

**TEKALA CORPORATION BERHAD
(COMPANY No: 357125-D)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 March 2012**

Ernst & Young
AF : 0039

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Audited Financial Statements and Other Financial Information

DIRECTORS

Datuk Seri Panglima Quek Chiow Yong (Non-Independent Non-Executive Chairman)
Chan Saik Chuen (Executive Vice-Chairman)
Seah Tee Lean (Group Managing Director/Chief Executive Officer)
Lim Ted Hing (Executive Director/Chief Operating Officer)
Fong Kin Wui (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)

SECRETARIES

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

INDEPENDENT AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
Alliance Bank Malaysia Berhad
CIMB Bank Berhad
CIMB Bank (L) Limited
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Hong Leong Islamic Bank Berhad

SOLICITORS

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

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TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

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 2012.

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)/profit net of tax	(58,636,632) =====	1,653,144 =====
(Loss)/profit attributable to:		
Owner of the Company	(36,413,886)	1,653,144
Non-controlling interests	(22,222,746) =====	- =====
	(58,636,632) =====	1,653,144 =====

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 other than the effect arising from the impairment loss on vessel resulting in an increase in the Group's loss for the year by RM57,617,831.

Dividend

The amount of dividend paid by the Company since 31 March 2011 was as follows:

	RM
In respect of the financial year ended 31 March 2011 as reported in the directors' report of that year:	
Final tax exempt dividend of 2% on 140,469,300 ordinary shares (netted off 12,514,000 treasury shares), declared on 28 September 2011 and paid on 28 October 2011	2,809,386 =====

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Directors' report

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

Chan Saik Chuen

Seah Tee Lean

Lim Ted Hing

Fong Kin Wui

Voon Sui Liong @ Paul Voon

Datuk Eric Usip Juin

Tan Kung Ming

Datuk Seri Panglima Quek Chiow Yong, Chan Saik Chuen and Seah Tee Lean retire in accordance with Section 129 of the Companies Act, 1965 and the board recommends them 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, Lim Ted Hing and Voon Sui Liong @ Paul Voon 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 13 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Directors' report

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:

Name of director	Number of ordinary shares of RM1 each			
	1.4.2011	Acquired	Sold	31.3.2012
Datuk Seri Panglima Quek Chiow Yong				
Indirect shareholding [#]	23,347,479	2,869,545	(17,723,600)	8,493,424
Deemed interest*	419,489	-	-	419,489
Chan Saik Chuen				
Indirect shareholding [#]	24,529,859	2,700,738	(17,723,600)	9,506,997
Deemed interest*	38,500	-	-	38,500
Seah Tee Lean				
Direct shareholding	4,285,140	-	-	4,285,140
Indirect shareholding [#]	2,353,391	2,025,553	-	4,378,944
Deemed interest*	1,980,900	-	-	1,980,900
Lim Ted Hing				
Direct shareholding	1,711,100	-	-	1,711,100
Fong Kin Wui				
Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding [#]	4,262,200	2,380,229	(5,672,855)	969,574

[#] Held through another body corporate

* Held by spouse and/or children

Treasury shares

During the financial year, the Company repurchased 837,000 of its issued ordinary shares from the open market at an average price of RM0.55 per share. The total consideration paid for the repurchase including transaction costs was RM459,435. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 March 2012, the Company held as treasury shares a total of 13,003,000 of its 152,983,300 issued ordinary shares. Such treasury shares are held at a carrying amount of RM9,384,444 and further relevant details are disclosed in Note 26 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.

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Directors' report

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.
- (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.

Significant event

Details of significant event is disclosed in Note 17 to the financial statements.

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Directors' report

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 27 July 2012.

Seah Tee Lean

Lim Ted Hing

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

(Incorporated in Malaysia)

Statement by directors

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

We, Seah Tee Lean and Lim Ted Hing, 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 10 to 73 are drawn up in accordance with Financial Reporting Standards and 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 on page 74 to the financial statements have 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 27 July 2012.

Seah Tee Lean

Lim Ted Hing

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 10 to 74 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 27 July 2012

Lim Ted Hing

Before me,

357125-D
Independent auditors' report to the members of
TEKALA CORPORATION BERHAD
(Incorporated in Malaysia)

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 2012 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 notes, as set out on pages 10 to 73.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 have been properly drawn up in accordance with Financial Reporting Standards and 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 2012 and of their financial performance and cash flows for the year then ended.

357125-D

**Independent auditors' report to the members of
TEKALA CORPORATION BERHAD (CONTINUED)
(Incorporated in Malaysia)**

Report on other legal and regulatory requirements

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

The supplementary information set out in Note 38 on page 74 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 Profit 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.

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
2944/01/13 (J)
Chartered Accountant

Sandakan, Malaysia
27 July 2012

Statements of comprehensive income
For the financial year ended 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	4	105,948,549	130,943,984	2,400,958	4,801,916
Cost of sales	5	<u>(85,488,519)</u>	<u>(106,042,130)</u>	-	-
Gross profit		20,460,030	24,901,854	2,400,958	4,801,916
Other items of income					
Interest income	6	428,194	728,245	4,903	23,729
Dividend income	7	22,705	183,860	-	-
Other income	8	6,213,302	5,904,736	-	2,088,218
Other items of expense					
Distribution costs		(575,070)	(1,030,127)	-	-
Administrative expenses		(12,756,769)	(12,080,788)	(652,717)	(526,509)
Finance costs	9	(3,709,825)	(4,814,066)	-	-
Other expenses	10	(68,628,937)	(1,039,413)	(100,000)	-
Share of results of an associate		-	<u>(59,407,640)</u>	-	-
(Loss)/Profit before tax	11	(58,546,370)	(46,653,339)	1,653,144	6,387,354
Income tax expense	14	<u>(90,262)</u>	<u>(112,807)</u>	-	-
(Loss)/Profit, net of tax representing total comprehensive income for the year		<u>(58,636,632)</u>	<u>(46,766,146)</u>	<u>1,653,144</u>	<u>6,387,354</u>
(Loss)/Profit attributable to:					
Owners of the Company		(36,413,886)	(53,508,379)	1,653,144	6,387,354
Non-controlling interests		<u>(22,222,746)</u>	<u>6,742,233</u>	-	-
		<u>(58,636,632)</u>	<u>(46,766,146)</u>	<u>1,653,144</u>	<u>6,387,354</u>

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Statements of comprehensive income

For the financial year ended 31 March 2012

		Group		Company	
	Note	2012	2011	2012	2011
		RM	RM	RM	RM
Total comprehensive income attributable to:					
Owners of the Company		(36,413,886)	(53,508,379)	1,653,144	6,387,354
Non-controlling interests		<u>(22,222,746)</u>	<u>6,742,233</u>	<u>-</u>	<u>-</u>
		<u>(58,636,632)</u>	<u>(46,766,146)</u>	<u>1,653,144</u>	<u>6,387,354</u>
Loss per share attributable to owners of the Company (sen per share):					
Basic/diluted	15	<u>(25.93)</u>	<u>(37.76)</u>		

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

Statements of financial position
As at 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM (Restated)
Assets					
Non-current assets					
Property, plant and equipment	16	115,247,008	180,078,439	-	-
Investments in subsidiaries	17	-	-	165,086,953	152,089,937
Investment in an associate	18	-	-	-	-
Investment securities	19	125,000	125,000	-	-
		<u>115,372,008</u>	<u>180,203,439</u>	<u>165,086,953</u>	<u>152,089,937</u>
Current assets					
Inventories	20	20,671,190	18,973,132	-	-
Trade and other receivables	21	10,869,036	5,943,297	9,504,228	23,716,784
Prepayments		471,505	527,508	15,000	15,000
Tax refundable		201,890	807,826	22,200	33,000
Cash and bank balances	22	10,542,440	34,499,490	49,387	389,678
		<u>42,756,061</u>	<u>60,751,253</u>	<u>9,590,815</u>	<u>24,154,462</u>
Total assets		<u>158,128,069</u>	<u>240,954,692</u>	<u>174,677,768</u>	<u>176,244,399</u>
Equity and liabilities					
Current liabilities					
Borrowings	23	22,325,305	16,775,590	-	-
Trade and other payables	24	8,623,324	5,538,532	206,046	157,000
		<u>30,948,629</u>	<u>22,314,122</u>	<u>206,046</u>	<u>157,000</u>
Net current assets		<u>11,807,432</u>	<u>38,437,131</u>	<u>9,384,769</u>	<u>23,997,462</u>
Non-current liabilities					
Borrowings	23	25,484,382	41,938,974	-	-
Deferred tax liabilities	25	498,595	498,595	-	-
		<u>25,982,977</u>	<u>42,437,569</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>56,931,606</u>	<u>64,751,691</u>	<u>206,046</u>	<u>157,000</u>
Net assets		<u>101,196,463</u>	<u>176,203,001</u>	<u>174,471,722</u>	<u>176,087,399</u>

TEKALA CORPORATION BERHAD
 (Company No: 357125-D)
Statements of financial position
 As at 31 March 2012

	Note	Group		Company	
		2012	2011	2012	2011
		RM	RM	RM	RM
Equity attributable to owners of the Company					
Share capital	26	152,983,300	152,983,300	152,983,300	152,983,300
Share premium	26	16,548,724	16,548,724	16,548,724	16,548,724
Treasury shares	26	(9,384,444)	(8,925,009)	(9,384,444)	(8,925,009)
(Accumulated losses)/ retained earnings	28	(83,525,581)	(44,302,309)	14,324,142	15,480,384
Other reserves	29	24,574,464	23,279,684	-	-
		101,196,463	139,584,390	174,471,722	176,087,399
Non-controlling interests		-	36,618,611	-	-
Total equity		<u>101,196,463</u>	<u>176,203,001</u>	<u>174,471,722</u>	<u>176,087,399</u>
Total equity and liabilities		<u>158,128,069</u>	<u>240,954,692</u>	<u>174,677,768</u>	<u>176,244,399</u>

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

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Consolidated statements of changes in equity

For the financial year ended 31 March 2012

	Note	Attributable to owners of the Company										
		Equity attributable to owners of the Company		Non-distributable		Distributable			Non-distributable		Non-controlling interests RM	
	Equity, total RM	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	Foreign currency translation reserve RM		
2012												
Opening balance at 1 April 2011		176,203,001	139,584,390	152,983,300	16,548,724	(8,925,009)	(44,302,309)	23,279,684	23,054,460	-	225,224	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	26	(456,315)	(456,315)	-	-	(456,315)	-	-	-	-	-	-
- Transaction costs	26	(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)	(83,525,581)	24,574,464	23,054,460	1,294,780	225,224	-

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Consolidated statements of changes in equity

For the financial year ended 31 March 2012

	Note	Attributable to owners of the Company									
		Non-distributable			Distributable				Non-distributable		
		Equity, total RM	Equity attributable to owners of the Company total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings/ (loss) RM	Other reserves RM	Asset revaluation reserve RM	Foreign currency translation reserve RM	Non-controlling interests RM
2011											
Opening balance at 1 April 2010		230,039,942	200,048,440	152,983,300	16,548,724	(7,522,770)	14,759,502	23,279,684	23,054,460	225,224	29,991,502
Total comprehensive income		(46,766,146)	(53,508,379)	-	-	-	(53,508,379)	-	-	-	6,742,233
Transactions with owners											
Pursuant to subscription of additional shares in a subsidiary		-	115,124	-	-	-	115,124	-	-	-	(115,124)
Purchase of treasury shares:											
- Consideration	26	(1,391,407)	(1,391,407)	-	-	(1,391,407)	-	-	-	-	-
- Transaction costs	26	(10,832)	(10,832)	-	-	(10,832)	-	-	-	-	-
Dividend	30	(5,668,556)	(5,668,556)	-	-	-	(5,668,556)	-	-	-	-
Total transactions with owners		(7,070,795)	(6,955,671)	-	-	(1,402,239)	(5,553,432)	-	-	-	(115,124)
Closing balance at 31 March 2011		176,203,001	139,584,390	152,983,300	16,548,724	(8,925,009)	(44,302,309)	23,279,684	23,054,460	225,224	36,618,611

Company statements of changes in equity
For the financial year ended 31 March 2012

	Note	Equity, total RM	← Attributable to owners of the Company →			Retained earnings RM
			Share capital RM	Share premium RM	Treasury shares RM	
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

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Company statements of changes in equity

For the financial year ended 31 March 2012

	Note	Equity, total RM	← Attributable to owners of the Company →			Retained earnings RM
			Share capital RM	Share premium RM	Treasury shares RM	
2011						
Opening balance at 1 April 2010		176,770,840	152,983,300	16,548,724	(7,522,770)	14,761,586
Total comprehensive income		6,387,354	-	-	-	6,387,354
Transactions with owners						
Purchase of treasury shares:						
- Consideration		(1,391,407)	-	-	(1,391,407)	-
- Transaction costs		(10,832)	-	-	(10,832)	-
Dividend	30	(5,668,556)	-	-	-	(5,668,556)
Total transactions with owners		(7,070,795)	-	-	(1,402,239)	(5,668,556)
Closing balance at 31 March 2011		176,087,399	152,983,300	16,548,724	(8,925,009)	15,480,384

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 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Operating activities					
(Loss)/Profit before tax		(58,546,370)	(46,653,339)	1,653,144	6,387,354
<u>Adjustments for:</u>					
Depreciation of property, plant and equipment	16	7,402,377	9,528,091	-	-
Dividend income	7	(22,705)	(183,860)	-	-
Equipment scrapped	16	563	2,050	-	-
Finance costs	9	3,709,825	4,814,066	-	-
Gain on disposal of plant and equipment	8	(134,015)	(66,443)	-	-
Gain on disposal of short-term investment		(33,073)	(17,117)	-	-
Gain on members' voluntary liquidation of subsidiaries		-	-	-	(2,088,218)
Impairment loss on trade receivables	10	9,823,835	-	-	-
Impairment loss on vessel	10	57,617,831	-	-	-
Interest income	6	(428,194)	(728,245)	(4,903)	(23,729)
Net unrealised foreign exchange loss/(gain)		538,764	(4,293,123)	-	-
Provision for diminution in value of investment in a subsidiary		-	-	100,000	-
Recovery of debts previously impaired		(5,866,306)	-	-	-
Share of result of an associate		-	59,407,640	-	-
Total adjustments		<u>72,608,902</u>	<u>68,463,059</u>	<u>95,097</u>	<u>(2,111,947)</u>
Operating cash flows before changes in working capital		14,062,532	21,809,720	1,748,241	4,275,407
<u>Changes in working capital</u>					
(Increase)/decrease in inventories		(1,698,058)	2,749,441	-	-
(Increase)/decrease in receivables		(8,796,319)	(836,939)	89	3,247
(Decrease)/increase in payables		(853,509)	(5,221,161)	49,046	42,458
Total changes in working capital		<u>(11,347,886)</u>	<u>(3,308,659)</u>	<u>49,135</u>	<u>45,705</u>
Cash flows from operations		2,714,646	18,501,061	1,797,376	4,321,112
Income tax refunded		749,874	1,027,402	10,800	34,940
Income tax paid		(234,200)	(40,000)	-	-
Net cash flows from/(used in) operating activities		<u>3,230,320</u>	<u>19,488,463</u>	<u>1,808,176</u>	<u>4,356,052</u>

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Statements of cash flows

For the financial year ended 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Investing activities					
Dividend received	7	22,705	183,860	-	-
Interest received		426,551	712,693	4,903	23,640
Part payment for acquisition of non-controlling interest		(9,162,785)	-	-	-
Purchase of property, plant and equipment	16	(192,172)	(1,295,353)	-	-
Proceeds from disposal of property, plant and equipment		136,850	116,600	-	-
Capital distribution from members' voluntary winding up of subsidiaries		-	-	-	7,118,362
Net cash flows (used in)/from investing activities		<u>(8,768,851)</u>	<u>(282,200)</u>	<u>4,903</u>	<u>7,142,002</u>
Financing activities					
Finance costs paid	9	(3,709,825)	(4,814,066)	-	-
Dividend paid	30	(2,809,386)	(5,668,556)	(2,809,386)	(5,668,556)
Proceeds from borrowings		5,335,717	-	-	-
Repayment of borrowings		(16,775,590)	(22,681,824)	-	-
Purchase of treasury shares	26	(459,435)	(1,402,239)	(459,435)	(1,402,239)
Net change in accounts with subsidiaries		-	-	1,115,451	(9,238,950)
Net cash flows (used in)/from financing activities		<u>(18,418,519)</u>	<u>(34,566,685)</u>	<u>(2,153,370)</u>	<u>(16,309,745)</u>
Net decrease in cash and cash equivalents		<u>(23,957,050)</u>	<u>(15,360,422)</u>	<u>(340,291)</u>	<u>(4,811,691)</u>
Cash and cash equivalents at beginning of year		<u>34,499,490</u>	<u>49,859,912</u>	<u>389,678</u>	<u>5,201,369</u>
Cash and cash equivalents at end of year	22	<u>10,542,440</u>	<u>34,499,490</u>	<u>49,387</u>	<u>389,678</u>

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 2012

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. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRS”) and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Notes to the financial statementsFor the financial year ended 31 March 2012

2. Summary of significant accounting policies (continued)**2.2 Changes in accounting policies**

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

The Group and the Company have adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
FRS 3: Business Combinations	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and the Company.

2. Summary of significant accounting policies (continued)

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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 are eliminated in full.

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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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

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 net identifiable 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 acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 28. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

2.5 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.

2. Summary of significant accounting policies (continued)

2.6 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.

2. Summary of significant accounting policies (continued)

2.7 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 which range from 70 years to 917 years.

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.

2. Summary of significant accounting policies (continued)

2.8 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.

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 2.6.

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.

2.9 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.

2. Summary of significant accounting policies (continued)

2.10 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.

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.

2.11 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.

2. Summary of significant accounting policies (continued)

2.12 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.

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.

2. Summary of significant accounting policies (continued)

2.13 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.

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.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

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.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

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.

2.14 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.

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

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

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.

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.

2. Summary of significant accounting policies (continued)

2.15 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.

2.16 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.

2.17 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.

2. Summary of significant accounting policies (continued)

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

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.

2. Summary of significant accounting policies (continued)

2.19 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.

2.20 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.

2.21 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.

2. Summary of significant accounting policies (continued)

2.21 Leases (continued)

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.

2.22 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.

2.23 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.

2. Summary of significant accounting policies (continued)

2.23 Income taxes (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.23 Income taxes (continued)

b) Deferred tax (continued)

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.

2.24 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 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.

2.26 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.

3. 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 16.

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 21.

3. 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 current financial year, the Group has 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 are allocated. Estimating the value in use requires 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 2012 were RM115,247,008 (2011: RM180,078,439). Further details of the impairment losses recognised for property, plant and equipment are disclosed in Note 16.

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 2012 are disclosed in Note 25. The recognised tax losses and unabsorbed capital allowances of the Group was RM582,338 (2011: RM1,125,287) and the unrecognised tax losses and unabsorbed capital allowances of the Group was RM28,235,991 (2011: RM26,035,649).

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4. Revenue

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Revenue from timber processing	83,766,572	108,069,806	-	-
Vessel chartering income	22,181,977	22,874,178	-	-
Tax exempt dividends from an unquoted subsidiary	-	-	2,400,958	4,801,916
	<u>105,948,549</u>	<u>130,943,984</u>	<u>2,400,958</u>	<u>4,801,916</u>

5. Cost of sales

Cost of inventories sold	74,576,973	100,856,422	-	-
Vessel operating expenses	10,911,546	5,185,708	-	-
	<u>85,488,519</u>	<u>106,042,130</u>	-	-

6. Interest income

Interest on short-term deposits	<u>428,194</u>	<u>728,245</u>	<u>4,903</u>	<u>23,729</u>
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7. Dividend income

Dividend income from:				
- available-for-sale financial assets:				
- unquoted equity instruments	-	125,000	-	-
- Short-term investments	22,705	58,860	-	-
	<u>22,705</u>	<u>183,860</u>	-	-

8. Other income

Foreign exchange gain	-	5,639,236	-	-
Gain on disposal of plant and equipment	134,015	66,443	-	-
Gain on members' voluntary winding up of subsidiaries	-	-	-	2,088,218
Miscellaneous income	206,981	193,057	-	-
Rental income	6,000	6,000	-	-
Recovery of debts previously impaired	5,866,306	-	-	-
	<u>6,213,302</u>	<u>5,904,736</u>	-	<u>2,088,218</u>

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9. Finance costs

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Interest expense on borrowings	3,709,825	4,814,066	-	-
	<u>3,709,825</u>	<u>4,814,066</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

10. Other expenses

Impairment loss on vessel	57,617,831	-	-	-
Impairment loss on trade receivables	9,823,835	-	-	-
Others	1,187,271	1,039,413	100,000	-
	<u>68,628,937</u>	<u>1,039,413</u>	<u>100,000</u>	<u>-</u>
	=====	=====	=====	=====

11. (Loss)/profit before tax

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audits	70,200	70,200	25,000	25,000
- other services	21,350	20,900	1,800	6,800
Depreciation of property, plant and equipment (Note 16)	7,402,377	9,528,091	-	-
Employee benefits expense (Note 12)	17,251,543	18,255,573	40,000	40,000
Equipment scrapped	562	2,050	-	-
Non-executive directors' remuneration (Note 13)	862,415	826,465	212,915	211,465
Provision for diminution in value of investment in a subsidiary	-	-	100,000	-
Rental of premises	120,000	120,000	-	-
Unrealised foreign exchange loss	538,764	-	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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12. Employee benefits expense

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Salaries, wages and allowances	16,015,321	16,959,663	40,000	40,000
Social security contributions	59,822	62,307	-	-
Contributions to defined contribution plan	1,048,296	1,045,340	-	-
Benefits-in-kind	128,104	188,263	-	-
	<u>17,251,543</u>	<u>18,255,573</u>	<u>40,000</u>	<u>40,000</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM5,594,875 (2011: RM5,311,280) and RM40,000 (2011: RM40,000) respectively.

13. Directors' remuneration

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Executive directors of the Company:				
- Salaries and bonus	3,253,000	3,093,000	-	-
- Fees	40,000	40,000	40,000	40,000
- Defined contribution plan	290,115	275,220	-	-
	<u>3,583,115</u>	<u>3,408,220</u>	<u>40,000</u>	<u>40,000</u>
Executive directors of subsidiaries:				
- Salaries and bonus	1,865,000	1,764,500	-	-
- Defined contribution plan	146,140	137,940	-	-
- Social security contribution	620	620	-	-
	<u>2,011,760</u>	<u>1,903,060</u>	<u>-</u>	<u>-</u>
Total executive directors' remuneration (excluding benefits-in-kind) (Note 12)	5,594,875	5,311,280	40,000	40,000
Benefits-in-kind	225,474	183,661	-	-
Total executive directors' remuneration (including benefits-in-kind)	<u>5,820,349</u>	<u>5,494,941</u>	<u>40,000</u>	<u>40,000</u>

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13. Directors' remuneration (continued)

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Non-Executive:				
- Fees	40,000	40,000	40,000	40,000
- Salaries and bonus	803,500	769,000	154,000	154,000
- Defined contribution plan	17,410	15,960	17,410	15,960
- Social security contributions	1,505	1,505	1,505	1,505
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 11)	862,415	826,465	212,915	211,465
Benefits-in-kind	20,106	25,594	-	-
Total non-executive directors' remuneration	882,521	852,059	212,915	211,465
Total directors' remuneration	6,702,870	6,347,000	252,915	251,465

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	
	2012	2011
Executive directors:		
RM450,001-500,000	1	1
RM750,001-800,000	-	1
RM800,001-850,000	1	1
RM850,001-900,000	1	-
RM1,400,001-1,450,000	-	1
RM1,450,001-1,500,000	1	-
Non-Executive directors:		
RM50,001-100,000	3	3
RM650,001-700,000	1	1

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14. Income tax expenseMajor components of income tax expense

The major components of income tax expense for the years ended 31 March 2012 and 2011 are:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	89,215	140,715	-	-
- Underprovision in prior years	1,047	-	-	-
	<u>90,262</u>	<u>140,715</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 25):				
- Reversal of temporary differences	-	-	-	-
- Overprovision in prior years	-	(27,908)	-	-
	<u>-</u>	<u>(27,908)</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>90,262</u>	<u>112,807</u>	<u>-</u>	<u>-</u>

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 2012 and 2011 are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Accounting (loss)/profit before tax	<u>(58,546,370)</u>	<u>(46,653,339)</u>	<u>1,653,144</u>	<u>6,387,354</u>
Tax expense at Malaysian statutory tax rate of 25% (2011: 25%)	(14,636,592)	(11,663,335)	413,286	1,596,839
Income not subject to tax	(30,194)	(27,960)	(600,240)	(1,722,534)
Loss/(profit) of a subsidiary in Labuan not subject to tax	13,739,228	(4,571,553)	-	-
Expenses not deductible for tax purposes	886,921	560,635	186,954	125,695
Share of results of an associate	-	14,851,910	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	129,852	991,018	-	-
Underprovision of tax expense in prior years	1,047	-	-	-
Overprovision of deferred tax in prior years	-	(27,908)	-	-
Income tax expense recognised in profit or loss	<u>90,262</u>	<u>112,807</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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14. Income tax expense (continued)

	Group	
	2012	2011
	RM	RM
Tax savings during the financial year arising from utilisation of:		
- current year tax losses	-	56,805
- current year capital allowances	-	201,252
	<u>=====</u>	<u>=====</u>
Unutilised tax losses carried forward	23,594,360	22,574,476
Unabsorbed capital and forest allowances carried forward	5,223,969	4,586,460
	<u>=====</u>	<u>=====</u>

15. Loss per share**Basic/diluted**

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:

	Group	
	2012	2011
Loss net of tax attributable to owners of the Company (RM)	<u>(36,413,886)</u>	<u>(53,508,379)</u>
Weighted average number of ordinary shares in issue	<u>140,424,280</u>	<u>141,699,284</u>
Basic/diluted loss per share for the year (sen)	<u>(25.93)</u>	<u>(37.76)</u>

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.

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16. 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	Building under construction RM	Total RM
Group								
Cost								
At 1 April 2010	155,571,250	20,046,249	23,643,594	66,214,365	2,869,230	2,213,837	4,311,155	274,869,680
Additions	-	2,905	253,401	74,480	595,078	179,134	209,708	1,314,706
Disposals	-	-	-	-	(185,000)	(12,608)	-	(197,608)
Scrapped	-	-	-	-	-	(392,852)	-	(392,852)
Reclassifications	-	-	4,412,453	-	-	108,410	(4,520,863)	-
Adjustments	-	-	(500)	-	-	(18,853)	-	(19,353)
At 31 March 2011 and 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	155,571,250	20,049,154	28,464,455	66,279,836	2,788,883	1,978,124	-	275,131,702

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16. Property, plant and equipment (continued)

Group	Vessel RM	Long leasehold land RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Accumulated depreciation and impairment loss								
At 1 April 2010	5,617,851	889,398	18,629,538	58,058,968	1,984,307	1,376,230	-	86,556,292
Depreciation charge for the year	5,185,708	225,666	1,388,871	2,252,868	268,797	206,181	-	9,528,091
Disposals	-	-	-	-	(184,999)	(12,452)	-	(197,451)
Scrapped	-	-	-	-	-	(390,802)	-	(390,802)
At 31 March 2011 and 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	72,814,541	1,340,730	20,880,654	61,675,618	1,893,553	1,279,598	-	159,884,694

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16. Property, plant and equipment (continued)

	Vessel RM	Long leasehold land RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Net carrying amount								
At 31 March 2011	144,767,691	18,934,086	8,290,539	5,977,009	1,211,203	897,911	-	180,078,439
At 31 March 2012	82,756,709	18,708,424	7,583,801	4,604,218	895,330	698,526	-	115,247,008

Asset pledged as security

The vessel of the Group has been pledged as security for the Group's borrowing (Note 23).

Impairment of assets

During the 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 has 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 statement 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.

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17. Investments in subsidiaries

	2012	Company
	RM	2011
		RM
		(Restated)
Unquoted shares at cost	85,054,749	90,084,893
Amounts due from subsidiaries	107,861,023	94,764,007
	<u>192,915,772</u>	<u>184,848,900</u>
Less: Members' voluntary winding up of subsidiaries	-	5,030,144
	<u>192,915,772</u>	<u>179,818,756</u>
Less: Provision for diminution in value		
At beginning of year	27,728,819	27,728,819
Current year	100,000	-
At end of year	<u>27,828,819</u>	<u>27,728,819</u>
	<u>165,086,953</u>	<u>152,089,937</u>

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

Name of Subsidiaries	Principal Activities	Proportion (%) of ownership interest	
		2012	2011
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
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	63.25

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17. Investments in subsidiaries (continued)

Acquisition of non-controlling interests

On 14 November 2011, the Group's subsidiary company, Gerak Armada Sdn. Bhd., acquired an additional 49% equity interest in Offshore Constructor (Labuan) Ltd.(OCL) from its non-controlling interests for a total cash consideration of RM13,101,085. As a result of this acquisition, OCL became a wholly-owned subsidiary of Gerak Armada Sdn. Bhd.. On the date of acquisition, the carrying value of the additional interest acquired was RM14,395,865. The difference between the consideration and the book value of the interest acquired of RM1,294,780 is reflected in equity as discount on acquisition of non-controlling interests.

18. Investment in an associate

	2012	Group
	RM	2011
		RM
Balance at beginning of year	-	59,407,640
Share of loss	-	(59,407,640)
	<u> </u>	<u> </u>
Balance at end of year	-	-
	<u> </u>	<u> </u>

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

Name of Subsidiaries	Principal Activities	Proportion (%) of ownership interest	
		2012	2011
Offshoreworks Holdings Sdn. Bhd.	Company's activity is 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.

The associate is currently in the process of undergoing a financial restructuring under Section 176 of the Companies Act, 1965 and the Group's equity interest of 25% in Offshoreworks Holdings Sdn. Bhd. is expected to be diluted to an ordinary investment in the event it successfully undergoes a financial restructuring exercise in due course.

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18. Investment in an associate (continued)

The summarised financial information of the associate is as follows:

	2012	2011
	RM	RM
Assets and liabilities		
Total assets	539,357,240	604,783,549
	=====	=====
Total liabilities	(826,609,311)	(711,429,110)
	=====	=====
Results		
Revenue	449,806,228	235,014,019
Loss for the year	(180,606,509)	(293,157,069)
	=====	=====

19. Investment securities

	2012	Group	2011
	RM		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 2012, the Group has recognised an impairment loss of RM200,000 (2011: RM200,000) for an unquoted equity instrument as the fair value of this investment was below its costs.

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20. Inventories

	Group	
	2012	2011
	RM	RM
Cost		
Finished goods	-	10,001,564
Production supplies	2,381,264	2,477,309
Raw materials	1,739,049	371,291
Stock-in-transit	-	870,311
Work-in-progress	4,973,672	3,990,555
	<u>9,093,985</u>	<u>17,711,030</u>
Net realisable value		
Finished goods	10,276,264	1,181,465
Work-in-progress	1,300,941	80,637
	<u>11,577,205</u>	<u>1,262,102</u>
	<u>20,671,190</u>	<u>18,973,132</u>

21. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
				(Restated)
Trade receivables				
Third parties	8,287,023	1,857,393	-	-
Subsidiary of an associate	1,847,882	3,761,035	-	-
	<u>10,134,905</u>	<u>5,618,428</u>	-	-
Less: Allowance for impairment				
Third parties	(3,609,647)	(1,500,000)	-	-
Subsidiary of an associate	(1,847,882)	-	-	-
	<u>4,677,376</u>	<u>4,118,428</u>	-	-
Other receivables				
Amounts due from subsidiaries	-	-	9,497,728	23,710,195
Deposits	5,762,885	1,596,908	6,500	6,500
Sundry receivables	428,775	227,961	-	89
	<u>6,191,660</u>	<u>1,824,869</u>	<u>9,504,228</u>	<u>23,716,784</u>
Total trade and other receivables	10,869,036	5,943,297	9,504,228	23,716,784
Add: Cash and bank balances (Note 22)	<u>10,542,440</u>	<u>34,499,490</u>	<u>49,387</u>	<u>389,678</u>
Total loans and receivables	<u>21,411,476</u>	<u>40,442,787</u>	<u>9,553,615</u>	<u>24,106,462</u>

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21. Trade and other receivables (continued)**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 day to 60 day (2011: 30 to 60 day) terms. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	2012	Group	2011
	RM		RM
Neither past due nor impaired	4,677,376		3,761,035
31 to 60 days past due not impaired	-		357,393
	<u>4,677,376</u>		<u>4,118,428</u>
Impaired	<u>5,457,529</u>		<u>1,500,000</u>
	<u>10,134,905</u>		<u>5,618,428</u>

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 79% (2011: 91%) of the Group's trade receivables arise from customers with more than five years (2011: two 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 past due but not impaired

The Group has no trade receivables (2011: RM357,393, past due but not impaired) that are past due at the reporting date but not impaired.

Receivables that are 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	
	2012	2011
	RM	RM
Trade receivables-nominal amounts	5,457,529	1,500,000
Less: Allowance for impairment	<u>(5,457,529)</u>	<u>(1,500,000)</u>
	<u>-</u>	<u>-</u>

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For the financial year ended 31 March 2012

21. Trade and other receivables (continued)**(a) Trade receivables (continued)**

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

	Group	
	2012	2011
	RM	RM
At beginning of year	1,500,000	1,500,000
Charge for the year	3,957,529	-
At end of year	<u>5,457,529</u>	<u>1,500,000</u>

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 RM5,708,200 (2011: RM1,537,573) maintained with the bank over the tenure of the term loan and shall be utilised for payment of interest due on the term loan.

22. Cash and bank balances

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash on hand and at banks	2,665,426	846,534	49,387	89,678
Short term:				
- Deposits with licensed banks	6,850,000	28,390,000	-	300,000
- Investments with a licensed bank	1,027,014	5,262,956	-	-
Total cash and cash equivalents	<u>10,542,440</u>	<u>34,499,490</u>	<u>49,387</u>	<u>389,678</u>

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 and of the Company for the financial year ranged from 2.00% to 3.10% (2011: 1.75% to 2.90%) and 2.60% to 3.00% (2011: 2.65% to 2.75%) per annum respectively.

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23. Borrowings

	2012	Group
	RM	2011
		RM
Current		
Secured:		
Bankers' acceptance	1,731,000	-
Term loans:		
- USD Effective Cost of Fund +3% loan	16,989,588	16,775,590
- 2.6% p.a. fixed rate USD loan	<u>3,604,717</u>	<u>-</u>
	22,325,305	16,775,590
Non-current		
Secured:		
USD Effective Cost of Fund +3% loan	<u>25,484,382</u>	<u>41,938,974</u>
At end of year	<u>47,809,687</u>	<u>58,714,564</u>

The remaining maturities of borrowings as at 31 March 2012 are as follows:

	2012	Group
	RM	2011
		RM
On demand or within one year	22,325,305	16,775,590
More than 1 year and less than 2 years	16,989,588	16,775,590
More than 2 years and less than 5 years	<u>8,494,794</u>	<u>25,163,384</u>
	<u>47,809,687</u>	<u>58,714,564</u>

Bankers' acceptance

The bankers' acceptance has been fully repaid on 22 June 2012 and is 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 USD1,163,112 as at 31 March 2012 (2011: Nil) and has been fully repaid on 15 May 2012. It is secured by corporate guarantee provided by the Company.

23. Borrowings (continued)

USD Effective Cost of Fund +3% loan

This loan is denominated in United States Dollar and amounted to USD13,860,000 as at 31 March 2012 (2011:USD19,404,000). It is secured by the following:

- (a) First Statutory Mortgage over the vessel of a subsidiary of the Company, Offshore Constructor (Labuan) Ltd. (“OCL”) together with Deed of Covenant;
- (b) Assignment of all present and future rights to receive rental, income, fees, charges and all payments under the Charter Service Agreement;
- (c) Memorandum of Deposit over the Commodity Deferred Purchase Agreement of USD166,320;
- (d) Assignment of all rights and benefits for all insurance in respect of the vessel of OCL 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.
- (e) A First charge over the Non-Checking Designated Accounts;
- (f) Unconditional and Irrevocable Corporate Guarantee from the Company of up to 51% of the Facility Limit, i.e. for USD14.14 million. The Corporate Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates;
- (g) Unconditional and Irrevocable Personal Guarantee from a director of the associated company, Mohd Amran bin Abd Wahid for USD13.58 million. The Personal Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates; and
- (h) Negative pledge over the asset of OCL.

Subsequent to year end, the Personal Guarantee mentioned in item (g) has been released by the bank and the Corporate Guarantee mentioned in item (f) is revised up to 100% of the Facility Limit, i.e. USD27.72 million following the acquisition of the remaining 49% equity interest in OCL by Gerak Armada Sdn. Bhd., a direct subsidiary of the Company.

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Notes to the financial statementsFor the financial year ended 31 March 2012

24. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Trade payables				
Third parties	<u>2,832,782</u>	<u>3,445,232</u>	<u>-</u>	<u>-</u>
Other payables				
Accruals	851,586	1,106,385	107,987	105,000
Other payables	<u>4,938,956</u>	<u>986,915</u>	<u>98,059</u>	<u>52,000</u>
	<u>5,790,542</u>	<u>2,093,300</u>	<u>206,046</u>	<u>157,000</u>
	<u>8,623,324</u>	<u>5,538,532</u>	<u>206,046</u>	<u>157,000</u>

(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 (2011: 30 days to 90 days).

(b) Other payables

Included in other payables is an amount of RM3,938,300 (2011: Nil) which represents the balance of purchase consideration of non-controlling interests as disclosed in Note 17.

(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 RM50,532,030 (2011: RM47,986,226) 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.

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25. Deferred tax

	As at 1 April 2010 RM	Recognised in profit or loss RM	As at 31 March 2011 RM	Recognised in profit or loss RM	As at 31 March 2012 RM
Deferred tax liabilities:					
Property, plant and equipment	732,551	47,365	779,916	(135,736)	644,180
Deferred tax assets:					
Unabsorbed capital allowances	(206,048)	(75,273)	(281,321)	135,736	(145,585)
	526,503	(27,908)	498,595	-	498,595

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:

	2012 RM	Group 2011 RM
Unutilised tax losses	23,594,360	22,574,476
Unabsorbed capital and forest allowances	4,641,631	3,461,173
Property, plant and equipment	3,918,112	1,189,789
	<u>32,154,103</u>	<u>27,225,438</u>

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.

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26. 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 2010	152,983,300	(10,265,800)	152,983,300	16,548,724	169,532,024	(7,522,770)
Purchase of treasury shares:						
- Consideration	-	(1,900,200)	-	-	-	(1,391,407)
- Transaction costs	-	-	-	-	-	(10,832)
At 31 March 2011 and 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	152,983,300	(13,003,000)	152,983,300	16,548,724	169,532,024	(9,384,444)

	Number of Ordinary Shares of RM1 Each		Amount	
	2012	2011	2012 RM	2011 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.

26. Share capital, share premium and treasury shares

(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 837,000 (2011: 1,900,200) 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 RM459,435 (2011: RM1,402,239) comprising consideration paid amounting to RM456,315 (2011: RM1,391,407) and transaction costs of RM3,120 (2011: RM10,832) 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.

27. 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.

28. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

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28. Retained earnings (continued)

As at 31 March 2012, the Company has tax exempt profits available for distribution of approximately RM41,082,521 (2011: RM43,891,907), subject to the agreement of the Inland Revenue Board.

The Company did not elect for irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 March 2012 and 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 March 2012 and 2011, the Company has sufficient credit in the 108 balance and the balance in the tax exempt income account to distribute dividends out of its entire retained earnings.

29. Other reserves

Group	Asset revaluation reserve RM	Foreign currency translation reserve RM	Others RM	Total RM
At 1 April 2011	23,054,460	225,224	-	23,279,684
Discount on acquisition of non-controlling interest	-	-	1,294,780	1,294,780
At 31 March 2012	<u>23,054,460</u>	<u>225,224</u>	<u>1,294,780</u>	<u>24,574,464</u>

30. Dividend

	Dividend in respect of Year		Dividend recognised in Year	
	2011	2010	2012	2011
	RM	RM	RM	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	-
Final tax exempt dividend for 2010: 4% on 141,713,900 ordinary shares (netted off 11,269,400 treasury shares) (4 sen per ordinary share)	-	5,668,556	-	5,668,556
	<u>2,809,386</u>	<u>5,668,556</u>	<u>2,809,386</u>	<u>5,668,556</u>

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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:

	2012	2011
	RM	RM
Group		
Rental of premises paid to Syarikat Kretam Sdn. Bhd., a company in which certain directors of the Company are also directors	120,000	120,000
Transactions with Offshore Construction & Engineering Sdn. Bhd., an associate's subsidiary		
Vessel chartering	17,574,464	22,874,178
Company		
Transaction with a subsidiary		
Tax exempt dividend from an unquoted subsidiary	2,400,958	4,801,916

(b) Compensation of key management personnel**Group**

Short-term employee benefits	5,840,491	5,518,035
Defined contribution plan	475,187	465,016
	<u>6,315,678</u>	<u>5,983,051</u>

32. Fair value of financial instruments

Determination of fair value

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

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

	Note
Trade and other receivables	21
Trade and other payables	24
Borrowings (current and non-current)	23

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.

Financial guarantees

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.

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 year, the Group's policy that no derivatives shall be undertaken.

33. Financial risk management objectives and policies (continued)

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 default 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.

Exposure to credit risk

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 RM50,532,030 (2011: RM47,986,226) relating to corporate guarantees provided by the Company to banks on certain subsidiaries' banking facilities.

Credit risk concentration profile

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			
	2012		2011	
By industry sectors:	RM	% of total	RM	% of total
Timber processing	4,294,895	92%	357,393	9%
Oil and gas	382,481	8%	3,761,035	91%
	<u>4,677,376</u>	<u>100%</u>	<u>4,118,428</u>	<u>100%</u>

At the reporting date, 71 % (2011: Nil %) of the Group's trade receivables were due from three customers located in Malaysia.

33. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

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 21. 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 21.

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 47% (2011: 29%) of the Group's borrowings (Note 23) 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	2012 One to five years RM	Total RM
Group			
Financial liabilities:			
Trade and other payables	8,623,324	-	8,623,324
Borrowings	<u>22,325,305</u>	<u>25,484,382</u>	<u>47,809,687</u>
Total undiscounted financial liabilities	<u>30,948,629</u>	<u>25,484,382</u>	<u>56,433,011</u>

33. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	2012			2011		
	On demand or within one year RM	One to five years RM	Total RM	On demand or within one year RM	One to five years RM	Total RM
Company						
Financial liabilities:						
Other payables, excluding financial guarantees *	206,046	-	206,046	157,000	-	157,000
Total undiscounted financial liabilities	206,046	-	206,046	157,000	-	157,000

* 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 FRS 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.

Sensitivity analysis for interest rate risk

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 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.

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33. Financial risk management objectives and policies (continued)**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.

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 2012 and 31 March 2011.

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:

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Borrowings	23	47,809,687	58,714,564	-	-
Trade and other payables	24	8,623,324	5,538,532	206,046	157,000
Less: Cash and bank balances	22	(10,542,440)	(34,499,490)	(49,387)	(389,678)
Net debt		<u>45,890,571</u>	<u>29,753,606</u>	<u>156,659</u>	<u>(232,678)</u>
Equity attributable to the owners of the Company		<u>101,196,463</u>	<u>139,584,390</u>	<u>172,070,764</u>	<u>176,087,399</u>
Total capital		<u><u>101,196,463</u></u>	<u><u>139,584,390</u></u>	<u><u>172,070,764</u></u>	<u><u>176,087,399</u></u>
Gearing ratio		<u>31%</u>	<u>18%</u>	<u>0.1%</u>	<u>-</u>

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 has 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.

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

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35. Segmental information (continued)

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 Investment and Gas holding RM	Others RM	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	<u>83,766,572</u>	<u>22,181,977</u>	<u>2,400,958</u>	<u>1,080,000</u>	<u>(3,480,958)</u>	<u>105,948,549</u>
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 vessel	-	57,617,831	-	-	-	57,617,831
Impairment loss on trade receivables	-	9,823,823	-	-	-	9,823,823
Finance costs	-	3,709,825	-	-	-	3,709,825
Other non-cash expenses	(3,768)	(534,996)	-	-	-	B (538,764)
Segment (loss)/profit	<u>(958,242)</u>	<u>(54,876,911)</u>	<u>1,324,842</u>	<u>(1,735,101)</u>	<u>(2,300,958)</u>	C <u>(58,546,370)</u>
Assets:						
Additions to non-current assets	33,460	-	-	158,712	-	D 192,172
Segment assets	<u>61,921,198</u>	<u>89,331,263</u>	<u>206,549</u>	<u>6,518,333</u>	<u>150,726</u>	E <u>158,128,069</u>
Segment liabilities	<u>9,347,161</u>	<u>42,636,657</u>	<u>4,268,346</u>	<u>180,847</u>	<u>498,595</u>	F <u>56,931,606</u>

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35. Segmental information (continued)**Business Segments**

	Timber processing RM	Oil and Gas RM	Investment holding RM	Others RM	Adjustments/ Elimination RM	Notes	Consolidated RM
31 March 2011							
Revenue:							
External customers	108,069,806	22,874,178	-	-	-		130,943,984
Inter-segment	-	-	4,801,916	1,080,000	(5,881,916)	A	-
Total revenue	<u>108,069,806</u>	<u>22,874,178</u>	<u>4,801,916</u>	<u>1,080,000</u>	<u>(5,881,916)</u>		<u>130,943,984</u>
Results:							
Interest income	468,508	-	32,517	227,220	-		728,245
Depreciation and amortisation	3,992,553	5,185,708	-	411,162	(61,332)		9,528,091
Finance costs	-	4,814,066	-	-	-		4,814,066
Share of results of an associate	-	(59,407,640)	-	-	-		(59,407,640)
Other non-cash expenses	244	4,292,879	-	-	-	B	4,293,123
Segment profit/(loss)	<u>(1,833,018)</u>	<u>(41,041,427)</u>	<u>6,306,037</u>	<u>(2,066,174)</u>	<u>(8,018,757)</u>	C	<u>(46,653,339)</u>
Assets:							
Additions to non-current assets	768,460	-	-	576,893	(50,000)	D	1,295,353
Segment assets	<u>75,721,672</u>	<u>150,136,056</u>	<u>459,905</u>	<u>13,988,397</u>	<u>688,662</u>	E	<u>240,994,692</u>
Segment liabilities	<u>4,974,677</u>	<u>58,757,145</u>	<u>161,000</u>	<u>360,274</u>	<u>498,595</u>	F	<u>64,751,691</u>

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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:

	2012	2011
	RM	RM
Unrealised foreign exchange (loss)/gain	(538,764)	4,293,123

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

	2012	2011
	RM	RM
Inter-segment transactions	(2,300,958)	(4,851,915)
Gain on members' voluntary winding up of subsidiaries	-	(3,166,842)
	<u>(2,300,958)</u>	<u>(8,018,757)</u>

D Additions to non-current assets consist of:

Property, plant and equipment	192,172	1,295,353
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E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012	2011
	RM	RM
Inter-segment assets	(51,164)	(119,164)
Tax refundable	201,890	807,826
	<u>150,726</u>	<u>688,662</u>

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

	2012	2011
	RM	RM
Deferred tax liabilities	498,595	498,595

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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	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	22,181,977	22,874,178	115,372,008	180,203,439
North Asia	83,766,572	108,069,806	-	-
	<u>105,948,549</u>	<u>130,943,984</u>	<u>115,372,008</u>	<u>180,203,439</u>

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

	2012 RM	2011 RM
Property, plant and equipment	115,247,008	180,078,439
Other investments	125,000	125,000
	<u>115,372,008</u>	<u>180,203,439</u>

Information about major customers

Revenue from four (2011: four) major customers amount to RM101,341,035 (2011: RM122,221,431) arising from sale of plywood by the timber processing segment and vessel chartering in the oil and gas segment.

36. Comparatives

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts as at 31 March 2011 have been reclassified to conform with current year's presentation:

Company	As previously stated RM	Reclassifications RM	As restated RM
Investments in subsidiaries	57,325,930	94,764,007	152,089,937
Trade and other receivables	<u>118,480,791</u>	<u>(94,764,007)</u>	<u>23,716,784</u>

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 27 July 2012.

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38. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 March 2012 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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Total retained profits of the Company and its subsidiaries				
- Realised	(6,046,962)	55,970,332	14,324,142	15,480,384
- Unrealised	4,781,700	4,293,123	-	-
	<u>(1,265,262)</u>	<u>60,263,455</u>	<u>14,324,142</u>	<u>15,480,384</u>
Total share of loss from associate				
- Realised	(39,296,554)	(39,296,554)	-	-
- Unrealised	-	-	-	-
	<u>(39,296,554)</u>	<u>(39,296,554)</u>	<u>-</u>	<u>-</u>
Less: Consolidation adjustments	(42,963,765)	(65,269,210)	-	-
(Accumulated losses)/Retained earnings as per financial statements	<u>(83,525,581)</u>	<u>(44,302,309)</u>	<u>14,324,142</u>	<u>15,480,384</u>