# TEKALA CORPORATION BERHAD
Company No: 357125-D

# ANNUAL REPORT 2013

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# NOTICE OF
# ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the EIGHTEENTH ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 30 September 2013 at 11.00 a.m to transact the following business:

**AGENDA**

1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2013 and the reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect the following Directors retiring in accordance with Article 103 of the Company's Articles of Association:-.

   (a) Fong Kin Wui **Resolution 2**
   (b) Datuk Eric Usip Juin **Resolution 3**

3. To re-elect Directors retiring in accordance with Article 86 of the Company's Articles of Association:-

   (a) Quek Siew Hau **Resolution 4**
   (b) Chan Ka Tsung **Resolution 5**

4. To consider and, if thought fit, to pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

   (a) "That Datuk Seri Panglima Quek Chiow Yong, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **Resolution 6**

5. To approve payment of Directors' fees of RM75,000 for the year ended 31 March 2013. **Resolution 7**

6. To re-appoint Auditors and authorise the Directors to fix their remuneration. **Resolution 8**

7. As Special Business, to consider and if thought fit, to pass the following resolutions:-

   **(i) ORDINARY RESOLUTION** **Resolution 9**

   **Authority to issue shares pursuant to the Company's Employees' Share Option Scheme**

   "THAT pursuant to the Company's Employees' Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 28 September 2011, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."

# NOTICE OF
# ANNUAL GENERAL MEETING (continued)

**AGENDA**

7. As Special Business, to consider and if thought fit, to pass the following resolutions:- (continued)

**(ii) ORDINARY RESOLUTION** **Resolution 10**

**Proposed renewal of the authority for the purchase of own shares**

THAT, subject to compliance with the Companies Act, 1965, the Articles of Association of the Company, regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad ("Bursa Malaysia") or any other regulatory authorities, approval be and is hereby given to the Company to utilize an amount not exceeding the total share premium of the Company to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time on Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being. As at 31 March 2013, the audited share premium account of the Company was RM16,548,724;

AND THAT such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or to distribute them as share dividend and/or subsequently cancel them;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

**(iii) ORDINARY RESOLUTION** **Resolution 11**

**Retention of Independent Director**

THAT Mr Voon Sui Liong @ Paul Voon be and is hereby retained as an Independent Director of the Company in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.

8. To transact any other business of an ordinary meeting of which due notice has been given.

BY ORDER OF THE BOARD

THIEN VUI HENG (MIA 5970)
CHUNG CHEN VUI (MIA 7384)
Company Secretaries

Sandakan, Sabah
6 September 2013

# **NOTICE OF**
# ANNUAL GENERAL MEETING (continued)

*Notes :*

*a) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.*

*b) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.*

*c) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*

*d) The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*

*e) For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 99 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 September 2013. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.*

*f) Explanatory notes on Special Business:-*

*(i) Ordinary Resolution (Resolution 9)*

*The ordinary resolution if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.*

*(ii) Ordinary Resolution (Resolution 10)*

*The ordinary resolution if passed, will empower the Directors of the Company to purchase the Company's shares up to ten (10) per centum of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the total share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the Proposed Share Buy-Back are set out in the Statement dated 6 September 2013 which is despatched together with the Company's 2013 Annual Report.*

*(iii) Ordinary Resolution (Resolution 11)*

*Retention of Independent Director*

*Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") recommends that shareholders' approval must be sought in the event that the Company intends to retain the independent directors who have served in that capacity for more than 9 years. The Proposed Ordinary Resolution No 11, if passed, will enable the Company to retain Voon Sui Liong @ Paul Voon as independent director in accordance with MCCG 2012.*

*The Board is of the view that Voon Sui Liong @ Paul Voon has been providing independent and balanced views in a professional manner as well as serving a check and balance and therefore recommends that he continues to act as an independent director of the Company.*

# CORPORATE AND OTHER INFORMATION

## BOARD OF DIRECTORS

**Datuk Seri Panglima Quek Chiow Yong**
*Non-Independent Non-Executive Chairman*

**Lim Ted Hing**
*Group Managing Director/ Chief Executive Officer*

**Fong Kin Wui**
*Executive Director*

**Quek Siew Hau**
*Executive Director*

**Chan Ka Tsung**
*Executive Director*

**Voon Sui Liong @ Paul Voon**
*Independent Non-Executive Director*

**Datuk Eric Usip Juin**
*Independent Non-Executive Director*

**Tan Kung Ming**
*Independent Non-Executive Director*

### COMPANY SECRETARIES

Thien Vui Heng (MIA 5970)
Chung Chen Vui (MIA 7384)

### REGISTERED OFFICE

Wisma Tekala
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah
Tel : 089-212177
Fax : 089-271628

### REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-22643883
Fax : 03-22821886

### SOLICITORS

Shearn Delamore & Co
Mazlan & Associates
Chin Lau Wong & Foo

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
CIMB Bank (L) Limited
HSBC Bank Malaysia Berhad
RHB Bank Berhad

### STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

# CORPORATE AND OTHER INFORMATION (continued)

## GENERAL INFORMATION

The company is a public limited company, incorporated and domiciled in Malaysia.

All information provided in this Annual Report unless otherwise specified, had been made up to a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting.

## DIRECTORS' REMUNERATION

a) Details of the Directors' remuneration for the financial year ended 31 March 2013 are as follows:-

| | Salaries/ Allowances | Bonus | EPF & Socso Contributions | Directors' Fees | Benefits in kind | Total |
|---|---|---|---|---|---|---|
| Executive Directors | 2,182,500 | 0 | 181,740 | 35,000 | 136,468 | 2,535,708 |
| Non-Executive Directors | 666,000 | 0 | 18,665 | 40,000 | 39,446 | 764,111 |
| Total | 2,848,500 | 0 | 200,405 | 75,000 | 175,914 | 3,299,819 |

b) The directors (including those who retired during the financial year) whose remuneration falls in each successive band of RM50,000 are as follows:

(i) Executive Directors

| Range of Remuneration RM | No of Directors |
|---|---|
| 350,001 - 400,000 | 1 |
| 600,001 - 650,000 | 1 |
| 650,001 - 700,000 | 1 |
| 800,001 - 850,000 | 1 |
| Total | 4 |

(ii) Non-Executive Directors

| Range of Remuneration RM | No of Directors |
|---|---|
| 50,001 - 100,000 | 3 |
| 550,001 - 700,000 | 1 |
| Total | 4 |

## NUMBER OF BOARD MEETINGS

During the financial year ended 31 March 2013, the Company held five (5) Board meetings.

## CORPORATE PROPOSAL

There are no corporate proposals outstanding as at 19 August 2013. The proceeds raised from the disposal of vessel (completed on 15 August 2013) of USD29,275,000 (equivalent to RM94,953,000) are utilized for loan payments RM28,156,000, expenses incidental to disposal RM5,445,000, working capital and investment activities RM61,352,000.

# CORPORATE
# AND OTHER INFORMATION (continued)

## SHARE BUY-BACKS

During the financial year ended 31 March 2013, the Company bought-back a total of 5,000 of its own shares for a total consideration of RM2,000.00 and retained them as treasury shares. Details of the shares purchased are as follows:

| Month | No of ordinary shares of RM1.00 each | Lowest Purchase Price Per Share (RM) | Highest Purchase Price Per Share (RM) | Average Purchase Price Per Share (RM) | Total Consideration (RM) |
|---|---|---|---|---|---|
| April 2012 | - | - | - | - | - |
| May 2012 | 5,000 | 0.400 | 0.400 | 0.400 | 2,000.00 |
| June 2012 | - | - | - | - | - |
| July 2012 | - | - | - | - | - |
| August 2012 | - | - | - | - | - |
| September 2012 | - | - | - | - | - |
| October 2012 | - | - | - | - | - |
| November 2012 | - | - | - | - | - |
| December 2012 | - | - | - | - | - |
| January 2013 | - | - | - | - | - |
| February 2013 | - | - | - | - | - |
| March 2013 | - | - | - | - | - |

There were no resale of treasury shares or shares cancelled during the financial year under review.

## OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities exercised in respect of the financial year under review.

During the financial year under review, no options were offered to and/or granted pursuant to the new Employees' Share Option Scheme of the Company which was implemented on 14 February 2012.

## DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme.

## SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

## NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the external auditors and its affiliated company was RM18,450.00.

# CORPORATE
# AND OTHER INFORMATION (continued)

## VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not issue any profit estimate, forecast or projections for the financial year.

## PROFIT GUARANTEE

There was no profit guarantee to be received by the Company for the financial year ended 31 March 2013.

## MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in note 31 to the financial statements.

## INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to independent auditors, KPMG and the costs incurred for the internal audit function in respect of the financial year under review amounted to RM12,159.00.

The activities of the internal audit function are as disclosed in the audit committee report.

# CORPORATE SOCIAL RESPONSIBILITY

**The Group acknowledges that Corporate Social Responsibility ("CSR") goes beyond sponsorship and philanthropic activities. It endeavours to entrench CSR in its business operations based on ethical values and respect for the environment, community, marketplace and employees' welfare.**

## Environmental Responsibility

The Group sources its logs from sustainable sources, in line with the Government's efforts to manage its forest resources so as to ensure sustainability. Investments in technologies that are environmentally friendly, such as its steam turbine power plant utilising wood waste and sawdust has allowed the Group to generate energy for its plywood mill.

## Community Services

The Group supports benevolent and charitable causes on an ad hoc basis through monetary assistance and sponsorship to promote community activities.

## Marketplace

The Group believes that with sound business practices and effective management, shareholders' value will be enhanced. It takes pride in the production of plywood that meets the Japan Agriculture Standard's strict certification criteria. The Standard ensures plywood produced is of quality, low odour emission and environmentally safe for the end users in Japan.

The Group has invested into the oil and gas service sector to diversify its earnings.

## Employees' Welfare

The Group believes that employees are one of its most important assets. In line with this belief, the Group is constantly creating and maintaining a working environment where employees who perform well are recognised, rewarded and promoted accordingly.

In addition to the above, at the plywood mill, the Group is committed to maintaining a high safety and health standard by cultivating safe working practices through in-house as well as external trainings.

The Group believes that proper human capital development will produce effective performance and high commitment in all level of employees.

# CORPORATE GOVERNANCE

The Board of Directors ("Board") supports the Malaysian Code on Corporate Governance 2012 ("Code") and is committed to observing good corporate governance throughout the Group in enhancing shareholders' value and the financial performance of the Group.

The Board acknowledges its responsibility for compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") and all other statutory requirements.

Below is a description of how the Group has observed the principles and recommendations of the Code for the year ended 31 March 2013 including recommendations to be further observed to enhance the Corporate Governance by the Group on a voluntary basis.

## 1. Establish Clear Roles And Responsibilities

The Company has adopted the policy statement on Board Charter in 2003 and the Board Charter will be updated as necessary. The Board plays a primary role in the conduct and control of the Group's business affairs. The Board currently consists of 8 members namely a Non-independent Non-executive Chairman, a Chief Executive Officer, 3 Executive Directors and 3 Independent Non-executive Directors. The Directors have diverse skills and a wide range of relevant business, commercial and financial experience.

The Board meets on a quarterly basis to deliberate and consider among others, the Group's quarterly reports and convene additional meetings as necessary. The Directors exercise independent judgement when deliberating matters concerning the Group including strategy, operations, performance, financial and resources.

Prior to each Board Meeting, the Board members are provided with the Agenda of the Board Meeting and the relevant documents and information. This is to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and to enable them to arrive at an informed decision.

There is a schedule of matters reserved specifically for the Board's consideration and decision, including the approval of corporate plans, acquisition and disposal of major assets, major investments, changes to the management and control structure of the Group and issues in respect of key policies, procedures and authority limits.

The Chairman of the Board provides overall leadership to the Board in decision making without limiting the principle of collective responsibility for the Board decisions.

The Board is of the opinion that the current Board balance of eight (8) directors (comprising four (4) Non-executive Directors and four (4) Executive Directors) is appropriate for the Group. The Board and the Nominating Committee will continue to regularly review the size and composition of the Board in order for the Board to function effectively. The Board is satisfied that the present three (3) independent directors fulfils the Listing Requirements and is sufficient to fairly reflect the investment of the minority shareholders. The Board has identified Mr Voon Sui Liong @ Paul Voon as the senior independent non-executive director of the Company to whom the concerns of shareholders/investors may be conveyed.

In carrying out their duties, the Directors have complete access to all staff for information both financial and non-financial pertaining to the Group's affairs. The Directors also have full access to the advice and services of the Company Secretaries. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

# CORPORATE GOVERNANCE (continued)

## 1. Establish Clear Roles And Responsibilities (continued)

The Directors are responsible for the Group's operations and the role of the independent non-executive Directors is important to the Group in ensuring that strategies proposed by the executive Directors are deliberated, and take into account the interests of the shareholders, employees, customers, suppliers, and other stakeholders before they are implemented.

Where a potential conflict of interest may arise, it is mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

The Board delegates certain responsibilities to the Board Committees in order to enhance business and operational efficiency as well as efficacy. All Committees have their written terms of reference. All minutes of their proceedings and deliberations at the Committee meetings are tabled at the subsequent Board meetings and are duly noted and acted on where deemed appropriate by the Board.

To date, the Board has set up five committees namely Audit Committee, Remuneration Committee, Nominating Committee, ESOS Option Committee and Executive Committee.

The ESOS Option Committee consists of four (4) members as follows:-

- Voon Sui Liong @ Paul Voon (Chairman)
- Lim Ted Hing
- Quek Siew Hau
- Seah Sen Onn @ David Seah

The Company's Employees Share Option Scheme ("ESOS") approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011 was implemented on 14 February 2012 for a period of 5 years, expiring on 13 February 2017.

The Executive Committee of Directors (Exco) consists of six (6) members as follows:

Directors of the Company
- Fong Kin Wui (Chairman)
- Lim Ted Hing
- Quek Siew Hau
- Chan Ka Tsung

Director of Subsidiaries
- Fong Tham Yu
- Seah Sen Onn @ David Seah

The Exco undertakes tasks assigned to it by the Board of Directors.

The Exco is vested with powers and authorities in respect of the management, control, and direction of the Group as approved by the Board save for the schedule of matters reserved specifically for the Board's consideration and decision.

# CORPORATE GOVERNANCE (continued)

**2. Strengthen Composition**

The Board has established a Nominating Committee comprising non-executive directors, majority of whom are independent. The Committee is responsible for proposing new nominees to the board and for assessing the effectiveness of the Board and the contributions of each director towards the effectiveness of the decision-making process of the Board.

The Nominating Committee members of the Company are as follows:-

- Datuk Seri Panglima Quek Chiow Yong (Chairman)
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

The appointment of additional Director is made as and when it is deemed necessary with due consideration given to the mix, expertise and experience required for an effective Board. Any proposal to appoint new directors will be discussed among the Board members and appointment to the Board will be clearly documented in the Board resolutions.

Subsequent to year end in May 2013, the Committee met and after reviewing the size, composition and effectiveness of the Board of the Company and its subsidiaries and the Board committees as well as expertise and experience of the Board members of the Company and its subsidiaries including Directors' duties and responsibilities recommended to the Board to appoint Mr Quek Siew Hau and Mr Chan Ka Tsung, who are directors of the subsidiaries to join the Group's Board.

As an integral process of appointing new directors, new Board members are provided orientation and education to familiarise them with nature of the Group's businesses, current issues and the responsibilities of directors.

The Board has set up a Remuneration Committee consisting of non-executive directors. The Committee is responsible for drawing up the policy framework on all elements of remuneration such as reward structure, fringe benefits and other terms of employment of Directors.

The Remuneration Committee members of the Company are as follows:-

- Datuk Seri Panglima Quek Chiow Yong (Chairman)
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

Directors' remuneration packages are approved by the Board as a whole. The Directors whose remuneration packages are being deliberated have the right to be heard during the deliberation but are not allowed to participate in decisions on their own remuneration packages. The Group reimburses expenses incurred by the Directors in the course of their duties as directors.

The level of remuneration for a Director is determined with a view to ensure experienced and capable Directors are attracted and retained to run the Group. There are no attendance fee for both executive and non-executive directors as attendance are expected of the directors in the discharge of their duties as Directors. For Executive Directors, they are appropriately rewarded. For non-executive Directors, the level of remuneration will commensurate with the responsibilities undertaken by them.

# CORPORATE GOVERNANCE (continued)

2. **Strengthen Composition (continued)**

   The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the band disclosure made.

3. **Reinforce Independence**

   Generally based on observations throughout the year, the Board is satisfied with the level of objectivity and independence shown by the three Independent Directors in board deliberations and their ability to act in the best interests of the Company.

   The Board views that Mr Voon Sui Liong @ Paul Voon who has served more than nine years as an Independent Director can continue to contribute to the Board as an independent director and hence will be seeking shareholders' approval at the forthcoming annual general meeting to retain him in this position.

   The Chairman of the Company is Datuk Seri Panglima Quek Chiow Yong, a non-independent non-executive director who is a founder of the Group while the Chief Executive Officer of the Company is Mr Lim Ted Hing.

   Being a founder of the Company, the Board believes the Chairman can provide the necessary leadership to the Group.

4. **Foster Commitment**

   The Board is generally satisfied with the level of time commitment accorded by the Directors in fulfilling their respective roles and responsibilities as Directors of the Company.

   The Directors are required to update and review their other directorships and shareholdings in the Company every half-yearly. This information is used to monitor their directorships to ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively.

   The Board evaluates and determines the training needs of the Directors to aid them in the discharge of their duties as Directors. The training is designed to cover, among others, updates/amendments on the Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities including relevant business opportunities.

   The Board in determining the training needs has adopted a policy that each director should attend such training which will aid them in the discharge of their duties and to accumulate no lesser than 48 points in a financial year ("the Minimum CEP points"). Each hour of training session attended shall be awarded 2 CEP points. Each director is allowed to have any excess CEP point carried forward to the next financial year provided that the number of points carried forward shall not exceed 24 CEP points. Should any Director not meet the minimum CEP points in a financial year, the Board may grant such extension of time as required for him to meet it.

# CORPORATE GOVERNANCE (continued)

## 4. Foster Commitment (continued)

The details of the training programmes attended by the Directors during the financial year ended 31 March 2013 are as follows:-

**DATUK SERI PANGLIMA QUEK CHIOW YONG**

| | |
|---|---|
| • 2012 Sabah Oil and Gas Conference & Exhibition | 9-10 April 2012 |

**LIM TED HING**

| | |
|---|---|
| • 2012 Sabah Oil and Gas Conference & Exhibition | 9-10 April 2012 |

**FONG KIN WUI**

| | |
|---|---|
| • Complex Marketing & Leasing - Part I | 24-25 September 2012 |
| • Introductory Course to Construction Law | 1 March 2013 |

**VOON SUI LIONG @ PAUL VOON**

| | |
|---|---|
| • 2012 Sabah Oil and Gas Conference & Exhibition | 9-10 April 2012 |

**DATUK ERIC USIP JUIN**

| | |
|---|---|
| • 2012 Sabah Oil and Gas Conference & Exhibition | 9-10 April 2012 |

**TAN KUNG MING**

| | |
|---|---|
| • 2012 Sabah Oil and Gas Conference & Exhibition | 9-10 April 2012 |
| • Seminar Percukaian Kebangsaan 2012 (National Seminar on Taxation 2012) | 11 October 2012 |
| • 2012 Convergence – MFRS Changes, Updates & New Developments Beyond 2012 | 5-6 November 2012 |
| • Malaysian Private Entity Reporting Standards (PERS) – Practical Approach | 6-7 March 2013 |
| • Audit Committee Conference 2013 – Powering for Effectiveness | 12 March 2013 |

During the financial year under review, Mr Tan Kung Ming has fulfilled his required CEP points sets by the Company while the other five directors, namely Datuk Seri Panglima Quek Chiow Yong, Mr Lim Ted Hing, Mr Fong Kin Wui, Mr Voon Sui Liong @ Paul Voon and Datuk Eric Usip Juin have been granted extension of time to fulfil their shortfall in CEP points in the coming financial year.

The 2 new directors appointed on 1 August 2013 namely Mr Quek Siew Hau and Mr Chan Ka Tsung will have to fulfil their respective proportionate CEP points for the coming financial year and will have to attend by 1 December 2013 the Mandatory Accreditation Programme.

## 5. Uphold Integrity In Financing Reporting

In presenting the annual financial statements and quarterly announcements, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in reviewing information to ensure its accuracy and adequacy and ensure that financial statements comply with all applicable financial reporting standards.

The Group's external auditors, whose suitability and independence are assessed annually by the Audit Committee, report independently to the shareholders of the company in accordance with the statutory requirements. The Group and the Directors provide full assistance to the external auditors so as to enable them to discharge their duties.

The external auditors meet with the internal auditors as and when deemed necessary, without the presence of the management.

# CORPORATE GOVERNANCE (continued)

### 6. Recognise And Manage Risks

The Directors acknowledge their responsibilities and have established the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The system has been designed to meet the Group's needs and to manage the risks to which it is exposed.

In order to achieve the economic expectations of our shareholders, the Group would pursue business opportunities/activities involving certain degree of risk. Due consideration would be given to the balance of risks and rewards, as far as practicable, to optimize the returns from the Group's business activities.

The Directors have since June 2002 set up an internal audit function which reports directly to the Audit Committee.

### 7. Ensure Timely And High Quality Disclosure

The Group recognises the importance for timely and high quality dissemination of information to its shareholders, stakeholders and investors on the Group's performance and other developments via appropriate channels of communication including information posted on its website, www.tekala.com.my. The interim results announcements, other relevant announcements, the annual reports and the circulars to shareholders are the primary modes of communication to report the Group's business, results and other major developments to its shareholders, stakeholders and investors.

However, price-sensitive and any information that may be regarded as undisclosed material information about the Group is not disclosed until after the prescribed announcement to Bursa Malaysia Securities Berhad has been made.

### 8. Strengthen Relationship Between Company and Shareholders

The Annual General Meeting serves as a principal forum for dialogue with shareholders.

At the Annual General Meeting, shareholders are accorded the opportunity to raise questions on the agenda items of the general meeting. Directors and Senior Management Officers would provide answers and appropriate clarifications to issues raised.

Adequate notice of the meeting will be served and accompanied by an explanatory statement for the proposed resolution to facilitate understanding and evaluation of issues involved for each item of special business.

The Group values dialogue with its shareholders and investors as a means of effective communication that enables the Board and management to convey information about Group's performance, corporate strategy and other matters affecting shareholders' interests.

# **DIRECTORS'** PROFILE

Datuk Seri Panglima Quek Chiow Yong

A Malaysian aged 82, is the Non-Independent Non-Executive Chairman of the Company and was appointed to the Board on 22 June 1996. He is one of the founder members of the Group. He is the Chairman of Syarikat Kretam (Far East) Holdings Sdn Bhd group of companies and also the Chairman of the Board of several private companies. He was the Chairman of the Timber Association of Sabah from 1985 to 1988. With his experience in the timber industry, he contributes to the direction and pace of the Group. He is the Chairman of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended three out of the five Board Meetings held during the financial year ended 31 March 2013. He is the father of Quek Siew Hau. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Lim Ted Hing

Aged 58, a Malaysian and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is the Group Managing Director/Chief Executive Officer of the Company and was appointed to the Board on 22 June 1996. He joined Ernst & Young, a public accounting firm in 1985 and was the Senior Manager in charge of its Sandakan Office before leaving to join the Group as Group Financial Controller in July 1994. He was later appointed as Executive Director/Chief Operating Officer in June 1996 and the present position in January 2013. He is a member of the ESOS Option Committee and Executive Committee of the Board. He is currently a Director of NPC Resources Berhad and several other private companies. As at 2 August 2013, his direct shareholding in the Company was 1,711,100 ordinary shares of RM1 each. He had attended all five Board Meetings held during the financial year ended 31 March 2013. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Fong Kin Wui

Aged 53, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymonth Polytechnic, United Kingdom which he obtained in 1983. He is an Executive Director of the Company and was appointed to the Board on 22 June 1996. He has extensive experience and knowledge in the construction industry and plantation business. He is the Chairman of the Executive Committee of the Board. He currently sits on the Board of several other private companies. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2013. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

# **DIRECTORS'**
# PROFILE (continued)

Quek Siew Hau

Aged 58, a Malaysian with Higher National Diploma in Electrical and Electronic Engineering from Portsmouth Polytechnic, United Kingdom which he obtained in 1978 and also holds a Post Graduate Diploma in Management Studies from Brighton Polytechnic, United Kingdom, obtained in 1979. He was appointed to the Board on 1 August 2013. He has been an Executive Director of the Company's subsidiaries since 1990. He has extensive experience and knowledge in the housing development and timber-related industries. His other businesses include plantation, food & beverage, retailing, beauty & health care, import and export business. He is also actively involved in a number of schools and voluntary organizations either as Chairman or committee member. He is a member of the ESOS Option Committee and Executive Committee of the Board. He also sits on the Board of several other private companies. He has no directorships in other public companies. He has attended the one Board Meeting held after his appointment to the Board. He is the son of Datuk Seri Panglima Quek Chiow Yong. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Chan Ka Tsung

Aged 30, a Malaysian with Bachelor of Science (Hons) in Psychology from the University of Nottingham, United Kingdom which he obtained in 2004. He was appointed to the Board on 1 August 2013. He has been an Executive Director of certain of the Company's subsidiaries since 1 September 2012. He possesses experience in plantation, hotel and housing business. He is a member of the Executive Committee of the Board. He currently sits on the Board of several other private companies. He has no directorships in other public companies. He is the son of Chan Saik Chuen, a substantial shareholder of the Company. He has attended the one Board Meeting held after his appointment to the Board. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Voon Sui Liong @ Paul Voon

Aged 62, Malaysian businessman domiciled in Sabah. A graduate from the University of Ottawa, Canada in Bachelor of Commerce (Hons). He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He was the majority shareholder and the Managing Director of Nountun Press (S) Sdn Bhd, and the publisher of the "Borneo Mail", a daily newspaper for 10 years (1988-1998). He was also the Managing Director of Borneo Golf Resort Berhad from 1993 to 1996. He was appointed as a Board Member of Sabah Tourism Board from 1998 to 2009. He is the Chairman of the Audit Committee and ESOS Option Committee and a member of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2013. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

# DIRECTORS' PROFILE (continued)

Datuk Eric Usip Juin

Aged 60, a Malaysian with a Master of Science (Forestry) majoring in Watershed Management from Stephen F. Austin State University, Nacogdoches, East Texas, USA which he obtained in 1991 and a Bachelor of Science (Forestry) from Universiti Putra Malaysia obtained in 1979. He is an Independent Non-Executive Director and was appointed to the Board on 1 November 2008. He was the Director of Environment Protection Department in the Ministry of Tourism, Culture and Environment, Sabah from August 1998 prior to his retirement on 9 October 2008 where he was responsible for the management of the Environment Protection Department and enforcement of the State Environment Protection Enactment 2002. He was also the Secretary of the Environmental Protection Council Sabah, a member of the Environmental Quality Council Malaysia and the Environmental Action Committee Management Group (EAC) from August 1998 to October 2008 and Deputy President of the Sabah Wetlands Conservation Society, Sabah from March 2006 to March 2007. Prior to that, he was with the Forestry Department for about 28 years from March 1970 to July 1998 in various departments, capacities and job responsibilities, the last of which from April 1994 to July 1998 where he was the Head of Planning Division, responsible for planning and monitoring of forest development projects including dealing with national and international forestry issues. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorship in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2013. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

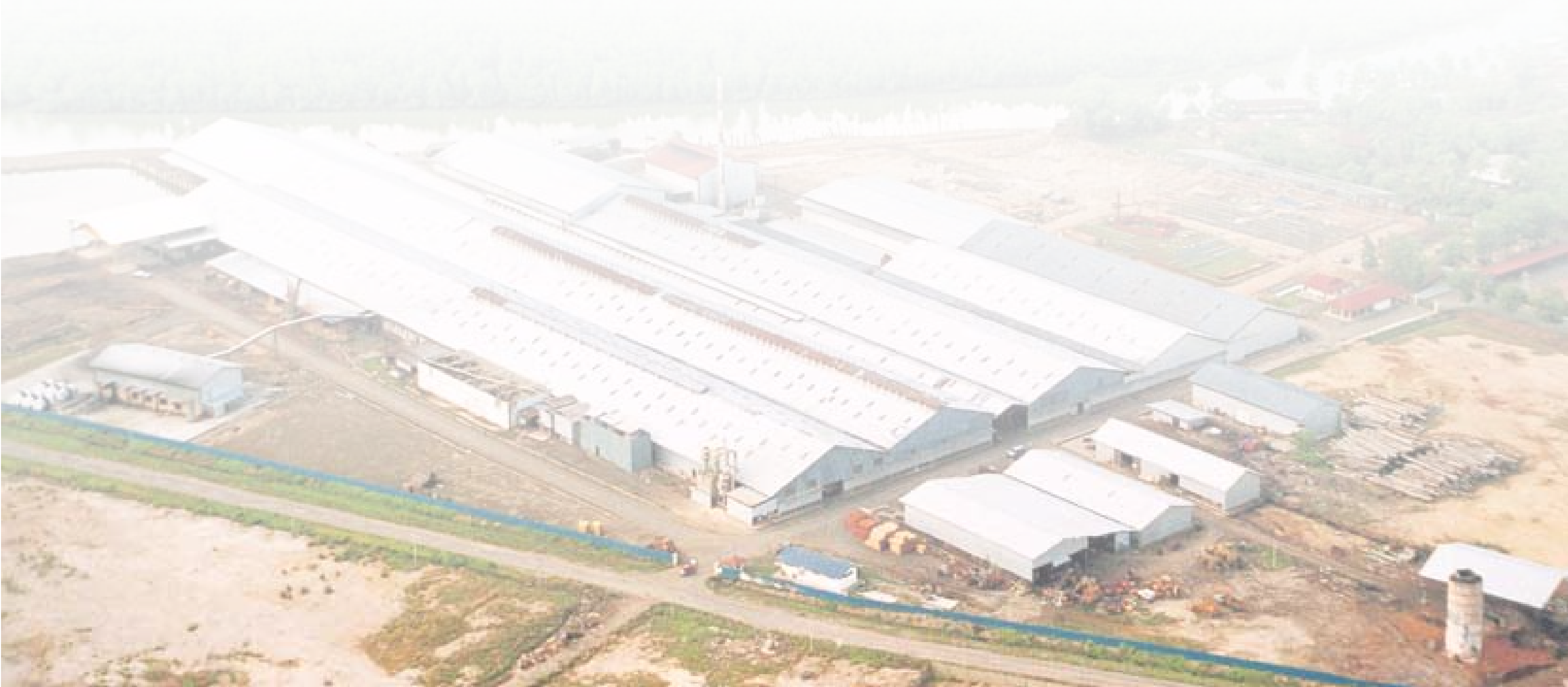
Tan Kung Ming

Aged 42, a Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 1 November 2008. He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He is currently a director of Kretam Holdings Berhad. He had attended all five Board Meetings held during the financial year ended 31 March 2013. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

# **CORPORATE** STRUCTURE

**TEKALA CORPORATION BERHAD**
(Company No: 357125-D)

- 100% Kalabakan Plywood Sdn Bhd
  - 100% Kalabakan Wood Products Sdn Bhd
  - 100% Korsa Plywood Sdn Bhd
- 100% Gerak Armada Sdn Bhd
  - 100% Offshore Constructor (Labuan) Ltd
  - 25% Offshoreworks Holdings Sdn Bhd
- 100% Syarikat Tekala Sdn Bhd
- 100% Marimba Sdn Bhd
  - 100% Hartawan Ekuiti Sdn Bhd



# CHAIRMAN'S STATEMENT

*Dear Shareholders,*

*On Behalf Of The Board Of Directors Of Tekala Corporation Berhad, I Would Like To Present The Annual Report And The Audited Financial Statements Of Tekala Corporation Berhad Group Of Companies For The Financial Year Ended 31 March 2013.*

# CHAIRMAN'S STATEMENT (continued)

## FINANCIAL RESULTS

The financial year under review was another challenging year for the Group as its turnover deceased to RM96.10 million for the financial year under review as compared to RM105.95 million achieved in the previous year. Although the revenue from timber processing improved slightly to RM84.01 million from the financial year 2012 revenue of RM83.77 million, the decrease stemmed mainly from the lower revenue of the vessel chartering division as it achieved revenue of RM12.09 million, compared to the previous year revenue of RM22.18 million as the Group's vessel was only chartered out for about five months for the financial year under review.

On a more positive note, the Group saw its pre-tax loss of RM58.55 million in the financial year ended 31 March 2012 reduce significantly in 2013 with the Group incurring a pre-tax loss of RM13.42 million in the year under review. The lower loss for the year was mainly due to the previous year's impairment losses of vessel and receivables totaling RM67.44 million for the oil and gas division.

## SUBSEQUENT EVENT

Subsequent to the financial year ended 31 March 2013, the Company's wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd entered into a conditional Memorandum of Agreement ("MOA") with National Marine Dredging Company, a public company incorporated in the Emirates of Abu Dhabi and listed on the Abu Dhabi Securities Exchange, to dispose of its vessel, "Offshore Safeena" for a total cash consideration of USD29,275,000.

At the Extraordinary General Meeting of the Company held on 16 July 2013, the shareholders granted their approval on the disposal of the vessel and the disposal was completed on 15 August 2013 pursuant to the terms stipulated in the MOA.

## PROSPECTS

The global economic conditions and consumers' sentiments generally continues to dictate the demand for the Group's timber products.

The Group would continue to focus on its operational efficiency, promotion and marketing of high quality eco-floorbase FSC and PEFC certified plywood for its main Japanese market.

The Group's liquidity position has improved significantly with the disposal of the vessel and has now enabled the Group to actively pursue new investment opportunities to enhance and diversify its earnings.

Barring any unforeseen circumstances and with the anticipated positive outcome of the Group's new business opportunities following the completion of the disposal of the Group's vessel, the Directors are of the view that the Group's performance for the coming financial year would further stabilize and improve.

## DIVIDENDS

In view of the losses sustained by the Group, the Board of Directors has not recommended any dividend to be paid in respect of the financial year ended 31 March 2013 at the forthcoming Annual General Meeting of the Company.

# CHAIRMAN'S STATEMENT (continued)

## DIRECTORATE

The Board on 1 August 2013 welcomed Mr Quek Siew Hau and Mr Chan Ka Tsung to the Board. They come with vast skills and experience and the Board believes that their contribution will enhance the Board's effectiveness.

The Company would also like to record its appreciation to Mr Chan Saik Chuen who retired as Director of the Company and the Group on 28 February 2013.

## APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt gratitude and thanks to our customers, suppliers, business associates, relevant government authorities, shareholders and especially our bankers for their continued support and co-operation.

I would also like to convey my appreciation to the Management and staff of the Group for their untiring efforts and contributions.

**DATUK SERI PANGLIMA QUEK CHIOW YONG**
**CHAIRMAN**

Sandakan
19 August 2013

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended and lay them before the General Meeting together with a copy of the auditors' report thereon. The financial statements should be made up to a date not more than six months before the date of the meeting.

In preparing the financial statements, the Directors have:

* adopted suitable accounting policies and apply them consistently unless a change is required by statute or by an approved accounting standard or if the change will result in a more appropriate presentation of events or transactions in the financial statements;

* exercised judgement and made estimates that are prudent and reasonable;

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

* prepared the financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Company will continue in business in the foreseeable future.

The Directors are also responsible for ensuring that proper accounting and other records are kept as will sufficiently explain the transactions and financial position of the Group and of the Company and enable true and fair financial statements be prepared which comply with approved accounting standards and the Companies Act, 1965.

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

# STATEMENT ON
# RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they are responsible for the Group's system of internal control and risk management and ensuring its adequacy and integrity. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance against material misstatements or losses.

A sound system of internal control provides reasonable, but not absolute assurance that a Group will not be hindered in achieving its business objectives or the orderly conduct of its business. A system of internal control cannot, however, provide protection with certainty against a Group failing to meet its business objectives or all material errors, losses, fraud, or breaches of laws or regulations as a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making; human errors; control processes being circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances.

The Group operates within a control environment and risk management framework developed and refined over the years. The Management is responsible for the identification and evaluation of significant risks and to formulate the design and operation of appropriate controls and procedures for its businesses. Risk assessment for the Group is carried out on a regular basis. Comprehensive reports on the Group's financial information and performance are also presented to the Directors on a regular basis.

The Audit Committee, comprising three independent non-executive Directors, operates under written terms of reference. Its functions include discussing and reviewing with the external auditors their audit findings, their evaluation of the Group's system of internal control and risk management, the adequacy of the scope and functions of the internal audit functions and the detailed review of the quarterly reports prior to its recommendation to the Directors for consideration and approval.

For the financial year under review, the Audit Committee reviewed, amongst others, the external and internal audit work carried out to assess the effectiveness, adequacy and integrity of the Group's system of internal control and risk management to ensure compliance with the systems and standard operating procedures of the Group, the process of identifying and evaluating significant risks affecting the Group's business and the policies and procedures by which risks are managed. The results of their review were satisfactory.

The Directors have evaluated and reviewed the Group's major business risks and its control environment including risk management. Controls and procedures in operation are appropriate and adequate. Accordingly, the Directors are satisfied that the Group has a sound system of internal control and risk management for the financial year under review.

# AUDIT
# COMMITTEE REPORT

**The Directors are pleased to present the Audit Committee Report of the Company in respect of the financial year ended 31 March 2013 ("year under review").**

## (A) COMPOSITION

The members of the Audit Committee are as follows:

| CHAIRMAN | | No of meetings attended during the year under review |
|---|---|---|
| Voon Sui Liong @ Paul Voon | Independent Non-Executive Director | 5 of 5 |
| **COMMITTEE MEMBERS** | | |
| Datuk Eric Usip Juin | Independent Non-Executive Director | 5 of 5 |
| Tan Kung Ming (MIA 21364) | Independent Non-Executive Director | 5 of 5 |

## (B) MEETINGS

The audit committee held five meetings in respect of the financial year under review.

## (C) ACTIVITIES

The activities of the Audit Committee in the discharge of its functions and duties in respect of the financial year under review included the review of the work carried out by the internal auditors, review of the quarterly reports prior to submission to the Board for consideration and approval, review with the external auditors their accounting and audit issues arising from their audit, review of the draft audited accounts and related party transactions before consideration and approval by the Board. The Audit Committee also discussed and recommended the re-appointment of Auditors and their fees.

The Audit Committee also verified that no options were granted during the financial year under review.

In addition, based on its annual assessment of the work performed by Ernst & Young during the financial year under review, the Audit Committee was satisfied as to the suitability and independence of Ernst & Young to be re-appointed by the shareholders as the external auditors of the Company for the following financial year.

## (D) INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company, established in June 2002, is independent of the activities it audits and reports directly to the Audit Committee. Its responsibilities are, amongst others, to assist the Audit Committee in providing independent assessments of the adequacy, efficiency and effectiveness of the internal control systems to ensure compliance with the systems and standard operating procedures in the Group and to carry other tasks as specified by the Audit Committee.

The main activities undertaken by the internal auditors during the year under review are:-

- Audit of functional areas of the Group's plymill operations such as Sales, Billing and Collection, Human Resource, Production Function and Safety, Health and Environment; and
- Review expenses of the associate group of companies.

# AUDIT
# COMMITTEE REPORT (continued)

## (E) KEY FUNCTIONS OF THE AUDIT COMMITTEE

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

(1) review the following and report the same to the Board:-
- (a) with the external auditors, the audit plan;
- (b) with the external auditors, his evaluation of the system of internal controls;
- (c) with the external auditors, his audit report;
- (d) the assistance given by the employees of the Company to the external auditors;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
  - (i) charges in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) any letter of resignation from the external auditors of the Company; and
- (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

(2) recommend the nomination of a person or persons as external auditors.

# SHAREHOLDING STATISTICS

AS AT 2 AUGUST 2013

| | | |
|---|---|---|
| Authorised Share Capital | : | 500,000,000 |
| Paid-Up & Issued Share Capital | : | 152,983,300 |
| Treasury Shares | : | 13,008,000 |
| Adjusted capital (after netting Treasury Shares) | : | 139,975,300 |
| Type of Share | : | Ordinary share of RM1.00 each |
| No of Shareholders | : | 9,120 |
| Voting Rights | : | 1 vote per shareholder on a show of hands<br>1 vote per ordinary share on a poll |

## ANALYSIS OF SHAREHOLDINGS

| Size of Holdings | No of Holders | Total Holdings# | Percentage# |
|---|---|---|---|
| 1 to 99 | 11 | 192 | 0.00 |
| 100 to 1,000 | 4,006 | 3,974,864 | 2.84 |
| 1,001 to 10,000 | 4,206 | 16,881,644 | 12.06 |
| 10,001 to 100,000 | 795 | 22,426,373 | 16.02 |
| 100,001 to 6,998,764* | 100 | 78,691,806 | 56.22 |
| 6,998,765 and above** | 2 | 18,000,421 | 12.86 |
| **TOTAL** | **9,120** | **139,975,300** | **100.00** |

*Notes:-*

* *Less than 5% of Issued Holdings*

** *5% and above of Issued Holdings*

# *Excluding a total of 13,008,000 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 2 August 2013*

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS [based on notifications in writing received by the Company on or before 2 August 2013]

| | | Ordinary Shares of RM1 each | | | |
|---|---|---|---|---|---|
| No | Name of Substantial Shareholder | Direct Interest | % | Indirect Interest | % |
| 1 | Chan Saik Chuen | - | - | 9,506,997[1] | 6.79 |
| 2 | Chan Ka Tsung | - | - | 9,506,997[1] | 6.79 |
| 3 | Chan Saik Chuen Sdn Bhd | 9,506,997 | 6.79 | - | - |
| 4 | Datuk Seri Panglima Quek Chiow Yong | - | - | 8,493,424[2] | 6.07 |
| 5 | Quek Siew Hau | 309,489 | 0.22 | 8,493,424[2] | 6.07 |
| 6 | Quek Chiow Yong Holdings Sdn Bhd | 8,493,424 | 6.07 | - | - |

*Notes:-*

1 *Deemed interested through Chan Saik Chuen Sdn Bhd.*

2 *Deemed interested through Quek Chiow Yong Holdings Sdn Bhd.*

# SHAREHOLDING STATISTICS

AS AT 2 AUGUST 2013 (continued)

## DIRECTORS' INTERESTS

According to Register maintained under Section 134 of the Companies Act, 1965, the directors' interests in shares of the Company or in a related corporation are as follows:-

| | Ordinary Shares of RM1 each in the Company | | | |
|---|---|---|---|---|
| Name of Directors | Direct Interest | % | Indirect Interest | % |
| Datuk Seri Panglima Quek Chiow Yong | - | - | 8,493,424[1] | 6.07 |
| | | | 419,489[2] | 0.30 |
| Lim Ted Hing | 1,711,100[3] | 1.22 | - | - |
| Fong Kin Wui | 1,695,794[4] | 1.21 | 969,574[5] | 0.69 |
| Quek Siew Hau | 309,489 | 0.22 | 8,493,424[1] | 6.07 |
| Chan Ka Tsung | - | - | 9,506,997[6] | 6.79 |

The Directors by virtue of their interest in shares in the Company are also deemed to have interest in shares in all of its related corporations to the extent the Company has an interest.

*Notes:-*

1 *Deemed interested through Quek Chiow Yong Holdings Sdn Bhd.*
2 *Deemed interested for shares held by children.*
3 *Held directly and also via CIMSEC Nominees (Tempatan) Sdn Bhd-CIMB Bank.*
4 *Held directly and also via Maybank Nominees (Tempatan) Sdn Bhd–Amanahraya Investment Management Sdn Bhd*
5 *Deemed interested through Fong Tham Hing Enterprise Sdn Bhd.*
6 *Deemed interested through Chan Saik Chuen Sdn Bhd.*

## THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

| No. | Name | No. Of Shares Held # | % # |
|---|---|---|---|
| 1. | CHAN SAIK CHUEN SDN BHD | 9,506,997 | 6.79 |
| 2. | QUEK CHIOW YONG HOLDINGS SDN BHD | 8,493,424 | 6.07 |
| 3. | SEAH TEE LEAN | 6,474,621 | 4.63 |
| 4. | HSBC NOMINEES (ASING) SDN BHD<br>*Exempt An For BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)* | 5,067,900 | 3.62 |
| 5. | TAN TONG CHEW | 5,058,829 | 3.61 |
| 6. | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>*Exempt An for EFG Bank Ag (A/C Client)* | 4,869,929 | 3.48 |
| 7. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>*Pledged Securities Account for Pang Kim Fan (120012)* | 4,337,700 | 3.10 |
| 8. | Q C M SDN BHD | 4,135,475 | 2.95 |
| 9. | KWAN PUN CHO | 3,453,384 | 2.47 |

# **SHAREHOLDING** STATISTICS

AS AT 2 AUGUST 2013 (continued)

**THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (continued)**

| No. | Name | No. Of Shares Held # | % # |
|---|---|---|---|
| 10. | LIE TJIE MOH @ LEE CHEE HIONG | 3,435,863 | 2.45 |
| 11. | KWAN CHEE HANG SDN BHD | 2,481,729 | 1.77 |
| 12. | T Y FONG SDN BHD | 2,478,373 | 1.77 |
| 13 | YEOH KEAN HUA | 2,282,100 | 1.63 |
| 14. | SEAH TEE SUI SDN BHD | 1,923,057 | 1.37 |
| 15. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>*Pledged securities account for Kwan Hung Cheong (8093908)* | 1,858,000 | 1.33 |
| 16. | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>*C C Ho Sdn Bhd (T- 071001)* | 1,854,284 | 1.32 |
| 17. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*Amanahraya Investment Management Sdn Bhd For Fong Kin Wui (C346-240450)* | 1,395,794 | 1.00 |
| 18. | SEAH SEN ONN @ DAVID SEAH | 1,200,000 | 0.86 |
| 19. | UOB KAY HIAN (ASING) SDN BHD<br>*Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)* | 1,167,000 | 0.83 |
| 20. | PANG KIM FAN | 1,132,100 | 0.81 |
| 21. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB Bank for Lim Ted Hing (MY0410)* | 1,100,000 | 0.79 |
| 22. | CHIANG YOK LENG | 1,015,700 | 0.73 |
| 23. | FONG THAM YU | 998,000 | 0.71 |
| 24. | FONG THAM HING ENTERPRISE SDN BHD | 969,574 | 0.69 |
| 25. | RHB CAPITAL NOMINEES (ASING) SDN BHD<br>*Rosalind Wong Mei Wai (T-071582)* | 899,800 | 0.64 |
| 26. | HSBC NOMINEES (ASING) SDN BHD<br>*Coutts & Co Ltd Sg For Jubilee Asset Limited* | 789,000 | 0.56 |
| 27. | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>*Pledged Securities Account For Lim Nyuk Sang @ Freddy Lim* | 705,329 | 0.50 |
| 28. | FOO SUM MOOI | 705,326 | 0.50 |
| 29. | JOHAN ENTERPRISE SDN BHD | 668,000 | 0.48 |
| 30. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*Bank of Singapore Limited For Jarsuma Investments Ltd* | 650,000 | 0.46 |

*Note:-*

\# *Excluding a total of 13,008,000 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 2 August 2013.*

# LIST OF PROPERTIES

| Registered Owner and address | Land Area (per title deed) | Description | Tenure | Age of Building (years) | Net Book Value As At 31 March 2013 (RM'000) | Date of Acquisition |
|---|---|---|---|---|---|---|
| Kalabakan Plywood Sdn Bhd<br>CL 105464766<br>Sungai Imam, Pasir Putih<br>District of Tawau | 32.73 acres | Plywood factory, warehouse, office and auxiliary buildings | 999 years leasehold (expiry 02.09.2923) | 23 | 5,060 | 21.06.1996 |
| Kalabakan Wood Products Sdn Bhd<br>CL 105463956<br>Sungai Imam, Pasir Putih<br>District of Tawau | 29.57 acres | Factory building | 99 years leasehold (expiry 31.12.2088) | 16 | 6,849 | 21.06.1996 |
| Korsa Plywood Sdn Bhd<br>CL 105421814<br>Sungai Imam, Pasir Putih<br>District of Tawau | 46.38 acres | Industrial land and building | 99 years leasehold (expiry 31.12.2076) | 18 | 8,962 | 21.06.1996 |

# FINANCIAL STATEMENTS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# **DIRECTORS'** REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are timber processing, vessel chartering services and investment holding.

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

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss net of tax | (13,442,378) | (39,444,733) |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|---|---|
| Datuk Seri Panglima Quek Chiow Yong | |
| Lim Ted Hing | |
| Fong Kin Wui | |
| Voon Sui Liong @ Paul Voon | |
| Datuk Eric Usip Juin | |
| Tan Kung Ming | |
| Chan Saik Chuen | (Retired on 28 February 2013) |
| Seah Tee Lean | (Retired on 28 September 2012) |

# DIRECTORS' REPORT (continued)

## DIRECTORS (continued)

Datuk Seri Panglima Quek Chiow Yong retires in accordance with Section 129 of the Companies Act, 1965 and the board recommends him for re-appointment to hold office until the conclusion of the next Annual General Meeting of the Company.

In accordance with Article 103 of the Company's Articles of Association, Fong Kin Wui and Datuk Eric Usip Juin retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 14 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 31 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| **Name of director** | **1.4.2012** | **Acquired** | **Sold** | **31.3.2013** |
| Datuk Seri Panglima Quek Chiow Yong | | | | |
| Indirect shareholding# | 8,493,424 | - | - | 8,493,424 |
| Deemed interest* | 419,489 | - | - | 419,489 |
| Lim Ted Hing | | | | |
| Direct shareholding | 1,711,100 | - | - | 1,711,100 |
| Fong Kin Wui | | | | |
| Direct shareholding | 1,695,794 | - | - | 1,695,794 |
| Indirect shareholding# | 969,574 | - | - | 969,574 |

# Held through another body corporate
* Held by spouse and/or children

# DIRECTORS' REPORT (continued)

## TREASURY SHARES

During the financial year, the Company repurchased 5,000 of its issued ordinary shares from the open market at an average price of RM0.40 per share. The total consideration paid for the repurchase including transaction costs was RM2,043. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 March 2013, the Company held as treasury shares a total of 13,008,000 of its 152,983,300 issued ordinary shares. Such treasury shares are held at a carrying amount of RM9,386,487 and further relevant details are disclosed in Note 27 to the financial statements.

## EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company's ESOS for eligible directors and employees of the Company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011. The ESOS became effective on 14 February 2012 when the last of the requisite approvals was obtained and is valid for a period of five (5) years expiring on 13 February 2017.

The Company has yet to grant options under the ESOS to eligible directors and employees of the Company and its subsidiary companies at the reporting date.

## OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

# DIRECTORS' REPORT (continued)

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

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

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## SUBSEQUENT EVENT

On 4 April 2013, the Company via its wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd. entered into a conditional Memorandum of Agreement (MOA) with National Marine Dredging Company, a public company incorporated in the Emirates of Abu Dhabi and listed on the Abu Dhabi Securities Exchange, for the proposed disposal of its vessel, Offshore Safeena for a total cash consideration of USD29,275,000 (Proposed Disposal).

The Proposed Disposal has been approved by shareholders of the Company at an extraordinary general meeting convened on 16 July 2013 and is now pending completion pursuant to the terms stipulated in the MOA.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 July 2013.

Lim Ted Hing

Fong Kin Wui

# **STATEMENT** BY DIRECTORS

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

We, Lim Ted Hing and Fong Kin Wui, being two of the directors of Tekala Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 on page 95 to the financial statements has been prepared in accordance with the 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 July 2013.

Lim Ted Hing

Fong Kin Wui

# **STATUTORY** DECLARATION

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

I, Lim Ted Hing, being the director primarily responsible for the financial management of Tekala Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 95 are in my opinion 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 Lim Ted Hing
at Sandakan in the State of Sabah
on 26 July 2013

Lim Ted Hing

Before me,

# **INDEPENDENT** AUDITORS' REPORT
to the members of TEKALA CORPORATION BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tekala Corporation Berhad, which comprise statements of financial position as at 31 March 2013 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 94.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# **INDEPENDENT** AUDITORS REPORT

to the members of TEKALA CORPORATION BERHAD (continued)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, 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 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 financial statements of the Company 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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 95 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 the 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 MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

1. As stated in Note 2 to the financial statements, Tekala Corporation Berhad adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2012 and 1 April 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 March 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as of 31 March 2013 and financial performance and cash flows for the year then ended.

2. 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.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/15 (J)
Chartered Accountant

Sandakan, Malaysia
26 July 2013

# **STATEMENTS** OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2013

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **Revenue** | 5 | 96,099,243 | 105,948,549 | 19,207,662 | 2,400,958 |
| Cost of sales | 6 | (95,328,531) | (85,488,519) | - | - |
| **Gross profit** | | 770,712 | 20,460,030 | 19,207,662 | 2,400,958 |
| **Other items of income** | | | | | |
| Interest income | 7 | 41,373 | 428,194 | - | 4,903 |
| Dividend income | 8 | 33,229 | 22,705 | - | - |
| Other income | 9 | 472,257 | 6,213,302 | - | - |
| **Other items of expense** | | | | | |
| Distribution costs | | (729,122) | (575,070) | - | - |
| Administrative expenses | | (10,519,012) | (12,756,769) | (424,645) | (652,717) |
| Finance costs | 10 | (2,633,870) | (3,709,825) | - | - |
| Other expenses | 11 | (857,903) | (68,628,937) | (58,227,750) | (100,000) |
| **(Loss)/Profit before tax** | 12 | (13,422,336) | (58,546,370) | (39,444,733) | 1,653,144 |
| Income tax expense | 15 | (20,042) | (90,262) | - | - |
| **(Loss)/Profit, net of tax representing total comprehensive income for the year** | | (13,442,378) | (58,636,632) | (39,444,733) | 1,653,144 |
| (Loss)/Profit attributable to: | | | | | |
| Owners of the Company | | (13,442,378) | (36,413,886) | (39,444,733) | 1,653,144 |
| Non-controlling interests | | - | (22,222,746) | - | - |
| | | (13,442,378) | (58,636,632) | (39,444,733) | 1,653,144 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | (13,442,378) | (36,413,886) | (39,444,733) | 1,653,144 |
| Non-controlling interests | | - | (22,222,746) | - | - |
| | | (13,442,378) | (58,636,632) | (39,444,733) | 1,653,144 |
| **Loss per share attributable to owners of the Company (sen per share):** | | | | | |
| Basic/diluted | 16 | (9.60) | (25.93) | | |

# **CONSOLIDATED STATEMENT** OF FINANCIAL POSITION

As at 31 March 2013

| | Note | As at 31.3.2013 RM | As at 31.3.2012 RM | As at 1.4.2011 RM |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 17 | 105,009,575 | 115,247,008 | 180,078,439 |
| Investment in an associate | 19 | - | - | - |
| Investment securities | 20 | 125,000 | 125,000 | 125,000 |
| | | 105,134,575 | 115,372,008 | 180,203,439 |
| **Current assets** | | | | |
| Inventories | 21 | 17,446,701 | 20,671,190 | 18,973,132 |
| Trade and other receivables | 22 | 7,287,829 | 10,869,036 | 5,943,297 |
| Prepayments | | 493,797 | 471,505 | 527,508 |
| Tax refundable | | 151,050 | 201,890 | 807,826 |
| Cash and bank balances | 23 | 6,229,348 | 10,542,440 | 34,499,490 |
| | | 31,608,725 | 42,756,061 | 60,751,253 |
| **Total assets** | | 136,743,300 | 158,128,069 | 240,954,692 |
| **Equity and liabilities** | | | | |
| **Current liabilities** | | | | |
| Borrowings | 24 | 25,657,815 | 22,325,305 | 16,775,590 |
| Trade and other payables | 25 | 7,059,666 | 8,623,324 | 5,538,532 |
| | | 32,717,481 | 30,948,629 | 22,314,122 |
| **Net current (liabilities)/assets** | | (1,108,756) | 11,807,432 | 38,437,131 |
| **Non-current liabilities** | | | | |
| Borrowings | 24 | 15,775,182 | 25,484,382 | 41,938,974 |
| Deferred tax liabilities | 26 | 498,595 | 498,595 | 498,595 |
| | | 16,273,777 | 25,982,977 | 42,437,569 |
| **Total liabilities** | | 48,991,258 | 56,931,606 | 64,751,691 |
| **Net assets** | | 87,752,042 | 101,196,463 | 176,203,001 |

# **CONSOLIDATED STATEMENT** OF FINANCIAL POSITION

As at 31 March 2013 (continued)

| | Note | As at 31.3.2013 RM | As at 31.3.2012 RM | As at 1.4.2011 RM |
|---|---|---|---|---|
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 27 | 152,983,300 | 152,983,300 | 152,983,300 |
| Share premium | 27 | 16,548,724 | 16,548,724 | 16,548,724 |
| Treasury shares | 27 | (9,386,487) | (9,384,444) | (8,925,009) |
| Accumulated losses | | (73,688,275) | (83,300,357) | (44,077,085) |
| Other reserves | 29 | 1,294,780 | 24,349,240 | 23,054,460 |
| | | 87,752,042 | 101,196,463 | 139,584,390 |
| Non-controlling interest | | - | - | 36,618,611 |
| **Total equity** | | 87,752,042 | 101,196,463 | 176,203,001 |
| **Total equity and liabilities** | | 136,743,300 | 158,128,069 | 240,954,692 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Note | As at 31.3.2013 RM | As at 31.3.2012 RM | As at 1.4.2011 RM |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investments in subsidiaries | 18 | 119,646,593 | 165,086,953 | 152,089,937 |
| **Current assets** | | | | |
| Trade and other receivables | 22 | 15,379,914 | 9,504,228 | 23,716,784 |
| Prepayments | | 15,000 | 15,000 | 15,000 |
| Tax refundable | | 8,700 | 22,200 | 33,000 |
| Cash and bank balances | 23 | 111,421 | 49,387 | 389,678 |
| | | 15,515,035 | 9,590,815 | 24,154,462 |
| **Total assets** | | 135,161,628 | 174,677,768 | 176,244,399 |
| **Equity and liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 25 | 136,682 | 206,046 | 157,000 |
| **Net current assets** | | 15,378,353 | 9,384,769 | 23,997,462 |
| **Net assets** | | 135,024,946 | 174,471,722 | 176,087,399 |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 27 | 152,983,300 | 152,983,300 | 152,983,300 |
| Share premium | 27 | 16,548,724 | 16,548,724 | 16,548,724 |
| Treasury shares | 27 | (9,386,487) | (9,384,444) | (8,925,009) |
| (Accumulated losses)/retained earnings | | (25,120,591) | 14,324,142 | 15,480,384 |
| **Total equity** | | 135,024,946 | 174,471,722 | 176,087,399 |
| **Total equity and liabilities** | | 135,161,628 | 174,677,768 | 176,244,399 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# **CONSOLIDATED STATEMENT** OF CHANGES IN EQUITY
For the financial year ended 31 March 2013

| | Note | Equity, total RM | Equity attributable to owners of the Company total RM | Share capital RM | Share premium RM | Treasury shares RM | Accumulated losses RM | Other reserves RM | Asset revaluation reserve RM | Other reserve RM |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Attributable to owners of the Company | | | | | | | |
| | | | | Non-distributable | | | | | Non-distributable | |
| **2013** | | | | | | | | | | |
| **Opening balance at 1 April 2012** | | 101,196,463 | 101,196,463 | 152,983,300 | 16,548,724 | (9,384,444) | (83,300,357) | 24,349,240 | 23,054,460 | 1,294,780 |
| **Total comprehensive income** | | (13,442,378) | (13,442,378) | - | - | - | (13,442,378) | - | - | - |
| **Transactions with owners** | | | | | | | | | | |
| Arising from impairment of an associate | | - | - | - | - | - | 23,054,460 | (23,054,460) | (23,054,460) | - |
| Purchase of treasury shares: | | | | | | | | | | |
| - Consideration | 27 | (2,000) | (2,000) | - | - | (2,000) | - | - | - | - |
| - Transaction costs | 27 | (43) | (43) | - | - | (43) | - | - | - | - |
| Total transactions with owners | | (2,043) | (2,043) | - | - | (2,043) | 23,054,460 | (23,054,460) | (23,054,460) | - |
| **Closing balance at 31 March 2013** | | 87,752,042 | 87,752,042 | 152,983,300 | 16,548,724 | (9,386,487) | (73,688,275) | 1,294,780 | - | 1,294,780 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 March 2013 (continued)

| | | | ← Attributable to owners of the Company → | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ← Non-distributable → | | | | | ← Non-distributable → | | |
| | Note | Equity, total RM | Equity attributable to owners of the Company total RM | Share capital RM | Share premium RM | Treasury shares RM | Accumulated losses RM | Other reserves RM | Asset revaluation reserve RM | Other reserve RM | Non-controlling interests RM |
| **2012** | | | | | | | | | | | |
| **Opening balance at 1 April 2011** | | 176,203,001 | 139,584,390 | 152,983,300 | 16,548,724 | (8,925,009) | (44,077,085) | 23,054,460 | 23,054,460 | - | 36,618,611 |
| **Total comprehensive income** | | (58,636,632) | (36,413,886) | - | - | - | (36,413,886) | - | - | - | (22,222,746) |
| **Transactions with owners** | | | | | | | | | | | |
| Arising from acquisition of non-controlling interest | | (13,101,085) | 1,294,780 | - | - | - | - | 1,294,780 | - | 1,294,780 | (14,395,865) |
| Purchase of treasury shares: | | | | | | | | | | | |
| - Consideration | 27 | (456,315) | (456,315) | - | - | (456,315) | - | - | - | - | - |
| - Transaction costs | 27 | (3,120) | (3,120) | - | - | (3,120) | - | - | - | - | - |
| Dividend | 30 | (2,809,386) | (2,809,386) | - | - | - | (2,809,386) | - | - | - | - |
| Total transactions with owners | | (16,369,906) | (1,974,041) | - | - | (459,435) | (2,809,386) | 1,294,780 | - | 1,294,780 | (14,395,865) |
| **Closing balance at 31 March 2012** | | 101,196,463 | 101,196,463 | 152,983,300 | 16,548,724 | (9,384,444) | (83,300,357) | 24,349,240 | 23,054,460 | 1,294,780 | - |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 March 2013

| | Note | Equity, total RM | Share capital RM | Share premium RM | Treasury shares RM | (Accumulated losses)/ retained earnings RM |
|---|---|---|---|---|---|---|
| | | | ← Attributable to owners of the Company → | | | |
| | | | ← Non-distributable → | | | |
| **2013** | | | | | | |
| **Opening balance at 1 April 2012** | | 174,471,722 | 152,983,300 | 16,548,724 | (9,384,444) | 14,324,142 |
| **Total comprehensive income** | | (39,444,733) | - | - | - | (39,444,733) |
| **Transactions with owners** | | | | | | |
| Purchase of treasury shares: | | | | | | |
| - Consideration | | (2,000) | - | - | (2,000) | - |
| - Transaction costs | | (43) | - | - | (43) | - |
| Total transactions with owners | | (2,043) | - | - | (2,043) | - |
| **Closing balance at 31 March 2013** | | 135,024,946 | 152,983,300 | 16,548,724 | (9,386,487) | (25,120,591) |
| **2012** | | | | | | |
| **Opening balance at 1 April 2011** | | 176,087,399 | 152,983,300 | 16,548,724 | (8,925,009) | 15,480,384 |
| **Total comprehensive income** | | 1,653,144 | - | - | - | 1,653,144 |
| **Transactions with owners** | | | | | | |
| Purchase of treasury shares: | | | | | | |
| - Consideration | | (456,315) | - | - | (456,315) | - |
| - Transaction costs | | (3,120) | - | - | (3,120) | - |
| Dividend | 30 | (2,809,386) | - | - | - | (2,809,386) |
| Total transactions with owners | | (3,268,821) | - | - | (459,435) | (2,809,386) |
| **Closing balance at 31 March 2012** | | 174,471,722 | 152,983,300 | 16,548,724 | (9,384,444) | 14,324,142 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS
For the financial year ended 31 March 2013

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| (Loss)/profit before tax | | (13,422,336) | (58,546,370) | (39,444,733) | 1,653,144 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 12 | 5,532,167 | 7,402,377 | - | - |
| Dividend income | 8 | (33,229) | (22,705) | - | - |
| Equipment scrapped | 12 | 4,002 | 563 | - | - |
| Finance costs | 10 | 2,633,870 | 3,709,825 | - | - |
| Gain on disposal of plant and equipment | 9 | (246,622) | (134,015) | - | - |
| Gain on disposal of short-term investment | | (10,355) | (33,073) | - | - |
| Impairment loss on: | | | | | |
| - Vessel | 11 | - | 57,617,831 | - | - |
| - Trade receivables | 11 | - | 9,823,835 | - | - |
| - Amounts due from subsidiaries | 11 | - | - | 58,227,750 | - |
| Interest income | 7 | (41,373) | (428,194) | - | (4,903) |
| Net unrealised foreign exchange loss | | 127,265 | 538,764 | - | - |
| Provision for diminution in value of investment in a subsidiary | | - | - | - | 100,000 |
| Recovery of debts previously impaired | | - | (5,866,306) | - | - |
| Total adjustments | | 7,965,725 | 72,608,902 | 58,227,750 | 95,097 |
| **Operating cash flows before changes in working capital** | | (5,456,611) | 14,062,532 | 18,783,017 | 1,748,241 |
| Changes in working capital | | | | | |
| Decrease/(increase) in inventories | | 3,224,489 | (1,698,058) | - | - |
| Decrease/(increase) in receivables | | 3,683,980 | (8,796,319) | - | 89 |
| Increase/(decrease) in payables | | 2,374,641 | (853,509) | (69,364) | 49,046 |
| Total changes in working capital | | 9,283,110 | (11,347,886) | (69,364) | 49,135 |
| **Cash flows from operations** | | 3,826,499 | 2,714,646 | 18,713,653 | 1,797,376 |
| Income tax refunded | | 193,148 | 749,874 | 13,500 | 10,800 |
| Income tax paid | | (162,350) | (234,200) | - | - |
| **Net cash flows from operating activities** | | 3,857,297 | 3,230,320 | 18,727,153 | 1,808,176 |

# STATEMENTS OF CASH FLOWS
For the financial year ended 31 March 2013 (continued)

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Dividend received | 8 | 33,229 | 22,705 | - | - |
| Interest received | | 40,563 | 426,551 | - | 4,903 |
| Payment for acquisition of non-controlling interest | | (3,938,300) | (9,162,785) | - | - |
| Purchase of property, plant and equipment | 17 | (52,114) | (192,172) | - | - |
| Proceeds from disposal of property, plant and equipment | | 5,000,000 | 136,850 | - | - |
| **Net cash flows from/(used in) investing activities** | | 1,083,378 | (8,768,851) | - | 4,903 |
| **Financing activities** | | | | | |
| Finance costs paid | 10 | (2,633,870) | (3,709,825) | - | - |
| Dividend paid | 30 | - | (2,809,386) | - | (2,809,386) |
| Proceeds from borrowings | | 28,492,629 | 5,335,717 | - | - |
| Repayment of borrowings | | (35,110,483) | (16,775,590) | - | - |
| Purchase of treasury shares | 27 | (2,043) | (459,435) | (2,043) | (459,435) |
| Net changes in accounts with subsidiaries | | - | - | (18,663,076) | 1,115,451 |
| **Net cash flows used in financing activities** | | (9,253,767) | (18,418,519) | (18,665,119) | (2,153,370) |
| **Net (decrease)/increase in cash and cash equivalents** | | (4,313,092) | (23,957,050) | 62,034 | (340,291) |
| Cash and cash equivalents at beginning of year | | 10,542,440 | 34,499,490 | 49,387 | 389,678 |
| **Cash and cash equivalents at end of year** | 23 | 6,229,348 | 10,542,440 | 111,421 | 49,387 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place at which business is carried out is located at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are timber processing, vessel chartering services and investment holding. There have been no other significant changes in the nature of the principal activities during the financial year.

## 2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS)

These financial statements, for the year ended 31 March 2013, are the first the Group and the Company have prepared in accordance with MFRS. For periods up to and including the year ended 31 March 2012, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards (FRS).

Accordingly, the Group and the Company have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's and the Company's opening statement of financial position was prepared as at 1 April 2011, the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statement of financial position as at 1 April 2011 and its previously published FRS financial statements as at and for the year ended 31 March 2012.

### Exemptions applied

MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS.

The Group has applied the following exemptions:

- The Group has elected to deem cumulative currency translation differences in respect of all foreign operations to be zero at the date of transition to MFRS. Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 April 2011.

- MFRS 3: Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for MFRS, that occurred before 1 April 2011. Use of this exemption means that the carrying amounts of assets and liabilities, that are required to be recognised under MFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with MFRS. Assets and liabilities that do not qualify for recognition under MFRS are excluded from the opening MFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of MFRS recognition requirements.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS) (continued)

### Estimates

The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 April 2011, the date of transition to MFRS and as of 31 March 2012.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are shown below:

(i) Reconciliation of equity as at 1 April 2011

| | FRS as at 1 April 2011 RM | Effect of Transition to MFRS RM | MFRS as at 1 April 2011 RM |
|---|---|---|---|
| Share capital | 152,983,300 | - | 152,983,300 |
| Share premium | 16,548,724 | - | 16,548,724 |
| Treasury shares | (8,925,009) | - | (8,925,009) |
| Accumulated losses | (44,302,309) | 225,224 | (44,077,085) |
| Foreign currency translation reserve | 225,224 | (225,224) | - |
| Other reserve | 23,054,460 | - | 23,054,460 |
| Non-controlling interests | 36,618,611 | - | 36,618,611 |
| | 176,203,001 | - | 176,203,001 |

(ii) Reconciliation of equity as at 31 March 2012

| | FRS as at 31 March 2012 RM | Effect of Transition to MFRS RM | MFRS as at 31 March 2012 RM |
|---|---|---|---|
| Share capital | 152,983,300 | - | 152,983,300 |
| Share premium | 16,548,724 | - | 16,548,724 |
| Treasury shares | (9,384,444) | - | (9,384,444) |
| Accumulated losses | (83,525,581) | 225,224 | (83,300,357) |
| Foreign currency translation reserve | 225,224 | (225,224) | - |
| Other reserve | 24,349,240 | - | 24,349,240 |
| | 101,196,463 | - | 101,196,463 |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

For all periods up to and including the year ended 31 March 2012, the Group and the Company prepared their financial statements in accordance with FRS. These financial statements for the year ended 31 March 2013 are the first the Group and the Company have prepared in accordance with MFRS. Refer to Note 2 for information on how the Group and the Company adopted MFRS.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM).

### 3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 101: Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101) | 1 July 2012 |
| Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) | 1 January 2013 |
| MFRS 10: Consolidated Financial Statements | 1 January 2013 |
| MFRS 11: Joint Arrangements | 1 January 2013 |
| MFRS 12: Disclosure of interests in Other Entities | 1 January 2013 |
| MFRS 13: Fair Value Measurement | 1 January 2013 |
| MFRS 119: Employee Benefits | 1 January 2013 |
| MFRS 127: Separate Financial Statements | 1 January 2013 |
| MFRS 128: Investment in Associate and Joint Ventures | 1 January 2013 |
| MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) | 1 January 2013 |
| Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans | 1 January 2013 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 11: Joint Arrangements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| MFRS 9: Financial Instruments | 1 January 2015 |

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 12: Disclosures of Interests in Other Entities</u>

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

<u>MFRS 127: Separate Financial Statements</u>

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

<u>MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)</u>

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

### 3.3 BASIS OF CONSOLIDATION

Basis of consolidation from 1 April 2011

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries 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.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Basis of consolidation prior to 1 April 2011

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation.

Acquisition of non-controlling interests, prior to 1 April 2011, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2011 were not reallocated between non-controlling interest and the owners of the Company.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 BASIS OF CONSOLIDATION (continued)

Basis of consolidation prior to 1 April 2011 **(continued)**

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 April 2011 has not been restated.

### 3.4 BUSINESS COMBINATIONS

Business combinations from 1 April 2011

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in accordance with MFRS 139 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 3.8 in instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the income statement on the acquisition date.

Business combinations prior to 1 April 2011

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not 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.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 BUSINESS COMBINATIONS (continued)

Business combinations prior to 1 April 2011 (continued)

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### 3.5 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

### 3.6 FOREIGN CURRENCY

**a) Functional and presentation currency**

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

**b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group'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 Group 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.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 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 cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Long term leasehold land is amortised over the remaining lease term.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | **Years** |
|---|---|
| Vessel | 30 |
| Buildings | 20 |
| Plant, machinery and heavy equipment | 5 - 10 |
| Motor vehicles | 5 |
| Furniture, fittings and equipment | 5 - 10 |

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.

### 3.8 INTANGIBLE ASSETS

#### GOODWILL

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.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 INTANGIBLE ASSETS (continued)

**GOODWILL (continued)**

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6.

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.

### 3.9 LAND USE RIGHTS

Land use rights, which were described as land lease prepayments in the previous financial year, are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

### 3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group 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 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")).

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.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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.

### 3.11 SUBSIDIARIES

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 impairment losses.

### 3.12 ASSOCIATES

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate 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 recognises the amount in profit or loss.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 ASSOCIATES (continued)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. 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.

### 3.13 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.

**a) 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. 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 is 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.

**b) 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.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.13 FINANCIAL ASSETS (continued)

**b) Loans and receivables (continued)**

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.

**c) Held-to-maturity investments**

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

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

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

**d) Available-for-sale financial assets**

Available-for-sale 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 asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends 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 where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 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.

**a) 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's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**b) Unquoted equity securities carried at cost**

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

**c) Available-for-sale financial assets**

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 IMPAIRMENT OF FINANCIAL ASSETS (continued)

#### c) Available-for-sale financial assets (continued)

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

### 3.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and 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. These also include bank overdrafts that form an integral part of the Group's cash management.

### 3.16 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost includes the purchase price of inventories acquired and other attributable costs in bringing the inventories to their present location and condition.

Cost of spare parts and consumables is computed using the weighted average method.

Cost of work-in-progress and finished goods for wood products are computed using the weighted average method. Cost includes direct materials, direct labour, direct overheads and variable production overheads.

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

### 3.17 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.18 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 MFRS 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.

**a) 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 at fair value through profit or loss.

**b) Other financial liabilities**

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.19 BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 3.20 EMPLOYEE BENEFITS

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 3.21 LEASES

**a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.22 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable:

**a) Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**b) Vessel chartering income**

Vessel chartering income is recognised when services are rendered.

**c) Dividend income**

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

**3.23 INCOME TAXES**

**a) 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.

**b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.23 INCOME TAXES (continued)

#### b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

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 transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 3.24 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review 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 Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.25 SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

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.

### 3.26 TREASURY SHARES

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**a) Useful lives of plant and equipment**

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery other than vessel to be within 5 to 10 years and vessel to be within 30 years. These are common life expectancies applied in the timber and marine vessel services industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 17.

**b) Impairment of loan and receivable**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivable at the reporting date is disclosed in Note 22.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### c) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

During the previous financial year, the Group had recognised impairment losses in respect of a subsidiary's property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the cash-generating units ("CGU") to which the property, plant and equipment were allocated. Estimating the value in use required the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group as at 31 March 2013 were RM105,009,575 (2012: RM115,247,008). Further details of the impairment losses recognised for property, plant and equipment are disclosed in Note 17.

### d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying values of deferred tax assets of the Group at 31 March 2013 are disclosed in Note 26. The recognised unabsorbed capital allowances of the Group was RM445,604 (2012: RM582,340) and the unrecognised tax losses and unabsorbed capital allowances of the Group was RM36,305,926 (2012: RM28,235,991).

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 5. REVENUE

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Revenue from timber processing | 84,006,525 | 83,766,572 | - | - |
| Vessel chartering income | 12,092,718 | 22,181,977 | - | - |
| Tax exempt dividends from an unquoted subsidiary | - | - | 19,207,662 | 2,400,958 |
| | 96,099,243 | 105,948,549 | 19,207,662 | 2,400,958 |

## 6. COST OF SALES

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Cost of inventories sold | 83,703,232 | 74,576,973 | - | - |
| Vessel operating expenses | 11,625,299 | 10,911,546 | - | - |
| | 95,328,531 | 85,488,519 | - | - |

## 7. INTEREST INCOME

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Interest on short-term deposits | 41,373 | 428,194 | - | 4,903 |

## 8. DIVIDEND INCOME

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Dividend income from: | | | | |
| - available-for-sale financial assets: | | | | |
| - unquoted equity instruments | 16,250 | - | - | - |
| - Short-term investments | 16,979 | 22,705 | - | - |
| | 33,229 | 22,705 | - | - |

## 9. OTHER INCOME

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Gain on foreign exchange | 53,885 | - | - | - |
| Gain on disposal of plant and equipment | 246,622 | 134,015 | - | - |
| Gain on disposal of short-term investment | 10,355 | 33,073 | - | - |
| Miscellaneous income | 155,395 | 173,908 | - | - |
| Rental income | 6,000 | 6,000 | - | - |
| Recovery of debts previously impaired | - | 5,866,306 | - | - |
| | 472,257 | 6,213,302 | | - |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 10. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Interest expense on borrowings | 2,633,870 | 3,709,825 | - | - |

## 11. OTHER EXPENSES

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Amortisation of leasehold land | 78,180 | 78,180 | - | - |
| Depreciation of building | 190,612 | 190,612 | - | - |
| Equipment scrapped | - | 73 | - | - |
| Impairment loss on: | | | | |
| - Amounts due from subsidiaries | - | - | 58,227,750 | - |
| - Investment in a subsidiary | - | - | - | 100,000 |
| - Trade receivables | - | 9,823,835 | - | - |
| - Vessel | - | 57,617,831 | - | - |
| Insurance | 18,546 | 17,209 | - | - |
| Net foreign exchange loss | 570,565 | 901,197 | - | - |
| | 857,903 | 68,628,937 | 58,227,750 | 100,000 |

## 12. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Auditors' remuneration: | | | | |
| - statutory audits | 70,200 | 70,200 | 25,000 | 25,000 |
| - other services | 18,450 | 21,350 | 1,800 | 1,800 |
| Depreciation of property, plant and equipment | 5,263,375 | 7,133,585 | - | - |
| Employee benefits expense (Note 13) | 15,975,131 | 17,251,543 | 35,000 | 40,000 |
| Equipment scrapped | 4,002 | 490 | - | - |
| Non-executive directors' remuneration (Note 14) | 724,665 | 862,415 | 190,665 | 212,915 |
| Provision for diminution in value of investment in a subsidiary | - | - | - | 100,000 |
| Rental of premises | 173,758 | 120,000 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 13. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Salaries, wages and allowances | 14,611,625 | 16,015,321 | 35,000 | 40,000 |
| Social security contributions | 63,653 | 59,822 | - | - |
| Contributions to defined contribution plan | 897,855 | 1,048,296 | - | - |
| Benefits-in-kind | 401,998 | 128,104 | - | - |
| | 15,975,131 | 17,251,543 | 35,000 | 40,000 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,982,660 (2012: RM5,594,875) and RM35,000 (2012: RM40,000) respectively.

## 14. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Executive directors of the Company: | | | | |
| - Salaries and bonus | 2,182,500 | 3,253,000 | - | - |
| - Fees | 35,000 | 40,000 | 35,000 | 40,000 |
| - Defined contribution plan | 181,740 | 290,115 | - | - |
| | 2,399,240 | 3,583,115 | 35,000 | 40,000 |
| Executive directors of subsidiaries: | | | | |
| - Salaries and bonus | 1,470,000 | 1,865,000 | - | - |
| - Defined contribution plan | 112,800 | 146,140 | - | - |
| - Social security contribution | 620 | 620 | - | - |
| | 1,583,420 | 2,011,760 | - | - |
| Total executive directors' remuneration (excluding benefits-in-kind) (Note 13) | 3,982,660 | 5,594,875 | 35,000 | 40,000 |
| Benefits-in-kind | 298,631 | 225,474 | - | - |
| Total executive directors' remuneration (including benefits-in-kind) | 4,281,291 | 5,820,349 | 35,000 | 40,000 |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 14. DIRECTORS' REMUNERATION (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Non-Executive: | | | | |
| - Fees | 40,000 | 40,000 | 40,000 | 40,000 |
| - Salaries and bonus | 666,000 | 803,500 | 132,000 | 154,000 |
| - Defined contribution plan | 17,160 | 17,410 | 17,160 | 17,410 |
| - Social security contributions | 1,505 | 1,505 | 1,505 | 1,505 |
| Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 12) | 724,665 | 862,415 | 190,665 | 212,915 |
| Benefits-in-kind | 39,446 | 20,106 | - | - |
| Total non-executive directors' remuneration | 764,111 | 882,521 | 190,665 | 212,915 |
| Total directors' remuneration | 5,045,402 | 6,702,870 | 225,665 | 252,915 |

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of directors | |
|---|---|---|
| | 2013 | 2012 |
| **Executive directors:** | | |
| RM350,001- 400,000 | 1 | - |
| RM450,001- 500,000 | - | 1 |
| RM600,001- 650,000 | 1 | - |
| RM650,001- 700,000 | 1 | - |
| RM800,001- 850,000 | 1 | 1 |
| RM850,001- 900,000 | - | 1 |
| RM1,450,001- 1,500,000 | - | 1 |
| **Non-Executive directors:** | | |
| RM50,001- 100,000 | 3 | 3 |
| RM550,001- 600,000 | 1 | - |
| RM650,001- 700,000 | - | 1 |

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 15. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2013 and 2012 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| **Statement of comprehensive income:** | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | - | 69,215 | - | - |
| - Labuan Business Activity Tax | 20,000 | 20,000 | | |
| - Underprovision in prior years | 42 | 1,047 | - | - |
| Income tax expense recognised in profit or loss | 20,042 | 90,262 | - | - |

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 March 2013 and 2012 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Accounting (loss)/profit before tax | (13,422,336) | (58,546,370) | (39,444,733) | 1,653,144 |
| Tax expense at Malaysian statutory tax rate of 25% (2012: 25%) | (3,355,584) | (14,636,592) | (9,861,183) | 413,286 |
| Income not subject to tax | - | (30,194) | (4,801,916) | (600,240) |
| Loss of a subsidiary in Labuan not subject to tax | 726,179 | 13,739,228 | - | - |
| Expenses not deductible for tax purposes | 490,391 | 886,921 | 14,663,099 | 186,954 |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 2,159,014 | 129,852 | - | - |
| Underprovision of current tax expense in prior years | 42 | 1,047 | - | - |
| Income tax expense recognised in profit or loss | 20,042 | 90,262 | - | - |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 15. INCOME TAX EXPENSE (continued)

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM** | **RM** |
| Unutilised tax losses carried forward | 30,501,281 | 23,594,360 |
| Unabsorbed capital and forest allowances carried forward | 6,250,249 | 5,223,971 |

## 16. LOSS PER SHARE

Basic/diluted loss per share amount is calculated by dividing the loss for the year, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

The following reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 March 2013 and 2012:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| Loss net of tax attributable to owners of the Company (RM) | (13,442,378) | (36,413,886) |
| Weighted average number of ordinary shares in issue | 139,976,081 | 140,424,280 |
| Basic/diluted loss per share for the year (sen) | (9.60) | (25.93) |

The Company has no potential ordinary shares in issue as at end of the financial years and therefore, basic and diluted loss per share are equal.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Vessel RM | Long leasehold land RM | Buildings RM | Plant, machinery and heavy equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| **At 1 April 2011** | 155,571,250 | 20,049,154 | 28,308,948 | 66,288,845 | 3,279,308 | 2,077,068 | 275,574,573 |
| Additions | - | - | 155,507 | 2,580 | - | 34,085 | 192,172 |
| Disposals | - | - | - | - | (490,425) | (14,380) | (504,805) |
| Scrapped | - | - | - | (11,589) | - | (118,649) | (130,238) |
| **At 31 March 2012 and 1 April 2012** | 155,571,250 | 20,049,154 | 28,464,455 | 66,279,836 | 2,788,883 | 1,978,124 | 275,131,702 |
| Additions | - | - | - | 34,060 | - | 18,054 | 52,114 |
| Disposals | - | (237,905) | (4,820,861) | - | - | (516,457) | (5,575,223) |
| Scrapped | - | - | - | (32,580) | - | (43,751) | (76,331) |
| **At 31 March 2013** | 155,571,250 | 19,811,249 | 23,643,594 | 66,281,316 | 2,788,883 | 1,435,970 | 269,532,262 |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| **At 1 April 2011** | 10,803,559 | 1,115,064 | 20,018,409 | 60,311,836 | 2,068,105 | 1,179,157 | 95,496,130 |
| Depreciation charge for the year | 4,393,151 | 225,666 | 862,245 | 1,375,239 | 315,871 | 230,205 | 7,402,377 |
| Disposals | - | - | - | - | (490,423) | (11,547) | (501,970) |
| Scrapped | - | - | - | (11,457) | - | (118,217) | (129,674) |
| Impairment loss | 57,617,831 | - | - | - | - | - | 57,617,831 |
| **At 31 March 2012 and 1 April 2012** | 72,814,541 | 1,340,730 | 20,880,654 | 61,675,618 | 1,893,553 | 1,279,598 | 159,884,694 |
| Depreciation charge for the year | 3,103,056 | 224,008 | 720,588 | 1,036,427 | 279,817 | 168,271 | 5,532,167 |
| Disposals | - | (8,289) | (574,426) | - | - | (239,130) | (821,845) |
| Scrapped | - | - | - | (30,257) | - | (42,072) | (72,329) |
| **At 31 March 2013** | 75,917,597 | 1,556,449 | 21,026,816 | 62,681,788 | 2,173,370 | 1,166,667 | 164,522,687 |
| **Net carrying amount** | | | | | | | |
| At 31 March 2012 | 82,756,709 | 18,708,424 | 7,583,801 | 4,604,218 | 895,330 | 698,526 | 115,247,008 |
| At 31 March 2013 | 79,653,653 | 18,254,800 | 2,616,778 | 3,599,528 | 615,513 | 269,303 | 105,009,575 |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 17. PROPERTY, PLANT AND EQUIPMENT (continued)

Asset pledged as security

The vessel of the Group has been pledged as security for the Group's borrowing (Note 24).

Impairment of assets

In the previous financial year, a valuation on the vessel belonging to a subsidiary was carried out by an independent professional firm to determine the net assets of the subsidiary for the purpose of acquiring the remaining 49% equity interest not already owned by the Group. Arising from that, the Group carried out an assessment for impairment on the vessel. It had resulted in an impairment loss of RM57,617,831, representing the write-down of the vessel to its recoverable amount in "Other expenses" line item of the statements of comprehensive income for the financial year ended 31 March 2012. The recoverable amount of the vessel was based on its estimated fair value less cost to sell.

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM | RM |
| Unquoted shares at cost | 85,054,749 | 85,054,749 |
| Less: Provision for diminution in value | | |
| At beginning of year | 27,828,819 | 27,728,819 |
| Current year | - | 100,000 |
| At end of year | 27,828,819 | 27,828,819 |
| | 57,225,930 | 57,225,930 |
| Amounts due from subsidiaries | 120,648,413 | 107,861,023 |
| Less: Impairment loss | 58,227,750 | - |
| | 62,420,663 | 107,861,023 |
| | 119,646,593 | 165,086,953 |

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

| Name of Subsidiaries | Principal Activities | Proportion (%) of ownership interest 2013 | 2012 |
|---|---|---|---|
| Syarikat Tekala Sdn. Bhd. | Provision of corporate services | 100 | 100 |
| Kalabakan Plywood Sdn. Bhd. | Timber processing | 100 | 100 |
| Marimba Sdn. Bhd. | Investment holding | 100 | 100 |
| Gerak Armada Sdn. Bhd. | Investment holding | 100 | 100 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 18. INVESTMENTS IN SUBSIDIARIES (continued)

| Name of Subsidiaries | Principal Activities | Proportion (%) of ownership interest 2013 | 2012 |
|---|---|---|---|
| **Subsidiaries of Kalabakan Plywood Sdn. Bhd.** | | | |
| Kalabakan Wood Products Sdn. Bhd. | Provision of storage services | 100 | 100 |
| Korsa Plywood Sdn. Bhd. | Downstream timber processing (Not yet commenced operation) | 100 | 100 |
| **Subsidiaries of Marimba Sdn. Bhd.** | | | |
| Hartawan Ekuiti Sdn. Bhd. | Ceased operation | 100 | 100 |
| **Subsidiary of Gerak Armada Sdn. Bhd.** | | | |
| Offshore Constructor (Labuan) Ltd. | Vessel chartering | 100 | 100 |

All the subsidiaries of the Company are audited by Ernst & Young, Malaysia.

## 19 INVESTMENTS IN AN ASSOCIATE

| | Group 2013 RM | 2012 RM |
|---|---|---|
| At cost fully impaired | - | - |

Details of the associate whose financial year end is 31 December and held by a subsidiary, Gerak Armada Sdn. Bhd. which is incorporated in Malaysia, are as follows:

| Name of Subsidiaries | Principal Activities | Proportion (%) of ownership interest 2013 | 2012 |
|---|---|---|---|
| Offshoreworks Holdings Sdn. Bhd. | Company's activity is investment investment holding while the Group is an oil and gas services provider | 25 | 25 |

The Group has ceased recognising losses relating to its associate, Offshoreworks Holdings Sdn. Bhd. since the financial year ended 31 March 2011, where its share of losses exceeds the Group's interest in this associate which comprises unquoted shares at a cost of RM16,016,870. The Group has no obligation in respect of these losses.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 19 INVESTMENTS IN AN ASSOCIATE (continued)

The summarised financial information of the associate is as follows:

| | 2013<br>RM | 2012<br>RM |
|---|---|---|
| **Assets and liabilities** | | |
| Total assets | 147,284,179 | 539,357,240 |
| Total liabilities | (594,398,865) | (826,609,311) |
| **Results** | | |
| Revenue | 161,218,698 | 449,806,228 |
| Loss for the year | (104,866,000) | (180,606,509) |

## 20. INVESTMENT SECURITIES

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| **At cost** | | |
| Available-for-sale financial assets: | | |
| - Unquoted equity instrument, at cost | 325,000 | 325,000 |
| Less: Impairment loss | (200,000) | (200,000) |
| | 125,000 | 125,000 |

Impairment loss

As at 31 March 2013, the Group has recognised an impairment loss of RM200,000 (2012: RM200,000) for an unquoted equity instrument as the fair value of this investment was below its costs.

## 21. INVENTORIES

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| **Cost** | | |
| Finished goods | 3,101,331 | - |
| Production supplies | 2,251,599 | 2,381,264 |
| Raw materials | 2,759,225 | 1,739,049 |
| Stock-in-transit | 2,248,276 | - |
| Work-in-progress | 3,643,060 | 4,973,672 |
| | 14,003,491 | 9,093,985 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 21. INVENTORIES (continued)

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM | RM |
| **Net realisable value** | | |
| Finished goods | 1,947,387 | 10,276,264 |
| Work-in-progress | 1,495,823 | 1,300,941 |
| | 3,443,210 | 11,577,205 |
| | 17,446,701 | 20,671,190 |

## 22. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| **Trade receivables** | | | | |
| Third parties | 10,323,071 | 8,287,023 | - | - |
| Subsidiary of an associate | 1,847,882 | 1,847,882 | - | - |
| | 12,170,953 | 10,134,905 | - | - |
| Less: Allowance for impairment | | | | |
| Third parties | (3,609,647) | (3,609,647) | - | - |
| Subsidiary of an associate | (1,847,882) | (1,847,882) | - | - |
| | 6,713,424 | 4,677,376 | - | - |
| **Other receivables** | | | | |
| Amounts due from subsidiaries | - | - | 15,373,414 | 9,497,728 |
| Deposits | 323,995 | 5,762,885 | 6,500 | 6,500 |
| Sundry receivables | 250,410 | 428,775 | - | - |
| | 574,405 | 6,191,660 | 15,379,914 | 9,504,228 |
| Total trade and other receivables | 7,287,829 | 10,869,036 | 15,379,914 | 9,504,228 |
| Add: Cash and bank balances (Note 23) | 6,229,348 | 10,542,440 | 111,421 | 49,387 |
| Total loans and receivables | 13,517,177 | 21,411,476 | 15,491,335 | 9,553,615 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 day to 60 day (2012: 30 to 60 day) terms. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 22. TRADE AND OTHER RECEIVABLES (continued)

### (a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Neither past due nor impaired | 6,713,424 | 4,677,376 |
| Impaired | 5,457,529 | 5,457,529 |
| | 12,170,953 | 10,134,905 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 63% (2012: 79%) of the Group's trade receivables arise from customers with more than five years (2012: five years) of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are neither past due nor impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

| | Group Individually impaired | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Trade receivables-nominal amounts | 5,457,529 | 5,457,529 |
| Less: Allowance for impairment | (5,457,529) | (5,457,529) |
| | - | - |

The movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| At beginning of year | 5,457,529 | 1,500,000 |
| Charge for the year | - | 3,957,529 |
| At end of year | 5,457,529 | 5,457,529 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not recoverable.

### (b) Deposits

Included in deposits is an amount of RM170,779 (2012: RM5,708,200) maintained with a bank over the tenure of the term loan and shall be utilised for payment of interest due on the term loan.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 23. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Cash on hand and at banks | 3,825,000 | 2,665,426 | 111,421 | 49,387 |
| Short term: | | | | |
| - Deposits with licensed banks | 350,000 | 6,850,000 | - | - |
| - Investments with a licensed bank | 2,054,348 | 1,027,014 | - | - |
| Total cash and cash equivalents | 6,229,348 | 10,542,440 | 111,421 | 49,387 |

Short-term deposits are made for varying periods of between three days and one month depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The interest rates of deposits of the Group for the financial year ranged from 2.00% to 3.10% (2012: 2.00% to 3.10%) per annum.

## 24. BORROWINGS

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| **Current** | | |
| Secured: | | |
| Bankers' acceptance | - | 1,731,000 |
| Term loans: | | |
| - USD Effective Cost of Fund +3% loan | 17,150,364 | 16,989,588 |
| - 2.6% p.a. fixed rate USD loan | 6,707,451 | 3,604,717 |
| - BLR + 1% RM loan | 1,800,000 | - |
| | 25,657,815 | 22,325,305 |
| **Non-current** | | |
| Secured: | | |
| - USD Effective Cost of Fund +3% loan | 8,575,182 | 25,484,382 |
| - BLR + 1% RM loan | 7,200,000 | - |
| | 15,775,182 | 25,484,382 |
| At end of year | 41,432,997 | 47,809,687 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 24. BORROWINGS (continued)

The remaining maturities of borrowings as at 31 March 2013 are as follows:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM** | **RM** |
| On demand or within one year | 25,657,815 | 22,325,305 |
| More than 1 year and less than 2 years | 10,375,182 | 16,989,588 |
| More than 2 years and less than 5 years | 5,400,000 | 8,494,794 |
| | 41,432,997 | 47,809,687 |

Bankers' acceptance

The bankers' acceptance was secured by corporate guarantee provided by the Company.

2.6% p.a. fixed rate USD loan

This loan is denominated in United States Dollar and amounted to USD2,144,668 as at 31 March 2013 (2012: USD1,163,112). It is secured by corporate guarantee provided by the Company.

USD Effective Cost of Fund +3% loan

This loan is denominated in United States Dollar and amounted to USD8,316,000 as at 31 March 2013 (2012:USD13,860,000). It is secured by the following:

(a) First Statutory Mortgage over the vessel of a subsidiary company as disclosed in Note 17 together with Deed of Covenant;

(b) Assignment of all rights and benefits for all insurance in respect of the vessel of the subsidiary company in favour of the Bank as mortgagee and loss payee covering but not limited to the following:

(i) Hull and machinery coverage;
(ii) War risks;
(iii) Non-cancellation clause without the prior written consent of the Bank;
(iv) Mortgagee' interest protection;
(v) Protection and Indemnity covering for the four (4) fourths collision liability clause entered with a Protection and Indemnity Club acceptable to the bank.

(c) A First charge over the Non-Checking Designated Accounts;

(d) Unconditional and Irrevocable Corporate Guarantee from Tekala Corporation Berhad of up to 100% of the Facility Limit, i.e. for USD27.72 million. The Corporate Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates;

(e) Irrevocable undertaking by Tekala Corporation Berhad to cover any shortfall of all amounts due and payable under the Facility on behalf of the Company; and

(f) Negative pledge over the Company's asset in the form and substance acceptable to the bank.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 24. BORROWINGS (continued)

BLR + 1% RM loan

This loan is secured by corporate guarantee provided by the Company and certain land of the Group.

## 25. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| **Trade payables** | | | | |
| Third parties | 5,019,509 | 2,832,782 | - | - |
| **Other payables** | | | | |
| Accruals | 1,139,792 | 851,586 | 100,000 | 107,987 |
| Other payables | 900,365 | 4,938,956 | 36,682 | 98,059 |
| | 2,040,157 | 5,790,542 | 136,682 | 206,046 |
| | 7,059,666 | 8,623,324 | 136,682 | 206,046 |

(a) **Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 days to 90 days (2012: 30 days to 90 days).

(b) **Other payables**

In previous financial year, included in other payables was an amount of RM3,938,300 which represented the balance of purchase consideration of non-controlling interests.

(c) **Financial guarantees**

The fair value of financial guarantees provided by the Company to banks to secure banking facilities granted to certain subsidiaries with nominal amount of RM111,451,820 (2012: RM50,532,030) are negligible because the probability of the financial guarantees being called upon is remote as the outstanding borrowings are adequately secured by properties, plant and equipment of the subsidiaries in which their market values upon realisation are expected to be higher than the outstanding borrowing amounts.

## 26. DEFERRED TAX

| | As at 1 April 2011 RM | Recognised in profit or loss RM | As at 31 March 2012 RM | Recognised in profit or loss RM | As at 31 March 2013 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 779,916 | (135,736) | 644,180 | (34,184) | 609,996 |
| **Deferred tax assets:** | | | | | |
| Unabsorbed capital allowances | (281,321) | 135,736 | (145,585) | 34,184 | (111,401) |
| | 498,595 | - | 498,595 | - | 498,595 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 26. DEFERRED TAX (continued)

Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offset against future taxable profits of the respective subsidiaries in which those items arose:

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| Unutilised tax losses | 30,501,281 | 23,594,360 |
| Unabsorbed capital and forest allowances | 5,804,645 | 4,641,631 |
| Property, plant and equipment | 2,814,671 | 3,918,112 |
| | 39,120,597 | 32,154,103 |

The unutilised tax losses and unabsorbed capital and forest allowances of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 27. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | Number of ordinary shares of RM1 each | | ← Amount → | | | |
|---|---|---|---|---|---|---|
| | Share capital (Issued and fully paid) | Treasury share | Share capital (Issued and fully paid) RM | Share premium RM | Total share capital and share premium RM | Treasury shares RM |
| At 1 April 2011 | 152,983,300 | (12,166,000) | 152,983,300 | 16,548,724 | 169,532,024 | (8,925,009) |
| Purchase of treasury shares: | | | | | | |
| - Consideration | - | (837,000) | - | - | - | (456,315) |
| - Transaction costs | - | - | - | - | - | (3,120) |
| At 31 March 2012 and 1 April 2012 | 152,983,300 | (13,003,000) | 152,983,300 | 16,548,724 | 169,532,024 | (9,384,444) |
| Purchase of treasury shares: | | | | | | |
| - Consideration | - | (5,000) | - | - | - | (2,000) |
| - Transaction costs | - | - | - | - | - | (43) |
| At 31 March 2013 | 152,983,300 | (13,008,000) | 152,983,300 | 16,548,724 | 169,532,024 | (9,386,487) |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 27. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

| | Number of ordinary shares of RM1 each | | Amount | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 RM | 2012 RM |
| **Authorised share capital** | | | | |
| At beginning and end of year | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |

### (a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 5,000 (2012: 837,000) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM2,043 (2012: RM459,435) comprising consideration paid amounting to RM2,000 (2012: RM456,315) and transaction costs of RM43 (2012: RM3,120) and these were presented as a component within shareholders equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

## 28. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company's ESOS for eligible directors and employees of the Company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011. The ESOS became effective on 14 February 2012 when the last of the requisite approvals was obtained and is valid for a period of five (5) years expiring on 13 February 2017.

The Company has yet to grant options under the ESOS to eligible directors and employees of the Company and its subsidiary companies at the reporting date.

# **NOTES** TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 29. OTHER RESERVES

| | Asset revaluation reserve RM | Others RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| At 1 April 2012 | 23,054,460 | 1,294,780 | 24,349,240 |
| Arising from impairment of an associate | (23,054,460) | - | (23,054,460) |
| At 31 March 2013 | - | 1,294,780 | 1,294,780 |

## 30. DIVIDEND

| | Dividend in respect of Year | | Dividend recognised in Year | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2013 RM | 2012 RM |
| **Recognised during the financial year:** | | | | |
| Final tax exempt dividend for 2011: 2% on 140,469,300 ordinary shares (netted off 12,514,000 treasury shares) (2 sen per ordinary share) | - | 2,809,386 | - | 2,809,386 |

## 31. RELATED PARTY TRANSACTIONS

### (a) Sale and purchase of goods and services

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties at terms agreed between the parties during the financial year:

| | 2013 RM | 2012 RM |
|---|---|---|
| **Group** | | |
| Transactions with companies in which certain directors of the Company are also directors: | | |
| Rental of premises from | | |
| - Syarikat Kretam Sdn. Bhd. | 99,000 | 120,000 |
| - Wah Mie Realty Sdn. Bhd. | 74,758 | - |
| Sale of property, plant and equipment to Wah Mie Realty Sdn. Bhd. | 5,000,000 | - |
| Transactions with Offshore Construction & Engineering Sdn. Bhd., an associate's subsidiary | | |
| Vessel chartering | - | 17,574,464 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 31. RELATED PARTY TRANSACTIONS (continued)

### (a) Sale and purchase of goods and services (continued)

| | 2013 RM | 2012 RM |
|---|---|---|
| **Company** | | |
| Transaction with a subsidiary | | |
| Tax exempt dividend from an unquoted subsidiary | 19,207,662 | 2,400,958 |

### (b) Compensation of key management personnel

| | 2013 RM | 2012 RM |
|---|---|---|
| **Group** | | |
| Short-term employee benefits | 4,367,805 | 5,840,491 |
| Defined contribution plan | 317,190 | 475,187 |
| | 4,684,995 | 6,315,678 |

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

**Determination of fair value**

<u>Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value</u>

The following are classes of financial instruments whose carrying amounts are reasonable approximation of fair value:

| | Note |
|---|---|
| Trade and other receivables | 22 |
| Trade and other payables | 25 |
| Borrowings (current and non-current) | 24 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

<u>Financial guarantees</u>

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the executive committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken.

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

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position;
- An amount of RM111,451,820 (2012: RM50,532,030) relating to corporate guarantees provided by the Company to banks on certain subsdiaries' banking facilities.

<u>Credit risk concentration profile</u>

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | RM | % of total | RM | % of total |
| **By industry sectors:** | | | | |
| Timber processing | 6,204,757 | 92% | 4,294,895 | 92% |
| Oil and gas | 508,667 | 8% | 382,481 | 8% |
| | 6,713,424 | 100% | 4,677,376 | 100% |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (a) Credit risk (continued)

At the reporting date, 37 % (2012: 71 %) of the Group's trade receivables were due from four (2012: three) customers located in Malaysia.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements. At the reporting date, approximately 62% (2012: 47%) of the Group's borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements.

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | On demand or within one year RM | One to five years RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **2013** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 7,059,666 | - | 7,059,666 |
| Borrowings | 25,657,815 | 15,775,182 | 41,432,997 |
| Total undiscounted financial liabilities | 32,717,481 | 15,775,182 | 48,492,663 |
| **2012** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 8,623,324 | - | 8,623,324 |
| Borrowings | 22,325,305 | 25,484,382 | 47,809,687 |
| Total undiscounted financial liabilities | 30,948,629 | 25,484,382 | 56,433,011 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(b) Liquidity risk (continued)**

| | On demand or within one year | |
|---|---|---|
| | 2013 | 2012 |
| | RM | RM |
| **Company** | | |
| **Financial liabilities:** | | |
| Other payables, excluding financial guarantees * | 136,682 | 206,046 |
| Total undiscounted financial liabilities | 136,682 | 206,046 |

* At the reporting date, the counterparty to the financial guarantees does not have the right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 0.5% lower/higher, with all other variables held constant, the Group's loss net of tax would have been approximately RM185,000 (2012: RM265,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currency of the Group entities. The foreign currency in which these transactions are denominated is mainly United States Dollars.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 31 March 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The calculations of the Group's and Company's gearing ratios are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM | RM | RM | RM |
| Borrowings | 24 | 41,432,997 | 47,809,687 | - | - |
| Trade and other payables | 25 | 7,059,666 | 8,623,324 | 136,682 | 206,046 |
| Less: Cash and bank balances | 23 | (6,229,348) | (10,542,440) | (111,421) | (49,387) |
| Net debt | | 42,263,315 | 45,890,571 | 25,261 | 156,659 |
| Equity attributable to the owners of the Company | | 87,752,042 | 101,196,463 | 135,024,946 | 174,471,722 |
| Total capital | | 87,752,042 | 101,196,463 | 135,024,946 | 174,471,722 |
| Capital and net debt | | 130,015,357 | 147,087,034 | 135,050,207 | 174,628,381 |
| **Gearing ratio** | | 33% | 31% | 0.02% | 0.1% |

## 35. SEGMENTAL INFORMATION

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

I. The timber processing segment is involved in the manufacture and sale of plywood.
II. The oil and gas segment is involved in vessel chartering and investment in an associate which is an oil and gas services provider.
III. The investment holding segment is involved in business investments.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 35. SEGMENTAL INFORMATION (continued)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

**Business Segments**

| | Timber processing RM | Oil and Gas RM | Investment holding RM | Others RM | Adjustments/ Elimination RM | Notes | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **31 March 2013** | | | | | | | |
| **Revenue:** | | | | | | | |
| External customers | 84,006,525 | 12,092,718 | - | - | - | | 96,099,243 |
| Inter-segment | - | - | 19,207,662 | 1,685,367 | (20,893,029) | A | - |
| Total revenue | 84,006,525 | 12,092,718 | 19,207,662 | 1,685,367 | (20,893,029) | | 96,099,243 |
| **Results:** | | | | | | | |
| Interest income | 28,331 | - | - | 13,042 | - | | 41,373 |
| Depreciation and amortisation | 2,198,638 | 3,103,056 | - | 263,152 | (32,679) | | 5,532,167 |
| Impairment loss on amounts due from subsidiaries | - | - | 58,227,750 | - | (58,227,750) | | - |
| Finance costs | 76,974 | 2,556,896 | - | - | - | | 2,633,870 |
| Other non-cash expenses | 48,890 | (176,155) | - | - | - | B | (127,265) |
| Segment loss | (8,968,236) | (3,452,688) | (39,448,456) | (605,723) | 39,052,767 | C | (13,422,336) |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 49,626 | - | - | 2,488 | - | D | 52,114 |
| Segment assets | 52,500,282 | 82,887,473 | 139,966 | 1,083,014 | 132,565 | E | 136,743,300 |
| **Segment liabilities** | 21,283,375 | 26,994,612 | 137,682 | 76,994 | 498,595 | F | 48,991,258 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 35. SEGMENTAL INFORMATION (continued)

### Business Segments (continued)

| | Timber processing RM | Oil and Gas RM | Investment holding RM | Others RM | Adjustments/ Elimination RM | Notes | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **31 March 2012** | | | | | | | |
| **Revenue:** | | | | | | | |
| External customers | 83,766,572 | 22,181,977 | - | - | - | | 105,948,549 |
| Inter-segment | - | - | 2,400,958 | 1,080,000 | (3,480,958) | A | - |
| Total revenue | 83,766,572 | 22,181,977 | 2,400,958 | 1,080,000 | (3,480,958) | | 105,948,549 |
| **Results:** | | | | | | | |
| Interest income | 270,776 | - | 4,903 | 152,515 | - | | 428,194 |
| Depreciation and amortisation | 2,625,715 | 4,393,151 | - | 451,511 | (68,000) | | 7,402,377 |
| Impairment loss on: | | | | | | | |
| - Investment in a subsidiary | - | - | 100,000 | - | (100,000) | - | - |
| - Trade receivables | - | 9,823,835 | - | - | - | | 9,823,835 |
| - Vessel | - | 57,617,831 | - | - | - | | 57,617,831 |
| Finance costs | - | 3,709,825 | - | - | - | | 3,709,825 |
| Other non-cash expenses | (3,768) | (534,996) | - | - | - | B | (538,764) |
| Segment (loss)/profit | (958,242) | (54,876,911) | 1,324,842 | (1,735,101) | (2,300,958) | C | (58,546,370) |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 33,460 | - | - | 158,712 | - | D | 192,172 |
| Segment assets | 61,921,198 | 89,331,263 | 206,549 | 6,518,333 | 150,726 | E | 158,128,069 |
| **Segment liabilities** | 9,347,161 | 42,636,657 | 4,268,346 | 180,847 | 498,595 | F | 56,931,606 |

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 35. SEGMENTAL INFORMATION (continued)

**Notes** **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

A Inter-segment revenues are eliminated on consolidation.

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

| | 2013 RM | 2012 RM |
|---|---|---|
| Net unrealised foreign exchange loss | (127,265) | (538,764) |

C The following items are added to/(deducted from) segment profit/(loss) to arrive at "(Loss)/profit before tax" presented in the statements of comprehensive income:

| | 2013 RM | 2012 RM |
|---|---|---|
| Inter-segment transactions | 39,052,767 | (2,300,958) |

D Additions to non-current assets consist of:

| | | |
|---|---|---|
| Property, plant and equipment | 52,114 | 192,172 |

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2013 RM | 2012 RM |
|---|---|---|
| Inter-segment assets | (18,485) | (51,164) |
| Tax refundable | 151,050 | 201,890 |
| | 132,565 | 150,726 |

F The following item is added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2013 RM | 2012 RM |
|---|---|---|
| Deferred tax liabilities | 498,595 | 498,595 |

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013 (continued)

## 35. SEGMENTAL INFORMATION (continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Malaysia | 12,092,718 | 22,181,977 | 105,134,575 | 115,372,008 |
| North Asia | 84,006,525 | 83,766,572 | - | - |
| | 96,099,243 | 105,948,549 | 105,134,575 | 115,372,008 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | 2013 RM | 2012 RM |
|---|---|---|
| Property, plant and equipment | 105,009,575 | 115,247,008 |
| Investment securities | 125,000 | 125,000 |
| | 105,134,575 | 115,372,008 |

Information about major customers

Revenue from three (2012: four) major customers amount to RM78,302,830 (2012: RM101,341,035) arising from sale of plywood by the timber processing segment.

## 36. SUBSEQUENT EVENT

On 4 April 2013, the Company via its wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd. entered into a conditional Memorandum of Agreement (MOA) with National Marine Dredging Company, a public company incorporated in the Emirates of Abu Dhabi and listed on the Abu Dhabi Securities Exchange, for the proposed disposal of its vessel, Offshore Safeena for a total cash consideration of USD29,275,000 (Proposed Disposal).

The Proposed Disposal has been approved by shareholders of the Company at an extraordinary general meeting convened on 16 July 2013 and is now pending completion pursuant to the terms stipulated in the MOA.

## 37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on 26 July 2013.

# **NOTES** TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2013 (continued)

## 38. SUPPLEMENTARY INFORMATION – BREAKDOWN OF (ACCUMULATED LOSSES)/RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 March 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM | 2012<br>RM | 2013<br>RM | 2012<br>RM |
| Total (accumulated losses)/retained earnings of the Company and its subsidiaries | | | | |
| - Realised | (17,537,635) | (6,046,962) | 33,107,159 | 14,424,142 |
| - Unrealised | 2,697,311 | 4,781,700 | (58,227,750) | (100,000) |
| | (14,840,324) | (1,265,262) | (25,120,591) | 14,324,142 |
| Total share of loss from associate | | | | |
| - Realised | (39,296,554) | (39,296,554) | - | - |
| Less: Consolidation adjustments | (19,551,397) | (42,738,541) | - | - |
| (Accumulated losses)/Retained earnings as per financial statements | (73,688,275) | (83,300,357) | (25,120,591) | 14,324,142 |

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# **FORM** OF PROXY

TEKALA CORPORATION BERHAD
(Company No: 357125-D)

I/We, ______________________________

of ______________________________

being a Member/Members of the Tekala Corporation Berhad, hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 30 September 2013 at 11.00 a.m or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1 | To receive and adopt Directors' Report and Audited Financial Statements. | | |
| 2 | To re-elect the following Directors in accordance with Articles 103 of the Company's Articles of Association:- <br> - Mr Fong Kin Wui | | |
| 3 | - Datuk Eric Usip Juin | | |
| 4 | To re-elect Directors retiring in accordance with Articles 86 of the Company's Articles of Association:- <br> - Mr Quek Siew Hau | | |
| 5 | - Mr Chan Ka Tsung | | |
| 6 | To re-appoint the following Director in accordance with Section 129 of the Companies Act, 1965:- <br> - Datuk Seri Panglima Quek Chiow Yong | | |
| 7 | To approve Directors' Fees of RM75,000 for the year ended 31 March 2013. | | |
| 8 | To re-appoint Auditors and to authorise the Directors to fix their remuneration. | | |
| 9 | To grant authority to issue shares pursuant to the Company's Employees' Share Option Scheme. | | |
| 10 | To approve the proposed renewal of the authority for the purchase of own shares. | | |
| 11 | To approve the retention of Mr Voon Sui Liong @ Paul Voon as Independent Director. | | |

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this day of 2013

| No. of shares held | |
|---|---|

______________________

Signature(s) of Member(s)

***Notes:***

a) *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.*

b) *In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.*

c) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*

d) *The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*

e) *For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 99 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 September 2013. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.*

Please fold along this line

Affix
stamp
here

The Company Secretaries

**TEKALA CORPORATION BERHAD**

(Company No. 357125-D)

Wisma Tekala
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah

Please fold along this line

**TEKALA CORPORATION BERHAD**
(357125-D)
Wisma Tekala,
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
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90000 Sandakan, Sabah

**Tel:** 6089 212177
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