

TEKALA CORPORATION BERHAD (Company No. 357125-D)

Annual Report 2005



TEKALA CORPORATION BERHAD (Company No. 357125-D)

Annual Report 2005





CONTENTS

NOTICE OF ANNUAL GENERAL MEETING ²

STATEMENT ACCOMPANYING THE NOTICE OF
ANNUAL GENERAL MEETING ⁵

CORPORATE STRUCTURE ⁷

CORPORATE AND OTHER INFORMATION ⁸

CORPORATE GOVERNANCE ¹²

DIRECTORS' PROFILE ¹⁶

CHAIRMAN'S STATEMENT ¹⁸

STATEMENT OF
DIRECTORS' RESPONSIBILITIES ²⁰

STATEMENT OF INTERNAL CONTROL ²¹

AUDIT COMMITTEE REPORT ²²

SHAREHOLDING STATISTICS ²⁵

LIST OF PROPERTIES ²⁸

FINANCIAL STATEMENTS ²⁹

FORM OF PROXY ⁶⁷

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **TENTH ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2005 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 2005 and the reports of the Directors and Auditors thereon.	1
2. To declare a final dividend of 4% less income tax of 28% and a special dividend of 3% less income tax of 28% for the year ended 31 March 2005.	2
3. To re-elect the following Directors retiring in accordance with Article 103 of the Company's Articles of Association:-	
(a) Lim Ted Hing	3
(b) Voon Sui Liong @ Paul Voon	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 2005.	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 resolutions:-	
(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 and paid-up share capital of the Company for the time being."	
(ii) ORDINARY RESOLUTION	10
Authority to issue shares pursuant to the Company's Employees' Share Option Scheme	
"THAT pursuant to the Company's Employees' Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 30 September 2004, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."	

(iii) ORDINARY RESOLUTION

11

Proposed Share Buy-Back

“THAT subject to the Companies Act, 1965 (“the Act”), the provisions of the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Directors of the Company be and are hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company (“Shares”) through Bursa Securities, subject to the following:

- (a) the aggregate number of Shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;
- (b) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total sum of RM27,624,463 comprising the entire audited share premium reserves and retained profits of the Company as at 31 March 2005; and
- (c) the authority conferred by this resolution shall continue to be in force until:
 - (i) the conclusion of the Company’s next Annual General Meeting (“AGM”), unless authority is renewed by ordinary resolution passed at the next AGM; or
 - (ii) the expiration of the period within the next AGM after the date it is required by law to be held; or
 - (iii) revoked earlier or varied by the shareholders through an ordinary resolution in a general meeting of the Company.

whichever occurs first.

(hereinafter referred to as the “Proposed Share Buy-Back”).

AND THAT upon completion of the Proposed Share Buy-Back, the Directors of the Company be and are hereby authorised to deal with the Shares purchased in their absolute discretion in the following manner:

- (a) cancel the Shares so purchased;
- (b) retain the Shares so purchased as treasury shares;
- (c) distribute the treasury shares as dividends to shareholders;
- (d) resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities;
- (e) cancel the treasury shares; or
- (f) any combination of the above (a), (b), (c), (d) and (e).

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company and the guidelines issued by Bursa Securities and any other relevant authorities.”

NOTICE OF ANNUAL GENERAL MEETING

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 final dividend of 4% less income tax of 28% and a special dividend of 3% less income tax of 28% for the year ended 31 March 2005 will be paid on 26 October 2005 to the shareholders registered in the Record of Depositors as at 7 October 2005.

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 7 October 2005 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
5 September 2005

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.
 - (ii) Ordinary Resolution (Resolution 10)
The ordinary resolution if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.
 - (iii) Ordinary Resolution (Resolution 11)
The ordinary resolution if passed, will give powers to the Directors to purchase ordinary shares of RM1.00 each in the Company of not exceeding ten per centum (10%) of the existing issued and paid-up capital of the Company through Bursa Malaysia Securities Berhad in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company and the requirements of Bursa Malaysia Securities Berhad. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting. Please refer to the Circular dated 5 September 2005 for further information.

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 Lim Ted Hing, Voon Sui Liong @ Paul Voon, Datuk Seri Panglima Quek ChiowYong 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 ChiowYong	5	100
Chan Saik Chuen	4	80
Seah Tee Lean JP	5	100
Fong Kin Wui	3	60
Lim Ted Hing	5	100
Voon Sui Liong @ Paul Voon	3	60
Ag Ahmad Bin Ag Amin	5	100

- The meeting will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2005 at 11.00 a.m.
- Further details of Directors who are standing for re-election or re-appointment are as follows:

LIM TED HING

Aged 50, 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. His direct shareholding in the Company as at 8 August 2005 was 1,211,100 ordinary shares. 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 54, 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 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

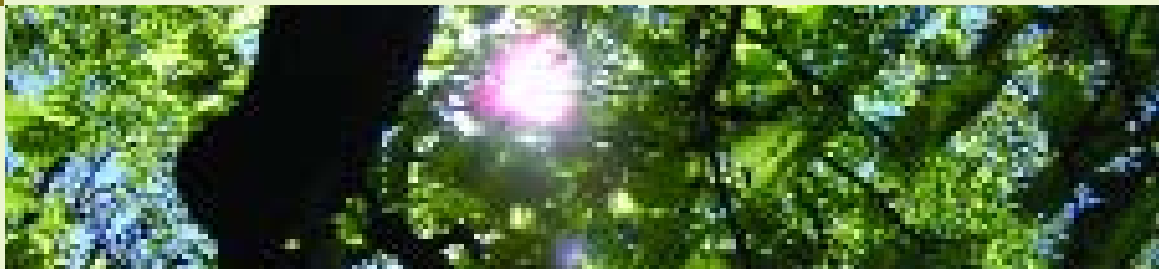
PURSUANT TO PARAGRAPH 8.28 (2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

DATUK SERI PANGLIMA QUEK CHIUW YONG

Aged 74, 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 8 August 2005 was 10,838,479 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 74, 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 8 August 2005 were 49,537 and 12,020,859 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 STRUCTURE

(AS AT 2 AUGUST 2005)



TEKALA CORPORATION BERHAD

(357125-D)

SYARIKAT TEKALA SDN BHD 100%

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

KIM HAW SDN BHD 100%

KINAMARKETING (S) SDN BHD 100%

GERAK ARMADA SDN BHD 100%

- 100% Rimbun Intan Sdn Bhd*
- 25% Frontier Alliance Sdn Bhd+

KALABAKAN PLYWOOD SDN BHD 100%

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

* Being disposed of pursuant to a conditional agreement dated 1 August 2005

+ Being acquired pursuant to a conditional agreement dated 1 August 2005



CORPORATE AND OTHER INFORMATION

BOARD OF DIRECTORS

DATUK SERI PANGLIMA QUEK CHIOW YONG
(Non-Independent Non-Executive Chairman)

CHAN SAIK CHUEN
(Executive Vice-Chairman)

SEAH TEE LEAN JP
(Group Managing Director/Chief Executive Officer)

LIMITED HING
(Executive Director/Chief Operating Officer)

FONG KIN WUI
(Executive Director)

AG AHMAD BIN AG AMIN
(Independent Non-Executive Director)

VOON SUI LIONG @ PAUL VOON
(Independent Non-Executive Director)



COMPANY SECRETARY

THIEN VUI HENG (MIA 5970)

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

AUDITORS

Ernst & Young

SOLICITORS

Shearn Delamore & Co
Chin Lau Wong & Foo

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

CORPORATE AND OTHER INFORMATION

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:-

	Salaries/ Allowances	Bonus	EPF & Socso Contributions	Directors' Fees	Benefits in kind	Total
Executive Directors	1,644,000	786,300	215,136	40,000	99,105	2,784,541
Non-Executive Directors	428,100	133,600	11,210	30,000	14,640	617,550
Total	2,072,100	919,900	226,346	70,000	113,745	3,402,091

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

(i) Executive Directors

Range of Remuneration RM	No of Directors
350,001 - 400,000	1
600,001 - 650,000	1
651,001 - 700,000	1
1,150,001 - 1,200,000	1
Total	4

(ii) Non-Executive Directors

Range of Remuneration RM	No of Directors
50,001 - 100,000	2
450,001 - 500,000	1
Total	3

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 287,700 share options as disclosed in note 21 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

There were no non-audit fees paid to external auditors for the financial year.

PROFIT FORECAST AND PROFIT GUARANTEE

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

MATERIAL CONTRACTS

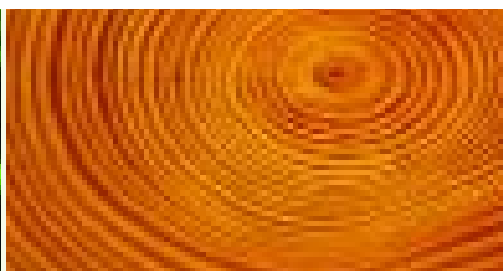
There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in note 26 to the financial statements.

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.



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 2005.

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.

A. DIRECTORS (CONT'D)**I The Board (Cont'd)**

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 three directors of subsidiaries namely Fong Tham Yu, Quek Siew Hau 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.

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.

A. DIRECTORS (CONT'D)

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.

VI Directors' Training

All directors have attended and completed the Mandatory Accreditation Programme and Continuing Education Programme as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements).

The Board would on a continuous basis, evaluate and determine the training needs of the Directors to aid them in the discharge of their duties as Directors. Appropriate disclosure of Directors' training would be made in the annual report commencing 31 March 2006.

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.

III Disclosure

The details of the remuneration of each director for the financial year under review are disclosed on page 10 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.

C. SHAREHOLDERS (CONT'D)

I Dialogue between Companies and Investors (Cont'd)

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 20 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 21 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 22 to 24 of the annual report.

DIRECTORS' PROFILE

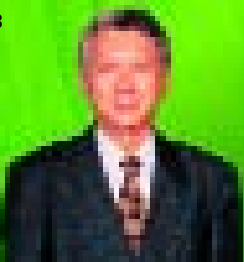
1



2



3



- 1 DATUK SERI PANGLIMA QUEK CHIOUYONG
- 2 CHAN SAIK CHUEN
- 3 SEAH TEE LEAN JP
- 4 LIM TED HING
- 5 FONG KIN WUI
- 6 AG AHMAD BIN AG AMIN
- 7 VOON SUI LIONG @ PAUL VOON

DATUK SERI PANGLIMA QUEK CHIOUYONG

Aged 74, 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 2005. 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 74, 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 four Board Meetings in the financial year ended 31 March 2005. 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 67, 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 2005. 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 50, 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 2005. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

FONG KIN WUI

Aged 45, 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 three Board Meetings in the financial year ended 31 March 2005. 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 43, 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 2005. 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 54, 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 three Board Meetings in the financial year ended 31 March 2005. 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.

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 2005.**

FINANCIAL RESULTS

During the financial year under review, the Group recorded a turnover of RM130.77 million and a pre-tax profit of RM17.75 million compared to turnover of RM124.44 million and a pre-tax profit of RM10.25 million for the previous year. The improvement in results was mainly due to higher sales of plywood for the year under review as compared to the preceding year.

DIVIDEND

The Board of Directors has recommended a final dividend of 4% less income tax of 28% and a special dividend of 3% less income tax of 28% amounting to 5.04 sen net per ordinary share in respect of the financial year ended 31 March 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

CORPORATE DEVELOPMENTS

On 1 August 2005, the Company via its wholly owned subsidiary, Gerak Armada Sdn Bhd, entered into certain conditional agreements for the Group's proposed acquisition of a 25% equity stake in Frontier Alliance Sdn Bhd and for the Group's proposed subscription of 9,500,000 new redeemable 3-year preference shares of RM0.01 each to be issued by Frontier Alliance ("RCPS") at a premium of RM0.99 per RCPS for a consideration of RM15.5 million and RM9.5 million respectively. Frontier Alliance Group is an oil and gas service provider to the upstream sector of the oil and gas industry.

The proposed investment in Frontier Alliance, expected to be completed by the last quarter of the year 2005, will enable the Group to diversify and venture into the oil and gas sector by tapping into existing expertise of the Frontier Alliance Group in the provision of such services to this sector. The Directors believe the Proposed Investment will contribute positively to the Group's growth and performance thus enhancing its shareholders' value with the favourable outlook of the oil and gas sector.

PROSPECTS

The prospects for the timber industry are dependent on the outlook on the international front including the Japanese market and 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 reasonably good in the foreseeable future and hope to maintain its market position by looking into the sourcing of round logs and focusing on measures to produce and market high quality products and to improving its efficiency.

On the basis of the above and barring any unforeseen circumstances, the Directors are hopeful that the coming year will be another profitable year for the Group if the demand of timber products continue to be favourable and the scrapping of the ringgit peg does not have significant adverse effect. The proposed investment in Frontier Alliance, when completed in due course, is expected to contribute positively to the future earnings of the group.

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.

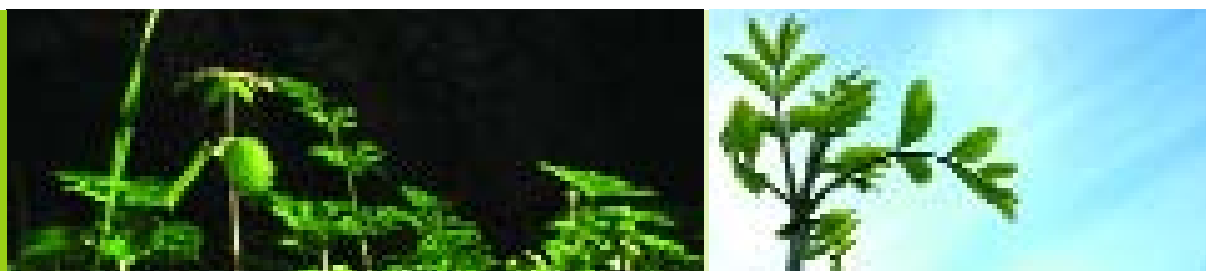
I would also like to convey my sincere appreciation to the Management and staff of the Group for their hard work, commitment, dedication and contributions towards the achievements of the Group in maintaining the Group's competitiveness and making another profitable year possible.

DATUK SERI PANGLIMA QUEK CHIOU YONG
CHAIRMAN

Sandakan
2 August 2005

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:

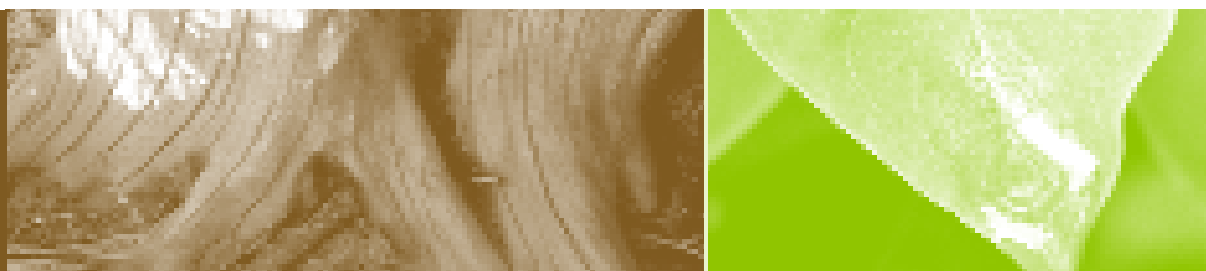
- adopted suitable accounting policies and apply them consistently unless a change is required by statute or by an approved accounting standard or if the change will result in a more appropriate presentation of events or transactions in the financial statements.
- exercised judgement and made estimates 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 compliance with the systems and standard operating procedures in the Group 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 result of the review was satisfactory.

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 2005.

(A) COMPOSITION

The members of the Audit Committee are as follows:

		No of meetings Attended
CHAIRMAN		
Voon Sui Liong @ Paul Voon	<i>Independent Non-Executive Director</i>	5
COMMITTEE MEMBERS		
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, the accounting and audit issues arising from their 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.

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

MEMBERSHIP (CONT'D)

- 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.

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;

AUDIT COMMITTEE REPORT

FUNCTIONS (CONT'D)

- (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.

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 members 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 8 AUGUST 2005

Authorised Share Capital	: 500,000,000
Paid-Up & Issued Share Capital	: 151,506,700
Type of Share	: Ordinary Share of RM1.00 each
No of Shareholders	: 13,492
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	6,164	6,133,850	4.05
1,001 to 10,000	6,406	24,569,966	16.22
10,001 to 100,000	819	22,535,979	14.87
100,001 to 7,575,334*	97	85,356,168	56.34
7,575,335 and above**	1	12,910,700	8.52
TOTAL	13,492	151,506,700	100.00

Notes: * Less than 5% of Issued Holdings
 ** 5% and above of Issued Holdings

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

[based on notifications in writing received by the Company on or before 8 August 2005]

	← Ordinary Shares of RM1 each →			
	Direct interest	%	Indirect interest	%
1. Excelrun Sdn Bhd	12,910,700	8.52	-	-
2. Chan Saik Chuen	49,537	0.03	12,020,859 ¹	7.93
3. Chan Saik Chuen Sdn Bhd	6,806,259 ²	4.49	5,214,600 ³	3.44
4. Datuk Seri Panglima Quek ChiowYong	-	-	10,838,479 ⁴	7.15
5. Quek ChiowYong Holdings Sdn Bhd	5,623,879	3.71	5,214,600 ³	3.44

Notes:-

- 1 Deemed interested through Chan Saik Chuen Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd
- 2 Held directly and also via RHB Capital Nominees (Tempatan) Sdn Bhd
- 3 Deemed interested through Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd
- 4 Deemed interested through Quek ChiowYong Holdings Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd

SHAREHOLDING STATISTICS

AS AT 8 AUGUST 2005

DIRECTORS' INTERESTS

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

Name of Directors	← Ordinary Shares of RM1 each →				← Options Over Ordinary Shares of RM1 each →	
	Direct interest	%	Indirect interest	%	No of Options	%*
Datuk Seri Panglima Quek ChiowYong	-	-	10,838,479 ¹	7.15	80,000 ⁸	0.61
Chan Saik Chuen	49,537	0.03	12,020,859 ²	7.93	800,000 ⁹	6.08
Seah Tee Lean	4,010,040	2.65	2,353,391 ³	1.55	600,000 ⁹	4.56
Fong Kin Wui	1,695,794 ⁴	1.12	3,427,100 ⁵	2.26	800,000 ⁹	6.08
Lim Ted Hing	1,211,100 ⁶	0.80	-	-	800,000 ⁹	6.08
Ag Ahmad Bin Ag Amin	66,697 ⁷	0.04	-	-	-	-
Voon Sui Liong @ Paul Voon	-	-	-	-	50,000 ⁸	0.38

Notes:

* Percentage is computed based on the total number of share options granted by the Company of 13,149,400

- 1 Deemed interested through Quek ChiowYong Holdings Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd
- 2 Deemed interested through Chan Saik Chuen Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd
- 3 Deemed interested through ST L Holdings Sdn Bhd
- 4 Held directly and also via Mayban Nominees (Tempatan) Sdn Bhd - JMF Asset Management Sdn Bhd
- 5 Deemed interested through Tekala Holdings Sdn Bhd
- 6 Held directly and also via HSBC Nominees (Tempatan) Sdn Bhd
- 7 Held via UOBM Nominees (Tempatan) Sdn Bhd
- 8 Options exercisable pursuant to the Company's Employees' Share Option Scheme ("ESOS") at an option price of RM1.35 per share
- 9 Options exercisable pursuant to the Company's ESOS at an option price of RM1.02 per share

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. Of Shares Held	%
1.	EXCELRUN SDN BHD	7,470,500	4.93
2.	QUEK CHIOUYONG HOLDINGS SDN BHD	5,623,879	3.71
3.	EXCELRUN SDN BHD	5,440,200	3.59
4.	ENG NOMINEES (ASING) SDN BHD Kim Eng Securities Pte Ltd for Wong Hon Chak	5,193,100	3.43

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

No.	Name	No. Of Shares Held	%
5.	CHAN SAIK CHUEN SDN BHD	4,221,855	2.79
6.	TANTONG CHEW	4,214,849	2.78
7.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD Skim Amanah Saham Bumiputera	4,000,000	2.64
8.	CARTABAN NOMINEES (ASING) SDN BHD State Street Australia Fund UAEN for Cadena Ltd	3,908,000	2.58
9.	SEAHTEE LEAN	3,810,040	2.51
10.	Q C M SDN BHD	3,488,299	2.30
11.	TEKALA HOLDINGS SDN BHD	3,427,100	2.26
12.	KWAN PUN CHO	2,778,200	1.83
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chan Saik Chuen Sdn Bhd (071004)	2,584,404	1.71
14.	ST L HOLDINGS SDN BHD	2,353,391	1.55
15.	YEOH KEAN HUA	2,158,000	1.42
16.	CITICORP NOMINEES (ASING) SDN BHD MLPFS for Winnie Choi Lai Ying	2,071,857	1.37
17.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD C C Ho Sdn Bhd (T- 071001)	1,981,000	1.31
18.	SYARIKAT KRETAM (FAR EAST) HOLDINGS SDN BHD	1,787,500	1.18
19.	CARTABAN NOMINEES (ASING) SDN BHD State Street Australia Fund UAEP for Macro Worldwide Holdings Ltd	1,709,999	1.13
20.	CITICORP NOMINEESS (TEMPATAN) SDN BHD Pledged securities account for Kwan Hung Cheong (473937)	1,665,000	1.10
21.	KWAN CHEE HANG SDN BHD	1,657,749	1.09
22.	TY FONG SDN BHD	1,634,393	1.08
23.	MAYBAN NOMINEES (TEMPATAN) SDN BHD JMF Asset Management Sdn Bhd for Fong Kin Wui (C346-240450)	1,395,794	0.92
24.	PERMODALAN NASIONAL BERHAD	1,188,000	0.78
25.	LEMBAGA TABUNG HAJI	1,046,000	0.69
26.	CARTABAN NOMINEES (ASING) SDN BHD State Street Australia Fund UAEL for Lin Hsiou Yun	1,034,286	0.68
27.	HDM NOMINEES (ASING) SDN BHD DBS Vickers SECS (S) Pte Ltd for River Estates Incorporated	1,000,000	0.66
28.	HSBC NOMINEES (ASING) SDN BHD Coutts BK Von Ernst Sg for Jubilee Asset Limited	832,000	0.55
29.	FONG KING FUN	772,000	0.51
30.	CARTABAN NOMINEES (ASING) SDN BHD State Street Australia Fund UAEM for Chow Song Elaine Gay	740,143	0.49

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 2005 (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)	15	11,846	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)	8	8,921	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)	10	9,965	21.06.1996



- DIRECTORS' REPORT 30
- STATEMENT BY DIRECTORS 36
- STATUTORY DECLARATION 36
- REPORT OF THE AUDITORS 37
- INCOME STATEMENTS 38
- BALANCE SHEETS 39
- CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 40
- COMPANY STATEMENT OF CHANGES IN EQUITY 41
- CASH FLOW STATEMENTS 42
- NOTES TO THE FINANCIAL STATEMENTS 43

FINANCIAL STATEMENTS

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 2005.

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 the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after taxation	17,192,886	7,927,648

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 2004, a final tax exempt dividend of 3% on 151,120,000 ordinary shares in respect of the financial year ended 31 March 2004 amounting to RM4,533,600 was paid on 28 October 2004.

At the forthcoming Annual General Meeting, a final dividend of 4% less 28% taxation and a special dividend of 3% less 28% taxation in respect of the financial year ended 31 March 2005 of 5.04 sen net per ordinary 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 2006.

SUBSEQUENT EVENTS

- (i) On 1 July 2005, the company acquired the entire equity interest in Gerak Armada Sdn. Bhd. ("GASB") and Rimbun Intan Sdn. Bhd. ("RISB") for a purchase consideration of RM2 each. GASB is a wholly owned subsidiary of the company and RISB is a wholly owned subsidiary of GASB.
- (ii) On 1 July 2005, the company executed an investment term sheet with Offshoreworks Sdn. Bhd. outlining the company's proposed investment in Offshoreworks Sdn. Bhd. and its proposed subsidiary and associate companies ("Offshoreworks") for a total investment sum of RM25 million ("Proposed Investment") which will comprise the following:
 - (a) RM16 million in cash which upon completion of the Proposed Investment will represent 25% of the entire enlarged issued and paid up share capital in Offshoreworks; and

SUBSEQUENT EVENTS (CONT'D)

(b) RM9 million for the subscription of 9 million redeemable cumulative preference shares ("RCPS") of RM0.01 each at a premium of RM0.99 each in Offshoreworks which represents the entire amount of the RCPS issued by Offshoreworks.

The Proposed Investment is subject to further negotiations and certain conditions precedent being fulfilled including the execution of the various investment agreements and approvals from relevant authorities as stipulated in the investment term sheet.

(iii) On 18 July 2005, the company announced its proposal to seek the approval of shareholders for the proposed shares buy-back at the forthcoming Annual General Meeting.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The company's previous ESOS for eligible employees and directors of the company and its subsidiary companies approved by the shareholders at the Extraordinary General Meeting held on 10 May 1999 had expired on 16 May 2004.

Pursuant to an Extraordinary General Meeting held on 30 September 2004, the shareholders approved a new ESOS for eligible employees and directors of the company and its subsidiary companies. The new ESOS became effective on 22 November 2004 and is valid for a period of five (5) years expiring on 21 November 2009.

The options granted during the financial year had been duly verified by the audit committee and the external auditors and were in compliance with the By-Laws of the Company's ESOS.

The salient features and other terms of the new ESOS are disclosed in Note 21 to the financial statements.

The company has been granted exemption by the Companies Commission of Malaysia from having to comply with Section 169(11) of the Companies Act, 1965 subject to disclosing the required details for those who have been granted options to subscribe for 300,000 or more ordinary shares of RM1 each during the financial year are as follows:

Name	Grant Date	Expiry Date	Exercise Price RM	Number of Share Options		
				Granted	Exercised	31.3.2005
Chan Saik Chuen	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Seah Tee Lean	22.12.2004	21.11.2009	1.02	800,000	(200,000)	600,000
Fong Kin Wui	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Lim Ted Hing	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Fong Tham Yu	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Quek Siew Hau	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Seah Sen Onn @ David Seah	22.12.2004	21.11.2009	1.02	800,000	-	800,000
Quek Chee Kong @ Quek Siau Chong	22.12.2004	21.11.2009	1.02	375,000	-	375,000
Quek Siew Wah	22.12.2004	21.11.2009	1.02	375,000	-	375,000
Thien Vui Heng	22.12.2004	21.11.2009	1.02	375,000	-	375,000

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

Subsequent to 31 March 2005 and as at the date of this report:

- (i) a further 99,000 ordinary shares of RM1 each had been issued at RM1.02 per ordinary share for cash, upon exercise of options granted pursuant to the ESOS.
- (ii) two of the three Non-Executive directors of the company accepted the offer to subscribe for the company's Employees' Share Option Scheme and accordingly options were granted to them at an option price of RM1.35.

REMUNERATION COMMITTEE

The remuneration committee of the Board consists of:

Datuk Seri Panglima Quek Chiow Yong	-	Chairman
Ag Ahmad Bin Ag Amin	-	Committee Member
Voon Sui Liong @ Paul Voon	-	Committee Member

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, Lim Ted Hing and Voon Sui Liong @ Paul Voon retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate, 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 26 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			
	1.4.2004	Acquired	Sold	31.3.2005
Datuk Seri Panglima Quek Chiow Yong Indirect shareholding	7,503,879	2,186,600	-	9,690,479
Chan Saik Chuen Direct shareholding	49,537	-	-	49,537
Indirect shareholding	8,686,259	2,186,600	-	10,872,859
Seah Tee Lean Direct shareholding	3,810,040	200,000	-	4,010,040
Indirect shareholding	2,353,391	-	-	2,353,391
Fong Kin Wui Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding	1,880,000	1,206,100	-	3,086,100
Lim Ted Hing Direct shareholding	350,000	861,100	-	1,211,100
Ag Ahmad Bin Ag Amin Direct shareholding	395,697	-	(257,000)	138,697

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				
		1.4.2004	Expired	Granted	Exercised	31.3.2005
New ESOS						
Chan Saik Chuen	1.02	-	-	800,000	-	800,000
Seah Tee Lean	1.02	-	-	800,000	(200,000)	600,000
Fong Kin Wui	1.02	-	-	800,000	-	800,000
Lim Ted Hing	1.02	-	-	800,000	-	800,000
Previous ESOS						
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 shares in the company or its related corporations during the financial year.

DIRECTORS' REPORT

ISSUE OF SHARES

During the financial year, the company issued 287,700 ordinary shares of RM1 each for cash pursuant to the company's Employee Share Options Scheme at an exercise price of RM1.02 per ordinary share.

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 satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the group and of the company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the group and of the company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the group and of the company which would render any amount stated in the financial statements 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 of the group or of the company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the group or of the company to meet their obligations when they fall due; and

OTHER STATUTORY INFORMATION (CONT'D)

- (f) In the opinion of the directors: (cont'd)
- (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
26 July 2005

LIM TED HING

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, **SEAH TEE LEAN** and **LIMITED 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 38 to 66 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the group and of the company as at 31 March 2005 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
26 July 2005

LIMITED 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 38 to 66 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed **LIM TED HING**
at Sandakan in the State of Sabah
on 26 July 2005

LIMITED HING

Before me -

**REPORT OF
THE AUDITORS**

TO THE MEMBERS OF TEKALA CORPORATION BERHAD (COMPANY NO: 357125-D)

We have audited the financial statements set out on pages 38 to 66. These financial statements are the responsibility of the company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2005 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 of which we have acted as auditors 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 financial statements of the company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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
1502/04/07 (J)
Partner

Sandakan, Malaysia
26 July 2005

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	5	130,773,748	124,438,541	11,550,000	5,122,043
Cost of sales	6	(100,575,723)	(104,126,105)	-	-
Gross profit		30,198,025	20,312,436	11,550,000	5,122,043
Other operating income		583,313	2,373,270	-	-
Distribution costs		(1,513,224)	(2,914,410)	-	-
Other operating expenses		(1,855,803)	(225,065)	-	-
Amortisation of goodwill		(1,542,366)	(2,136,832)	-	-
Administrative expenses		(10,334,363)	(8,977,411)	(507,698)	(421,167)
Profit from operations	7	15,535,582	8,431,988	11,042,302	4,700,876
Interest on fixed deposits		2,215,574	1,833,449	143,753	107,675
Profit before taxation		17,751,156	10,265,437	11,186,055	4,808,551
Taxation	8	(558,270)	(935,065)	(3,258,407)	(30,508)
Profit after taxation		17,192,886	9,330,372	7,927,648	4,778,043
Earnings per share (sen)					
Basic	9	11.38	6.17		
Diluted	9	11.34	6.17		
Net dividend per ordinary share in respect of the year (sen):		5.04	3.00	5.04	3.00

**BALANCE
SHEETS**
AS AT 31 MARCH 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Non-Current Assets					
Property, plant and equipment	10	44,753,138	49,046,827	-	-
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	-	-
		44,864,138	50,700,193	79,991,825	79,991,825
Current Assets					
Inventories	14	23,042,539	16,692,952	-	-
Amounts due from subsidiary companies	15	-	-	100,318,060	97,546,797
Trade receivables	16	13,759,481	17,209,963	-	-
Other receivables	17	2,060,682	1,614,319	18,963	39,959
Tax refundable		2,049,557	1,632,704	77,472	91,875
Fixed deposits	18	88,180,000	68,680,000	5,550,000	4,700,000
Cash and bank balances		4,623,601	7,840,887	248,993	70,345
		133,715,860	113,670,825	106,213,488	102,448,976
Current Liabilities					
Amounts due to subsidiary companies	15	-	-	6,996,572	6,996,572
Trade payables	19	2,937,539	2,904,030	-	-
Other payables	20	2,708,156	1,285,572	176,578	99,568
Provision for taxation		104,512	304,365	-	-
		5,750,207	4,493,967	7,173,150	7,096,140
Net Current Assets		127,965,653	109,176,858	99,040,338	95,352,836
		172,829,791	159,877,051	179,032,163	175,344,661
Financed By:					
Share capital	21	151,407,700	151,120,000	151,407,700	151,120,000
Reserves	22	20,923,496	8,258,456	27,624,463	24,224,661
Shareholders' equity		172,331,196	159,378,456	179,032,163	175,344,661
Deferred tax liabilities	23	498,595	498,595	-	-
		172,829,791	159,877,051	179,032,163	175,344,661
Net Tangible Assets Per Share		1.14	1.04	1.18	1.16

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2005

		Non-Distributable			Distributable		
	Note	Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Merger Deficit RM	Retained Profits/ (Accumulated Losses) RM	Total RM
Group							
At 1 April 2003		151,096,000	16,649,690	268,749	(84,933,616)	71,744,890	154,825,713
Issue of ordinary shares pursuant to ESOS	21	24,000	-	-	-	-	24,000
Profit after taxation		-	-	-	-	9,330,372	9,330,372
Dividend	24	-	-	-	-	(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)
At 31 March 2004		151,120,000	16,483,387	-	-	(8,224,931)	159,378,456
Issue of ordinary shares pursuant to ESOS	21	287,700	5,754	-	-	-	293,454
Profit after taxation		-	-	-	-	17,192,886	17,192,886
Dividend	24	-	-	-	-	(4,533,600)	(4,533,600)
At 31 March 2005		151,407,700	16,489,141	-	-	4,434,355	172,331,196

**COMPANY STATEMENT
OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 MARCH 2005

	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
Company					
At 1 April 2003		151,096,000	16,483,387	7,496,111	175,075,498
Issue of ordinary shares pursuant to ESOS	21	24,000	-	-	24,000
Profit after taxation		-	-	4,778,043	4,778,043
Dividend	24	-	-	(4,532,880)	(4,532,880)
At 31 March 2004		151,120,000	16,483,387	7,741,274	175,344,661
Issue of ordinary shares pursuant to ESOS	21	287,700	5,754	-	293,454
Profit after taxation		-	-	7,927,648	7,927,648
Dividend	24	-	-	(4,533,600)	(4,533,600)
At 31 March 2005		151,407,700	16,489,141	11,135,322	179,032,163

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash Flows From Operating Activities				
Profit before taxation	17,751,156	10,265,437	11,186,055	4,808,551
Adjustments for:				
Amortisation of goodwill	1,542,366	2,136,832	-	-
Depreciation of property, plant and equipment	5,628,445	6,447,334	-	-
Dividend income	(3,750)	-	-	-
Interest on fixed deposits	(2,215,574)	(1,833,449)	(143,753)	(107,675)
Loss/(gain) on disposal of plant and equipment	21,370	(2,175,231)	-	-
Provision for doubtful debts	1,500,000	-	-	-
Operating profit before working capital changes	24,224,013	14,840,923	11,042,302	4,700,876
(Increase)/decrease in inventories	(6,349,587)	2,183,758	-	-
Decrease/(increase) in receivables	1,523,894	3,492,564	20,996	(21,780)
Increase/(decrease) in payables	1,456,093	(1,826,374)	77,010	(15,988)
Cash generated from operations	20,854,413	18,690,871	11,140,308	4,663,108
Income tax paid	(1,216,352)	(1,766,558)	(3,244,004)	(18,325)
Tax refunded	41,376	208,751	-	-
Net cash generated from operating activities	19,679,437	17,133,064	7,896,304	4,644,783
Cash Flows From Investing Activities				
Dividend received	3,750	-	-	-
Purchase of property, plant and equipment (Note 10)	(1,941,476)	(1,187,926)	-	-
Proceeds from disposal of property, plant and equipment	585,350	2,853,200	-	-
Interest on fixed deposits received	2,195,799	1,805,923	143,753	105,626
Net cash generated from investing activities	843,423	3,471,197	143,753	105,626
Cash Flows From Financing Activities				
Proceeds from issuance of shares	293,454	24,000	293,454	24,000
Net change in accounts with subsidiary companies	-	-	(2,771,263)	1,810,529
Dividend paid	(4,533,600)	(4,532,880)	(4,533,600)	(4,532,880)
Net cash used in financing activities	(4,240,146)	(4,508,880)	(7,011,409)	(2,698,351)
Net increase in cash and cash equivalents	16,282,714	16,095,381	1,028,648	2,052,058
Cash and cash equivalents at beginning of year	76,520,887	60,425,506	4,770,345	2,718,287
Cash and cash equivalents at end of year (Note 25)	92,803,601	76,520,887	5,798,993	4,770,345

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

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 the principal activities during the financial year.

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 at the end of the financial year was 1,072 (2004: 1,089).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2005.

2. FINANCIAL RISK MANAGEMENT POLICIES

The group's financial risk management policy 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 transactions.

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.

(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 high 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

2. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Fair Values (cont'd)

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

(i) *Investments in Unquoted Shares*

In the 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) *Investments in Quoted Share*

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 amounts of the investments in quoted shares have not been reduced to fair value as there is no intention to dispose of the investments in the foreseeable future. However, the company believes that the carrying amounts represent the recoverable value in future.

(iii) *Cash and Cash Equivalents, Amounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the group and of the company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

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

(b) Basis of Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

- (i) Under the acquisition method of accounting, the results of subsidiary companies 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 subsidiary companies 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 subsidiary companies 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 company is the difference between net disposal proceeds and the group's share of its net assets together with any unamortised balance of goodwill.

(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 subsidiary companies 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 investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment, and Depreciation

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).

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.

Short leasehold land is amortised over the period of the lease using the straight line method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment, and Depreciation (cont'd)

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

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.

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

(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.

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.

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 substantially 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 Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(iii) *Equity compensation benefits*

The company's Employee Share Options Scheme 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 and log timber are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue Recognition (cont'd)

(iv) *Dividend income*

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

(v) *Storage income*

Revenue from storage is recognised on accrual basis.

(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 and 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 recognised directly in equity. Financial instruments are offset when the group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) *Investments in quoted shares*

Investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial Instruments (cont'd)

(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.

4. SUBSEQUENT EVENTS

- (i) On 1 July 2005, the company acquired the entire equity interest in Gerak Armada Sdn. Bhd. ("GASB") and Rimbun Intan Sdn. Bhd. ("RISB") for a purchase consideration of RM2 each. GASB is a wholly owned subsidiary of the company and RISB is a wholly owned subsidiary of GASB.
- (ii) On 1 July 2005, the company executed an investment term sheet with Offshoreworks Sdn. Bhd. outlining the company's proposed investment in Offshoreworks Sdn. Bhd. and its proposed subsidiary and associate companies ("Offshoreworks") for a total investment sum of RM25 million ("Proposed Investment") which will comprise the following:
- (a) RM16 million in cash which upon completion of the Proposed Investment will represent 25% of the entire enlarged issued and paid up share capital in Offshoreworks; and
- (b) RM9 million for the subscription of 9 million redeemable cumulative preference shares ("RCPS") of RM0.01 each at a premium of RM0.99 each in Offshoreworks which represents the entire amount of the RCPS issued by Offshoreworks.

The Proposed Investment is subject to further negotiations and certain conditions precedent being fulfilled including the execution of the various investment agreements and approvals from relevant authorities as stipulated in the investment term sheet.

- (iii) On 18 July 2005, the company announced its proposal to seek the approval of shareholders for the proposed shares buy-back at the forthcoming Annual General Meeting.

5. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gross dividend from an unquoted subsidiary company	-	-	11,550,000	-
Tax exempt dividend from an unquoted subsidiary company	-	-	-	5,122,043
Revenue from timber processing and log timber trading	122,977,860	110,603,608	-	-
Revenue from log timber extraction and related services	7,795,888	13,834,933	-	-
	130,773,748	124,438,541	11,550,000	5,122,043

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

6. COST OF SALES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cost of inventories sold	93,840,715	92,856,713	-	-
Log timber extraction cost	6,735,008	11,269,392	-	-
	100,575,723	104,126,105	-	-

7. PROFIT FROM OPERATIONS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
This is stated after charging/(crediting):				
Auditors' remuneration				
- statutory audits	72,600	72,600	20,000	20,000
- other services	-	12,210	-	12,000
Depreciation of property, plant and equipment (Note 10)	5,628,445	6,447,334	-	-
Directors' remuneration				
- directors of the company				
- fees	70,000	70,000	70,000	70,000
- emoluments	3,218,346	2,578,190	101,210	94,490
- benefits-in-kind	113,745	113,150	-	-
- other directors of subsidiary companies				
- emoluments	1,365,944	1,161,238	-	-
- benefits-in-kind	71,833	69,789	-	-
Land rental	34,600	-	-	-
Professional fees charged by an associate of the company's auditors	17,050	20,450	1,200	1,000
Provision for doubtful debts	1,500,000	-	-	-
Rent of premises	282,000	282,000	-	-
Scow hire	512,244	1,906,648	-	-
Loss/(gain) on disposal of plant and equipment	21,370	(2,175,231)	-	-
Dividend income	(3,750)	-	-	-
Rental income	(6,000)	(6,000)	-	-

Staff costs:

	Group	
	2005 RM	2004 RM
Salaries, wages and allowances	11,020,177	10,087,511
Employees' Provident Fund contributions	628,744	653,412
Gratuity	-	50,000
SOCSO contributions	65,995	70,761
	11,714,916	10,861,684

8. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Income tax:				
On results for the year	558,816	1,341,953	3,258,400	29,730
(Over)/underprovided in prior years	(546)	98	7	778
	558,270	1,342,051	3,258,407	30,508
Deferred tax (Note 23):				
Reversal of temporary differences	-	(406,986)	-	-
Tax expense for the year	558,270	935,065	3,258,407	30,508

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	17,751,156	10,265,437	11,186,055	4,808,551
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	4,970,323	2,874,322	3,132,095	1,346,394
Effect of income subject to tax rate of 20%*	(40,298)	(84,502)	-	-
Tax exempt dividend not subject to income tax	-	-	-	(1,434,172)
Effect of expenses not deductible for tax purposes	1,004,574	793,803	126,305	117,508
Double deduction of expenses	-	(60,780)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(5,009,377)	(2,319,002)	-	-
Utilisation of previously unrecognised unutilised reinvestment allowances	(1,545,833)	-	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,179,427	138,112	-	-
Deferred tax provided arising from adoption of MASB 25	-	(406,986)	-	-
(Over)/underprovision of income tax expense in prior year	(546)	98	7	778
Tax expense for the year	558,270	935,065	3,258,407	30,508

* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 (2004: RM500,000) of the chargeable income of certain subsidiary companies is 20% as they are considered small and medium scale companies.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

8. TAXATION (CONT'D)

	Group	
	2005	2004
	RM	RM
Tax savings recognised during the year arising from utilisation of:		
- current year tax losses	69,122	281,677
- current year capital allowances	1,145,834	28,425
- tax losses brought forward from previous years	1,093,018	569,450
- unabsorbed reinvestment allowances brought forward from previous years	1,545,833	-
- unabsorbed capital allowances brought forward from previous years	4,622,538	2,400,107
Unutilised tax losses carried forward	19,724,381	17,003,986
Unabsorbed capital allowances carried forward	1,797,143	18,203,486
Unabsorbed reinvestment allowances carried forward	-	5,520,831

9. EARNINGS PER SHARE

(a) Basic

The 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.

	2005	2004
Profit after taxation (RM)	17,192,886	9,330,372
Weighted average number of ordinary shares in issue	151,133,983	151,096,656
Basis earnings per share (sen)	11.38	6.17

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit after taxation and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, namely share options granted to employees.

	2005	2004
Profit after taxation (RM)	17,192,886	9,330,372
Weighted average number of ordinary shares in issue	151,133,983	151,096,656
Effect of dilution in share options	447,197	-
Adjusted weighted average number of ordinary shares in issue and issuable	151,581,180	151,096,656
Diluted earnings per share (sen)	11.34	6.17

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
Cost					
At 1 April 2004	43,454,841	70,410,654	2,157,055	1,622,268	117,644,818
Additions	-	1,693,104	200,702	47,670	1,941,476
Disposals	-	(2,967,264)	(61,485)	(4,150)	(3,032,899)
Scrapped	-	(104,000)	(20,000)	(6,970)	(130,970)
At 31 March 2005	43,454,841	69,032,494	2,276,272	1,658,818	116,422,425
Accumulated Depreciation					
At 1 April 2004	11,540,094	53,683,467	1,936,112	1,438,318	68,597,991
Charge for the year	1,182,608	4,289,887	93,961	61,989	5,628,445
Disposals	-	(2,360,858)	(61,484)	(3,845)	(2,426,187)
Scrapped	-	(103,998)	(19,999)	(6,965)	(130,962)
At 31 March 2005	12,722,702	55,508,498	1,948,590	1,489,497	71,669,287
Net Book Value					
At 31 March 2005	30,732,139	13,523,996	327,682	169,321	44,753,138
At 31 March 2004	31,914,747	16,727,187	220,943	183,950	49,046,827
Depreciation charge for 2004	1,180,183	5,012,765	185,051	69,335	6,447,334

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

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

Analysis of leasehold land and buildings:

	Long leasehold land RM	Buildings RM	Total RM
Cost			
At 1 April 2004 and 31 March 2005	19,811,247	23,643,594	43,454,841
Accumulated Depreciation			
At 1 April 2004	-	11,540,094	11,540,094
Charge for the year	-	1,182,608	1,182,608
At 31 March 2005	-	12,722,702	12,722,702
Net Book Value			
At 31 March 2005	19,811,247	10,920,892	30,732,139
At 31 March 2004	19,811,247	12,103,500	31,914,747
Depreciation charge for 2004	-	1,180,183	1,180,183

The financial effect of non-amortisation of long leasehold land as stated in Note 3(e) on the financial results of the group is a decrease in amortisation charge of RM218,741 (2004: RM215,940).

11. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 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

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

Name of Subsidiary Companies	Principal activities	Equity Interest Held	
		2005 %	2004 %
Syarikat Tekala Sdn. Bhd.	Log timber extraction	100	100
Kalabakan Plywood Sdn. Bhd.	Timber processing	100	100

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name of Subsidiary Companies	Principal activities	Equity Interest Held	
		2005 %	2004 %
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
Subsidiary companies of Kalabakan Plywood Sdn. Bhd.			
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
Subsidiary companies of Marimba Sdn. Bhd.			
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.

12. OTHER INVESTMENTS

	Group	
	2005 RM	2004 RM
At cost		
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	1,980	3,120

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

13. GOODWILL ON CONSOLIDATION

At beginning of year	1,542,366	3,042,366
Effect of adoption of MASB 25	-	636,832
Amortisation for the year	(1,542,366)	(2,136,832)
At end of year	-	1,542,366

14. INVENTORIES

At cost

Finished goods	10,150,269	6,539,252
Raw materials and production supplies	9,192,905	7,436,442
Spare parts, consumables and camp stores	-	45,261
Work-in-progress	3,699,365	2,671,997
	23,042,539	16,692,952

There were no inventories stated at net realisable value as at 31 March 2005 and 2004.

15. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

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

16. TRADE RECEIVABLES

	Group	
	2005	2004
	RM	RM
Trade receivables	15,320,211	17,270,693
Less: Provision for doubtful debts	(1,560,730)	(60,730)
	13,759,481	17,209,963

The group's normal trade credit term ranges from 30 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The group and company have no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

17. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits	789,485	105,625	6,500	6,500
Prepayments	408,350	610,756	7,250	28,530
Sundry receivables	862,847	897,938	5,213	4,929
	2,060,682	1,614,319	18,963	39,959

18. FIXED DEPOSITS

With:

Licensed banks	77,480,000	53,330,000	5,550,000	4,700,000
Licensed financial institutions	10,700,000	15,350,000	-	-
	88,180,000	68,680,000	5,550,000	4,700,000

The interest rates of fixed deposits of the group and of the company for the financial year range from 2.15% to 3.0% (2004: 2.5% to 3.2%) per annum.

The fixed deposits are maturing within 6 months subsequent to the financial year end.

19. TRADE PAYABLES

The normal trade credit terms granted to the group range from 30 days to 90 days.

20. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accruals	1,758,058	931,372	91,495	8,264
Sundry payables	950,098	354,200	85,083	91,304
	2,708,156	1,285,572	176,578	99,568

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

21. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At beginning of year	151,120,000	151,096,000	151,120,000	151,096,000
Issued during the year pursuant to ESOS	287,700	24,000	287,700	24,000
At end of year	151,407,700	151,120,000	151,407,700	151,120,000

The company's new 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 30 September 2004. The new ESOS became effective on 22 November 2004 and is valid for a period of five (5) years expiring on 21 November 2009.

The salient features of the new ESOS 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 fifteen per cent (15%) 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 weighted average of the mean market price 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 set at a discount if deemed appropriate by the option committee of not more than ten percent (10%) or the par value of the company's shares, 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 directors of the company and its subsidiary companies with at least one (1) year of service and any Non-Malaysian employee who has served the group for a continuous period of at least two (2) years shall be eligible to participate in the ESOS;
- The allowable allotment that may be offered to eligible employees and directors under the ESOS ranges from 5,000 to 800,000 ordinary shares;
- 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; and
- 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.

21. SHARE CAPITAL (CONT'D)

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	Expired	
2005							
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	1,358,000	-	-	(1,358,000)	-
22.12.2004	21.11.2009	1.02	-	13,019,400	(287,700)	-	12,731,700
			9,467,000	13,019,400	(287,700)	(9,467,000)	12,731,700
2004							
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

Number of share options vested which represents the balance of employees' share option entitlements exercisable as at the end of the financial year:

	2005	2004
At beginning of year	-	1,484,800
At end of year	2,972,600	-

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	Consideration Received RM
10 March 2005	1.02	1.23	200,000	204,000
16 March 2005	1.02	1.29	14,000	14,280
24 March 2005	1.02	1.43	39,700	40,494
25 March 2005	1.02	1.48	15,000	15,300
29 March 2005	1.02	1.39	19,000	19,380
			<u>287,700</u>	<u>293,454</u>
Less: Par value of ordinary shares				(287,700)
Share premium				<u>5,754</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

21. SHARE CAPITAL (CONT'D)

Subsequent to 31 March 2005 and at the date of approval of these financial statements:

- (i) a further 99,000 ordinary shares of RM1 each had been issued at RM1.02 per ordinary share for cash, upon exercise of options granted pursuant to the ESOS.
- (ii) two of the three Non-Executive directors of the company accepted the offer to subscribe for the company's Employees' Share Option Scheme and accordingly options were granted to them at an option price of RM1.35.

22. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Share premium	16,489,141	16,483,387	16,489,141	16,483,387
Distributable				
Retained profits/ (Accumulated losses)	4,434,355	(8,224,931)	11,135,322	7,741,274
	20,923,496	8,258,456	27,624,463	24,224,661

As at 31 March 2005, the company has tax exempt profits available for distribution of approximately RM13,923,000 (2004: RM18,457,000), subject to the agreement of the Inland Revenue Board.

The company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 March 2005.

23. DEFERRED TAX LIABILITIES

	Group	
	2005 RM	2004 RM
At beginning of year	498,595	-
Deferred tax provided arising from adoption of MASB 25	-	905,581
	498,595	905,581
Recognised in income statement (Note 8)	-	(406,986)
At end of year	498,595	498,595

23. DEFERRED TAX LIABILITIES (CONT'D)

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

	Property, Plant and Equipment RM
At 1 April 2004	2,928,518
Recognised in income statement	(579,467)
At 31 March 2005	2,349,051
At 1 April 2003	2,646,819
Recognised in income statement	281,699
At 31 March 2004	2,928,518

Deferred Tax Assets of the Group

	Unutilised Tax Losses RM	Unabsorbed Capital Allowances RM	Others RM	Total RM
At 1 April 2004	(4,270)	(2,413,489)	(12,164)	(2,429,923)
Recognised in income statement	(1,477,809)	2,045,112	12,164	579,467
At 31 March 2005	(1,482,079)	(368,377)	-	(1,850,456)
At 1 April 2003	(107,126)	(2,539,693)	-	(2,646,819)
Recognised in income statement	102,856	126,204	(12,164)	216,896
At 31 March 2004	(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	
	2005 RM	2004 RM
Unutilised tax losses	14,431,239	16,988,731
Unabsorbed capital allowances	481,508	9,583,885
Unabsorbed reinvestment allowances	-	5,520,831
	14,912,747	32,093,447

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

24. DIVIDEND

	Group and Company	
	2005	2004
	RM	RM
Final tax exempt dividend of:		
3% on 151,096,000 ordinary shares in respect of the financial year ended 31 March 2003, paid on 28 October 2003	-	4,532,880
3% on 151,120,000 ordinary shares in respect of the financial year ended 31 March 2004, paid on 28 October 2004	4,533,600	-
	<u>4,533,600</u>	<u>4,532,880</u>

Since the financial year ended 31 March 2004, a final tax exempt dividend of 3% on 151,120,000 ordinary shares in respect of the financial year ended 31 March 2004 amounting to RM4,533,600 was paid on 28 October 2004.

At the forthcoming Annual General Meeting, a final dividend of 4% less 28% taxation and a special dividend of 3% less 28% taxation in respect of the financial year ended 31 March 2005 of 5.04 sen net per ordinary 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 2006.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Fixed deposits with:				
Licensed banks	77,480,000	53,330,000	5,550,000	4,700,000
Licensed financial institutions	10,700,000	15,350,000	-	-
	<u>88,180,000</u>	<u>68,680,000</u>	<u>5,550,000</u>	<u>4,700,000</u>
Cash on hand and at banks	4,623,601	7,840,887	248,993	70,345
	<u>92,803,601</u>	<u>76,520,887</u>	<u>5,798,993</u>	<u>4,770,345</u>

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2005	2004
	RM	RM
Transactions with a company in which certain directors of the company are also directors		
Rent of premises from Syarikat Kretam Sdn. Bhd.	240,000	240,000

These transactions had been settled during the financial year under review.

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

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Company	2005 RM	2004 RM
Transactions with subsidiary companies		
Repayment received	5,544,738	5,036,000
Funds transferred from subsidiaries	-	5,546,572
Advances given	-	3,650,000
Gross dividend from a subsidiary	11,550,000	-
Tax exempt dividend from a subsidiary	-	5,122,043

27. CONTINGENT LIABILITIES

Company	2005 RM	2004 RM
Unsecured		
(a) Guarantees given to:		
(i) banks for banking facilities granted to certain subsidiary companies	6,200,000	6,200,000
(ii) a trade creditor for credit facilities granted to a subsidiary company	-	300,000
	<u>6,200,000</u>	<u>6,500,000</u>

- (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.

28. CAPITAL COMMITMENTS

Group	2005 RM	2004 RM
Capital expenditure on property, plant and equipment		
- Approved and contracted for	1,668,940	-
- Approved but not contracted for	300,000	300,000
	<u>1,968,940</u>	<u>300,000</u>

29. SEGMENTAL INFORMATION

(a) Business Segments

	Investment holding		Timber processing and log timber trading		Timber extraction and related services		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue and expenses										
Revenue										
External	-	-	122,977,860	110,603,608	7,795,888	13,834,933	-	-	130,773,748	124,438,541
Inter-segment	11,550,000	5,122,043	-	-	-	-	(11,550,000)	(5,122,043)	-	-
Total revenue	11,550,000	5,122,043	122,977,860	110,603,608	7,795,888	13,834,933	(11,550,000)	(5,122,043)	130,773,748	124,438,541
Results										
Segment results	11,550,000	5,122,043	24,576,777	12,115,020	1,293,168	5,294,379	(11,550,000)	(5,122,043)	25,869,945	17,409,399
Administrative expenses									(10,334,363)	(8,977,411)
Profit from operations									15,535,582	8,431,988
Interest on fixed deposits									2,215,574	1,833,449
Profit before taxation									17,751,156	10,265,437
Taxation									(558,270)	(935,065)
Profit after taxation									17,192,886	9,330,372

29. SEGMENTAL INFORMATION (CONT'D)

(a) *Business Segments (cont'd)*

	Investment holding		Timber processing and log timber trading		Timber extraction and related services		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Assets and liabilities										
Segment assets	5,817,956	4,810,304	146,185,619	130,024,193	24,526,866	27,903,817	-	-	176,530,441	162,738,314
Tax refundable	-	-	-	-	-	-	-	-	2,049,557	1,632,704
Consolidated total assets	5,817,956	4,810,304	146,185,619	130,024,193	24,526,866	27,903,817	-	-	178,579,998	164,371,018
Segment liabilities	176,578	99,568	4,427,454	2,826,390	1,041,663	1,263,644	-	-	5,645,695	4,189,602
Provision for taxation	-	-	-	-	-	-	-	-	104,512	304,365
Consolidated total liabilities	176,578	99,568	4,427,454	2,826,390	1,041,663	1,263,644	-	-	5,750,207	4,493,967
Other information										
Capital expenditure	-	-	1,910,780	1,181,150	30,696	6,776	-	-	1,941,476	1,187,926
Amortisation of goodwill	-	-	1,542,366	2,136,832	-	-	-	-	1,542,366	2,136,832
Depreciation	-	-	5,575,920	6,272,999	52,525	174,335	-	-	5,628,445	6,447,334
Provision for doubtful debts	-	-	1,500,000	-	-	-	-	-	1,500,000	-

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2005

29. 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
31 March 2005			
Timber processing and log timber trading	117,311,896	5,665,964	122,977,860
Log timber extraction and related services	-	7,795,888	7,795,888
	<u>117,311,896</u>	<u>13,461,852</u>	<u>130,773,748</u>
31 March 2004			
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
	<u>85,070,585</u>	<u>39,367,956</u>	<u>124,438,541</u>



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 28 September 2005 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 final dividend of 4% less income tax of 28% and a special dividend of 3% less income tax of 28% for the year ended 31 March 2005.		
3	To re-elect the following Directors:- - Lim Ted Hing		
4	- Voon Sui Liong @ Paul Voon		
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 2005.		
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		
10	- Authority to issue shares pursuant to the Company's Employees' Share Option Scheme		
11	- Proposed Share Buy-Back		

Dated this _____ day

of _____ 2005

Signature(s) of Member(s)

No. of shares held

Notes

- a) 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.
- b) A proxy or an attorney need not be a member of the Company.
- c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.
- d) 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 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).

Please fold along this line (1)

Affix
stamp
here

The Company Secretary
TEKALA CORPORATION BERHAD
(Company No. 357125-D)
2nd Floor Lot 15 Block C
Old Slipway Site
90000 Sandakan, Sabah

Please fold along this line (2)