. 753588-P

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

Kuala Lumpur
25 APR 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 APR 2012)

CHUA AH BA @ CHUA ENG KA

Before me,

PESURUHJAYA SUMPAH
No W533
Nama TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA

COMMISSIONER FOR OATHS

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur

PKF
(AF 0911)

Accountants &
Business Advisers

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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.

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PKF
(AF 0911)

Accountants &
Business Advisers

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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.

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.

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PKF
(AF 0911)

PKF
Accountants &
Business Advisers

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

OTHER MATTERS (continued)

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
PKF
AF 0911
CHARTERED ACCOUNTANTS

LOH CHYE TEIK
No. 1652/8/12(J)
CHARTERED ACCOUNTANT

Kuala Lumpur

25 April 2012

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MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT 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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011 (continued)

	Note	2011 RM	2010 RM
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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT 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.

Company No. 753588-P

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)

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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT 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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT 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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Non-distributable		*Distributable*	
	Note	**Share capital RM**	**Share premium RM**	**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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)

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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 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

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
• Amendment to FRSs (Improvements to FRSs 2010) (continued):	
- 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 2010
• TR i-4, Shariah Compliant Sales Contracts	1 January 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

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:

Amendment to FRS 7, Financial Instruments: Disclosures

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).

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Amendment to FRS 7, Financial Instruments: Disclosures (continued)

(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.

Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements

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 as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements (continued)

(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

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(b) Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
• 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 as at 31 December 2011

1. Summary of significant accounting policies (continued)

(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.

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(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 as at 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(viii) *Revaluation of properties* (continued)

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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) *Accounting for business combinations* (continued)

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

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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) *Accounting for business combinations* (continued)

Acquisitions on or after 1 January 2011 (continued)

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.

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) *Accounting for business combinations* (continued)

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.

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(vi) *Loss of control* (continued)

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.

(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 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.

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(vii) *Associate* (continued)

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.

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(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.

(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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(e) Foreign currencies (continued)

(ii) *Foreign currency transactions* (continued)

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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) *Research and development* (continued)

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 as at 31 December 2011

1. Summary of significant accounting policies (continued)

(g) Revenue (continued)

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(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.

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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(i) Tax expense (continued)

(ii) Deferred tax (continued)

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.

1. Summary of significant accounting policies (continued)

(j) Impairment (continued)

(i) *Impairment of financial assets* (continued)

Trade and other receivables and other financial assets carried at amortised cost. (continued)

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")).

1. Summary of significant accounting policies (continued)

(j) Impairment (continued)

(ii) *Impairment of non-financial assets* (continued)

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.

1. Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

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%

1. Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

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.

1. **Summary of significant accounting policies** (continued)

(l) **Intangible assets** (continued)

(i) Goodwill on consolidation (continued)

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 sepreately 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 meadured 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.

1. Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(ii) Other intangible assets (continued)

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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(ii) Other intangible assets (continued)

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.

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.

1. **Summary of significant accounting policies** (continued)

(m) **Financial assets** (continued)

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

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 is 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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(iii) *Held-to-maturity investments* (continued)

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.

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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

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 materiales 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.

1. Summary of significant accounting policies (continued)

(p) Financial liabilities (continued)

(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.

(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.

Notes to the financial statements as at 31 December 2011

1. Summary of significant accounting policies (continued)

(q) Financial guarantee contracts (continued)

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

4. Profit before tax

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 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)	-	-

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

5. Employee benefits

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

5. Employee benefits (continued)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
(b) **Directors' remuneration** (continued)				
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

* 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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

6. Tax expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 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	-

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 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 earning 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.

Notes to the financial statements as at 31 December 2011

8. Property, plant and equipment

Group	Freehold Land	Long Leasehold Land	Building	Plant and machinery	Furniture, fittings, and office equipment	Motor Vehicles	Total
2011	RM	RM	RM	RM	RM	RM	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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

8. Property, plant and equipment (continued)

Group	**Freehold Land**	**Long Leasehold Land**	**Building**	**Plant and machinery**	**Furniture, fittings, and office equipment**	**Motor Vehicles**	**Total**
2011 (continued)	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
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
Accumulated impairment loss							
At 1 January	-	-	-	-	-	-	-
Addition	410,000	-	70,938	-	-	-	480,938
At 31 December	410,000	-	70,938	-	-	-	480,938

Notes to the financial statements as at 31 December 2011

8. Property, plant and equipment (continued)

Group	Freehold Land	Long Leasehold Land	Building	Plant and machinery	Furniture, fittings, and office equipment	Motor Vehicles	Total
2011 (continued)	RM	RM	RM	RM	RM	RM	RM
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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

8. Property, plant and equipment (continued)

Group	Freehold Land	Long Leasehold Land	Building	Plant and machinery	Furniture, fittings, and office equipment	Motor Vehicles	Total
2010	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
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 as at 31 December 2011

8. Property, plant and equipment (continued)

	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 follow:

	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 as at 31 December 2011

11. Other investment

	Group		Company	
	2011 Carrying amount RM	2010 Carrying amount RM	2011 Carrying amount RM	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.

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). Other credit terms are assessed and approved on a case-by-case basis.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

14. Amount due from subsidiaries

	Company 2011 RM	Company 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:

	Company 2011 RM	Company 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.

15. Deposits with licensed banks

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 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

Notes to the financial statements as at 31 December 2011

15. Deposits with licensed banks (continued)

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 as at 31 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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 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	-	-

Notes to the financial statements as at 31 December 2011

23. Derivatives (continued)

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.

24. Dividends per ordinary share

Dividends recognised by the Group and the Company are:

2011	Gross dividend per share Sen	Amount of dividend net of tax RM	Date of payment
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	

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

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 Engineering Sdn. Bhd.	Dividends	3,000,000	-	-	-
	Amounts receivable	-	-	7,686,881	7,231,934
Muar Ban Lee Technology Sdn. Bhd.	Dividends	2,500,000	2,700,000	-	-
	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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

26. Segmental information (continued)

(a) ***Business segments*** (continued)

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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

26. Segmental information (continued)

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
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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

26. Segmental information (continued)

(b) *Geographical segments*

The segmental information by geographical location is presented as below:

	Malaysia		Outside Malaysia		Consolidated	
	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	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.

Notes to the financial statements as at 31 December 2011

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

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.

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) *Credit risk* (continued)

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.

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) *Credit risk* (continued)

Exposure to credit risk (continued)

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

	Group	
	2011	**2010**
	RM	**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 as at 31 December 2011

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

(a) *Credit risk* (continued)

Ageing analysis

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

	Gross Amount	Individual Impairment	Collective Impairment	Carrying Value
Group	**RM**	**RM**	**RM**	**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.

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(b) *Interest rate risk* (continued)

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 as at 31 December 2011

28. Financial instruments (continued)

(c) *Foreign currency risk* (continued)

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

	US Dollar	Singapore Dollar	Chinese Renminbi	Indonesian Rupiah	Ringgit Malaysia	Total
2011	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(c) *Foreign currency risk* (continued)

	US Dollar	Singapore Dollar	Chinese Renminbi	Indonesian Rupiah	Ringgit Malaysia	Total
2011 (continued)	RM	RM	RM	RM	RM	RM
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

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(c) *Foreign currency risk* (continued)

2010	US Dollar RM	Singapore Dollar RM	Chinese Renminbi RM	Indonesian Rupiah RM	European Euro RM	Ringgit Malaysia RM	Total RM
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

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(c) *Foreign currency risk* (continued)

	US Dollar	Singapore Dollar	Chinese Renminbi	Indonesian Rupiah	European Euro	Ringgit Malaysia	Total
2010 (continued)	RM	RM	RM	RM	RM	RM	RM
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

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(c) Foreign currency risk (continued)

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	2010
	%	%	Increase/ (Decrease) RM	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.

Notes to the financial statements as at 31 December 2011

28. Financial instruments (continued)

(d) *Liquidity risk* (continued)

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
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.

29. Fair value (continued)

Fair value of financial instruments (continued)

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 RM	Fair value RM	Carrying amount 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

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

30. Capital management (continued)

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.

MUAR BAN LEE GROUP BERHAD
(Co. No. 753588-P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Notes to the financial statements as at 31 December 2011

31. Supplementary information – breakdown of retained profits into realised and unrealised (continued)

	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

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.

CERTIFIED TRUE COPY

PKF

PKF
AF 0911
CHARTERED
ACCOUNTANTS

LOH CHYE TEIK Date: 24.10.2012
CHARTERED ACCOUNTANT
MIA 5342
NO. 1652/8/14(J)
PARTNER

APPENDIX V

OUR UNAUDITED CONSOLIDATED RESULTS FOR THE 6-MONTH FPE 30 JUNE 2012

MUAR BAN LEE GROUP BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2012

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2012	**30.06.2011**	**30.06.2012**	**30.06.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	17,975	13,798	42,328	24,861
Cost of sales	(10,888)	(8,171)	(24,950)	(14,250)
Gross profit	7,087	5,627	17,378	10,611
Other income	294	33	426	40
Depreciation and amortisation	(330)	(338)	(661)	(676)
Administrative expenses	(3,951)	(2,519)	(7,527)	(5,204)
Operating profit	3,100	2,803	9,616	4,771
Interest Income	96	63	176	100
Interest expense	(3)	(5)	(7)	(11)
Profit before tax	**3,193**	2,861	**9,785**	4,860
Tax expense	(168)	(22)	(251)	(98)
Profit for the period	**3,025**	2,839	**9,534**	4,762
Other Comprehensive Income				
Revaluation of land and building	-	-	-	-
Transferred to deferred tax	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income for the period	**3,025**	2,839	**9,534**	4,762
Profit attributritable to:				
Owners of the Company	3,057	2,839	9,569	4,762
Non-controling interest	(32)	-	(35)	-
Profit for the period	**3,025**	**2,839**	**9,534**	**4,762**
Total Comprehensive Income attributable to:				
Owners of the Company	3,057	2,839	9,569	4,762
Non-controling interest	(32)	-	(35)	-
Total Comprehensive Income for the period	**3,025**	2,839	**9,534**	4,762

Earnings per share (sen)

MUAR BAN LEE GROUP BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	(Unaudited) As at 30.06.2012 RM'000	(Audited) As at 31.12.2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,578	18,795
Intangible assets	430	430
Other investment	450	450
	19,458	19,675
Current assets		
Inventories	19,073	26,143
Trade & other receivables	24,641	19,688
Prepaid taxes	127	820
Fixed deposits with licensed banks	20,393	13,063
Cash and bank balances	6,249	5,498
	70,483	65,212
TOTAL ASSETS	89,941	84,887
EQUITY AND LIABILITIES		
Equity		
Share capital	46,000	46,000
Share premium	1,158	1,158
Revaluation reserves	2,934	2,934
Retained profits	26,456	19,677
Shareholder's equity	76,548	69,769
Non-controlling interest	85	53
Total equity	76,633	69,822
Non-current liabilities		
Hire purchase payables	124	175
Deferred taxation	1,161	1,161
	1,285	1,336
Current liabilities		
Trade & other payables	11,804	13,503
Hire purchase payables	105	129
Derivative liabilities	114	97
	12,023	13,729
Total liabilities	13,308	15,065
TOTAL EQUITY AND LIABILITIES	89,941	84,887
Net assets per share (RM)	0.83	0.76

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report of the Group for the year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.

MUAR BAN LEE GROUP BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Attributable to Equity Holders of the Company						
	Non-Distributable			Distributable			
	Share Capital	Share Premium	Revaluation Reserve	Retained Profits	Subtotal	Non-controlling interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	46,000	1,158	2,934	19,677	69,769	53	69,822
Total comprehensive income for the period	-	-		9,569	9,569	32	9,601
Dividends				(2,760)	(2,760)		(2,760)
Fair value adjustment in derivatives				(16)	(16)		(16)
Recognition of negative goodwill				(14)	(14)		(14)
At 30 June 2012	**46,000**	**1,158**	**2,934**	**26,456**	**76,548**	**85**	**76,633**
At 1 January 2011	46,000	1,158	-	11,149	58,307	-	58,307
Total comprehensive income for the period	-	-		4,762	4,762	-	4,762
Dividends				(1,380)	(1,380)	-	(1,380)
At 31 June 2011	**46,000**	**1,158**	**-**	**14,531**	**61,689**	**-**	**61,689**

The Unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Report of the Group for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.

Company No. 753588-P

MUAR BAN LEE GROUP BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current Year To-date 30.06.2012 RM'000	Preceding Year Corresponding Period 30.06.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,785	4,860
Adjustments for non-cash items:		
Depreciation of property, plant & machinery	661	676
Interest expense	7	11
Interest income	(176)	(100)
Fair value adjustment in derivatives	16	69
Recognition of negative goodwill	(14)	-
Gain on disposal of property, plant & equipment	(104)	-
Operating profit before working capital changes	10,175	5,516
Changes in working capital		
(Increase) / Decrease in inventories	7,070	(2,449)
(Increase) in trade & other receivables	(4,952)	(1,139)
(Decrease) / Increase in trade & other payables	(1,699)	4,428
Cash generated from operations	10,594	6,356
Interest paid	(7)	(11)
Income tax paid	(168)	(394)
Income tax refund	611	605
Interest received	176	100
Net cash generated from operating activities	11,206	6,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash	50	
Purchase of property, plant and equipment	(505)	(92)
Proceed from disposal of property, plant & equipment	165	-
Net cash used in investing activities	(290)	(92)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(75)	(112)
Dividend paid	(2,760)	(1,380)
Net cash used in financing activities	(2,835)	(1,492)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,081	5,072
Cash and cash equivalents at beginning of period	16,962	10,102
Cash and cash equivalents at end of period	25,043	15,174

Note: Cash and Cash Equivalents at end of period

Cash and bank balances	6,249	3,423
Short term deposits with licensed banks	20,393	14,171
Fixed deposits pledged	(1,599)	(2,263)
Unrealised exchange gain	-	(157)
	25,043	15,174

The Unaudited Condensed Statements of Cash Flow should be read in conjunction with the Annual Report of the Group for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirement of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statement for the year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards for the first time in these condensed interim financial statements. The transition to MFRS framework does not have any material financial impact to the financial statements of the Group.

A2. CHANGES IN ACCOUNTING POLICIES

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2011.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosures of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7	Disclosures- Offsetting Financial Assets and Financial Liabilities	1 July 2012
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2013

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the preceding audited financial statements was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY FACTORS

The performance of the Group is generally not affected by any seasonal or cyclical factors.

A5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cashflows during the financial period under review.

A6. CHANGES IN ESTIMATES

There were no changes in estimates amount that had a material effect for the current financial period under review.

A7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period under review.

A8. DIVIDEND PAID

There were no dividends paid during the financial period under review.

A9. SEGMENTAL INFORMATION

Segmental reporting for the 6 months ended 30 June 2012.

	Investment holding RM '000	Manufacturing RM '000	Elimination RM '000	Consolidated RM '000
Revenue				
External sales	-	42,328	-	42,328
Inter-company transactions	-	1,352	(1,352)	-
Dividend income	3,000	-	(3,000)	-
	3,000	43,680	(4,352)	42,328
Segmental result	(299)	9,915	-	9,616
Finance costs				(7)
Interest income				176
Profit before tax				9,785
Taxation				(251)
Profit for the period				9,534

Segmental reporting for the 6 months ended 30 June 2011.

	Investment holding RM '000	Manufacturing RM '000	Elimination RM '000	Consolidated RM '000
Revenue				
External sales	-	24,861	-	24,861
Inter-company transactions	-	2,252	(2,252)	-
Dividend income	1,000	-	(1,000)	-
	1,000	27,113	(3,252)	24,861
Segmental result	(58)	4,829	-	4,771
Finance costs				(11)
Interest income				100
Profit before tax				4,860
Taxation				(98)
Profit for the period				4,762

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment for the financial period under review.

A11. MATERIAL SUBSEQUENT EVENTS

The Company proposes to undertake the following proposals which have been duly approved by the shareholders in the Extraordinary General Meeting ("EGM") held on 27 August 2012, kindly refer to notes B8 for further details:

1) Proposed renounceable Right Issue of 46,000,000 Warrants ("Warrant(s)") in Muar Ban Lee Group Berhad ("MBL" or "Company") at an issue price of RM0.10 per Warrant on the Basis of One (1) Warrant for every Two (2) existing oridnary shares of RM0.50 each in MBL held by the shareholders of MBL; and

2) Proposed establishment of an Employees' Share Option Scheme of up to 15% of the Issued and Paid-Up share capital of the Company to eligible Directors and employees of MBL and its subsidiaries

3) Proposed authority for the Company to Purchase its own shares of up to 10% of the Issued and Paid-Up share capital of the Company ("Proposed Share Buy-Back")

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group in the financial period under review.

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets in the financial period under review.

A14. CAPITAL COMMITMENTS

There were no outstanding capital commitments at the end of the quarter under review.

A15. RELATED PARTY TRANSACTIONS

During the quarter under review, the related party transactions are secretarial fee for the subsidiary companies amounting to RM3,000.00 charged by Tan Commercial Management Services Sdn. Bhd. and of which one of the director has interest over the company and able to exercise control. Further, a rental fee of RM1,800.00 was paid to certain directors of which the directors owned the said property and have interest over the property. Both transactions have been entered into in the normal course of business.

A16. DISCLOSURE OF DERIVATIVES

As at the date of this report, the Group outstanding forward contracts to sell USD dollars with the licensed banks are as follows:

Type of Derivatives	Contract / Notional Value (RM million)	Value at closing rate (RM million)
USD Foreign Exchange Contract		
- Less than 1 year	3.076	2.962
TOTAL	3.076	2.962

The USD contracts were entered to hedge the export sales revenue denominated in US Dollars with view to minimize the Group's exposure to losses resulting from fluctuation in foreign currency exchange rates.

During the quarter ended 30 Junne 2012, there were no significant changes to the Group's exposures to credit risk, market risk and liquidity risk since the last financial year. In addition, there have been no changes to the Group's financial risk management objectives, policies and processes since the previous financial year end.

The forward contract do not qualify for hedge accounting under MFRS 139, thus, the exchange loss arising from the changes in foreign exchange closing rate and forward rate in USD forward contract amounting to RM113,750 was recognised in the current quarter ended.

A17 GAIN/LOSS ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There is no gain / loss arising from fair value changes of financial liabilities for the quarter ended 30 June 2012.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Individual Quarter (3 months ended)		Cumulative Quarter (6 months ended)	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	17,975	13,798	42,328	24,861
Profit after tax "PAT"	3,025	2,839	9,534	4,762

For the current quarter under review, the Group's revenue stood at RM17.98 million as compare with RM13.80 million registered in the preceding year's corresponding quarter. The higher revenue is mainly due to higher project sales recorded. Despite the higher revenue in the current quarter, the profit after tax was marginally higher at RM3.03 million as compare with RM2.84 million recorded in the preceding year's corresponding quarter as it was offset by the higher operating costs in the current period.

For the six months period under review, the Group recorded a revenue and PAT of RM42.33 million and RM9.53 million as compare with RM24.86 million and RM4.76 million recorded in the preceding year's corresponding period. The substantial increase in both revenue and PAT was mainly attributable to higher project sales registered in the current period.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULT

The Group's revenue for the current quarter was RM6.37 million lower at RM17.98 million from RM24.35 million registered in the immediate preceding quarter. PAT for the current quarter also lower at RM3.03 million as compare to RM6.51 million recorded in the previous quarter.

The weaker results in both revenue and PAT are mainly due to lower project sales recorded and higher operating costs in the current quarter as compare with the preceding quarter.

B3. CURRENT YEAR PROSPECTS

In view of the positive sentiment in the agriculture industries with the growing demand in the palm oil industries, the Board expects the Group to achieve satisfactory results for the financial year ending 31 December.

B4. VARIANCE FROM PROFIT FORECAST

There is no profit forecast issued for the current financial period under review.

B5. TAXATION

Taxation for the quarter and year to date comprises:

	Current Quarter Ended 30.06.2012 RM'000	Current Year To Date 30.06.2012 RM'000
Taxation - current year	168	251

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the availability of tax exemption granted under pioneer status to a subsidiary of the Company.

B6. SALE OF UNQUOTED INVESTMENT OR PROPERTIES

There was no sale of unquoted investments and properties for the financial period under review.

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the financial period under review.

B8. STATUS OF CORPORATE PROPOSALS

On 4 June 2012, AFFIN Investment, on behalf of our Board, announced that our Company proposes to undertake the following:

(i) Proposed Rights Issue of Warrants; and

(ii) Proposed ESOS.

On 27 July 2012, AFFIN Investment, on behalf of our Board, announced that Bursa Securities had vide its letter dated 27 July 2012, approved the following:

(i) admission to the Official List and the listing and quotation of 46,000,000 Warrants to be issued pursuant to the Proposed Rights Issue of Warrants;

(ii) additional listing of and quotation for 46,000,000 new MBL Shares arising from the exercise of the Warrants; and

(iii) the listing of and quotation for new MBL Shares to be issued pursuant to the exercise of the ESOS Options granted under the Proposed ESOS.

The approval from Bursa Securities is subject to the conditions as set out in **Section 7, Part A** of the Circular dated 7 August 2012.

On 27 July 2012, AFFIN Investment, on behalf of our Board, announced that the Controller of Foreign Exchange of Bank Negara Malaysia had vide its letter dated 27 July 2012, approved the following:

(i) the issuance of the Warrants to the entitled non-resident shareholders of our Company pursuant to the Proposed Rights Issue of Warrants; and

(ii) the issuance of any additional Warrants to the non-resident shareholders or warrantholders of our Company subsequent to the completion of the Proposed Rights Issue of Warrants, in the event that the Warrants are subsequently issued to and/or acquired by the non-resident shareholders or warrantholders of our Company, which may be issued from time to time arising from any adjustments made in accordance with the provisions of the Deed Poll.

On 2 July 2012, our Board announced the Company's intention to seek authority from shareholders of the Company to purchase up to 10% of our issued and paid-up share capital at any point in time, pursuant to Section 67A of the Act, Listing Requirements and any prevailing laws, rules, regulations and guidelines issued by the relevant authorities at the time of purchase.

The all 3 proposals have been duly approved by the shareholders in the EGM held on 27 August 2012 at 12.00 noon at No. JR52, Lot 1818, Jalan Raja, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.

B9. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 June 2012 are as follows:

	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
Hire Purchase	105	124	229

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at the date of this report, the Group did not have any financial instruments with off balance sheet risks.

B11. MATERIAL LITIGATION

There was no material litigation for the current financial period to date.

B12. DIVIDEND DECLARED

There was no dividend declared during the current quarter.

B13. EARNINGS PER SHARE

The basic earnings per share ("EPS") for the current quarter are calculated based on the profit after tax ("PAT") and number of ordinary shares outstanding during the period as follows:

	Current Quarter	Current Year To Date
Profit After Taxation (RM'000)	3,057	9,569
Number of ordinary shares ('000)	92,000	92,000
EPS (Sen)	3.32	10.40

B14. RELATED PARTY TRANSACTIONS

During the quarter under review, the related party transactions are secretarial fee for the subsidiary companies amounting to RM3,000.00 charged by Tan Commercial Management Services Sdn. Bhd. and of which one of the director has interest over the company and able to exercise control. Further, a rental fee of RM1,800.00 was paid to certain directors of which the directors owned the said property and have interest over the property. Both transactions have been entered into in the normal course of business.

B15. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of retained profit of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to the directive given by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), is as follows:

	Group RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	61,010
- Unrealised	(1,275)
Less: Consolidation adjustments	(33,279)
Retained profits as per financial statement	26,456

B16. AUTHORIZATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 27 August 2012.

By Order of the Board

Lee Hong Lim (MIA 12949)
Company Secretary
Muar
27 August 2012

DIRECTORS' REPORT

MUAR BAN LEE GROUP BERHAD (Co.No.753588-P)
Specialists In Oil Seed Crushing Machinery

Business Address:
JR.52, Lot 1818, Jalan Raja, Kaw. Perindustrian Bkt. Pasir,
84300 Muar, Johor, Malaysia.
Tel : +606 985 9998 (H.Line) Email : mbl@mbl.com
Fax: +606 985 8889 Website: www.mbl.com

Registered Address:
87, Muntri Street,10200 Penang.
Tel : 04 2638 100 / 200
Fax : 04 2638 500
Email : tcms@tcms.com.my

Date: 18 October 2012

Registered Office:
No.87, Muntri Street
10200 Pulau Pinang

To: Shareholders of Muar Ban Lee Group Berhad ("MBL" or "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of MBL ("**Board**"), I wish to report that, after making due enquiries in relation to the Company and its subsidiary companies ("**Group**") during the period between 31 December 2011 (being the date on which the last audited consolidated financial statements have been made up), and the date hereof, being a date not earlier than fourteen (14) days before the issue date of the Abridged Prospectus:

(i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Group;

(v) there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Group since the last audited consolidated financial statements of the Group of which the Board is aware of; and

(vi) save as disclosed in the Abridged Prospectus, there have been no material change in the published reserves or any unusual factor affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
MUAR BAN LEE GROUP BERHAD

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI
Executive Director / Finance Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

(i) No securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.

(ii) There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.

(iii) The new MBL Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment, rank equally in all respects with the existing MBL Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which precedes the relevant exercise date of the Warrants.

(iv) As at the date of this Abridged Prospectus, save as disclosed below, no person has been or is entitled to be given an option to subscribe for any securities, shares or debentures in our Company or our subsidiary companies:

(a) On 27 August 2012, our shareholders have approved the ESOS for our eligible directors and employees at the EGM of our Company. As at the LPD, our Company has yet to implement the ESOS.

The salient terms of the ESOS, amongst others, are set out below:

Option period	:	Ten (10) years from the effective date for the implementation of the ESOS.
Subscription price	:	VWAMP of the Shares for the five (5) Market Days immediately preceding the date the ESOS Option is offered, with a discount that does not exceed 10% on the said VWAMP which may be given at the absolute discretion of the ESOS Committee. The option price shall not be lower than the par value of MBL Shares of RM0.50.

(b) The Warrants to be issued pursuant to the Rights Issue of Warrants, which is the subject of this Abridged Prospectus.

(v) There are no securities in our Company have been issued or are proposed to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus.

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2. DIRECTORS' REMUNERATION

The provision in our Articles of Association in relation to the remuneration of our Directors are as follows:

Article 105

The fees of our Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of our Company and shall (unless such resolution otherwise provided) be divisible among our Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS THAT:

(a) fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to Executive Directors may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

3. MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Abridged Prospectus:

(i) On 27 February 2012, MBLE, our wholly owned subsidiary has entered into a conditional sale and purchase agreement with David E.E. @ Teo Eng Echien pursuant to MBLE's disposal of all that piece of industrial land known as Lot 16667, Mukim Jalan Bakri, District of Muar held under Geran 406534, with an area of 4,974 square metres for a total cash consideration of RM910,174. The sale and purchase is currently pending the state authority's consent on the sale and transfer of the property; and

(ii) On 27 February 2012, MBLE has entered into a conditional sale and purchase agreement with Simon Gan Seng Poh pursuant to MBLE's disposal of all that piece of industrial land known as Lot 16668, Mukim Jalan Bakri, District of Muar held under Geran 406535, with an area of 4,646 square metres for a total cash consideration of RM850,155. The sale and purchase is currently pending the state authority's consent on the sale and transfer of the property.

4. MATERIAL LITIGATION

As at the LPD, we are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Board is not aware and does not have any knowledge of any proceeding pending or threatened against us or any facts likely to give rise to any proceedings, which might materially affect our financial position or business.

5. GENERAL

(i) There is no existing or proposed service contract entered into or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

(ii) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, as at the LPD, our financial conditions and operations are not affected by any of the following:

(a) known trends or known demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

(b) material commitments for capital expenditure of our Group;

(c) unusual or infrequent events or transactions or significant economic changes which materially affect the amount of reported income from operations;

(d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and

(e) fluctuations in our Group's revenue.

(iii) Save as disclosed in Section 5 of this Abridged Prospectus in relation to the risk factors, we are not aware of any material information, including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our Group's profits.

6. CONSENTS

(i) The written consents of the Adviser, Company Secretary, Share Registrar, Solicitors for the Rights Issue of Warrants, Principal Bankers, Bloomberg and the Economic Research Department of AFFIN Investment for the inclusion in this Abridged Prospectus of their names in the form and context in which such names appear, have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn; and

(ii) The written consent of the Auditors and Reporting Accountants, Messrs. PKF for the inclusion in this Abridged Prospectus of their name on the proforma consolidated statements of financial position of our Group as at 31 December 2011 and the Reporting Accountants' letter thereon and the audited consolidated financial statements of our Group for the FYE 31 December 2011 together with the Auditors' report thereon, in the form and context in which such name appear have been given before the issuance of this Abridged Prospectus and has not subsequently been withdrawn.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered at No. 87, Muntri Street, 10200 Pulau Pinang, during normal business hours from Monday to Friday (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

(i) Our Memorandum and Articles of Association;

(ii) Our audited consolidated financial statements for the past two (2) FYE 31 December 2010 and 31 December 2011;

(iii) Our latest unaudited consolidated quarterly financial results for the 6-month FPE 30 June 2012;

(iv) The material contracts referred to in **Section 3** of this **Appendix VII**;

(v) The proforma consolidated statements of financial position of our Group as at 31 December 2011 together with the notes and the reporting accountants' letter thereon as set out in **Appendix III** of this Abridged Prospectus;

(vi) The Deed Poll dated 12 October 2012 constituting the Warrants;

(vii) The Directors' Report as set out in **Appendix VI** of this Abridged Prospectus;

(viii) The consent letters referred to in **Section 6 above**; and

(ix) The irrevocable undertaking letters from MBL Realty as referred to in **Section 8** of this Abridged Prospectus.

8. RESPONSIBILITY STATEMENT

The Documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

AFFIN Investment, being the Adviser for the Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue of Warrants.

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