

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

**Directors' Report and Audited Financial Statements  
31 March 2014**

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)          |
| Lim Ted Hing                        | (Group managing director/Chief Executive Officer) |
| Fong Kin Wui                        | (Executive Director)                              |
| Quek Siew Hau                       | (Executive Director)                              |
| Chan Ka Tsung                       | (Executive Director)                              |
| Seah Sen Onn @ David Seah           | (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**

HSBC Bank Malaysia Berhad  
RHB Bank Berhad

**SOLICITORS**

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

**INDEX**

|                                    | <b>Page</b> |
|------------------------------------|-------------|
| Directors' report                  | 2 - 7       |
| Statement by directors             | 8           |
| Statutory declaration              | 8           |
| Independent auditors' report       | 9 - 11      |
| Statements of comprehensive income | 12 - 13     |
| Statements of financial position   | 14 - 15     |
| Statements of changes in equity    | 16 - 18     |
| Statements of cash flows           | 19 - 20     |
| Notes to the financial statements  | 21 - 77     |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

(Incorporated in Malaysia)

**Directors' report**

---

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2014.

**Principal activities**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are timber processing and investment holding. During the financial year, a wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd., ceased the vessel chartering services following the disposal of its vessel.

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

**Results**

|                   | <b>Group<br/>RM</b> | <b>Company<br/>RM</b> |
|-------------------|---------------------|-----------------------|
| Profit net of tax | <u>3,690,673</u>    | <u>1,789,366</u>      |

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.

**Significant Event**

On 4 April 2013, the Company via its wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd. entered into a conditional Memorandum of Agreement with National Marine Dredging Company, a public company incorporated in the Emirates of Abu Dhabi and listed on the Abu Dhabi Securities Exchange, for the disposal of its vessel, for a total cash consideration of RM94,953,462 (USD29,275,000).

The disposal was completed on 15 August 2013 resulting in a net gain of RM10,877,051 to the Group.

## **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

Lim Ted Hing

Fong Kin Wui

Quek Siew Hau

(Appointed on 1 August 2013)

Chan Ka Tsung

(Appointed on 1 August 2013)

Seah Sen Onn @ David Seah

(Appointed on 2 January 2014)

Voon Sui Liong @ Paul Voon

Datuk Eric Usip Juin

Tan Kung Ming

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

In accordance with Article 103 of the Company's Articles of Association, Lim Ted Hing and Tan Kung Ming retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Seah Sen Onn @ David Seah retires in accordance with Article 86 of the Company's Articles of Association and, being eligible, offers himself 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 the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 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 |           |      |           |
|--|---------------------------------------|-----------|------|-----------|
|  | At date of<br>1.4.2013 appointment    | Acquired  | Sold | 31.3.2014 |
| Datuk Seri Panglima Quek<br>Chiew Yong |                                       |           |      |           |
| Indirect shareholding <sup>#</sup>     | 8,493,424                             | -         | -    | 8,493,424 |
| Deemed interest*                       | 419,489                               | -         | -    | 419,489   |
| Lim Ted Hing                           |                                       |           |      |           |
| Direct shareholding                    | 1,711,100                             | -         | -    | 1,711,100 |
| Fong Kin Wui                           |                                       |           |      |           |
| Direct shareholding                    | 1,695,794                             | -         | -    | 1,695,794 |
| Indirect shareholding <sup>#</sup>     | 969,574                               | -         | -    | 969,574   |
| Quek Siew Hau                          |                                       |           |      |           |
| Direct shareholding                    | -                                     | 309,489   | -    | 309,489   |
| Indirect shareholding <sup>#</sup>     | -                                     | 8,493,424 | -    | 8,493,424 |
| Chan Ka Tsung                          |                                       |           |      |           |
| Deemed interest <sup>#</sup>           | -                                     | 9,506,997 | -    | 9,506,997 |
| Seah Sen Onn @ David Seah              |                                       |           |      |           |
| Direct shareholding                    | -                                     | 2,788,800 | -    | 2,788,800 |

<sup>#</sup> Held through another body corporate

\* Held by spouse and/or children

**Treasury shares**

There was no share buy-back during the financial year under review.

As at 31 March 2014, the Company held as treasury shares a total of 13,008,000 of its 152,983,300 issued ordinary shares. Such treasury shares are held at a carrying amount of RM9,386,487 and further relevant details are disclosed in Note 26 to the financial statements.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

(Incorporated in Malaysia)

**Directors' report**

---

**Employees' share option scheme (ESOS)**

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

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

**Other statutory information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

(Incorporated in Malaysia)

**Directors' report**

---

**Other statutory information (continued)**

- (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.

**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 24 July 2014.

Lim Ted Hing

Quek Siew Hau



**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

(Incorporated in Malaysia)

**Statement by directors**

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

---

We, Lim Ted Hing and Quek Siew Hau, 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 12 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 on page 77 to the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 July 2014.

Lim Ted Hing

Quek Siew Hau

**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 12 to 77 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 24 July 2014

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 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 76.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

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

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other reporting responsibilities**

The supplementary information set out in Note 36 on page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**357125-D**

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

**Other matters**

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

Sandakan, Malaysia  
24 July 2014

Chau Nam Kong  
3096/12/15(J)  
Chartered Accountant

**Statements of comprehensive income**  
For the financial year ended 31 March 2014

|   | Note | Group               |                     | Company          |                     |
|---|------|---------------------|---------------------|------------------|---------------------|
|   |      | 2014<br>RM          | 2013<br>RM          | 2014<br>RM       | 2013<br>RM          |
| <b>Revenue</b>  | 4    | 83,195,220          | 96,099,243          | -                | 19,207,662          |
| Cost of sales   | 5    | <u>(78,690,284)</u> | <u>(95,328,531)</u> | -                | -                   |
| <b>Gross profit</b>   |      | 4,504,936           | 770,712             | -                | 19,207,662          |
| <b>Other items of income</b>  |      |                     |                     |                  |                     |
| Interest income   | 6    | 1,003,362           | 41,373              | -                | -                   |
| Dividend income   | 7    | 107,994             | 33,229              | -                | -                   |
| Other income  | 8    | 11,558,217          | 472,257             | 2,565,020        | -                   |
| <b>Other items of expense</b>   |      |                     |                     |                  |                     |
| Distribution costs  |      | (744,907)           | (729,122)           | -                | -                   |
| Administrative expenses   |      | (9,030,068)         | (10,519,012)        | (468,771)        | (424,645)           |
| Finance costs   | 9    | (1,778,118)         | (2,633,870)         | -                | -                   |
| Other expenses  | 10   | <u>(1,910,743)</u>  | <u>(857,903)</u>    | <u>(306,883)</u> | <u>(58,227,750)</u> |
| <b>Profit/(loss) before tax</b>   | 11   | 3,710,673           | (13,422,336)        | 1,789,366        | (39,444,733)        |
| Income tax expense  | 14   | <u>(20,000)</u>     | <u>(20,042)</u>     | -                | -                   |
| <b>Profit/(loss) net of tax</b>   |      | 3,690,673           | (13,442,378)        | 1,789,366        | (39,444,733)        |
| <b>Other comprehensive income</b>   |      |                     |                     |                  |                     |
| Items that will not be reclassified subsequently to profit or loss:                               |      |                     |                     |                  |                     |
| Negative goodwill arising from acquisition of non-controlling interests in prior year written off |      | 1,294,780           | -                   | -                | -                   |
| Asset revaluation reserve written off arising from impairment of an associate                     |      | -                   | <u>23,054,460</u>   | -                | -                   |
| <b>Total comprehensive income for the year</b>  |      | <u>4,985,453</u>    | <u>9,612,082</u>    | <u>1,789,366</u> | <u>(39,444,733)</u> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Statements of comprehensive income**For the financial year ended 31 March 2014

---

|   | Note | Group            |                     | Company          |                     |
|---|------|------------------|---------------------|------------------|---------------------|
|   |      | 2014<br>RM       | 2013<br>RM          | 2014<br>RM       | 2013<br>RM          |
| Profit/(loss) attributable to owners of the Company                                   |      | <u>3,690,673</u> | <u>(13,442,378)</u> | <u>1,789,366</u> | <u>(39,444,733)</u> |
| Total comprehensive income attributable to owners of the Company                      |      | <u>4,985,453</u> | <u>9,612,082</u>    | <u>1,789,366</u> | <u>(39,444,733)</u> |
| <b>Profit/(Loss) per share attributable to owners of the Company (sen per share):</b> |      |                  |                     |                  |                     |
| Basic/diluted   | 15   | <u>2.64</u>      | <u>(9.60)</u>       |                  |                     |

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

**Statements of financial position**  
As at 31 March 2014

|   | Note | Group              |                    | Company            |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2014<br>RM         | 2013<br>RM         | 2014<br>RM         | 2013<br>RM         |
| <b>Assets</b>                           |      |                    |                    |                    |                    |
| <b>Non-current assets</b>               |      |                    |                    |                    |                    |
| Property, plant and equipment           | 16   | 23,417,362         | 105,009,575        | -                  | -                  |
| Investments in subsidiaries             | 17   | -                  | -                  | 104,438,788        | 119,646,593        |
| Investment in an associate              | 18   | -                  | -                  | -                  | -                  |
| Investment securities                   | 19   | 125,000            | 125,000            | -                  | -                  |
|   |      | <u>23,542,362</u>  | <u>105,134,575</u> | <u>104,438,788</u> | <u>119,646,593</u> |
| <b>Current assets</b>                   |      |                    |                    |                    |                    |
| Inventories                             | 20   | 20,163,746         | 17,446,701         | -                  | -                  |
| Trade and other receivables             | 21   | 3,530,895          | 7,287,829          | 32,458,509         | 15,379,914         |
| Prepayments                             |      | 501,175            | 493,797            | 15,000             | 15,000             |
| Tax refundable                          |      | -                  | 151,050            | -                  | 8,700              |
| Cash and bank balances                  | 22   | 52,984,449         | 6,229,348          | 44,020             | 111,421            |
|   |      | <u>77,180,265</u>  | <u>31,608,725</u>  | <u>32,517,529</u>  | <u>15,515,035</u>  |
| <b>Total assets</b>                     |      | <u>100,722,627</u> | <u>136,743,300</u> | <u>136,956,317</u> | <u>135,161,628</u> |
| <b>Equity and liabilities</b>           |      |                    |                    |                    |                    |
| <b>Current liabilities</b>              |      |                    |                    |                    |                    |
| Borrowings                              | 23   | 3,618,579          | 25,657,815         | -                  | -                  |
| Trade and other payables                | 24   | 5,162,738          | 7,059,666          | 142,005            | 136,682            |
|   |      | <u>8,781,317</u>   | <u>32,717,481</u>  | <u>142,005</u>     | <u>136,682</u>     |
| <b>Net current assets/(liabilities)</b> |      | <u>68,398,948</u>  | <u>(1,108,756)</u> | <u>32,375,524</u>  | <u>15,378,353</u>  |
| <b>Non-current liabilities</b>          |      |                    |                    |                    |                    |
| Borrowings                              | 23   | -                  | 15,775,182         | -                  | -                  |
| Deferred tax liabilities                | 25   | 498,595            | 498,595            | -                  | -                  |
|   |      | <u>498,595</u>     | <u>16,273,777</u>  | <u>-</u>           | <u>-</u>           |
| <b>Total liabilities</b>                |      | <u>9,279,912</u>   | <u>48,991,258</u>  | <u>142,005</u>     | <u>136,682</u>     |
| <b>Net assets</b>                       |      | <u>91,442,715</u>  | <u>87,752,042</u>  | <u>136,814,312</u> | <u>135,024,946</u> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Statements of financial position**

As at 31 March 2014

---

|   |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|---|-------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>Note</b> | <b>2014</b>        | <b>2013</b>        | <b>2014</b>        | <b>2013</b>        |
|   |             | <b>RM</b>          | <b>RM</b>          | <b>RM</b>          | <b>RM</b>          |
| <b>Equity attributable to owners of the Company</b> |             |                    |                    |                    |                    |
| 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          | (9,386,487)        | (9,386,487)        | (9,386,487)        | (9,386,487)        |
| Accumulated losses                                  |             | (68,702,822)       | (73,688,275)       | (23,331,225)       | (25,120,591)       |
| Other reserves                                      | 27          | -                  | 1,294,780          | -                  | -                  |
| <b>Total equity</b>                                 |             | <u>91,442,715</u>  | <u>87,752,042</u>  | <u>136,814,312</u> | <u>135,024,946</u> |
| <b>Total equity and liabilities</b>                 |             | <u>100,722,627</u> | <u>136,743,300</u> | <u>136,956,317</u> | <u>135,161,628</u> |

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



**Statements of changes in equity**

For the financial year ended 31 March 2014

|  | Note | Equity,<br>total<br>RM | ← Attributable to owners of the Company →                               |                        |                          |                             |                         | →                                     |                        |
|--|------|------------------------|---|------------------------|--------------------------|-----------------------------|-------------------------|---------------------------------------|------------------------|
|  |      |                        | Equity<br>attributable<br>to owners<br>of the<br>Company<br>total<br>RM | Non-distributable      |                          | Non-distributable           |                         | Asset<br>revaluation<br>reserve<br>RM | Other<br>reserve<br>RM |
| Group  |      |                        | Share<br>capital<br>RM  | Share<br>premium<br>RM | Treasury<br>shares<br>RM | Accumulated<br>losses<br>RM | Other<br>reserves<br>RM |                                       |                        |
| <b>2014</b>  |      |                        |   |                        |                          |                             |                         |                                       |                        |
| <b>Opening balance<br/>at 1 April 2013</b>   |      | 87,752,042             | 152,983,300   | 16,548,724             | (9,386,487)              | (73,688,275)                | 1,294,780               | -                                     | 1,294,780              |
| Profit for the year  |      | 3,690,673              | -   | -                      | -                        | 3,690,673                   | -                       | -                                     | -                      |
| <b>Other comprehensive<br/>income</b>  |      |                        |   |                        |                          |                             |                         |                                       |                        |
| Negative goodwill arising<br>from acquisition of<br>non-controlling interests<br>in prior year written off |      | -                      | -   | -                      | -                        | 1,294,780                   | (1,294,780)             | -                                     | (1,294,780)            |
| <b>Total comprehensive<br/>income</b>  |      | 3,690,673              | -   | -                      | -                        | 4,985,453                   | (1,294,780)             | -                                     | (1,294,780)            |
| <b>Closing balance<br/>at 31 March 2014</b>  |      | 91,442,715             | 152,983,300   | 16,548,724             | (9,386,487)              | (68,702,822)                | -                       | -                                     | -                      |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Statements of changes in equity**

For the financial year ended 31 March 2014

|   | Note | Attributable to owners of the Company |  |                     |                     |                       |                          |                      | Non-distributable               |                     |
|---|------|---------------------------------------|--|---------------------|---------------------|-----------------------|--------------------------|----------------------|---------------------------------|---------------------|
|   |      | Equity, total<br>RM                   | Equity attributable to owners of the Company total<br>RM | Non-distributable   |                     | Non-distributable     |                          | Other reserves<br>RM | Asset revaluation reserve<br>RM | Other reserve<br>RM |
|   |      |                                       |  | Share capital<br>RM | Share premium<br>RM | Treasury shares<br>RM | Accumulated losses<br>RM |                      |                                 |                     |
| <b>2013</b>   |      |                                       |  |                     |                     |                       |                          |                      |                                 |                     |
| <b>Group</b>  |      |                                       |  |                     |                     |                       |                          |                      |                                 |                     |
| <b>Opening balance at 1 April 2012</b>  |      | 101,196,463                           | 101,196,463  | 152,983,300         | 16,548,724          | (9,384,444)           | (83,300,357)             | 24,349,240           | 23,054,460                      | 1,294,780           |
| <b>Loss for the year</b>  |      | (13,442,378)                          | (13,442,378)   | -                   | -                   | -                     | (13,442,378)             | -                    | -                               | -                   |
| <b>Other comprehensive income</b>   |      |                                       |  |                     |                     |                       |                          |                      |                                 |                     |
| Asset revaluation reserve written off arising from impairment of an associate |      | -                                     | -  | -                   | -                   | -                     | 23,054,460               | (23,054,460)         | (23,054,460)                    | -                   |
| <b>Total comprehensive income for the year</b>                                |      | (13,442,378)                          | (13,442,378)   | -                   | -                   | -                     | 9,612,082                | (23,054,460)         | (23,054,460)                    | -                   |
| <b>Distributions to owners</b>  |      |                                       |  |                     |                     |                       |                          |                      |                                 |                     |
| Purchase of treasury shares:  |      |                                       |  |                     |                     |                       |                          |                      |                                 |                     |
| - Consideration   | 26   | (2,000)                               | (2,000)  | -                   | -                   | (2,000)               | -                        | -                    | -                               | -                   |
| - Transaction costs   | 26   | (43)                                  | (43)   | -                   | -                   | (43)                  | -                        | -                    | -                               | -                   |
| <b>Total distributions to owners</b>  |      | (2,043)                               | (2,043)  | -                   | -                   | (2,043)               | 23,054,460               | (23,054,460)         | (23,054,460)                    | -                   |
| <b>Closing balance at 31 March 2013</b>                                       |      | 87,752,042                            | 87,752,042   | 152,983,300         | 16,548,724          | (9,386,487)           | (73,688,275)             | 1,294,780            | -                               | 1,294,780           |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Statements of changes in equity**

For the financial year ended 31 March 2014

|  | Note | ← Attributable to owners of the Company → |                           |                          |                           | (Accumulated losses)/<br>retained earnings<br>RM |
|--|------|---|---------------------------|--------------------------|---------------------------|--|
|  |      | Equity,<br>total<br>RM                    | Share<br>capital<br>RM    | Share<br>premium<br>RM   | Treasury<br>shares<br>RM  |  |
| <b>2014</b>  |      |   |                           |                          |                           |  |
| <b>Company</b>   |      |   |                           |                          |                           |  |
| <b>Opening balance at 1 April 2013</b>   |      | 135,024,946                               | 152,983,300               | 16,548,724               | (9,386,487)               | (25,120,591)                                     |
| <b>Total comprehensive income</b>  |      | <u>1,789,366</u>                          | <u>-</u>                  | <u>-</u>                 | <u>-</u>                  | <u>1,789,366</u>                                 |
| <b>Closing balance at 31 March 2014</b>  |      | <u><u>136,814,312</u></u>                 | <u><u>152,983,300</u></u> | <u><u>16,548,724</u></u> | <u><u>(9,386,487)</u></u> | <u><u>(23,331,225)</u></u>                       |
| <b>2013</b>  |      |   |                           |                          |                           |  |
| <b>Opening balance at 1 April 2012</b>   |      | <u>174,471,722</u>                        | <u>152,983,300</u>        | <u>16,548,724</u>        | <u>(9,384,444)</u>        | <u>14,324,142</u>                                |
| <b>Loss for the year, representing total comprehensive income for the year</b> |      | (39,444,733)                              | -                         | -                        | -                         | (39,444,733)                                     |
| <b>Distributions to owners</b>   |      |   |                           |                          |                           |  |
| Purchase of treasury shares:   |      |   |                           |                          |                           |  |
| - Consideration  |      | (2,000)                                   | -                         | -                        | (2,000)                   | -  |
| - Transaction costs  |      | (43)                                      | -                         | -                        | (43)                      | -  |
| <b>Total distributions to owners</b>   |      | <u>(2,043)</u>                            | <u>-</u>                  | <u>-</u>                 | <u>(2,043)</u>            | <u>-</u>   |
| <b>Closing balance at 31 March 2013</b>  |      | <u><u>135,024,946</u></u>                 | <u><u>152,983,300</u></u> | <u><u>16,548,724</u></u> | <u><u>(9,386,487)</u></u> | <u><u>(25,120,591)</u></u>                       |

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 2014

|   | Note | Group                     |                         | Company                 |                          |
|---|------|---------------------------|-------------------------|-------------------------|--------------------------|
|   |      | 2014<br>RM                | 2013<br>RM              | 2014<br>RM              | 2013<br>RM               |
| <b>Operating activities</b>                                   |      |                           |                         |                         |                          |
| Profit/(loss) before tax                                      |      | 3,710,673                 | (13,422,336)            | 1,789,366               | (39,444,733)             |
| <u>Adjustments for:</u>                                       |      |                           |                         |                         |                          |
| Depreciation of property, plant and equipment                 | 16   | 3,103,344                 | 5,532,167               | -                       | -                        |
| Dividend income   | 7    | (107,994)                 | (33,229)                | -                       | -                        |
| Equipment scrapped  | 11   | 460                       | 4,002                   | -                       | -                        |
| Finance costs   | 9    | 1,778,118                 | 2,633,870               | -                       | -                        |
| Gain on disposal of plant and equipment                       | 8    | (10,903,050)              | (246,622)               | -                       | -                        |
| Gain on disposal of short-term investment                     | 8    | (6,249)                   | (10,355)                | -                       | -                        |
| Impairment loss on amounts due from subsidiaries              | 10   | -                         | -                       | -                       | 58,227,750               |
| Interest income   | 6    | (1,003,362)               | (41,373)                | -                       | -                        |
| Net unrealised foreign exchange (gain)/loss                   |      | (60,542)                  | 127,265                 | -                       | -                        |
| Reversal of impairment on amount due from a subsidiary        |      | -                         | -                       | (2,565,020)             | -                        |
| Total adjustments   |      | <u>(7,199,275)</u>        | <u>7,965,725</u>        | <u>(2,565,020)</u>      | <u>58,227,750</u>        |
| <b>Operating cash flows before changes in working capital</b> |      | <b>(3,488,602)</b>        | <b>(5,456,611)</b>      | <b>(775,654)</b>        | <b>18,783,017</b>        |
| <u>Changes in working capital</u>                             |      |                           |                         |                         |                          |
| (Increase)/decrease in inventories                            |      | (2,717,045)               | 3,224,489               | -                       | -                        |
| Decrease in receivables                                       |      | 3,806,996                 | 3,683,980               | -                       | -                        |
| (Decrease)/increase in payables                               |      | (1,896,928)               | 2,374,641               | 5,323                   | (69,364)                 |
| Total changes in working capital                              |      | <u>(806,977)</u>          | <u>9,283,110</u>        | <u>5,323</u>            | <u>(69,364)</u>          |
| <b>Cash flows from operations</b>                             |      | <b>(4,295,579)</b>        | <b>3,826,499</b>        | <b>(770,331)</b>        | <b>18,713,653</b>        |
| Income tax refunded   |      | 151,050                   | 193,148                 | 8,700                   | 13,500                   |
| Income tax paid   |      | (20,000)                  | (162,350)               | -                       | -                        |
| <b>Net cash flows (used in)/from operating activities</b>     |      | <b><u>(4,164,529)</u></b> | <b><u>3,857,297</u></b> | <b><u>(761,631)</u></b> | <b><u>18,727,153</u></b> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Statements of cash flows**

For the financial year ended 31 March 2014

|   | Note | Group               |                    | Company        |                     |
|---|------|---------------------|--------------------|----------------|---------------------|
|   |      | 2014<br>RM          | 2013<br>RM         | 2014<br>RM     | 2013<br>RM          |
| <b>Investing activities</b>                                 |      |                     |                    |                |                     |
| Dividend received   | 7    | 107,994             | 33,229             | -              | -                   |
| Interest received   |      | 949,234             | 40,563             | -              | -                   |
| Payment for acquisition of non-controlling interest         |      | -                   | (3,938,300)        | -              | -                   |
| Purchase of property, plant and equipment                   | 16   | (130,892)           | (52,114)           | -              | -                   |
| Proceeds from disposal of property, plant and equipment     |      | <u>89,522,352</u>   | <u>5,000,000</u>   | -              | -                   |
| <b>Net cash flows from investing activities</b>             |      | <u>90,448,688</u>   | <u>1,083,378</u>   | -              | -                   |
| <b>Financing activities</b>                                 |      |                     |                    |                |                     |
| Finance costs paid  | 9    | (1,778,118)         | (2,633,870)        | -              | -                   |
| Proceeds from borrowings                                    |      | 12,388,364          | 28,492,629         | -              | -                   |
| Repayment of borrowings                                     |      | (50,139,304)        | (35,110,483)       | -              | -                   |
| Purchase of treasury shares                                 | 26   | -                   | (2,043)            | -              | (2,043)             |
| Net changes in accounts with subsidiaries                   |      | -                   | -                  | <u>694,230</u> | <u>(18,663,076)</u> |
| <b>Net cash flows (used in)/from financing activities</b>   |      | <u>(39,529,058)</u> | <u>(9,253,767)</u> | <u>694,230</u> | <u>(18,665,119)</u> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | 46,755,101          | (4,313,092)        | (67,401)       | 62,034              |
| Cash and cash equivalents at beginning of year              |      | <u>6,229,348</u>    | <u>10,542,440</u>  | <u>111,421</u> | <u>49,387</u>       |
| <b>Cash and cash equivalents at end of year</b>             | 22   | <u>52,984,449</u>   | <u>6,229,348</u>   | <u>44,020</u>  | <u>111,421</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 2014

---

**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 and investment holding. There have been no other significant changes in the nature of the principal activities during the financial year other than the cessation of vessel chartering services following the disposal of the Group's vessel.

**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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

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

**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:

On 1 April 2013, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

| <b>Description</b>  | <b>Effective for annual periods beginning on or after</b> |
|---|---|
| Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income   | 1 July 2012   |
| MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)   | 1 January 2013  |
| MFRS 127: Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)  | 1 January 2013  |
| MFRS 10: Consolidated Financial Statements  | 1 January 2013  |
| MFRS 11: Joint Arrangements   | 1 January 2013  |
| MFRS 12: Disclosure of Interests in Other Entities  | 1 January 2013  |
| MFRS 13: Fair Value Measurement   | 1 January 2013  |
| MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)  | 1 January 2013  |
| MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)   | 1 January 2013  |
| MFRS 128: Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)   | 1 January 2013  |
| IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine   | 1 January 2013  |
| Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities   | 1 January 2013  |
| Annual Improvements 2009 - 2011 Cycle   | 1 January 2013  |
| Amendments to MFRS 1: Government Loans  | 1 January 2013  |
| Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance | 1 January 2013  |

## **2. Summary of significant accounting policies (continued)**

### **2.2 Changes in accounting policies (continued)**

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

#### **MFRS 12: Disclosures of Interests in Other Entities**

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

#### **MFRS 13: Fair Value Measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

#### **Amendments to MFRS 101 - Presentation of Items of Other Comprehensive Income**

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

#### **MFRS 127: Separate Financial Statements**

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

#### **MFRS 128: Investments in Associates and Joint Ventures**

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.



**2. Summary of significant accounting policies (continued)****2.3 Standards issued but not yet effective**

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

| <b>Description</b>   | <b>Effective for annual periods beginning on or after</b> |
|--|---|
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities                | 1 January 2014  |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities                             | 1 January 2014  |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets              | 1 January 2014  |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting         | 1 January 2014  |
| IC Interpretation 21: Levies   | 1 January 2014  |
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions                        | 1 July 2014   |
| Annual Improvements to MFRSs 2010 - 2012 Cycle   | 1 July 2014   |
| Annual Improvements to MFRSs 2011 - 2013 Cycle   | 1 July 2014   |
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)                        | To be announced   |
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)                         | To be announced   |
| MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139 | To be announced   |

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

**MFRS 9: Financial Instruments**

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **2. Summary of significant accounting policies (continued)**

### **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 for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

## **2. Summary of significant accounting policies (continued)**

### **2.4 Basis of consolidation (continued)**

#### **Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. However, the group has no goodwill.

## **2. Summary of significant accounting policies (continued)**

### **2.5 Subsidiaries**

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for 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.

### **2.6 Investments in associates and joint ventures**

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of 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 or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

## **2. Summary of significant accounting policies (continued)**

### **2.6 Investments in associates and joint ventures (continued)**

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for 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.

### **2.7 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)**

### **2.8 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)

### 2.9 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.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group 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.

Leasehold land are depreciated over their remaining leases which range from 70 years to 917 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

|                                      | <b>Years</b> |
|--------------------------------------|--------------|
| 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)**

### **2.10 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. Summary of significant accounting policies (continued)**

### **2.11 Current versus non-current classification**

The Group presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **2.12 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **(a) Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(a) Financial assets (continued)**

##### **Subsequent measurement**

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(a) Financial assets (continued)**

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 21.

##### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 March 2014 and 2013.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(a) Financial assets (continued)**

##### **Available-for-sale (AFS) financial investments**

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(a) Financial assets (continued)**

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(b) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(b) Impairment of financial assets (continued)**

##### **Available-for-sale (AFS) financial investments**

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(c) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.



## **2. Summary of significant accounting policies (continued)**

### **2.12 Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(c) Financial liabilities (continued)**

##### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 23.

##### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### **(d) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **2.13 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. Summary of significant accounting policies (continued)**

### **2.14 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.

### **2.15 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.

### **2.16 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. Summary of significant accounting policies (continued)**

### **2.17 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.

### **2.18 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.

### **2.19 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)**

### **2.19 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)**

### **2.19 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.

### **2.20 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### **2.21 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.

### **2.22 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 to be within 5 to 10 years. These are common life expectancies applied in the timber 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 previous financial year, the Group had recognised impairment losses in respect of a subsidiary's property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the cash-generating units ("CGU") to which the property, plant and equipment were allocated. Estimating the value in use required the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group as at 31 March 2014 were RM23,417,362 (2013: RM105,009,575).

#### **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 2014 are disclosed in Note 25. The recognised unabsorbed capital allowances of the Group was RM308,868 (2013: RM445,604) and the unrecognised tax losses and unabsorbed capital allowances of the Group was RM40,002,819 (2013: RM36,018,887).

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**4. Revenue**

|  | <b>Group</b>      |                   | <b>Company</b> |                   |
|--|-------------------|-------------------|----------------|-------------------|
|  | <b>2014</b>       | <b>2013</b>       | <b>2014</b>    | <b>2013</b>       |
|  | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      | <b>RM</b>         |
| Revenue from timber processing                   | 83,195,220        | 84,006,525        | -              | -                 |
| Vessel chartering income                         | -                 | 12,092,718        | -              | -                 |
| Tax exempt dividends from an unquoted subsidiary | -                 | -                 | -              | 19,207,662        |
|  | <u>83,195,220</u> | <u>96,099,243</u> | <u>-</u>       | <u>19,207,662</u> |

**5. Cost of sales**

|                           |                   |                   |          |          |
|---------------------------|-------------------|-------------------|----------|----------|
| Cost of inventories sold  | 78,690,284        | 83,703,232        | -        | -        |
| Vessel operating expenses | -                 | 11,625,299        | -        | -        |
|                           | <u>78,690,284</u> | <u>95,328,531</u> | <u>-</u> | <u>-</u> |

**6. Interest income**

|                                 |                  |               |          |          |
|---------------------------------|------------------|---------------|----------|----------|
| Interest on short-term deposits | <u>1,003,362</u> | <u>41,373</u> | <u>-</u> | <u>-</u> |
|---------------------------------|------------------|---------------|----------|----------|

**7. Dividend income**

Dividend income from:

- available-for-sale financial assets:

|                               |                |               |          |          |
|-------------------------------|----------------|---------------|----------|----------|
| - unquoted equity instruments | -              | 16,250        | -        | -        |
| - Short-term investments      | 107,994        | 16,979        | -        | -        |
|                               | <u>107,994</u> | <u>33,229</u> | <u>-</u> | <u>-</u> |

**8. Other income**

|  |                   |                |                  |          |
|--|-------------------|----------------|------------------|----------|
| Gain on foreign exchange                               | 68,290            | 53,885         | -                | -        |
| Gain on disposal of plant and equipment                | 10,903,050        | 246,622        | -                | -        |
| Gain on disposal of short-term investment              | 6,249             | 10,355         | -                | -        |
| Miscellaneous income                                   | 574,628           | 155,395        | -                | -        |
| Rental income  | 6,000             | 6,000          | -                | -        |
| Reversal of impairment on amount due from a subsidiary | -                 | -              | 2,565,020        | -        |
|  | <u>11,558,217</u> | <u>472,257</u> | <u>2,565,020</u> | <u>-</u> |



**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**9. Finance costs**

|                                | Group      |            | Company    |            |
|--------------------------------|------------|------------|------------|------------|
|                                | 2014<br>RM | 2013<br>RM | 2014<br>RM | 2013<br>RM |
| Interest expense on borrowings | 1,778,118  | 2,633,870  | -          | -          |
|                                | =====      | =====      | =====      | =====      |

**10. Other expenses**

|   |           |         |         |            |
|---|-----------|---------|---------|------------|
| Amortisation of leasehold land (Note 16)                | 78,180    | 78,180  | -       | -          |
| Depreciation of property, plant and equipment (Note 16) | 1,224,964 | 190,612 | -       | -          |
| Equipment scrapped                                      | 460       | -       | -       | -          |
| Impairment loss on amounts due from subsidiaries        | -         | -       | -       | 58,227,750 |
| Insurance   | 18,195    | 18,546  | -       | -          |
| Net foreign exchange loss                               | 329,079   | 570,565 | -       | -          |
| Vessel operating expenses                               | 259,865   | -       | -       | -          |
| Extraordinary General Meeting expenses                  | -         | -       | 306,883 | -          |
|   | =====     | =====   | =====   | =====      |
|   | 1,910,743 | 857,903 | 306,883 | 58,227,750 |
|   | =====     | =====   | =====   | =====      |

**11. Profit/(loss) before tax**

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

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2014<br>RM | 2013<br>RM | 2014<br>RM | 2013<br>RM |
| Auditors' remuneration:                                 |            |            |            |            |
| - statutory audits                                      | 73,400     | 70,200     | 28,000     | 25,000     |
| - other services  | 15,050     | 18,450     | 1,800      | 1,800      |
| - under provision in prior year                         | 5,200      | -          | 3,000      | -          |
| Depreciation of property, plant and equipment (Note 16) | 1,800,200  | 5,263,375  | -          | -          |
| Employee benefits expense (Note 12)                     | 17,601,554 | 15,975,131 | 35,900     | 35,000     |
| Equipment scrapped                                      | 460        | 4,002      | -          | -          |
| Non-executive directors' remuneration (Note 13)         | 829,579    | 724,665    | 224,329    | 190,665    |
| Rental of premises                                      | 171,000    | 173,758    | -          | -          |
|   | =====      | =====      | =====      | =====      |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**12. Employee benefits expense**

|  | <b>Group</b>      |                   | <b>Company</b> |               |
|--|-------------------|-------------------|----------------|---------------|
|  | <b>2014</b>       | <b>2013</b>       | <b>2014</b>    | <b>2013</b>   |
|  | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      | <b>RM</b>     |
| Salaries, wages and allowances             | 16,203,514        | 14,611,625        | 35,900         | 35,000        |
| Social security contributions              | 76,233            | 63,653            | -              | -             |
| Contributions to defined contribution plan | 964,589           | 897,855           | -              | -             |
| Benefits-in-kind                           | 357,218           | 401,998           | -              | -             |
|  | <u>17,601,554</u> | <u>15,975,131</u> | <u>35,900</u>  | <u>35,000</u> |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,110,079 (2013: RM3,982,660) and RM35,900 (2013: RM35,000) respectively.

**13. Directors' remuneration**

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

|  | <b>Group</b>     |                  | <b>Company</b> |               |
|--|------------------|------------------|----------------|---------------|
|  | <b>2014</b>      | <b>2013</b>      | <b>2014</b>    | <b>2013</b>   |
|  | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>     |
| Executive directors of the Company:  |                  |                  |                |               |
| - Salaries and bonus   | 2,202,750        | 2,182,500        | -              | -             |
| - Fees   | 35,900           | 35,000           | 35,900         | 35,000        |
| - Defined contribution plan  | 265,146          | 181,740          | -              | -             |
| - Social security contribution   | 1,033            | -                | -              | -             |
|  | <u>2,504,829</u> | <u>2,399,240</u> | <u>35,900</u>  | <u>35,000</u> |
| Executive directors of subsidiaries:   |                  |                  |                |               |
| - Salaries and bonus   | 605,250          | 1,470,000        | -              | -             |
| - Defined contribution plan  | -                | 112,800          | -              | -             |
| - Social security contribution   | -                | 620              | -              | -             |
|  | <u>605,250</u>   | <u>1,583,420</u> | <u>-</u>       | <u>-</u>      |
| Total executive directors' remuneration (excluding benefits-in-kind) (Note 12) | 3,110,079        | 3,982,660        | 35,900         | 35,000        |
| Benefits-in-kind   | 196,107          | 298,631          | -              | -             |
| Total executive directors' remuneration (including benefits-in-kind)           | <u>3,306,186</u> | <u>4,281,291</u> | <u>35,900</u>  | <u>35,000</u> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**13. Directors' remuneration (continued)**

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2014</b>  | <b>2013</b> | <b>2014</b>    | <b>2013</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Non-Executive:  |              |             |                |             |
| - Fees  | 40,000       | 40,000      | 40,000         | 40,000      |
| - Salaries and bonus  | 767,600      | 666,000     | 162,350        | 132,000     |
| - Defined contribution plan   | 20,474       | 17,160      | 20,474         | 17,160      |
| - Social security contributions   | 1,505        | 1,505       | 1,505          | 1,505       |
| Total non-executive directors' remuneration<br>(excluding benefits-in-kind) (Note 11) | 829,579      | 724,665     | 224,329        | 190,665     |
| Benefits-in-kind  | 44,030       | 39,446      | -              | -           |
| Total non-executive directors' remuneration   | 873,609      | 764,111     | 224,329        | 190,665     |
| Total directors' remuneration   | 4,179,795    | 5,045,402   | 260,229        | 225,665     |

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

|                                 | <b>Number of directors</b> |             |
|---------------------------------|----------------------------|-------------|
|                                 | <b>2014</b>                | <b>2013</b> |
| <b>Executive directors:</b>     |                            |             |
| RM100,001-150,000               | 1                          | -           |
| RM350,001-400,000               | -                          | 1           |
| RM450,001-500,000               | 1                          | -           |
| RM500,001-550,000               | 1                          | -           |
| RM600,001-650,000               | -                          | 1           |
| RM650,001-700,000               | -                          | 1           |
| RM750,001-800,000               | 2                          | -           |
| RM800,001-850,000               | -                          | 1           |
| <b>Non-Executive directors:</b> |                            |             |
| RM50,001-100,000                | 3                          | 3           |
| RM550,001-600,000               | -                          | 1           |
| RM650,001-700,000               | 1                          | -           |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**14. Income tax expense**Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2014 and 2013 are:

|   | <b>Group</b>  |               | <b>Company</b> |             |
|---|---------------|---------------|----------------|-------------|
|   | <b>2014</b>   | <b>2013</b>   | <b>2014</b>    | <b>2013</b> |
|   | <b>RM</b>     | <b>RM</b>     | <b>RM</b>      | <b>R</b>    |
| <b>Statement of comprehensive income:</b>       |               |               |                |             |
| Current income tax:                             |               |               |                |             |
| - Malaysian income tax                          | -             | -             | -              | -           |
| - Labuan Business Activity Tax                  | 20,000        | 20,000        | -              | -           |
| - Underprovision in prior years                 | -             | 42            | -              | -           |
|   | <u>-</u>      | <u>42</u>     | <u>-</u>       | <u>-</u>    |
| Income tax expense recognised in profit or loss | <u>20,000</u> | <u>20,042</u> | <u>-</u>       | <u>-</u>    |

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 March 2014 and 2013 are as follows:

|  | <b>Group</b>     |                     | <b>Company</b>   |                     |
|--|------------------|---------------------|------------------|---------------------|
|  | <b>2014</b>      | <b>2013</b>         | <b>2014</b>      | <b>2013</b>         |
|  | <b>RM</b>        | <b>RM</b>           | <b>RM</b>        | <b>R</b>            |
| Accounting profit/(loss) before tax  | <u>3,710,673</u> | <u>(13,422,336)</u> | <u>1,789,366</u> | <u>(39,444,733)</u> |
| Tax expense at Malaysian statutory tax rate of 25% (2013: 25%)   | 927,668          | (3,355,584)         | 447,341          | (9,861,183)         |
| Income not subject to tax  | (2,795,984)      | 706,179             | (641,255)        | (4,801,916)         |
| Different tax rate of a subsidiary in Labuan   | 20,000           | 20,000              | -                | -                   |
| Expenses not deductible for tax purposes   | 1,027,838        | 490,391             | 193,914          | 14,663,099          |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 840,478          | 2,159,014           | -                | -                   |
| Underprovision of current tax expense in prior years   | -                | 42                  | -                | -                   |
|  | <u>-</u>         | <u>42</u>           | <u>-</u>         | <u>-</u>            |
| Income tax expense recognised in profit or loss  | <u>20,000</u>    | <u>20,042</u>       | <u>-</u>         | <u>-</u>            |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced from the current year's rate of 25% to 24% with effective from the year of assessment 2016.

The computation of deferred tax as 31 March 2014 has reflected these changes.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**For the financial year ended 31 March 2014

---

**14. Income tax expense (continued)**

|   | <b>2014</b>      | <b>Group</b>     |
|---|------------------|------------------|
|   | <b>RM</b>        | <b>2013</b>      |
|   |                  | <b>RM</b>        |
| Unutilised tax losses carried forward                       | 33,113,394       | 30,350,040       |
| Unabsorbed capital and forest allowances<br>carried forward | <u>7,198,293</u> | <u>6,114,451</u> |

**15. Profit/(Loss) per share****Basic/diluted**

Basic/diluted profit/(loss) per share amount is calculated by dividing the profit/(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 profit/(loss) and share data used in the computation of basic and diluted loss per share for the years ended 31 March 2014 and 2013:

|  | <b>2014</b>        | <b>Group</b>        |
|--|--------------------|---------------------|
|  |                    | <b>2013</b>         |
| Profit/(loss) net of tax attributable to<br>owners of the Company (RM) | <u>3,690,673</u>   | <u>(13,442,378)</u> |
| Weighted average number of ordinary<br>shares in issue                 | <u>139,975,300</u> | <u>139,976,081</u>  |
| Basic/diluted profit/(loss) per share<br>for the year (sen)            | <u>2.64</u>        | <u>(9.60)</u>       |

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

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**16. Property, plant and equipment**

|  | Vessel<br>RM  | Long<br>leasehold<br>land<br>RM | Buildings<br>RM | Plant,<br>machinery<br>and heavy<br>equipment<br>RM | Motor<br>vehicles<br>RM | Furniture,<br>fittings and<br>equipment<br>RM | Total<br>RM   |
|--|---------------|---------------------------------|-----------------|---|-------------------------|---|---------------|
| <b>Group</b>                                 |               |                                 |                 |   |                         |   |               |
| <b>Cost</b>                                  |               |                                 |                 |   |                         |   |               |
| <b>At 1 April 2012</b>                       | 155,571,250   | 20,049,154                      | 28,464,455      | 66,279,836  | 2,788,883               | 1,978,124                                     | 275,131,702   |
| Additions                                    | -             | -                               | -               | 34,060  | -                       | 18,054  | 52,114        |
| Disposals                                    | -             | (237,905)                       | (4,820,861)     | -   | -                       | (516,457)                                     | (5,575,223)   |
| Scrapped                                     | -             | -                               | -               | (32,580)  | -                       | (43,751)                                      | (76,331)      |
| <b>At 31 March 2013<br/>and 1 April 2013</b> | 155,571,250   | 19,811,249                      | 23,643,594      | 66,281,316  | 2,788,883               | 1,435,970                                     | 269,532,262   |
| Additions                                    | -             | -                               | -               | 7,100   | 97,989                  | 25,803  | 130,892       |
| Disposals                                    | (155,571,250) | -                               | -               | -   | (91,569)                | -   | (155,662,819) |
| Scrapped                                     | -             | -                               | -               | (1,582,145)   | -                       | (31,786)                                      | (1,613,931)   |
| <b>At 31 March 2014</b>                      | -             | 19,811,249                      | 23,643,594      | 64,706,271  | 2,795,303               | 1,429,987                                     | 112,386,404   |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**16. Property, plant and equipment (continued)**

| Group   | Vessel<br>RM | Long<br>leasehold<br>land<br>RM | Buildings<br>RM | Plant,<br>machinery<br>and heavy<br>equipment<br>RM | Motor<br>vehicles<br>RM | Furniture,<br>fittings and<br>equipment<br>RM | Total<br>RM  |
|---|--------------|---------------------------------|-----------------|---|-------------------------|---|--------------|
| <b>Accumulated depreciation and impairment loss</b> |              |                                 |                 |   |                         |   |              |
| <b>At 1 April 2012</b>                              | 72,814,541   | 1,340,730                       | 20,880,654      | 61,675,618  | 1,893,553               | 1,279,597                                     | 159,884,693  |
| Depreciation charge for the year                    | 3,103,056    | 224,008                         | 720,588         | 1,036,427   | 279,817                 | 168,271                                       | 5,532,167    |
| Disposals   | -            | (8,289)                         | (574,426)       | -   | -                       | (239,130)                                     | (821,845)    |
| Scrapped  | -            | -                               | -               | (30,257)  | -                       | (42,072)                                      | (72,329)     |
| <b>At 31 March 2013 and 1 April 2013</b>            | 75,917,597   | 1,556,449                       | 21,026,816      | 62,681,788  | 2,173,370               | 1,166,666                                     | 164,522,686  |
| Depreciation charge for the year                    | 1,034,352    | 222,350                         | 569,472         | 919,712   | 245,805                 | 111,653                                       | 3,103,344    |
| Disposals   | (76,951,949) | -                               | -               | -   | (91,568)                | -   | (77,043,517) |
| Scrapped  | -            | -                               | -               | (1,582,126)   | -                       | (31,345)                                      | (1,613,471)  |
| <b>At 31 March 2014</b>                             | -            | 1,778,799                       | 21,596,288      | 62,019,374  | 2,327,607               | 1,246,974                                     | 88,969,042   |
| <b>Net carrying amount</b>                          |              |                                 |                 |   |                         |   |              |
| At 31 March 2013                                    | 79,653,653   | 18,254,800                      | 2,616,778       | 3,599,528   | 615,513                 | 269,303                                       | 105,009,575  |
| At 31 March 2014                                    | -            | 18,032,450                      | 2,047,306       | 2,686,897   | 467,696                 | 183,013                                       | 23,417,362   |

**16. Property, plant and equipment (continued)**

Depreciation charged for the year is accounted in income statements as follows:

|                | <b>Group</b>     |                  |
|----------------|------------------|------------------|
|                | <b>2014</b>      | <b>2013</b>      |
|                | <b>RM</b>        | <b>RM</b>        |
| Other expenses | 1,303,144        | 268,792          |
| Cost of sales  | 1,800,200        | 5,263,375        |
|                | <u>3,103,344</u> | <u>5,532,167</u> |
|                | <u>=====</u>     | <u>=====</u>     |

**17. Investments in subsidiaries**

|   | <b>Company</b>     |                    |
|---|--------------------|--------------------|
|   | <b>2014</b>        | <b>2013</b>        |
|   | <b>RM</b>          | <b>RM</b>          |
| Unquoted shares at cost                 | 85,054,749         | 85,054,749         |
| Less: Provision for diminution in value |                    |                    |
| At beginning and end of year            | <u>27,828,819</u>  | <u>27,828,819</u>  |
|   | <u>57,225,930</u>  | <u>57,225,930</u>  |
| Amounts due from subsidiaries           | 102,875,588        | 120,648,413        |
| Less: Impairment loss                   |                    |                    |
| At beginning of year                    | 58,227,750         | -                  |
| Current year                            | (2,565,020)        | 58,227,750         |
| At end of year                          | <u>55,662,730</u>  | <u>58,227,750</u>  |
|   | <u>47,212,858</u>  | <u>62,420,663</u>  |
|   | <u>104,438,788</u> | <u>119,646,593</u> |
|   | <u>=====</u>       | <u>=====</u>       |



**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**17. Investments in subsidiaries (continued)**

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

| Name of Subsidiaries                               | Principal Activities  | Proportion (%) of ownership interest |      |
|--|---|--------------------------------------|------|
|  |   | 2014                                 | 2013 |
| 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  |
| <b>Subsidiaries of Kalabakan Plywood Sdn. Bhd.</b> |   |                                      |      |
| Kalabakan Wood Products Sdn. Bhd.                  | Provision of storage services                                 | 100                                  | 100  |
| Korsa Plywood Sdn. Bhd.                            | Downstream timber processing<br>(Not yet commenced operation) | 100                                  | 100  |
| <b>Subsidiaries of Marimba Sdn. Bhd.</b>           |   |                                      |      |
| Hartawan Ekuiti Sdn. Bhd.                          | Ceased operation  | 100                                  | 100  |
| <b>Subsidiary of Gerak Armada Sdn. Bhd.</b>        |   |                                      |      |
| Offshore Constructor (Labuan) Ltd.                 | Ceased operation  | 100                                  | 100  |

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

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**18. Investment in an associate**

|                         | <b>2014</b> | <b>Group</b> | <b>2013</b> |
|-------------------------|-------------|--------------|-------------|
|                         | <b>RM</b>   |              | <b>RM</b>   |
| At cost, fully impaired | -           |              | -           |
|                         | =====       |              | =====       |

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

| <b>Name of Associate</b>         | <b>Principal Activities</b>  | <b>Proportion (%) of ownership interest</b> |             |
|----------------------------------|--|---|-------------|
|                                  |  | <b>2014</b>                                 | <b>2013</b> |
| 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 has yet to finalise and make available its financial statements for the period ended 31 March 2014. Based on the latest available management accounts as at 31 March 2013, the summarised financial information of the associate as previously disclosed is as follows:

|                               | <b>RM</b>     |
|-------------------------------|---------------|
| <b>Assets and liabilities</b> |               |
| Total assets                  | 147,284,179   |
|                               | =====         |
| Total liabilities             | (594,398,865) |
|                               | =====         |
| <b>Results</b>                |               |
| Revenue                       | 161,218,698   |
| Loss for the year             | (104,866,000) |
|                               | =====         |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**For the financial year ended 31 March 2014

---

**19. Investment securities**

|                                      | <b>2014</b>      | <b>Group</b>     |
|--------------------------------------|------------------|------------------|
|                                      | <b>RM</b>        | <b>2013</b>      |
|                                      |                  | <b>RM</b>        |
| <b>At cost</b>                       |                  |                  |
| Available-for-sale financial assets: |                  |                  |
| Unquoted equity instrument, at cost  | 325,000          | 325,000          |
| Less: Impairment loss                | <u>(200,000)</u> | <u>(200,000)</u> |
|                                      | <u>125,000</u>   | <u>125,000</u>   |
|                                      | =====            | =====            |

Impairment loss

As at 31 March 2014, the Group has recognised an impairment loss of RM200,000 (2013: RM200,000) for an unquoted equity instrument as the fair value of this investment was below its costs.

**20. Inventories**

|                             | <b>2014</b>       | <b>Group</b>      |
|-----------------------------|-------------------|-------------------|
|                             | <b>RM</b>         | <b>2013</b>       |
|                             |                   | <b>RM</b>         |
| <b>Cost</b>                 |                   |                   |
| Finished goods              | 5,884,952         | 3,101,331         |
| Production supplies         | 2,234,157         | 2,251,599         |
| Raw materials               | 2,895,730         | 2,759,225         |
| Stock-in-transit            | 817,544           | 2,248,276         |
| Work-in-progress            | <u>7,389,207</u>  | <u>3,643,060</u>  |
|                             | <u>19,221,590</u> | <u>14,003,491</u> |
|                             |                   |                   |
| <b>Net realisable value</b> |                   |                   |
| Finished goods              | 832,135           | 1,947,387         |
| Work-in-progress            | <u>110,021</u>    | <u>1,495,823</u>  |
|                             | <u>942,156</u>    | <u>3,443,210</u>  |
|                             |                   |                   |
|                             | <u>20,163,746</u> | <u>17,446,701</u> |
|                             | =====             | =====             |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**21. Trade and other receivables**

|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2014<br>RM        | 2013<br>RM        | 2014<br>RM        | 2013<br>RM        |
| <b>Trade receivables</b>                 |                   |                   |                   |                   |
| Third parties                            | 6,861,748         | 10,323,071        | -                 | -                 |
| Subsidiary of an associate               | 1,847,882         | 1,847,882         | -                 | -                 |
|  | <u>8,709,630</u>  | <u>12,170,953</u> | <u>-</u>          | <u>-</u>          |
| Less: Allowance for impairment           |                   |                   |                   |                   |
| Third parties                            | (3,609,647)       | (3,609,647)       | -                 | -                 |
| Subsidiary of an associate               | (1,847,882)       | (1,847,882)       | -                 | -                 |
|  | <u>3,252,101</u>  | <u>6,713,424</u>  | <u>-</u>          | <u>-</u>          |
| <b>Other receivables</b>                 |                   |                   |                   |                   |
| Amount due from a subsidiary             | -                 | -                 | 32,452,009        | 15,373,414        |
| Deposits                                 | 78,635            | 323,995           | 6,500             | 6,500             |
| Sundry receivables                       | 200,159           | 250,410           | -                 | -                 |
|  | <u>278,794</u>    | <u>574,405</u>    | <u>32,458,509</u> | <u>15,379,914</u> |
| Total trade and other receivables        | 3,530,895         | 7,287,829         | 32,458,509        | 15,379,914        |
| Add: Cash and bank balances<br>(Note 22) | <u>52,984,449</u> | <u>6,229,348</u>  | <u>44,020</u>     | <u>111,421</u>    |
| Total loans and receivables              | <u>56,515,344</u> | <u>13,517,177</u> | <u>32,502,529</u> | <u>15,491,335</u> |

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 day to 60 day (2013: 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:

|                               | Group            |                   |
|-------------------------------|------------------|-------------------|
|                               | 2014<br>RM       | 2013<br>RM        |
| Neither past due nor impaired | 3,252,101        | 6,713,424         |
| Impaired                      | <u>5,457,529</u> | <u>5,457,529</u>  |
|                               | <u>8,709,630</u> | <u>12,170,953</u> |

**21. Trade and other receivables (continued)****(a) Trade receivables (continued)**Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 80% (2013: 63%) of the Group's trade receivables arise from customers with more than five years (2013: five years) of experience with the Group and losses have occurred infrequently.

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

Receivables that are 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:

|                                   | <b>Group</b>                 |                    |
|-----------------------------------|------------------------------|--------------------|
|                                   | <b>Individually impaired</b> |                    |
|                                   | <b>2014</b>                  | <b>2013</b>        |
|                                   | <b>RM</b>                    | <b>RM</b>          |
| Trade receivables-nominal amounts | 5,457,529                    | 5,457,529          |
| Less: Allowance for impairment    | <u>(5,457,529)</u>           | <u>(5,457,529)</u> |
|                                   | =====                        | =====              |
|                                   | -                            | -                  |

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

|                      | <b>Group</b>     |                  |
|----------------------|------------------|------------------|
|                      | <b>2014</b>      | <b>2013</b>      |
|                      | <b>RM</b>        | <b>RM</b>        |
| At beginning of year | 5,457,529        | 5,457,529        |
| Charge for the year  | <u>-</u>         | <u>-</u>         |
| At end of year       | <u>5,457,529</u> | <u>5,457,529</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 Nil (2013: RM170,779) maintained with a bank over the tenure of the term loan and to be utilised for payment of interest due on the term loan.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**22. Cash and bank balances**

|                                       | <b>Group</b>      |                  | <b>Company</b> |                |
|---------------------------------------|-------------------|------------------|----------------|----------------|
|                                       | <b>2014</b>       | <b>2013</b>      | <b>2014</b>    | <b>2013</b>    |
|                                       | <b>RM</b>         | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| Cash on hand and at banks             | 1,165,858         | 3,825,000        | 44,020         | 111,421        |
| Short term:                           |                   |                  |                |                |
| - Deposits with licensed banks        | 45,650,000        | 350,000          | -              | -              |
| - Investments with an investment bank | 6,168,591         | 2,054,348        | -              | -              |
| Total cash and cash equivalents       | <u>52,984,449</u> | <u>6,229,348</u> | <u>44,020</u>  | <u>111,421</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 for the financial year ranged from 2.00% to 3.20% (2013: 2.00% to 3.10%) per annum.

**23. Borrowings**

|  | <b>Group</b>     |                   |
|--|------------------|-------------------|
|  | <b>2014</b>      | <b>2013</b>       |
|  | <b>RM</b>        | <b>RM</b>         |
| <b>Current</b>                         |                  |                   |
| Secured:                               |                  |                   |
| Term loans:                            |                  |                   |
| - USD Effective Cost of Fund + 3% loan | -                | 17,150,364        |
| - 2.6% p.a. fixed rate USD loan        | 3,618,579        | 6,707,451         |
| - BLR + 1% RM loan                     | -                | 1,800,000         |
|  | <u>3,618,579</u> | <u>25,657,815</u> |
| <b>Non-current</b>                     |                  |                   |
| Secured:                               |                  |                   |
| - USD Effective Cost of Fund + 3% loan | -                | 8,575,182         |
| - BLR + 1% RM loan                     | -                | 7,200,000         |
|  | -                | <u>15,775,182</u> |
| At end of year                         | <u>3,618,579</u> | <u>41,432,997</u> |

The remaining maturities of borrowings as at 31 March 2014 are as follows:

|   | <b>Group</b>     |                   |
|---|------------------|-------------------|
|   | <b>2014</b>      | <b>2013</b>       |
|   | <b>RM</b>        | <b>RM</b>         |
| On demand or within one year            | 3,618,579        | 25,657,815        |
| More than 1 year and less than 2 years  | -                | 10,375,182        |
| More than 2 years and less than 5 years | -                | 5,400,000         |
|   | <u>3,618,579</u> | <u>41,432,997</u> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

---

**23. Borrowings (continued)**

2.6% p.a. fixed rate USD loan

This loan is denominated in United States Dollar and amounted to USD1,097,071 as at 31 March 2014 (2013: USD2,144,668). It is secured by corporate guarantee provided by the Company.

USD Effective Cost of Fund + 3% loan

This loan, denominated in United States Dollar, was fully settled during the financial year. As at 31 March 2013, it amounted to USD8,316,000 and was secured by the following:

- (a) First Statutory Mortgage over the vessel of a subsidiary company together with Deed of Covenant;
- (b) Assignment of all rights and benefits for all insurance in respect of the vessel of the subsidiary company in favour of the Bank as mortgagee and loss payee covering but not limited to the following:
  - (i) Hull and machinery coverage;
  - (ii) War risks;
  - (iii) Non-cancellation clause without the prior written consent of the Bank;
  - (iv) Mortgagee' interest protection;
  - (v) Protection and Indemnity covering for the four (4) fourths collision liability clause entered with a Protection and Indemnity Club acceptable to the bank.
- (c) A First charge over the Non-Checking Designated Accounts;
- (d) Unconditional and Irrevocable Corporate Guarantee from Tekala Corporation Berhad of up to 100% of the Facility Limit, i.e. for USD27.72 million. The Corporate Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates;
- (e) Irrevocable undertaking by Tekala Corporation Berhad to cover any shortfall of all amounts due and payable under the Facility on behalf of the Company; and
- (f) Negative pledge over the Company's asset in the form and substance acceptable to the bank.

BLR + 1% RM loan

This loan was fully settled during the financial year and was secured by corporate guarantee provided by the Company and certain land of the Group.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**24. Trade and other payables**

|                               | <b>Group</b>     |                  | <b>Company</b> |                |
|-------------------------------|------------------|------------------|----------------|----------------|
|                               | <b>2014</b>      | <b>2013</b>      | <b>2014</b>    | <b>2013</b>    |
|                               | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| <b>Trade payables</b>         |                  |                  |                |                |
| Third parties                 | <u>3,701,927</u> | <u>5,019,509</u> | <u>-</u>       | <u>-</u>       |
| <b>Other payables</b>         |                  |                  |                |                |
| Accruals                      | 771,077          | 1,139,792        | 103,900        | 100,000        |
| Other payables                | <u>689,734</u>   | <u>900,365</u>   | <u>38,105</u>  | <u>36,682</u>  |
|                               | <u>1,460,811</u> | <u>2,040,157</u> | <u>142,005</u> | <u>136,682</u> |
| Financial liabilities at cost | <u>5,162,738</u> | <u>7,059,666</u> | <u>142,005</u> | <u>136,682</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 (2013: 30 days to 90 days).

**(b) 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 RM16,700,000 (2013: RM111,451,820) 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.



**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**25. Deferred tax**

| <b>Group</b>                     | <b>As at<br/>1 April<br/>2011<br/>RM</b> | <b>Recognised<br/>in profit<br/>or loss<br/>RM</b> | <b>As at<br/>31 March<br/>2013<br/>RM</b> | <b>Recognised<br/>in profit<br/>or loss<br/>RM</b> | <b>As at<br/>31 March<br/>2014<br/>RM</b> |
|----------------------------------|--|--|---|--|---|
| <b>Deferred tax liabilities:</b> |  |  |   |  |   |
| Property, plant and equipment    | 644,180                                  | (34,184)   | 609,996                                   | (34,184)   | 575,812                                   |
| <b>Deferred tax assets:</b>      |  |  |   |  |   |
| Unabsorbed capital allowances    | (145,585)                                | 34,184   | (111,401)                                 | 34,184   | (77,217)                                  |
|                                  | 498,595                                  | -  | 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:

|  | <b>2014<br/>RM</b> | <b>Group<br/>2013<br/>RM</b> |
|--|--------------------|------------------------------|
| Unutilised tax losses                    | 33,113,394         | 30,350,040                   |
| Unabsorbed capital and forest allowances | 6,889,425          | 5,668,847                    |
| Property, plant and equipment            | 3,099,360          | 2,814,671                    |
|  | 43,102,179         | 38,833,558                   |

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.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**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 2012                                  | 152,983,300                           | (13,003,000)        | 152,983,300                              | 16,548,724        | 169,532,024                              | (9,384,444)        |
| Purchase of treasury shares:                     |                                       |                     |  |                   |  |                    |
| - Consideration                                  | -                                     | (5,000)             | -  | -                 | -  | (2,000)            |
| - Transaction costs                              | -                                     | -                   | -  | -                 | -  | (43)               |
| At 31 March 2013, 1 April 2013 and 31 March 2014 | <u>152,983,300</u>                    | <u>(13,008,000)</u> | <u>152,983,300</u>                       | <u>16,548,724</u> | <u>169,532,024</u>                       | <u>(9,386,487)</u> |

|                                 | Number of ordinary shares of RM1 each |                    | Amount             |                    |
|---------------------------------|---------------------------------------|--------------------|--------------------|--------------------|
|                                 | 2014                                  | 2013               | 2014 RM            | 2013 RM            |
| <b>Authorised share capital</b> |                                       |                    |                    |                    |
| At beginning and end of year    | <u>500,000,000</u>                    | <u>500,000,000</u> | <u>500,000,000</u> | <u>500,000,000</u> |

**(a) Share capital**

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

**(b) Treasury shares**

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

The 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.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**27. Other reserves**

|                             | <b>2014</b> | <b>Group</b>       |
|-----------------------------|-------------|--------------------|
|                             | <b>RM</b>   | <b>2013</b>        |
|                             |             | <b>RM</b>          |
| At beginning of year        | 1,294,780   | 1,294,780          |
| Written off during the year | (1,294,780) | -                  |
| At end of year              | -<br>=====  | 1,294,780<br>===== |

This represented negative goodwill arising from acquisition of non-controlling interests in Offshore Constructor (Labuan) Ltd. on 14 November 2011.

**28. Employees' share option scheme (ESOS)**

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

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

**29. 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:

|   | <b>2014</b> | <b>2013</b>         |
|---|-------------|---------------------|
|   | <b>RM</b>   | <b>RM</b>           |
| <b>Group</b>  |             |                     |
| Transactions with companies in which certain directors of the Company are also directors: |             |                     |
| Rent of premises from   |             |                     |
| - Syarikat Kretam Sdn. Bhd.   | 36,000      | 99,000              |
| - Wah Mie Realty Sdn. Bhd.  | 135,000     | 74,758              |
| Sale of property, plant and equipment to Wah Mie Realty Sdn. Bhd.                         | -<br>=====  | 5,000,000<br>=====  |
| <b>Company</b>  |             |                     |
| Transaction with a subsidiary   |             |                     |
| Tax exempt dividend from an unquoted subsidiary   | -<br>=====  | 19,207,662<br>===== |

**29. Related party transactions (continued)**

## (b) Compensation of key management personnel

| <b>Group</b>                 | <b>2014</b><br><b>RM</b> | <b>2013</b><br><b>RM</b> |
|------------------------------|--------------------------|--------------------------|
| Short-term employee benefits | 3,451,618                | 4,367,805                |
| Defined contribution plan    | <u>306,579</u>           | <u>317,190</u>           |
|                              | <u><u>3,758,197</u></u>  | <u><u>4,684,995</u></u>  |

**30. 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:

|                                      | <b>Note</b> |
|--------------------------------------|-------------|
| Trade and other receivables          | 21          |
| Borrowings (current and non-current) | 23          |
| Trade and other payables             | 24          |

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

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

**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.

### **31. Financial risk management objectives and policies**

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

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

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

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

#### **a) Credit risk**

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

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

#### 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 RM16,700,000 (2013: RM111,451,820) relating to corporate guarantees provided by the Company to banks on certain subsidiaries' banking facilities.

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

**a) Credit risk (continued)**

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:

|                             | <b>Group</b>     |                   |                  |                   |
|-----------------------------|------------------|-------------------|------------------|-------------------|
|                             | <b>2014</b>      |                   | <b>2013</b>      |                   |
|                             | <b>RM</b>        | <b>% of total</b> | <b>RM</b>        | <b>% of total</b> |
| <b>By industry sectors:</b> |                  |                   |                  |                   |
| Timber processing           | 3,252,101        | 100%              | 6,204,757        | 92%               |
| Oil and gas                 | -                | -                 | 508,667          | 8%                |
|                             | <u>3,252,101</u> | <u>100%</u>       | <u>6,713,424</u> | <u>100%</u>       |
|                             | <u>=====</u>     | <u>=====</u>      | <u>=====</u>     | <u>=====</u>      |

At the reporting date, 51% (2013: 37%) of the Group's trade receivables were due from two (2013: four) customers located in Malaysia.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 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, 100% (2013: 62%) of the Group's borrowings (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

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

**b) Liquidity risk (continued)**

**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.

|   | <b>On demand<br/>or within<br/>one year<br/>RM</b> | <b>One to<br/>five<br/>years<br/>RM</b> | <b>Total<br/>RM</b> |
|---|--|---|---------------------|
| <b>Group</b>  |  |   |                     |
| <b>2014</b>   |  |   |                     |
| <b>Financial liabilities:</b>                       |  |   |                     |
| Trade and other payables                            | 5,162,738  | -                                       | 5,162,738           |
| Borrowings  | 3,618,579  | -                                       | 3,618,579           |
| Total undiscounted financial liabilities            | <u>8,781,317</u>                                   | <u>-</u>                                | <u>8,781,317</u>    |
| <b>2013</b>   |  |   |                     |
| <b>Financial liabilities:</b>                       |  |   |                     |
| Trade and other payables                            | 7,059,666  | -                                       | 7,059,666           |
| Borrowings  | 25,657,815   | 15,775,182                              | 41,432,997          |
| Total undiscounted financial liabilities            | <u>32,717,481</u>                                  | <u>15,775,182</u>                       | <u>48,492,663</u>   |
|   |  | <b>On demand or<br/>within one year</b> |                     |
|   |  | <b>2014</b>                             | <b>2013</b>         |
|   |  | <b>RM</b>                               | <b>RM</b>           |
| <b>Company</b>                                      |  |   |                     |
| <b>Financial liabilities:</b>                       |  |   |                     |
| Other payables, excluding financial<br>guarantees * |  | <u>142,005</u>                          | <u>136,682</u>      |
| Total undiscounted financial liabilities            |  | <u>142,005</u>                          | <u>136,682</u>      |

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

### **31. Financial risk management objectives and policies (continued)**

#### **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.

#### **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.

### **32. 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 2014 and 31 March 2013.



**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**32. Capital management (continued)**

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     |             |
|--|------|--------------|-------------|-------------|-------------|
|  |      | 2014<br>RM   | 2013<br>RM  | 2014<br>RM  | 2013<br>RM  |
| Borrowings                                       | 23   | 3,618,579    | 41,432,997  | -           | -           |
| Trade and other payables                         | 24   | 5,162,738    | 7,059,666   | 142,005     | 136,682     |
| Less: Cash and bank balances                     | 22   | (52,984,449) | (6,229,348) | (44,020)    | (111,421)   |
| Net debt   |      | N/A          | 42,263,315  | 97,985      | 25,261      |
| Equity attributable to the owners of the Company |      | 91,442,715   | 87,752,042  | 136,814,312 | 135,024,946 |
| Total capital                                    |      | 91,442,715   | 87,752,042  | 136,814,312 | 135,024,946 |
| Capital and net debt                             |      | 91,442,715   | 130,015,357 | 136,912,297 | 135,050,207 |
| Gearing ratio                                    |      | N/A          | 33%         | 0.07%       | 0.02%       |

**33. Segmental information**

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

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

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

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

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

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**33. 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**

|   | <b>Timber<br/>processing<br/>RM</b> | <b>Oil<br/>and Gas<br/>RM</b> | <b>Investment<br/>holding<br/>RM</b> | <b>Others<br/>RM</b> | <b>Adjustments/<br/>Elimination<br/>RM</b> | <b>Notes</b> | <b>Consolidated<br/>RM</b> |
|---|-------------------------------------|-------------------------------|--------------------------------------|----------------------|--|--------------|----------------------------|
| <b>31 March 2014</b>                                      |                                     |                               |                                      |                      |  |              |                            |
| <b>Revenue:</b>   |                                     |                               |                                      |                      |  |              |                            |
| External customers  | 83,195,220                          | -                             | -                                    | -                    | -  |              | 83,195,220                 |
| Inter-segment   | -                                   | -                             | -                                    | 1,080,000            | (1,080,000)                                | A            | -                          |
| <b>Total revenue</b>                                      | <b>83,195,220</b>                   | <b>-</b>                      | <b>-</b>                             | <b>1,080,000</b>     | <b>(1,080,000)</b>                         |              | <b>83,195,220</b>          |
| <b>Results:</b>   |                                     |                               |                                      |                      |  |              |                            |
| Interest income   | 572,664                             | -                             | -                                    | 430,698              | -  |              | 1,003,362                  |
| Depreciation and amortisation                             | 1,995,210                           | 1,034,352                     | -                                    | 83,778               | (9,996)                                    |              | 3,103,344                  |
| Reversal of impairment on amount<br>due from a subsidiary | -                                   | -                             | 2,565,020                            | -                    | (2,565,020)                                |              | -                          |
| Finance costs   | 624,564                             | 1,153,554                     | -                                    | -                    | -  |              | 1,778,118                  |
| Other non-cash expenses                                   | (63,479)                            | 2,937                         | -                                    | -                    | -  | B            | (60,542)                   |
| <b>Segment loss</b>                                       | <b>(3,694,095)</b>                  | <b>8,476,440</b>              | <b>2,093,898</b>                     | <b>(610,546)</b>     | <b>(2,555,024)</b>                         | C            | <b>3,710,673</b>           |
| <b>Assets:</b>  |                                     |                               |                                      |                      |  |              |                            |
| Additions to non-current assets                           | 130,243                             | -                             | -                                    | 649                  | -  | D            | 130,892                    |
| <b>Segment assets</b>                                     | <b>79,828,941</b>                   | <b>479,125</b>                | <b>80,500</b>                        | <b>20,342,550</b>    | <b>(8,489)</b>                             | E            | <b>100,722,627</b>         |
| <b>Segment liabilities</b>                                | <b>8,531,929</b>                    | <b>7,200</b>                  | <b>143,005</b>                       | <b>99,183</b>        | <b>498,595</b>                             | F            | <b>9,279,912</b>           |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

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

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

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**33. 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:

|   | <b>2014</b>                 | <b>2013</b>                 |
|---|-----------------------------|-----------------------------|
|   | <b>RM</b>                   | <b>RM</b>                   |
| Net unrealised foreign exchange (gain)/loss | (60,542)                    | 127,265                     |
|   | <u>                    </u> | <u>                    </u> |

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

|                            | <b>2014</b>                 | <b>2013</b>                 |
|----------------------------|-----------------------------|-----------------------------|
|                            | <b>RM</b>                   | <b>RM</b>                   |
| Inter-segment transactions | 2,555,024                   | 39,052,767                  |
|                            | <u>                    </u> | <u>                    </u> |

D Additions to non-current assets consist of:

|                               |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|
| Property, plant and equipment | 130,892                     | 52,114                      |
|                               | <u>                    </u> | <u>                    </u> |

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

|                      | <b>2014</b>                 | <b>2013</b>                 |
|----------------------|-----------------------------|-----------------------------|
|                      | <b>RM</b>                   | <b>RM</b>                   |
| Inter-segment assets | (8,489)                     | (18,485)                    |
| Tax refundable       | -                           | 151,050                     |
|                      | <u>                    </u> | <u>                    </u> |
|                      | <u>(8,489)</u>              | <u>132,565</u>              |
|                      | <u>                    </u> | <u>                    </u> |

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

|                          | <b>2014</b>                 | <b>2013</b>                 |
|--------------------------|-----------------------------|-----------------------------|
|                          | <b>RM</b>                   | <b>RM</b>                   |
| Deferred tax liabilities | 498,595                     | 498,595                     |
|                          | <u>                    </u> | <u>                    </u> |

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**33. 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 |                    |
|------------|-------------------|-------------------|--------------------|--------------------|
|            | 2014              | 2013              | 2014               | 2013               |
|            | RM                | RM                | RM                 | RM                 |
| Malaysia   | -                 | 12,092,718        | 23,542,362         | 105,134,575        |
| North Asia | 83,195,220        | 84,006,525        | -                  | -                  |
|            | <u>83,195,220</u> | <u>96,099,243</u> | <u>23,542,362</u>  | <u>105,134,575</u> |

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

|                               | 2014              | 2013               |
|-------------------------------|-------------------|--------------------|
|                               | RM                | RM                 |
| Property, plant and equipment | 23,417,362        | 105,009,575        |
| Investment securities         | 125,000           | 125,000            |
|                               | <u>23,542,362</u> | <u>105,134,575</u> |

Information about major customers

Revenue from three (2013: three) major customers amount to RM83,150,813 (2013: RM78,302,830) arising from sale of plywood by the timber processing segment.

**34. Significant Event**

On 4 April 2013, the Company via its wholly-owned subsidiary, Offshore Constructor (Labuan) Ltd. entered into a conditional Memorandum of Agreement with National Marine Dredging Company, a public company incorporated in the Emirates of Abu Dhabi and listed on the Abu Dhabi Securities Exchange, for the disposal of its vessel, for a total cash consideration of RM94,953,462 (USD29,275,000).

The disposal was completed on 15 August 2013 resulting in a net gain of RM10,877,051 to the Group.

**35. Authorisation of financial statements for issue**

The financial statements for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 24 July 2014.

**TEKALA CORPORATION BERHAD**

(Company No: 357125-D)

**Notes to the financial statements**

For the financial year ended 31 March 2014

**36. Supplementary information – breakdown of (accumulated losses)/retained earnings into realised and unrealised**

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 March 2014 into realised and unrealised earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 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.

|   | <b>Group</b>               |                            | <b>Company</b>             |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | <b>2014</b>                | <b>2013</b>                | <b>2014</b>                | <b>2013</b>                |
|   | <b>RM</b>                  | <b>RM</b>                  | <b>RM</b>                  | <b>RM</b>                  |
| Total (accumulated losses)/<br>retained earnings of the<br>Company and its subsidiaries |                            |                            |                            |                            |
| - Realised  | (11,220,185)               | (17,537,635)               | 32,331,505                 | 33,107,159                 |
| - Unrealised  | <u>60,542</u>              | <u>2,697,311</u>           | <u>(55,662,730)</u>        | <u>(58,227,750)</u>        |
|   | <u>(11,159,643)</u>        | <u>(14,840,324)</u>        | <u>(23,331,225)</u>        | <u>(25,120,591)</u>        |
| Total share of loss from associate  |                            |                            |                            |                            |
| - Realised  | <u>(39,296,554)</u>        | <u>(39,296,554)</u>        | -                          | -                          |
| Less: Consolidation adjustments   | <u>(18,246,625)</u>        | <u>(19,551,397)</u>        | -                          | -                          |
| Accumulated losses as<br>per financial statements                                       | <u><u>(68,702,822)</u></u> | <u><u>(73,688,275)</u></u> | <u><u>(23,331,225)</u></u> | <u><u>(25,120,591)</u></u> |