



TEKALA CORPORATION BERHAD  
357125-D



Annual Report 2004

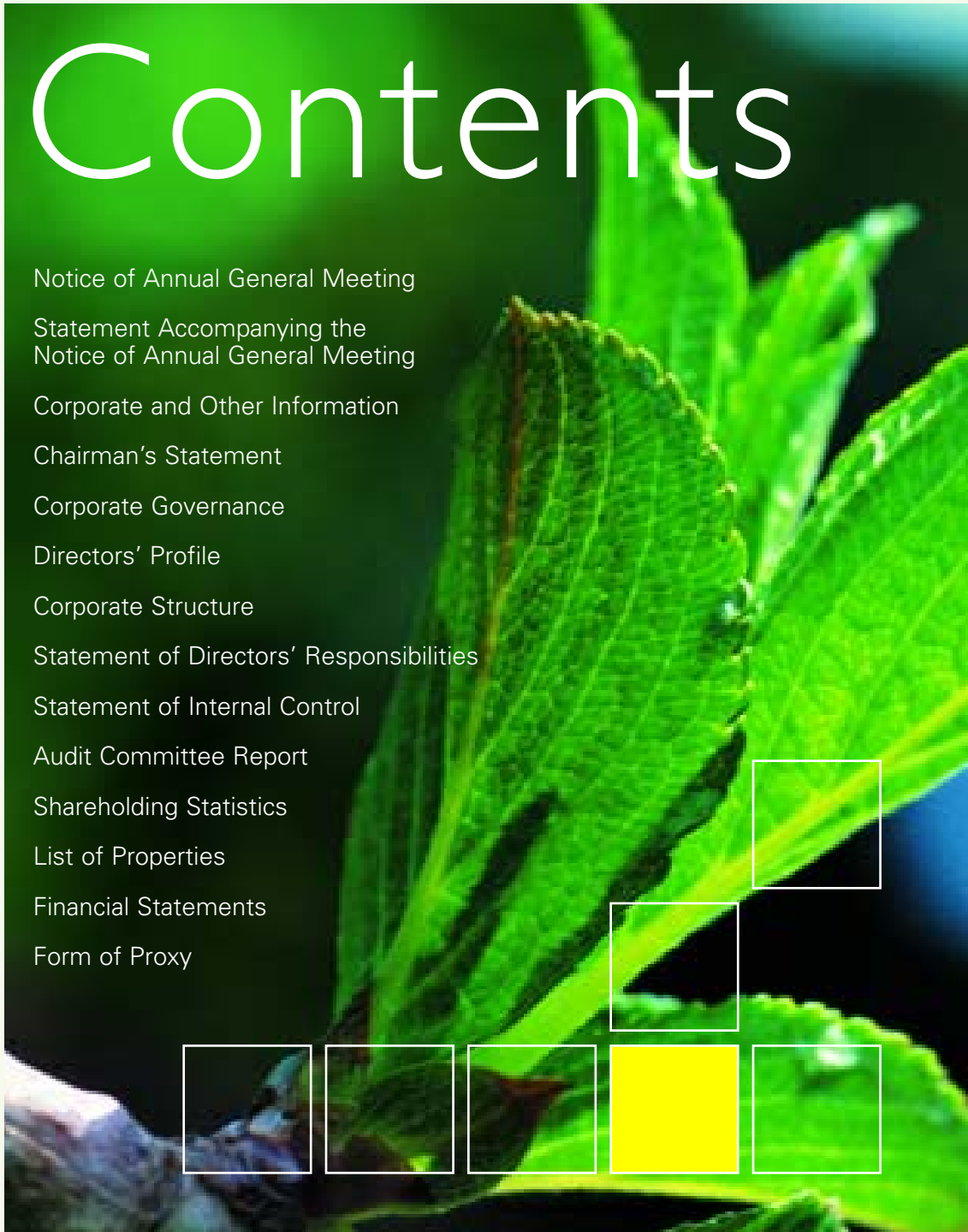


A fruitful  
opportunities for  
**growth**



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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the **NINTH ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 30 September 2004 at 11.00 a.m. to transact the following business:

AGENDA	Resolution No
1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2004 and the reports of the Directors and Auditors thereon.	1
2. To declare a first and final tax exempt dividend of 3% for the year ended 31 March 2004.	2
3. To re-elect the following Directors retiring in accordance with Article 103 of the Company's Articles of Association:-	
a) Fong Kin Wui	3
b) Ag Ahmad Bin Ag Amin	4
4. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:-	
(a) "That Datuk Seri Panglima Quek Chiow Yong, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."	5
(b) "That Mr Chan Saik Chuen, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."	6
5. To approve payment of Directors' fees of RM70,000 for the year ended 31 March 2004.	7
6. To re-appoint Auditors and authorise the Directors to fix their remuneration.	8
7. As Special Business, to consider and if thought fit, to pass the following resolution:-	
(i) ORDINARY RESOLUTION	9

**Authority to issue shares pursuant to Section 132D, Companies Act, 1965**

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from the relevant statutory or regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being."

## Notice of Annual General Meeting (Cont'd)

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

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT contingent upon the approval by the shareholders at the forthcoming Annual General Meeting a first and final tax exempt dividend of 3% for the year ended 31 March 2004 will be paid on 28 October 2004 to the shareholders registered in the Record of Depositors as at 8 October 2004.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the Depositor's Account before 4.00 p.m. on 8 October 2004 in respect of ordinary transfers;
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**THIEN VUI HENG** (MIA 5970)

Company Secretary

Sandakan, Sabah  
8 September 2004

#### Notes:

- a) *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.*
- b) *In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.*
- c) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*
- d) *The instrument appointing a proxy must be deposited at the Company's Registered Office situated at 2nd Floor, Lot 15, Block C, Old Slipway Site, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*
- e) *Explanatory notes on Special Business:-*
  - (i) *Ordinary Resolution (Resolution 9)*

*The ordinary resolution if passed, will renew the powers given to the Directors at the last Annual General Meeting, the authority to issue shares up to 10% of the issued capital of the Company for the time being for such purpose as the Directors deem fit in the interest of the Company. The authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting.*

# Statement Accompanying The Notice of Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of Bursa Malaysia Securities Berhad

- The names of Directors who are standing for re-election or re-appointment are Fong Kin Wui, Ag Ahmad Bin Ag Amin, Datuk Seri Panglima Quek Chiow Yong and Chan Saik Chuen.
- The details of attendance of Directors at Board meetings during the financial year under review are as follows:

	Number	Percentage(%)
Datuk Seri Panglima Quek Chiow Yong	5	100
Chan Saik Chuen	5	100
Seah Tee Lean JP	5	100
Fong Kin Wui	5	100
Lim Ted Hing	5	100
Voon Sui Liong @ Paul Voon	5	100
Ag Ahmad Bin Ag Amin	5	100

- The meeting will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 30 September 2004 at 11.00 a.m.
- Further details of Directors who are standing for re-election or re-appointment are as follows:

## **FONG KIN WUI**

Aged 44, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymouth Polytechnic, United Kingdom which he obtained in 1983. He is an Executive Director of the Company and was appointed to the Board on 22 June 1996. He has extensive experience and knowledge in the construction industry and plantation business. He is a member of the Executive Committee of the Board. He currently sits on the Board of several companies and is the Director of Borneo Golf Resort Berhad. His direct and indirect shareholdings in the Company as at 30 July 2004 were 1,695,794 and 1,880,000 ordinary shares of RM1 each respectively. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

## **AG AHMAD BIN AG AMIN**

Aged 42, a Malaysian and had completed a two-years course at Institute Technology Industries. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He had been involved in the timber industry for more than 10 years. He is currently doing his own business in contract farming. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. His direct shareholding in the Company as at 30 July 2004 was 245,697 ordinary shares of RM1 each. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

# Statement Accompanying The Notice of Annual General Meeting (Cont'd)

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of Bursa Malaysia Securities Berhad



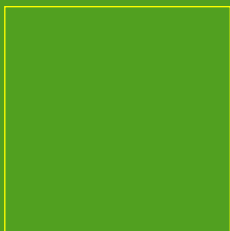
## DATUK SERI PANGLIMA QUEK CHIOW YONG

Aged 73, a Malaysian with primary education, is the Non-Independent Non-Executive Chairman of the Company. He is one of the founder members of the Group. He is the Chairman of Syarikat Kretam (Far East) Holdings Sdn Bhd group of companies and also the Chairman of the Board of several private companies. He was the Chairman of the Timber Association of Sabah from 1985 to 1988. With his many years extensive experience in the timber industry, he contributes significantly to the direction and pace of the Group. He has no directorships in other public companies. His indirect shareholding in the Company as at 30 July 2004 was 7,503,879 ordinary shares of RM1 each. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

## CHAN SAIK CHUEN

Aged 73, a Malaysian with primary education, is the Executive Vice-Chairman of the Company. He is one of the founder members of the Group and has been involved in the timber industry since the 1960's. He is responsible for all aspects of log production operations of the Group and provides the Group with information on the various logistics and operational methods with his close involvement with the production activities of the Group. He sits on the Board of a number of private companies. He has no directorships in other public companies. His direct and indirect shareholdings in the Company as at 30 July 2004 were 49,537 and 8,686,259 ordinary shares of RM1 each respectively. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.





## Corporate and Other Information

### BOARD OF DIRECTORS

Datuk Seri Panglima Quek Chiow Yong  
 Chan Saik Chuen  
 Seah Tee Lean JP  
 Fong Kin Wui  
 Lim Ted Hing  
 Ag Ahmad Bin Ag Amin  
 Voon Sui Liong @ Paul Voon

*Non-Independent Non-Executive Chairman*  
*Executive Vice-Chairman*  
*Group Managing Director/Chief Executive Officer*  
*Executive Director*  
*Executive Director/Chief Operating Officer*  
*Independent Non-Executive Director*  
*Independent Non-Executive Director*

### COMPANY SECRETARY

Thien Vui Heng (MIA 5970)

### AUDITORS

Ernst & Young

### REGISTERED OFFICE

2nd Floor, Lot 15, Block C  
 Old Slipway Site  
 90000 Sandakan  
 Sabah  
 Tel : 089-212177  
 Fax : 089-271628

### PRINCIPAL BANKERS

RHB Bank Berhad  
 HSBC Bank Malaysia Berhad  
 United Overseas Bank (Malaysia) Berhad  
 Bumiputra-Commerce Bank Berhad  
 Malayan Banking Berhad  
 Alliance Bank Malaysia Berhad  
 Standard Chartered Bank Malaysia Berhad  
 Public Bank Berhad

### REGISTRARS

Symphony Share Registrars Sdn Bhd  
 Level 26, Menara Multi-Purpose  
 Capital Square  
 No. 8 Jalan Munshi Abdullah  
 50100 Kuala Lumpur  
 Tel : 03-27212222  
 Fax : 03-27212530/1

### STOCK EXCHANGE LISTING

Main Board of the  
 Bursa Malaysia Securities Berhad

### SOLICITORS

Shearn Delamore & Co  
 Chin Lau Wong & Foo



## Corporate and Other Information (Cont'd)

### GENERAL INFORMATION

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

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

### DIRECTORS' REMUNERATION

a) Details of the Directors' remuneration for the financial year under review are as follows:-

	<b>SALARIES/ ALLOWANCES</b>	<b>BONUS</b>	<b>EPF &amp; SOCSO CONTRIBUTIONS</b>	<b>DIRECTORS' FEES</b>	<b>BENEFITS IN KIND</b>	<b>TOTAL</b>
Executive Directors	1,485,750	451,500	171,000	40,000	98,510	2,246,760
Non-Executive Directors	394,950	64,500	10,490	30,000	14,640	514,580
<b>Total</b>	<b>1,880,700</b>	<b>516,000</b>	<b>181,490</b>	<b>70,000</b>	<b>113,150</b>	<b>2,761,340</b>

b) The directors whose remuneration falls in each successive band of RM50,000 are as follows:

(i) Executive Directors

<b>Range of Remuneration RM</b>	<b>No of Directors</b>
250,001 - 300,000	1
500,001 - 550,000	2
850,001 - 900,000	1
<b>Total</b>	<b>4</b>

(ii) Non-Executive Directors

<b>Range of Remuneration RM</b>	<b>No of Directors</b>
50,001 - 100,000	2
400,001 - 450,000	1
<b>Total</b>	<b>3</b>

## Corporate and Other Information (Cont'd)

### NUMBER OF BOARD MEETINGS

During the financial year under review, the Company held five (5) Board meetings.

### CORPORATE PROPOSAL

The Company did not undertake any corporate proposal during the financial year under review.

### SHARE BUY-BACKS

The Company did not carry out any share buy-backs for the financial year under review.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There are no options, warrants or convertible securities exercised in respect of the financial year under review other than the exercise of 24,000 share options as disclosed in note 19 to the financial statements.

### AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

The Company did not sponsor any ADR or GDR programme.

### SANCTIONS AND/OR PENALTIES

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

### NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year amounted to RM210.00.

### PROFIT FORECAST AND PROFIT GUARANTEE

The company did not issue any profit forecast and profit guarantee for the financial year.

### MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in note 24 to the financial statements.

### LANDED PROPERTIES

The landed properties of the Group are stated at cost less accumulated depreciation and less any impairment losses as disclosed in note 3(e) to the financial statements.



## Chairman's Statement

On behalf of the Board of Directors of Tekala Corporation Berhad, I am pleased to present the Annual Report and the audited financial statements of Tekala Corporation Berhad Group of companies for the financial year ended 31 March 2004.

### FINANCIAL RESULTS

During the financial year under review, the Group recorded a turnover of RM124.44 million and a pre-tax profit of RM10.27 million compared to turnover of RM129.32 million and a pre-tax profit of RM14.43 million for the previous year. The slight decline in performance were mainly due to fluctuations in the selling prices and sales volume of timber products for the year under review as compared to the preceding year.

### DIVIDEND

The Board of Directors has recommended a first and final tax exempt dividend of 3% amounting to RM4,533,600 in respect of the financial year ended 31 March 2004 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

### PROSPECTS

The prospects for the timber industry are dependent on the outlook on the international front and the domestic economy including the adequate supply of raw materials - round logs. The positive growth of the global economy will be beneficial for the timber and processed wood products industry.

The Directors believe that the Group's prospects in the industry are intact in the foreseeable future and its market position can be maintained as it continues to look into the sourcing of round logs and to focus on measures to produce and market high quality products and to improve its efficiency .

On the basis of the above and barring any unforeseen circumstances, the Directors are confident that the coming year will be another profitable year for the Group if the prices and demand of timber products continue to be favourable.

The Directors would continue to explore business opportunities in order to enhance and diversify its earnings.

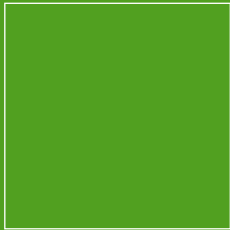
### APPRECIATION

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

I would also like to convey my sincere appreciation to the Management and staff of the Group for their hard work, commitment, dedication and contributions towards the achievements of the Group in maintaining the Group's competitiveness and making another successful year possible.

**DATUK SERI PANGLIMA QUEK CHIOU YONG**  
CHAIRMAN

Sandakan  
18 August 2004



# Corporate Governance

## THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

The Board acknowledges its responsibility for compliance with the listing requirements of Bursa Malaysia Securities Berhad and all other statutory requirements.

Below is a description of how the Group has applied the principles set out in the Code and save where otherwise identified, its compliance with the best practices of the Code for the year ended 31 March 2004.

### A. DIRECTORS

#### I The Board

The Board plays a primary role in the conduct and control of the Group's business affairs. The Board currently consists of 7 members namely a Non-independent Non-executive Chairman, an Executive Vice-Chairman, a Chief Executive Officer, an Executive Director, a Chief Operating Officer and 2 Independent Non-executive Directors. The Directors have diverse skills and a wide range of relevant business, commercial and financial experience. The profile of the Directors is presented on pages 16 to 17 of the Annual Report.

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

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

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

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

The Board delegates certain responsibilities to the Board Committees in order to enhance business and operational efficiency as well as efficacy. All Committees have written terms of reference. The report of their proceedings and deliberations at the Committee meetings are duly noted by the Board.

To date, the Board has set up five committees namely Audit Committee, Remuneration Committee, Nominating Committee, Share Option Committee and Executive Committee. The Audit Committee comprises Voon Sui Liong @ Paul Voon (Chairman), Ag Ahmad Bin Ag Amin and Lim Ted Hing. The Remuneration Committee and Nominating Committee comprise Datuk Seri Panglima Quek Chiow Yong (Chairman), Voon Sui Liong @ Paul Voon and Ag Ahmad Bin Ag Amin. The Share Option Committee comprises Seah Tee Lean (Chairman), Lim Ted Hing and two directors of subsidiaries namely Quek Siew Hau and Seah Sen Onn. The Executive Committee comprises Chan Saik Chuen (Chairman), Seah Tee Lean, Fong Kin Wui, Lim Ted Hing and four directors of subsidiaries namely Fong Tham Yu, Quek Siew Hau, Chan Ka Ming and Seah Sen Onn.

#### II Board Balance

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

# Corporate Governance (Cont'd)

## A. DIRECTORS (CONT'D)

### II Board Balance (Cont'd)

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

The Board is of the opinion that the current Board balance of seven (7) directors (comprising three (3) Non-executive Directors and four (4) Executive Directors) is suitable for the Group. The Board will continue to regularly review the size and composition of the Board in order for the Board to function effectively. The Board is satisfied that the present two (2) independent directors fulfils the listing requirements of Bursa Malaysia Securities Berhad and is sufficient to fairly reflect the investment of the minority shareholders. The Board has identified Mr Voon Sui Liong @ Paul Voon, a senior independent non-executive director of the Company to whom the concerns of shareholders/investors may be conveyed.

### III Supply of Information

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

### IV Appointments to the Board

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

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

### V. Re-election

The Articles of Association of the Company requires that all directors shall be subject to election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the directors, be subject to re-election thereafter by rotation once at least in each three (3) years at the Annual General Meeting.

## B. DIRECTORS' REMUNERATION

### I The Level and Make-up of Remuneration

The level of remuneration for a Director is determined with a view to ensure experienced and capable Directors are attracted and retained to run the Group. For Executive Directors, the remuneration is structured to link rewards to performance. For non-executive Directors, the level of remuneration will commensurate with the responsibilities undertaken by them.

### II Procedure

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

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

# Corporate Governance (Cont'd)

## III Disclosure

The details of the remuneration of each director for the financial year under review are disclosed on page 8 of the Annual Report.

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

## C. SHAREHOLDERS

### I Dialogue between Companies and Investors

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

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

In addition, the Group reaches out to each and every shareholder through the distribution of its annual report.

### II The Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders.

At the Annual General Meeting, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Chairman of the meeting and where appropriate, the Managing Director, will answer shareholders' questions during the meeting.

For re-election of Directors, the Board will ensure that full information is disclosed in the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

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

## D. ACCOUNTABILITY AND AUDIT

### I Financial Reporting

In presenting the annual financial statements and quarterly announcements, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in reviewing information to ensure its accuracy and adequacy. The Statement by Directors pursuant to Paragraph 15.27(a) of the listing requirements of Bursa Malaysia Securities Berhad is set out on page 19 of the annual report.

### II Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's needs and to manage the risks to which it is exposed. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatements or losses.

The statement of internal control by Directors pursuant to Paragraph 15.27(b) of the listing requirements of Bursa Malaysia Securities Berhad is set out on page 20 of the annual report.

### III Relationship with the Auditors

The Group's external auditors shall report independently to the shareholders of the company in accordance with the statutory requirements. The Group and the Directors shall provide full assistance to the external auditors so as to enable them to discharge their duties accordingly.

The role of the Audit Committee in relation to the external auditors is set out in the terms of reference of the Audit committee on pages 21 to 24 of the annual report.



## Directors' Profile



### DATUK SERI PANGLIMA QUEK CHIEW YONG

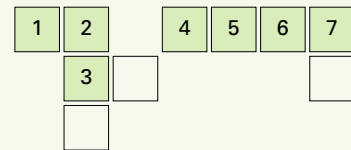
Aged 73, a Malaysian with primary education, is the Non-Independent Non-Executive Chairman of the Company and was appointed to the Board on 22 June 1996. He is one of the founder members of the Group. He is the Chairman of Syarikat Kretam (Far East) Holdings Sdn Bhd group of companies and also the Chairman of the Board of several private companies. He was the Chairman of the Timber Association of Sabah from 1985 to 1988. With his many years extensive experience in the timber industry, he contributes significantly to the direction and pace of the Group. He is the Chairman of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

### CHAN SAIK CHUEN

Aged 73, a Malaysian with primary education, is the Executive Vice-Chairman of the Company and was appointed to the Board on 22 June 1996. He is one of the founder members of the Group and has been involved in the timber industry since the 1960's. He is responsible for all aspects of log production operations of the Group and provides the Group with information on the various logistics and operational methods with his close involvement with the production activities of the Group. He is the Chairman of the Executive Committee of the Board. He sits on the Board of a number of private companies. He has no directorships in other public companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

### SEAH TEE LEAN JP

Aged 66, a Malaysian with secondary education, is the Group Managing Director/Chief Executive Officer of the Company and was appointed to the Board on 22 June 1996. He has been involved in the timber industry for more than thirty years. With his extensive experience and knowledge, he is at the helm in all aspects of the Group's business. He is constantly in touch with the developments in the timber industry with his involvement as a member of the Governing Council of the Timber Association of Sabah. He also possess extensive experience and knowledge in the plantation business. He is the Chairman of the Share Option Committee and a member of the Executive Committee of the Board. He is the Executive Chairman of Borneo Golf Resort Berhad and the Managing Director of Syarikat Kretam (Far East) Holdings Sdn Bhd Group of Companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.



- 1 Datuk Seri Panglima Quek Chiew Yong
- 2 Chan Saik Chuen
- 3 Seah Tee Lean JP
- 4 Fong Kin Wui
- 5 Lim Ted Hing
- 6 Voon Sui Liong @ Paul Voon
- 7 Ag Ahmad Bin Ag Amin



### **FONG KIN WUI**

Aged 44, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymouth Polytechnic, United Kingdom which he obtained in 1983. He is an Executive Director of the Company and was appointed to the Board on 22 June 1996. He has extensive experience and knowledge in the construction industry and plantation business. He is a member of the Executive Committee of the Board. He currently sits on the Board of several companies and is the Director of Borneo Golf Resort Berhad. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

### **LIM TED HING**

Aged 49, a Malaysian and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is the Executive Director/Chief Operating Officer of the Company and was appointed to the Board on 22 June 1996. He joined Ernst & Young, a public accounting firm in 1985 and was the Senior Manager in charge of its Sandakan Office before leaving to join the Group as Group Financial Controller in July 1994. He was later appointed as Executive Director/Chief Operating Officer in June 1996. He is a member of the Audit Committee, Share Option Committee and Executive Committee of the Board. He is currently a Director of Borneo Golf Resort Berhad, NPC Resources Berhad and several other private companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

### **VOON SUI LIONG @ PAUL VOON**

Aged 53, a Malaysian with a Bachelor of Commerce (Hons). He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He was a major shareholder and the Managing Director of Nountun Press (S) Sdn Bhd, the publisher of the "Borneo Mail", a daily newspaper for 10 years (1988-1998). He was also Managing Director of Borneo Golf Resort Berhad from 1993 to 1996. Presently, he sits as a member of the Board of Sabah Tourism Promotion Corporation and is doing his own business in ticketing and inbound golf tours. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

### **AG AHMAD BIN AG AMIN**

Aged 42, a Malaysian and had completed a two-years course at Institute Technology Industries. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He had been involved in the timber industry for more than 10 years. He is currently doing his own business in contract farming. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended five Board Meetings in the financial year ended 31 March 2004. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

# Corporate Structure

**KIM HAW SDN BHD 100%**

**KINAMARKETING 100%  
(S) SDN BHD**

**MARIMBA SDN BHD 100%**

- 100% Szan Szui Kayu Balak (Sabah) Sdn Bhd
- 100% Barimas Sdn Bhd
- 100% Sabacergas Sdn Bhd
- 100% Hartawan Ekuiti Sdn Bhd

**SYARIKAT TEKALA SDN BHD 100%**

**KALABAKAN PLYWOOD SDN BHD 100%**

- 100% Kalabakan Wood Products Sdn Bhd
- 100% Korsa Plywood Sdn Bhd
- 100% Dealpact Sdn Bhd



**TEKALA CORPORATION BERHAD**

(357125-D)

## Statement of Directors' Responsibilities

Pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad

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

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and apply them consistently unless a change is required by statute or by an approved accounting standard or if the change will result in a more appropriate presentation of events or transactions in the financial statements.
- exercised judgement and made estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed and material departures, if any, have been disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Company will continue in business in the foreseeable future.

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

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

## Statement of Internal Control

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad

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

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

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

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

For the financial year under review, the Audit Committee reviewed the internal audit work carried out to assess the effectiveness, adequacy and integrity of the Group's system of internal control to ensure that the Group's assets are safeguarded including the process of identifying and evaluating significant risks affecting the Group's business and the policies and procedures by which risks are managed.

The Directors have considered the Group's major business risks and its control environment. Controls have been found to be appropriate and adequate. Accordingly, the Directors are satisfied that the Group has a sound system of internal control for the financial year under review.



# Audit Committee Report

The Directors are pleased to present the Audit Committee Report of the Company in respect of the financial year ended 31 March 2004.

## (A) COMPOSITION

The members of the Audit Committee are as follows:

<b>CHAIRMAN</b>		<b>No of meetings Attended</b>
Voon Sui Liong @ Paul Voon	<i>Independent Non-Executive Director</i>	5
<b>COMMITTEE MEMBERS</b>		
Ag Ahmad Bin Ag Amin	<i>Independent Non-Executive Director</i>	5
Lim Ted Hing (MIA 3437)	<i>Executive Director/Chief Operating Officer</i>	5

## (B) MEETINGS

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

## (C) ACTIVITIES

The activities of the Audit Committee in the discharge of its functions and duties in respect of the financial year under review included the reviewing of the work carried out by the internal audit department, reviewing of the quarterly reports prior to submission to the Board for approval, reviewing with the external auditors their audit plan before the commencement of audit and the accounting and audit issues arising from the annual audit and reviewing the draft audited accounts before approval by the Board.

## (D) INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company has been established in June 2002. Its principal responsibility is to assist the Audit Committee in providing independent assessments for the adequacy, efficiency and effectiveness of the internal control systems to ensure compliance with the systems and standard operating procedures in the Group.

## (E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee, which have been amended to comply with the listing requirements of Bursa Malaysia Securities Berhad, are as follows:

### CONSTITUTION

1. A committee of the Board known as the Audit Committee is hereby established in accordance with the listing requirements of Bursa Malaysia Securities Berhad.

## Audit Committee Report (Cont'd)

### MEMBERSHIP

2. The committee shall consist of not less than three members of which the majority shall be made up of Independent Non-Executive Directors with at least one member of the Audit Committee who must be a member of the Malaysian Institute of Accountants (MIA).

No members of the Committee shall be

- a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
  - spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
  - any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.
3. The members of the Audit Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director.
  4. If a member of the Committee resigns, dies, or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
  5. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

### RIGHTS

6. In accordance with procedures to be determined by the Board and at the cost of the Company, the Audit Committee shall
  - (a) have authority to investigate any matter within its terms of reference;
  - (b) have the resources which are required to perform its duties;
  - (c) have full and unrestricted access to any information pertaining to the Company;
  - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
  - (e) be able to obtain independent professional or other advice; and
  - (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

7. Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

## Audit Committee Report (Cont'd)

### **FUNCTIONS**

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

### **ATTENDANCE AT MEETINGS**

9. The quorum for meetings of the Audit Committee shall be at least two where the majority of members present must be Independent Non-Executive Directors.
10. Other Board members and employees shall attend Audit Committee meetings only at the invitation of the Committee. However, at least once a year, the Committee shall meet with the external auditors.
11. The Company Secretary shall be the Secretary of the Committee.



## Audit Committee Report (Cont'd)

### PROCEEDINGS AT MEETINGS

12. If at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, or is unwilling to act, the Members present may choose one of their numbers who is an Independent Non-Executive Director to be Chairman of the meeting.
13. Save as is otherwise provided, the Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting shall be agreed to by all the members present at the meeting. In the event of there being no unanimous decision, the matter concerned shall be referred to the Board of Directors.
14. A resolution signed by all members of the Audit Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in the same form and each signed by one or more members of the Audit Committee.

### FREQUENCY OF MEETINGS

15. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

### REPORTING PROCEDURES

16. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

# Shareholding Statistics

as at 30 July 2004

Authorised Share Capital	:	500,000,000
Paid-Up & Issued Share Capital	:	151,120,000
Type of Share	:	Ordinary Share of RM1.00 each
No of Shareholders	:	15,788
Voting Rights	:	One Vote For Every Share

## ANALYSIS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO OF HOLDERS	TOTAL HOLDINGS	PERCENTAGE
1 to 99	5	37	0.00
100 to 1,000	6,797	6,776,068	4.48
1,001 to 10,000	7,805	30,628,616	20.27
10,001 to 100,000	1,073	28,863,725	19.10
100,001 to 7,555,999*	108	84,851,554	56.15
7,556,000 and above**	0	0	0.00
<b>TOTAL</b>	<b>15,788</b>	<b>151,120,000</b>	<b>100.00</b>

Notes: \* Less than 5% of Issued Shares

\*\* 5% and above of Issued Shares

## SUBSTANTIAL SHAREHOLDERS

	ORDINARY SHARES OF RM1 EACH			
	DIRECT INTEREST	%	INDIRECT INTEREST	%
1. Chan Saik Chuen	49,537	0.03	8,686,259 <sup>1</sup>	5.75
2. Chan Saik Chuen Sdn Bhd	6,806,259 <sup>2</sup>	4.50	1,880,000 <sup>3</sup>	1.24

Notes:-

1 Deemed interested through Chan Saik Chuen Sdn Bhd and Tekala Holdings Sdn Bhd

2 Held directly and via RHB Capital Nominees (Tempatan) Sdn Bhd

3 Deemed interested through Tekala Holdings Sdn Bhd

## Shareholding Statistics (Cont'd)

as at 30 July 2004

### DIRECTORS' INTERESTS

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

NAME OF DIRECTORS	ORDINARY SHARES OF RM1 EACH			
	DIRECT INTEREST	%	INDIRECT INTEREST	%
Datuk Seri Panglima Quek Chiow Yong	-	-	7,503,879	4.97
Chan Saik Chuen	49,537	0.03	8,686,259	5.75
Seah Tee Lean	3,810,040	2.52	2,353,391	1.56
Fong Kin Wui	1,695,794	1.12	1,880,000	1.24
Lim Ted Hing	1,190,500	0.79	-	-
Ag Ahmad Bin Ag Amin	245,697	0.16	-	-
Voon Sui Liong @ Paul Voon	-	-	-	-

### THIRTY (30) LARGEST SHAREHOLDERS:

NO.	NAME	NO. OF SHARES HELD	%
1.	QUEK CHIOU YONG HOLDINGS SDN BHD	5,623,879	3.72
2.	CHAN SAIK CHUEN SDN BHD	4,221,855	2.79
3.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>Skim Amanah Saham Bumiputera</i>	4,000,000	2.65
4.	CARTABAN NOMINEES (ASING) SDN BHD <i>State Street Australia Fund UAEN for Cadena Ltd</i>	3,908,000	2.59
5.	SEAH TEE LEAN	3,810,040	2.52
6.	Q C M SDN BHD	3,488,299	2.31
7.	TAN TONG CHEW	3,471,749	2.30
8.	HSBC NOMINEES (ASING) SDN BHD <i>HSBCIT HK For JF Malaysia Fund</i>	3,226,000	2.13
9.	KWAN PUN CHO	2,778,200	1.84
10.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>Pledged securities account for Chan Saik Chuen Sdn Bhd (071004)</i>	2,584,404	1.71

## Shareholding Statistics (Cont'd)

as at 30 July 2004

### THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

NO.	NAME	NO. OF SHARES HELD	%
11.	S T L HOLDINGS SDN BHD	2,353,391	1.56
12.	YEOH KEAN HUA	2,080,000	1.38
13.	CITICORP NOMINEES (ASING) SDN BHD <i>MLPFS for Winnie Choi Lai Ying</i>	2,071,857	1.37
14.	HDM NOMINEES (ASING) SDN BHD <i>Kim Eng Securities Pte Ltd for Wong Hon Chak</i>	2,000,000	1.32
15.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>C C Ho Sdn Bhd (T- 071001)</i>	1,981,000	1.31
16.	TEKALA HOLDINGS SDN BHD	1,880,000	1.24
17.	CARTABAN NOMINEES (ASING) SDN BHD <i>State Street Australia Fund UAEP for Macro Worldwide Holdings Ltd</i>	1,709,999	1.13
18.	HONG LEONG FINANCE BERHAD <i>Pledged securities account for Kwan Hung Cheong</i>	1,665,000	1.10
19.	KWAN CHEE HANG SDN BHD	1,657,749	1.10
20.	T Y FONG SDN BHD	1,634,393	1.08
21.	JMF NOMINEES (TEMPATAN) SDN BHD <i>Fong Kin Wui</i>	1,395,794	0.92
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>Rosalind Wong Mei Wai (T-071582)</i>	1,203,700	0.80
23.	PERMODALAN NASIONAL BERHAD	1,188,000	0.79
24.	LEMBAGA TABUNG HAJI	1,046,000	0.69
25.	CARTABAN NOMINEES (ASING) SDN BHD <i>State Street Australia Fund UAEL for Lin Hsiou Yun</i>	1,034,286	0.68
26.	HDM NOMINEES (ASING) SDN BHD <i>DBS Vickers SECS (S) Pte Ltd for River Estates Incorporated</i>	1,000,000	0.66
27.	CITICORP NOMINEES (ASING) SDN BHD <i>MLPFS for Quek Keng Cheng</i>	847,143	0.56
28.	JMF NOMINEES (TEMPATAN) SDN BHD <i>Fong King Fun</i>	772,000	0.51
29.	CARTABAN NOMINEES (ASING) SDN BHD <i>State Street Australia Fund UAEM for Chow Song Elaine Gay</i>	740,143	0.49
30.	SEAH SEN ONN @ DAVID SEAH	725,000	0.48

## List of Properties

Registered Owner and location	Land Area (per title deed)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 March 2004 (RM'000)	Date of Acquisition
Kalabakan Plywood Sdn Bhd CL 105464766 District of Tawau	32.73 acres	Plywood factory, warehouse, office and auxiliary buildings	99 years leasehold (expiry 31.12.2070)	14	12,835	21.06.1996
Kalabakan Wood Products Sdn Bhd CL 105463956 District of Tawau	29.57 acres	Factory building	99 years leasehold (expiry 31.12.2088)	7	9,112	21.06.1996
Korsa Plywood Sdn Bhd CL 105421814 District of Tawau	46.38 acres	Industrial land and building	99 years leasehold (expiry 31.12.2076)	9	9,967	21.06.1996

# Financial Statements

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## 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 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities of the subsidiary companies are stated in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

### RESULTS

	GROUP RM	COMPANY RM
Profit after taxation	9,330,372	4,778,043

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

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.

### DIVIDENDS

Since the financial year ended 31 March 2003, the company paid a final tax exempt dividend of 3% amounting to RM4,532,880 on 28 October 2003 in respect of the financial year ended 31 March 2003.

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 March 2004, of 3% on 151,120,000 ordinary shares, amounting to a total dividend payable of RM4,533,600 (3 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2005.

### EMPLOYEE SHARE OPTIONS SCHEME

The company's ESOS for eligible employees and directors of the company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 10 May 1999. The ESOS became effective on 17 May 1999 when the last of the requisite approvals was obtained and was valid for a period of five (5) years which expired on 16 May 2004.

The salient features and other terms of the ESOS are disclosed in Note 19 to the financial statements.

The company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 100,000 ordinary shares of RM1 each. The details of employees granted options to subscribe for 100,000 or more ordinary shares of RM1 each during the financial year are as follows:

## Directors' Report (Cont'd)

### EMPLOYEE SHARE OPTIONS SCHEME (Cont'd)

NAME	GRANT DATE	EXPIRY DATE	EXERCISE PRICE RM	NUMBER OF SHARE OPTIONS		
				GRANTED	EXERCISED	31.3.2004
Darmadi Bin Mahmud	6 October 2003	16 May 2004	1	108,000	-	108,000
Stanley Gunsalam	6 October 2003	16 May 2004	1	108,000	-	108,000
Suhairul Bin Suddin	6 October 2003	16 May 2004	1	108,000	-	108,000
Wong Liong Hing	6 October 2003	16 May 2004	1	300,000	-	300,000

Details of options granted to directors are disclosed in the section on Directors' Interest in this report.

### REMUNERATION COMMITTEE

The remuneration committee of the Board consists of:

#### Chairman

Datuk Seri Panglima Quek Chiow Yong

#### Committee members

Ag Ahmad Bin Ag Amin

Voon Sui Liong @ Paul Voon

### DIRECTORS

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

Datuk Seri Panglima Quek Chiow Yong

Chan Saik Chuen

Seah Tee Lean

Fong Kin Wui

Lim Ted Hing

Ag Ahmad Bin Ag Amin

Voon Sui Liong @ Paul Voon

Datuk Seri Panglima Quek Chiow Yong and Chan Saik Chuen retire in accordance with Section 129 of the Companies Act, 1965 and the board recommends them for re-appointment to hold office until the conclusion of the next Annual General Meeting of the company.

In accordance with Article 103 of the company's Articles of Association, Fong Kin Wui and Ag Ahmad Bin Ag Amin retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



## Directors' Report (Cont'd)

### 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, other than those arising from share options granted under the Employee Share Options Scheme.

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 receivables by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the company) by reason of a contract made by the company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

### DIRECTORS' INTERESTS

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

NAMES OF DIRECTORS	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	1.4.2003	BOUGHT	SOLD	31.3.2004
Datuk Seri Panglima Quek Chiow Yong				
Indirect shareholding	7,503,879	-	-	7,503,879
Chan Saik Chuen				
Direct shareholding	49,537	-	-	49,537
Indirect shareholding	8,686,259	-	-	8,686,259
Seah Tee Lean				
Direct shareholding	3,810,040	-	-	3,810,040
Indirect shareholding	2,353,391	-	-	2,353,391
Fong Kin Wui				
Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding	1,880,000	-	-	1,880,000
Lim Ted Hing				
Direct shareholding	350,000	-	-	350,000
Ag Ahmad Bin Ag Amin				
Direct shareholding	632,597	-	(236,900)	395,697

## Directors' Report (Cont'd)

### DIRECTORS' INTERESTS (CONT'D)

The interests of directors in options granted to subscribe for ordinary shares in the company pursuant to the ESOS are as follows:

NAMES OF DIRECTORS	OPTION PRICE RM	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1 EACH			
		1.4.2003	GRANTED	EXERCISED	31.3.2004
Datuk Seri Panglima Quek Chiow Yong	1.32	500,000	-	-	500,000
Chan Saik Chuen	1.38	500,000	-	-	500,000
Seah Tee Lean	1.38	500,000	-	-	500,000
Fong Kin Wui	1.38	400,000	-	-	400,000
Lim Ted Hing	1.38	500,000	-	-	500,000

The other director in office at the end of the financial year had no interests in the shares in the company or its related corporations during the financial year.

### ISSUE OF SHARES

During the financial year, the company issued 24,000 ordinary shares of RM1 each for cash pursuant to the company's Employee Share Options Scheme at an exercise price of RM1 per ordinary shares.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the company.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets 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 have 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 have 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 current assets in the financial statements of the group and of the company misleading.

## Directors' Report (Cont'd)

### OTHER STATUTORY INFORMATION (CONT'D)

- (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 the financial statements of the group and of the company which would render any amount stated in the financial statements and the consolidated financial statements misleading.
- (e) As 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 in respect 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 liability 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 its 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.

### 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

**Seah Tee Lean**

Sandakan, Malaysia

23 July 2004

**Lim Ted Hing**

## Statement by Directors

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

We, **Seah Tee Lean** and **Lim Ted Hing**, being two of the directors of **Tekala Corporation Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 70 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards 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 2004 and of the results and the cash flows of the group and of the company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**Seah Tee Lean**

Sandakan, Malaysia  
23 July 2004

**Lim Ted Hing**

## Statutory Declaration

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

I, **Lim Ted Hing**, being the director primarily responsible for the financial management of **Tekala Corporation Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 70 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 23 July 2004

**Lim Ted Hing**

Before me -

## Report of the Auditors

to the Member of **TEKALA CORPORATION BERHAD** (Company No: 357125-D)

We have audited the financial statements set out on pages 37 to 70. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the group and of the company as at 31 March 2004 and of the results and the cash flows of the group and of the company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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.

### **ERNST & YOUNG**

AF: 0039

Chartered Accountants

### **CHONG YEW HOONG**

1502/04/05 (J)

Partner

Sandakan, Malaysia

23 July 2004

# Income Statements

For the Year Ended 31 March 2004

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	5	124,438,541	129,317,005	5,122,043	5,122,043
Cost of sales	6	(104,126,105)	(103,141,286)	-	-
Gross profit		20,312,436	26,175,719	5,122,043	5,122,043
Other operating income		2,373,270	3,152,288	-	-
Distribution costs		(2,914,410)	(3,280,519)	-	-
Other operating expenses		(225,065)	(3,058,814)	-	-
Amortisation of goodwill		(2,136,832)	(1,500,000)	-	-
Administrative expenses		(8,977,411)	(8,090,280)	(421,167)	(372,538)
Profit from operations	7	8,431,988	13,398,394	4,700,876	4,749,505
Interest on fixed deposits		1,833,449	1,032,407	107,675	70,755
Profit before taxation		10,265,437	14,430,801	4,808,551	4,820,260
Taxation	8	(935,065)	(1,289,398)	(30,508)	(18,999)
Profit after taxation		9,330,372	13,141,403	4,778,043	4,801,261
Earnings per share (sen)					
- Basic	9	6.17	8.70		
- Diluted	9	6.17	8.70		
Dividend per share (sen)		3.00	3.00		

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

## Balance Sheets

As at 31 March 2004

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10	49,046,827	54,984,204	-	-
Investments in subsidiary companies	11	-	-	79,991,825	79,991,825
Other investments	12	111,000	111,000	-	-
Goodwill on consolidation	13	1,542,366	3,042,366	-	-
		50,700,193	58,137,570	79,991,825	79,991,825
<b>CURRENT ASSETS</b>					
Inventories	14	16,692,952	18,876,710	-	-
Amounts due from subsidiary companies	15	-	-	97,546,797	93,810,754
Receivables	16	18,824,282	22,289,320	39,959	16,130
Tax refundable		1,632,704	1,645,909	91,875	104,058
Fixed deposits	17	68,680,000	45,556,998	4,700,000	2,650,000
Cash and bank balances		7,840,887	14,868,508	70,345	68,287
		113,670,825	103,237,445	102,448,976	96,649,229
<b>CURRENT LIABILITIES</b>					
Amounts due to subsidiary companies	15	-	-	6,996,572	1,450,000
Payables	18	4,189,602	6,015,976	99,568	115,556
Provision for taxation		304,365	533,326	-	-
		4,493,967	6,549,302	7,096,140	1,565,556
<b>NET CURRENT ASSETS</b>		109,176,858	96,688,143	95,352,836	95,083,673
		159,877,051	154,825,713	175,344,661	175,075,498
<b>FINANCED BY:</b>					
Share capital	19	151,120,000	151,096,000	151,120,000	151,096,000
Reserves	20	8,258,456	3,729,713	24,224,661	23,979,498
Shareholders' equity		159,378,456	154,825,713	175,344,661	175,075,498
Deferred taxation	21	498,595	-	-	-
		159,877,051	154,825,713	175,344,661	175,075,498
<b>NET TANGIBLE ASSETS PER SHARE</b>		1.04	1.01	1.16	1.16

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

# Statements of Changes in Equity

For the Year Ended 31 March 2004

	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	NON-DISTRIBUTABLE RESERVE ON CONSOLIDATION RM	MERGER DEFICIT RM	DISTRIBUTABLE RETAINED PROFITS/(LOSS) RM	TOTAL RM
<b>Group</b>							
<b>At 1 April 2002</b>		151,096,000	16,649,690	268,749	(84,933,616)	61,625,407	144,706,230
Profit after taxation		-	-	-	-	13,141,403	13,141,403
Dividend	22	-	-	-	-	(3,021,920)	(3,021,920)
<b>At 31 March 2003</b>		151,096,000	16,649,690	268,749	(84,933,616)	71,744,890	154,825,713
Issue of ordinary shares pursuant to ESOS		24,000	-	-	-	-	24,000
Profit after taxation		-	-	-	-	9,330,372	9,330,372
Dividend	22	-	-	-	-	(4,532,880)	(4,532,880)
Effects arising from adoption of:							
- MASB 21		-	(166,303)	-	84,933,616	(84,767,313)	-
- MASB 25		-	-	(268,749)	-	-	(268,749)
<b>At 31 March 2004</b>		151,120,000	16,483,387	-	-	(8,224,931)	159,378,456

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



## Statements of Changes in Equity (Cont'd)

For the Year Ended 31 March 2004

	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	TOTAL RM
<b>Company</b>					
<b>At 1 April 2002</b>		151,096,000	16,483,387	5,716,770	173,296,157
Profit after taxation		-	-	4,801,261	4,801,261
Dividend	22	-	-	(3,021,920)	(3,021,920)
<b>At 31 March 2003</b>		151,096,000	16,483,387	7,496,111	175,075,498
Issue of ordinary shares pursuant to ESOS		24,000	-	-	24,000
Profit after taxation		-	-	4,778,043	4,778,043
Dividend	22	-	-	(4,532,880)	(4,532,880)
<b>At 31 March 2004</b>		151,120,000	16,483,387	7,741,274	175,344,661

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

# Cash Flow Statements

For the Year Ended 31 March 2004

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	10,265,437	14,430,801	4,808,551	4,820,260
<b>Adjustments for:</b>				
Amortisation of goodwill	2,136,832	1,500,000	-	-
Bad debt written off	-	50	-	-
Depreciation of property, plant and equipment	6,447,334	7,216,281	-	-
Write-down of inventories	-	1,698,458	-	-
Plant and equipment scrapped	23,887	93,221	-	-
Interest on fixed deposits	(1,833,449)	(1,032,407)	(107,675)	(70,755)
Profit on disposal of property (net of Real Property Gains Tax of RM7,800)	-	(319,356)	-	-
Profit on disposal of plant and equipment	(2,199,118)	(1,620,924)	-	-
Profit on disposal of investments in subsidiary companies (net of Real Property Gains Tax of RM12,400)	-	(81,181)	-	-
Operating profit before working capital changes	14,840,923	21,884,943	4,700,876	4,749,505
Decrease/(increase) in inventories	2,183,758	(210,003)	-	-
Decrease/(increase) in receivables	3,492,564	8,161,274	(21,780)	-
(Decrease)/increase in payables	(1,826,374)	(1,654)	(15,988)	23,847
Cash generated from operations	18,690,871	29,834,560	4,663,108	4,773,352
Income tax paid	(1,766,558)	(1,156,983)	(18,325)	(38,250)
Income tax refunded	208,751	165,134	-	-
Net cash generated from operating activities	17,133,064	28,842,711	4,644,783	4,735,102
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(1,187,926)	(990,893)	-	-
Proceeds from disposal of investment in subsidiaries	-	561,023	-	-
Proceeds from disposal of property, plant and equipment	2,853,200	3,522,300	-	-
Interest on fixed deposits received	1,805,923	1,047,441	105,626	70,602
Net cash generated from investing activities	3,471,197	4,139,871	105,626	70,602

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

## Cash Flow Statements (Cont'd)

For the Year Ended 31 March 2004

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	24,000	-	24,000	-
Net change in accounts with subsidiary companies	-	-	1,810,529	(889,803)
Dividend paid	(4,532,880)	(3,021,920)	(4,532,880)	(3,021,920)
Net cash used in financing activities	(4,508,880)	(3,021,920)	(2,698,351)	(3,911,723)
<b>Net increase in cash and cash equivalents</b>	16,095,381	29,960,662	2,052,058	893,981
<b>Cash and cash equivalents at beginning of year</b>	60,425,506	30,464,844	2,718,287	1,824,306
<b>Cash and cash equivalents at end of year (Note 23)</b>	76,520,887	60,425,506	4,770,345	2,718,287

Analysis of the effect of subsidiary companies (Note 11) disposed of is as follows:

	GROUP	
	2004 RM	2003 RM
Net assets disposed of	-	468,419
Profit on disposal of investment in subsidiary companies	-	93,581
Total disposal consideration	-	562,000
Cash and cash equivalents of subsidiary companies disposed	-	(977)
Net cash inflow arising on disposal of subsidiary companies	-	561,023

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

# Notes to the Financial Statements

31 March 2004

## 1. CORPORATE INFORMATION

The principal activity of the company is investment holding. The principal activities of the subsidiary companies are stated in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

The company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The financial statements of the group and of the company are expressed in Ringgit Malaysia.

The registered office and the principal place at which business is carried out are located at 2nd floor, Lot 15, Block C, Old Slipway Site, 90000 Sandakan, Sabah.

The number of employees in the group and in the company at the end of the financial year were 1,089 (2003: 1,068) and Nil (2003: Nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 July 2004.

## 2. FINANCIAL RISK MANAGEMENT POLICIES

The group's financial risk management is guided by the need to ensure that timely and adequate funds are available for the business development and operational needs and in managing its foreign exchange, liquidity and credit risks. It is the group's policy not to engage in speculative activities.

The main areas of financial risks faced by the group and the policy in respect of the major areas of treasury activity are set out below:

### (a) Foreign Exchange Risk

The group is exposed to foreign exchange risk as certain purchases and sales are transacted in United States Dollar. Foreign exchange exposures are not hedged as the Malaysian Ringgit is pegged to the United States Dollar.

The group does not transact in derivative instruments.

### (b) Liquidity Risk

The group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the group strives to maintain available banking facilities of a reasonable level to its overall debt position.

As at 31 March 2004, the group and the company had at its disposal cash amounting to RM76,520,887 (2003: RM60,425,506) and RM4,770,345 (2003: RM2,718,287) respectively.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 2. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (c) Credit Risk

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored via strictly limiting the group's associations to business partners with creditworthiness. Trade receivables are monitored on an ongoing basis via group management reporting procedures.

### (d) Fair Values

The carrying amounts of the group's financial instruments, including financial assets and liabilities approximate their fair values due to their short term maturities.

The following methods and assumptions are used to estimate the fair values of these instruments:

#### (i) Investments in Unquoted Shares

In opinion of the directors, it is not practicable to determine the fair values of these financial assets due principally to a lack of quoted market price and the inability to estimate fair value. However, the group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the recoverable values.

#### (ii) Investment in Quoted Shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

The carrying amount of the investment in quoted shares has not been reduced to fair value as there is no intention to dispose of the investment in the foreseeable future. However, the company believes that the carrying amount represents the recoverable value in future.

#### (iii) Cash and Cash Equivalents, Amount Due To/From Subsidiary Companies, Trade and Other Receivables and Payables

The carrying amounts approximate their fair values due to the relatively short term maturity of these financial instruments.

#### (iv) Contingent Liabilities

In the opinion of the directors, it is not practicable to estimate the fair value of contingent liabilities as disclosed in Note 27 to the financial statements due to the uncertainties of timing, costs and eventual outcome.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the company have been prepared in accordance with the historical cost convention unless otherwise indicated in the significant accounting policies below.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 March 2004, the group and the company adopted the following MASB Standards for the first time:

MASB 21 - Business Combinations

MASB 25 - Income Taxes

MASB 29 - Employee Benefits

Further information pertaining to the adoption of MASB 21, 25 and 29 is disclosed in Note 4 to the financial statements.

### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the company and all its subsidiary companies. Subsidiaries are those companies in which the group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Subsidiary companies are consolidated using the acquisition method of accounting or merger method of accounting as permitted under MASB 21 - Business Combinations.

- (i) Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.
- (ii) Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against suitable reserve.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the group's share of its net assets together with any unamortised balance of goodwill which was not previously recognised in the consolidated income statement.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight line basis over its estimated useful life or 20 years, whichever is shorter.

### (d) Investments in Subsidiary Companies

The company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

### (e) Property, Plant and Equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

(ii) Long leasehold land with an unexpired lease term of more than 50 years is not amortised and the directors are of the opinion that the non-amortisation of the long leasehold land has no material effect on the financial statements.

(iii) Short leasehold land is amortised over the period of the leases using the straight line method.

(iv) 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:

	%
Buildings	2 - 5
Plant, machinery and heavy equipment	10 - 20
Motor vehicles	20
Furniture, fittings and equipment	10 - 20

(v) Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(vi) Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) 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. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

Cost of spare parts and consumables is computed using the weighted average method while cost of camp stores and spares is computed using the first in, first out basis.

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.

Logging work-in-progress is stated at the lower of cost and average contract fee receivable. Cost includes direct labour, materials and other direct expenses.

### (g) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value.

### (h) Provisions for Liabilities

Provisions for liabilities are recognised when the group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.



# Notes to the Financial Statements (Cont'd)

31 March 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Income Tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also debited or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### (j) Employee Benefits

#### (i) Short-term benefits

Wages, salaries, paid sick leave, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the group.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employee Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

#### (iii) Equity compensation benefits

The Tekala Corporations Berhad Share Options Scheme ("ESOS") allows the group's employees to acquire shares of the company. When the options are exercised, equity is increased by the amount of the proceeds received.

### (k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably.

#### (i) Sale of goods

Sale of wood products, log timber, spare parts and consumables is recognised upon delivery of goods to customers.

#### (ii) Log timber extraction income

Log timber extraction is recognised upon delivery of log timber to customers.

#### (iii) Hire of logging machinery and insurance commission

Hire of logging machinery and insurance commission are recognised upon rendering of services and on an accrual basis.

#### (iv) Dividend income

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

#### (v) Storage income

Revenues from storage is recognised on accrual basis.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined.

All exchange rate differences are taken to the income statement.

### (m) Impairment of Assets

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### (n) Financial Instruments

Financial instruments are recognised in the balance sheet when the group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are debited directly to equity.

#### (i) *Investment in quoted shares*

Investment in quoted shares are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statement.

#### (ii) *Receivables*

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### (iii) *Payables*

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (iv) *Equity instruments*

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 4. CHANGES IN ACCOUNTING POLICIES

During the financial year, the group applied three MASB Standards and accordingly modified certain accounting policies. The changes in accounting policies are discussed below:

(i) MASB 21 - Business Combinations

Under MASB 21, merger deficit is adjusted against suitable reserve to the extent that laws or statutes do not prohibit the use of this reserve. Previously, merger deficit was taken to consolidated reserves. This change in accounting policy has been applied prospectively.

(ii) MASB 25 - Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the group has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

This change in accounting policy has been applied retrospectively. However, no comparatives have been restated as the effects on retained profits are immaterial.

(iii) MASB 29 - Employee Benefits

The adoption of MASB 29 did not give rise to any impact to the financial statements as the existing accounting policy comply with this new standard.

## 5. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Tax exempt dividend received from an unquoted subsidiary	-	-	5,122,043	5,122,043
Revenue from timber processing and log timber trading	110,603,608	114,093,217	-	-
Revenue from log timber extraction and related services	13,834,933	13,773,763	-	-
Sale of spare parts and consumables	-	1,450,025	-	-
	124,438,541	129,317,005	5,122,043	5,122,043

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 6. COST OF SALES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Cost of inventories sold	92,856,713	90,847,763	-	-
Log timber extraction cost	11,269,392	12,272,104	-	-
Tree planting cost	-	21,419	-	-
	104,126,105	103,141,286	-	-

## 7. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>(i) This is stated after charging/ (crediting):</b>				
Auditors' remuneration				
- statutory audits	72,600	75,900	20,000	20,000
- other services	210	600	-	-
Bad debt written off	-	50	-	-
Compensation for loss of employment	-	1,046,123	-	-
Depreciation of property, plant and equipment (Note 10)	6,447,334	7,216,281	-	-
Directors' remuneration				
- Directors of the company				
- fees	70,000	70,000	70,000	70,000
- emoluments	2,578,190	2,154,096	94,490	74,262
- benefits-in-kind	113,150	110,743	-	-
- Directors of subsidiaries				
- emoluments	1,161,238	954,868	-	-
- benefits-in-kind	69,789	73,549	-	-
Plant and equipment scrapped	23,887	93,221	-	-
Rent of premises	282,000	301,200	-	-
Scow hire	1,906,648	2,329,090	-	-
Write-down of inventories	-	1,698,458	-	-
Profit on disposal of investments in subsidiary companies (net of Real Property Gains Tax of RM12,400)	-	(81,181)	-	-
Profit on disposal of plant and equipment	(2,199,118)	(1,620,924)	-	-
Profit on disposal of property (net of Real Property Gains Tax of RM7,800)	-	(319,356)	-	-
Realised gain on foreign exchange	-	(43)	-	-
Rental income	(6,000)	(6,000)	-	-

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 7. PROFIT FROM OPERATIONS (CONT'D)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>(ii) Staff Costs (Included in cost of sales and administrative expenses)</b>				
Salaries, wages and allowances	10,087,511	9,959,469	-	-
Employees' Provident Fund contributions	653,412	751,824	-	-
Gratuity	50,000	22,400	-	-
SOCSO contributions	70,761	98,571	-	-
	10,861,684	10,832,264	-	-

## 8. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax on results for the year	1,341,953	1,300,545	29,730	18,999
Transfer from deferred taxation (Note 21)	(406,986)	(11,000)	-	-
	934,967	1,289,545	29,730	18,999
Underprovision in prior years	98	(147)	778	-
Tax expense for the year	935,065	1,289,398	30,508	18,999

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense is as follows:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before taxation	10,265,437	14,430,801	4,808,551	4,820,260
Taxation at Malaysian statutory tax rate of:				
- *20% on the first RM500,000				
(2003: RM100,000) profit	146,219	(21,157)	-	-
- 28% on the remaining profit	2,847,924	4,061,068	1,346,394	1,349,673
Tax exempt dividend not subject to income tax	-	-	(1,434,172)	(1,434,172)
Profit on disposal of investment in subsidiary not subject to income tax	-	(13,888)	-	-
Gain on disposal of property not subject to income tax	-	(89,420)	-	-
Expenses not deductible for tax purposes	608,860	709,159	117,508	103,498
Double deduction of expenses	(63,980)	-	-	-

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 8. TAXATION (CONT'D)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,319,002)	(3,756,208)	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	121,932	399,991	-	-
Deferred tax provided arising from adoption of MASB 25	(406,986)	-	-	-
Under/(over)provided in prior year	98	(147)	778	-
<b>Tax expense for the year</b>	<b>935,065</b>	<b>1,289,398</b>	<b>30,508</b>	<b>18,999</b>

\* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 (2003: RM100,000) of certain subsidiaries which are considered small and medium scale companies is 20%.

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Tax savings recognised during the year arising from utilisation of:				
- current year tax losses	281,677	567,453	-	-
- tax losses brought forward	569,450	-	-	-
- unabsorbed capital allowances brought forward	2,400,107	3,662,962	-	-
- current year capital allowances	28,425	103,924	-	-
<b>Unutilised tax losses carried forward</b>	<b>17,003,986</b>	<b>18,695,479</b>	<b>-</b>	<b>-</b>
<b>Unabsorbed capital allowances carried forward</b>	<b>18,203,486</b>	<b>26,929,178</b>	<b>-</b>	<b>-</b>
<b>Unabsorbed reinvestment allowances carried forward</b>	<b>5,520,831</b>	<b>5,520,831</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 9. EARNINGS PER SHARE

(a) Basic earnings per share is calculated by dividing the group's profit after taxation by the weighted average number of ordinary shares in issue during the year, held by the company.

	2004 RM	2003 RM
Profit after taxation (RM)	9,330,372	13,141,403
Weighted average number of ordinary shares in issue	151,096,656	151,096,000
Basis earnings per share (sen)	6.17	8.70

(b) The diluted earnings per share is calculated by dividing the group's profit after taxation with the weighted average of 151,096,656 (2003: 151,096,000) ordinary shares in issue during the financial year as the assumed conversion of options is antidilutive and the potential antidilutive ordinary shares are ignored in calculating diluted earnings per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

GROUP	LEASEHOLD LANDS AND BUILDINGS RM	PLANT, MACHINERY AND HEAVY EQUIPMENT RM	MOTOR VEHICLES RM	FURNITURE, FITTINGS AND EQUIPMENT RM	TOTAL RM
<b>Cost -</b>					
At 1 April 2003	43,214,190	77,199,600	3,295,032	1,717,987	125,426,809
Additions	240,651	798,212	91,569	57,494	1,187,926
Disposals	-	(7,587,158)	(1,229,546)	(153,213)	(8,969,917)
At 31 March 2004	43,454,841	70,410,654	2,157,055	1,622,268	117,644,818
<b>Accumulated depreciation -</b>					
At 1 April 2003	10,359,911	55,757,436	2,805,787	1,519,471	70,442,605
Charge for the year	1,180,183	5,012,765	185,051	69,335	6,447,334
Disposals	-	(7,086,734)	(1,054,726)	(150,488)	(8,291,948)
At 31 March 2004	11,540,094	53,683,467	1,936,112	1,438,318	68,597,991
<b>Net book value -</b>					
At 31 March 2004	31,914,747	16,727,187	220,943	183,950	49,046,827
At 31 March 2003	32,854,279	21,442,164	489,245	198,516	54,984,204
<b>Depreciation charge for 2003</b>					
	1,175,131	5,682,776	246,841	111,533	7,216,281

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Analysis of leasehold lands and buildings:

	COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
<b>At 31 March 2004</b>			
Long leasehold lands	19,811,247	-	19,811,247
Buildings	23,643,594	(11,540,094)	12,103,500
	43,454,841	(11,540,094)	31,914,747
<b>At 31 March 2003</b>			
Long leasehold lands	19,811,247	-	19,811,247
Buildings	23,402,943	(10,359,911)	13,043,032
	43,214,190	(10,359,911)	32,854,279

The leasehold lands and buildings of certain subsidiaries with a total net book value of RM11,047,000 (2003: RM13,581,548) have been charged to certain banks for banking facilities granted to those subsidiaries. These facilities have not been utilised as at year end.

The financial effect of non-amortisation of long leasehold lands as stated in Note 3(e)(ii) on the financial results of the group is a decrease in amortisation charge of RM215,940 (2003: RM213,211).

## 11. INVESTMENTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM	2003 RM
Unquoted shares at cost	89,984,893	89,984,893
Less: Provision for diminution in value of investments in subsidiary companies	(9,993,068)	(9,993,068)
	79,991,825	79,991,825



# Notes to the Financial Statements (Cont'd)

31 March 2004

## 11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Details of subsidiary companies, which are incorporated in Malaysia, are as follows:

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	EQUITY INTEREST HELD	
		2004 %	2003 %
Syarikat Tekala Sdn. Bhd.	Log timber extraction and hire of logging machinery	100	100
Kalabakan Plywood Sdn. Bhd.	Timber processing	100	100
Marimba Sdn. Bhd.	Log timber trading and investment holding	100	100
Kinamarketing (S) Sdn. Bhd.	Investment holding	100	100
Kim Haw Sdn. Bhd.	Ceased operation	100	100
<b>Subsidiary companies of Kalabakan Plywood Sdn. Bhd.</b>			
Dealpact Sdn. Bhd.	Ceased operation	100	100
Kalabakan Wood Products Sdn. Bhd.	Provision of storage services	100	100
Korsa Plywood Sdn. Bhd. (Not yet commenced operations)	Downstream timber processing	100	100
<b>Subsidiary companies of Marimba Sdn. Bhd.</b>			
Barimas Sdn. Bhd.	Ceased operation	100	100
Hartawan Ekuiti Sdn. Bhd.	Log timber trading	100	100
Sabacergas Sdn. Bhd.	Ceased operation	100	100
Szan Szui Kayu Balak (Sabah) Sdn. Bhd.	Ceased operation	100	100

The group is seeking Bumiputra participation of at least 30% in Hartawan Ekuiti Sdn. Bhd. to comply with the Foreign Investment Committee Bumiputra equity condition.

In previous financial year, the group disposed of its entire equity interest in a wholly owned subsidiary, Firmgoal Sdn. Bhd., an investment holding company, and its ten wholly owned dormant subsidiaries for a total cash consideration of RM562,000.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

- (i) The effect of the disposal of the subsidiary companies on the financial results of the group for the year ended 31 March 2003 was as follows:

	RM
Total disposal consideration	562,000
Less: Net assets of subsidiary companies disposed of	(468,419)
Profit on disposal of investment in subsidiary companies	93,581
Real Property Gains Tax	(12,400)
Increase in group net profit	81,181

- (ii) The effect of the disposal of the subsidiary companies on the financial position of the group as at 31 March 2003 was as follows:

	RM
Property	3,765,020
Other receivables	13,942
Tax refundable	10,406
Cash and bank balances	977
Other payables	(3,321,926)
Group net assets disposed of	468,419

## 12. OTHER INVESTMENTS

	GROUP	
	2004 RM	2003 RM
<b>At cost -</b>		
Shares quoted in Malaysia	6,000	6,000
Unquoted shares	325,000	325,000
	331,000	331,000
Less: Provision for diminution in value of investment	(220,000)	(220,000)
	111,000	111,000
Market value of quoted shares	3,120	1,800

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 13. GOODWILL ON CONSOLIDATION

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Balance at beginning of year	3,042,366	4,542,366
Effect of adoption of MASB 25	636,832	-
Amortisation for the year	(2,136,832)	(1,500,000)
Balance at end of year	1,542,366	3,042,366

## 14. INVENTORIES

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>At cost -</b>		
Finished goods	6,539,252	4,157,017
Raw materials and production supplies	7,436,442	12,307,643
Spare parts, consumables and camp stores	45,261	46,340
Work-in-progress	2,671,997	2,365,710
	16,692,952	18,876,710

There were no inventories stated at net realisable value as at 31 March 2004 (2003: Nil).

## 15. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

The amounts are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 16. RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	17,209,963	17,368,014	-	-
Other receivables	1,614,319	4,921,306	39,959	16,130
	18,824,282	22,289,320	39,959	16,130

Trade receivables are stated after making provision for doubtful debts amounting to	60,730	60,730	-	-
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The group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The group has no significant concentration of credit risk that may arise from exposures to a single debtor.

## 17. FIXED DEPOSITS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
With:				
Licensed banks	53,330,000	38,056,998	4,700,000	2,650,000
Licensed financial institutions	15,350,000	7,500,000	-	-
	68,680,000	45,556,998	4,700,000	2,650,000

Maturities of fixed deposits with licensed banks:				
- 6 months and less	53,330,000	36,606,998	4,700,000	2,650,000
- 7 months to 12 months	-	1,450,000	-	-
	53,330,000	38,056,998	4,700,000	2,650,000

Maturities of fixed deposits with licensed financial institutions:				
- 6 months and less	15,350,000	7,500,000	-	-

The interest rates of fixed deposits of the group and of the company for the financial year range from 2.5% to 3.2% (2003: 2.5% to 3.2%) per annum.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 18. PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	2,904,030	4,778,847	-	-
Other payables	1,285,572	1,237,129	99,568	115,556
	4,189,602	6,015,976	99,568	115,556

The normal trade credit term granted to the group ranges from 30 to 90 days.

## 19. SHARE CAPITAL

	COMPANY	
	2004 RM	2003 RM
<b>Authorised:</b>		
Ordinary shares of RM1 each	500,000,000	500,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each		
Balance at beginning of year	151,096,000	151,096,000
Issued during the year pursuant to ESOS	24,000	-
Balance at end of year	151,120,000	151,096,000

The salient features of the ESOS, which came into force on 17 May 1999 and expired on 16 May 2004, are as follows:

- The maximum number of new shares which may be subscribed on the exercise of options granted under the ESOS shall not, in aggregate, be more than ten per cent (10%) of the total issued and paid-up ordinary share capital of the company at any point of time during the existence of the scheme.
- The option price for each new share at which the grantee is entitled to subscribe upon exercise of his rights under the option shall be the average of the mean market quotation (calculated as the average of the highest and lowest prices transacted on the Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the day) of the company's shares as quoted and shown in the daily official list issued by the Bursa Malaysia for the five (5) market days immediately preceding the date of offer or the closing price on the date of offer, whichever is higher. Notwithstanding this, the option price per share shall in no event be less than the par value of the shares.
- Eligible employees of the group and full-time Executive Directors of the company and its subsidiary companies with at least two (2) years of service and any Non-Malaysian employee who has served the group for a continuous period of at least five (5) years shall be eligible to participate in the ESOS.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 19. SHARE CAPITAL (CONT'D)

- (d) The allowable allotment that may be offered to eligible employees and full-time Executive directors under the ESOS ranges from 4,000 to 500,000 ordinary shares.
- (e) The persons to whom the options have been granted do not have any right to participate by virtue of such options in any other ESOS of any company within the Group so long as the scheme subsists. Subject to the Bye-Laws of the ESOS, the options granted are exercisable within the option period which is between one to five years.
- (f) The new shares to be allotted and issued upon any exercise of the options will upon such allotment and issuance, rank pari passu in all respects with the then issued and fully paid-up shares except that the shares so issued will not rank for any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles of Association of the company relating to transfer, transmission and otherwise.

The terms of share options outstanding as at the end of the financial year are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE RM	NUMBER OF SHARE OPTIONS				AT END OF YEAR
			AT BEGINNING OF YEAR	GRANTED	EXERCISED	TERMINATED	
<b>2004</b>							
19.07.1999	16.05.2004	1.38	7,385,000	-	-	-	7,385,000
17.03.2000	16.05.2004	1.68	187,000	-	-	-	187,000
11.08.2000	16.05.2004	1.68	37,000	-	-	-	37,000
23.10.2000	16.05.2004	1.32	500,000	-	-	-	500,000
07.11.2003	16.05.2004	1.00	-	1,382,000	(24,000)	-	1,358,000
			8,109,000	1,382,000	(24,000)	-	9,467,000
<b>2003</b>							
19.07.1999	16.05.2004	1.38	9,566,000	-	-	(2,181,000)	7,385,000
17.03.2000	16.05.2004	1.68	326,000	-	-	(139,000)	187,000
11.08.2000	16.05.2004	1.68	50,000	-	-	(13,000)	37,000
23.10.2000	16.05.2004	1.32	500,000	-	-	-	500,000
			10,442,000	-	-	(2,333,000)	8,109,000

Number of share options vested:

	2004	2003
At beginning of year	1,484,800	2,876,400
At end of year	-	1,484,800

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 19. SHARE CAPITAL (CONT'D)

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

EXERCISE DATE	EXERCISE PRICE RM	FAIR VALUE OF ORDINARY SHARES RM	NUMBER OF SHARE OPTIONS RM	CONSIDERATION RECEIVED RM
22 March 2004	1.00	0.995	24,000	24,000
Less: Par value of ordinary shares				(24,000)
Share premium				-

## 20. RESERVES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Non-distributable</b>				
Share premium	16,483,387	16,649,690	16,483,387	16,483,387
Reserve on consolidation	-	268,749	-	-
Merger deficit	-	(84,933,616)	-	-
	16,483,387	(68,015,177)	16,483,387	16,483,387
<b>Distributable</b>				
(Loss)/Retained profits	(8,224,931)	71,744,890	7,741,274	7,496,111
	8,258,456	3,729,713	24,224,661	23,979,498

Based on the estimated balance of tax exempt account and tax credits available, all the retained profits of the company are available for distribution by way of dividends without incurring additional tax liability.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 21. DEFERRED TAXATION

	GROUP	
	2004 RM	2003 RM
Balance at beginning of year	-	11,000
Deferred tax provided arising from adoption of MASB 25	905,581	-
	905,581	11,000
Recognised in income statement (Note 8)	(406,986)	(11,000)
Balance at end of year	498,595	-
<b>Presented after appropriate offsetting as follows:</b>		
Deferred tax assets	-	-
Deferred tax liabilities	498,595	-
	498,595	-

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

### Deferred Tax Liabilities of the Group

	CAPITAL ALLOWANCES IN EXCESS OF DEPRECIATION RM
At beginning of year	2,646,819
Recognised in the income statement	281,699
At end of year	2,928,518



# Notes to the Financial Statements (Cont'd)

31 March 2004

## 21. DEFERRED TAXATION (CONT'D)

### Deferred Tax Assets of the Group

	UNUTILISED TAX LOSSES RM	UNABSORBED CAPITAL ALLOWANCES RM	DEPRECIATION IN EXCESS OF CAPITAL ALLOWANCES RM	TOTAL RM
At beginning of year	(107,126)	(2,539,693)	-	(2,646,819)
Recognised in the income statement	102,856	126,204	(12,164)	216,896
At end of year	(4,270)	(2,413,489)	(12,164)	(2,429,923)

The unutilised tax losses and unabsorbed capital and reinvestment allowances in certain subsidiaries as shown below for which deferred tax assets have not been recognised are available indefinitely for offset against future taxable profits of the respective subsidiaries:

	GROUP	
	2004 RM	2003 RM
Unutilised tax losses	16,988,731	18,312,884
Unabsorbed capital allowances	9,583,885	16,151,486
Unabsorbed reinvestment allowances	5,520,831	5,520,831
	32,093,447	39,985,201

## 22. DIVIDEND

	GROUP AND COMPANY	
	2004 RM	2003 RM
Final tax exempt dividend of 3 (2003: 2) sen per share in respect of financial year ended		
- 31 March 2002, paid on 17 October 2002	-	3,021,920
- 31 March 2003, paid on 28 October 2003	4,532,880	-
	4,532,880	3,021,920

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 22. DIVIDEND (CONT'D)

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 March 2004, of 3% on 151,120,000 ordinary shares, amounting to a total dividend payable of RM4,533,600 (3 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2005.

## 23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits	68,680,000	45,556,998	4,700,000	2,650,000
Cash and bank balances	7,840,887	14,868,508	70,345	68,287
	76,520,887	60,425,506	4,770,345	2,718,287

## 24. RELATED PARTY TRANSACTIONS

	GROUP			
	2004 AMOUNT OF TRANSACTIONS RM	OUTSTANDING AMOUNTS* RM	2003 AMOUNT OF TRANSACTIONS RM	OUTSTANDING AMOUNTS* RM
Transactions with companies in which certain directors of the company are also directors:				
Equipment hire income from Wah Mie Construction Sdn. Bhd.	-	-	40,000	-
Rent of premises from:				
- Syarikat Kretam Sdn. Bhd.	240,000	-	240,000	-
- #Wah Mie Trading Sdn. Bhd.	-	-	19,200	-
	240,000	-	259,200	-

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 24. RELATED PARTY TRANSACTIONS (CONT'D)

	GROUP			
	2004		2003	
	AMOUNT OF TRANSACTIONS RM	OUTSTANDING AMOUNTS* RM	AMOUNT OF TRANSACTIONS RM	OUTSTANDING AMOUNTS* RM
Sale of plywood and consumables to:				
- Ritai Sdn. Bhd.	-	-	24,776	-
- #Wah Mie Trading Sdn. Bhd	-	-	73,905	-
	-	-	98,681	-
Purchase of consumables from				
- #Wah Mie Trading Sdn. Bhd	-	-	21,506	-
Transaction with a director of the company, Lim Ted Hing and three others:				
Proceeds from disposal of subsidiary companies	-	-	562,000	-

The above related party transactions were entered in the ordinary course of business upon terms and conditions mutually agreed between the relevant parties.

\* All outstanding amounts have been settled during the financial year under review.

# Previously known as Syarikat Adajaya Sdn. Bhd.

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 25. SEGMENTAL INFORMATION

(a) Business Segments

	INVESTMENT HOLDING		TIMBER PROCESSING AND LOG TIMBER TRADING		TIMBER EXTRACTION AND RELATED SERVICES		ELIMINATION		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Revenue and expenses</b>										
Revenue										
External	-	-	110,603,608	114,093,217	13,834,933	15,223,788	-	-	124,438,541	129,317,005
Inter-segment	5,122,043	5,122,043	-	5,741	-	312,198	(5,122,043)	(5,439,982)	-	-
Total revenue	5,122,043	5,122,043	110,603,608	114,098,958	13,834,933	15,535,986	(5,122,043)	(5,439,982)	124,438,541	129,317,005
Results										
Segment results	5,122,043	5,122,043	12,115,020	20,795,584	5,294,379	693,090	(5,122,043)	(5,122,043)	17,409,399	21,488,674
Administrative expenses									(8,977,411)	(8,090,280)
Profit from operations									8,431,988	13,398,394
Interest on fixed deposits									1,833,449	1,032,407
Profit before taxation									10,265,437	14,430,801
Taxation									(935,065)	(1,289,398)
Profit after taxation									9,330,372	13,141,403

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 25. SEGMENTAL INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

	INVESTMENT HOLDING		TIMBER PROCESSING AND LOG TIMBER TRADING		TIMBER EXTRACTION AND RELATED SERVICES		ELIMINATION		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Assets and liabilities</b>										
Segment assets	4,810,304	2,734,417	130,024,193	128,617,204	27,903,817	28,377,485	-	-	162,738,314	159,729,106
Tax refundable									1,632,704	1,645,909
<b>Consolidated total assets</b>									164,371,018	161,375,015
Segment liabilities	99,568	115,556	2,826,390	4,442,537	1,263,644	1,457,883	-	-	4,189,602	6,015,976
Provision for taxation									304,365	533,326
<b>Consolidated total liabilities</b>									4,493,967	6,549,302
<b>Other information</b>										
Capital expenditure	-	-	1,181,150	880,384	6,776	110,509	-	-	1,187,926	990,893
Amortisation of goodwill	-	-	2,136,832	1,500,000	-	-	-	-	2,136,832	1,500,000
Depreciation	-	-	6,272,999	6,679,368	174,335	536,913	-	-	6,447,334	7,216,281

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 25. SEGMENTAL INFORMATION (CONT'D)

### (b) Revenue by geographical markets

The group is operating within Malaysia. It produces and sells wood products and log timber principally in North Asia and Malaysia. The distribution of the group's consolidated revenue by geographical markets is as follows:

	NORTH ASIA RM	MALAYSIA RM	CONSOLIDATED RM
<b>31 March 2004</b>			
Timber processing and log timber trading	85,070,585	25,533,023	110,603,608
Log timber extraction and related services	-	13,834,933	13,834,933
	85,070,585	39,367,956	124,438,541
<b>31 March 2003</b>			
Timber processing and log timber trading	90,496,382	23,596,835	114,093,217
Log timber extraction and related services	-	15,223,788	15,223,788
	90,496,382	38,820,623	129,317,005

## 26. CAPITAL COMMITMENTS

	GROUP	
	2004 RM	2003 RM
Capital expenditure on property, plant and equipment		
- Approved and contracted for	-	207,000
- Approved but not contracted for	300,000	300,000
	300,000	507,000

# Notes to the Financial Statements (Cont'd)

31 March 2004

## 27. CONTINGENT LIABILITIES

	<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>Unsecured</b>		
(a) Guarantees given to:		
(i) banks for banking facilities granted to certain subsidiary companies	6,200,000	20,140,000
(ii) a trade creditor for credit facilities granted to a subsidiary company	300,000	300,000
	6,500,000	20,440,000

- (b) Two subsidiary companies are resisting claims totalling RM2,595,484 from the Employees' Provident Fund (EPF) Board alleging that EPF contributions should have been made on fees paid to contractors. The company's contention is that the contractors are not employees within the meaning of the EPF Act. This amount has not been provided for in the financial statements.

The company has engaged solicitors to put up defence against the claims and the solicitors are of the view that the company has a valid defence in the aforesaid contention. The outcome of the dispute is not known as the case has not yet been concluded. However, the magistrate's court has allowed the company's preliminary objection and dismissed the charges which was reaffirmed by the High Court on 26 May 2004. The EPF Board has appealed to the Court of Appeal and the matter is now pending.



TEKALA CORPORATION BERHAD (357125-D)

## Form of Proxy

I/We, \_\_\_\_\_  
 of \_\_\_\_\_  
 being a Member/Members of the Tekala Corporation Berhad, hereby appoint  
 \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him \_\_\_\_\_  
 of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 30 September 2004 at 11.00 a.m or any adjournment thereof.

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

No.	Resolutions	For	Against
1	To receive and adopt Directors' Report and Audited Financial Statements		
2	To declare a first and final tax exempt dividend of 3% for the year ended 31 March 2004.		
3	To re-elect the following Directors:- - Fong Kin Wui		
4	- Ag Ahmad Bin Ag Amin		
5	To re-appoint the following Directors in accordance with Section 129 of the Companies Act, 1965:- - Datuk Seri Panglima Quek Chiow Yong		
6	- Chan Saik Chuen		
7	To approve Directors' Fees of RM70,000 for the year ended 31 March 2004.		
8	To re-appoint Auditors and to authorise the Directors to fix their remuneration.		
9	- Authority to issue shares under Section 132D of the Companies Act, 1965		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
 Signature(s) of Member(s)

No. of shares held

### Notes

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or an attorney to attend and vote instead.
- A proxy or an attorney need not be a member of the Company.
- The form of proxy or power of attorney if executed by a corporation must be executed under common seal.
- The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at 2nd Floor Lot 15 Block C, Old Slipway Site, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.



*please fold here*

Affix  
stamp  
here

The Company Secretary  
**Tekala Corporation Berhad** (357125-D)  
2nd Floor, Lot 15, Block C, Old Slipway Site  
90000 Sandakan, Sabah

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