

TEKALA CORPORATION BERHAD (Company No. 357125-D)

TEKALA CORPORATION BERHAD

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ANNUAL '06  
REPORT



ANNUAL REPORT 2006



TEKALA CORPORATION BERHAD  
(Company No. 357125-D)

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **ELEVENTH ANNUAL GENERAL MEETING** of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2006 at 11.00 a.m to transact the following business:

<b>AGENDA</b>	<b>Resolution No</b>
1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2006 and the reports of the Directors and Auditors thereon.	1
2. To declare a first and final tax exempt dividend of 3% for the year ended 31 March 2006.	2
3. To re-elect the following Directors retiring under Article 103 of the Company's Articles of Association:-	
(a) Seah Tee Lean	3
(b) Ag Ahmad bin Ag Amin	4
4. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:-	
(a) "That Datuk Seri Panglima Quek Chiow Yong, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."	5
(b) "That Mr Chan Saik Chuen, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."	6
5. To approve payment of Directors' fees of RM70,000 for the year ended 31 March 2006.	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
<b>Authority to issue shares pursuant to Section 132D, Companies Act, 1965</b>	
"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 renewal of the authority for the purchase of own shares**

THAT, subject to compliance with the Companies Act, 1965, the Articles of Association of the Company, regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad ("Bursa Malaysia") or any other regulatory authorities, approval be and is hereby given to the Company to utilize an amount not exceeding the total share premium and retained profits of the Company to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time on Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being. Based on the latest unaudited interim financial report for the first quarter ended 30 June 2006, the Company's share premium and retained profits accounts were RM16,502,859 and RM8,149,279 respectively;

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

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

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including the appointment of up to two (2) Participating Organisations as defined in the Bursa Malaysia Listing Requirements and the opening and maintaining of Central Depository Accounts designated as Share Buy-Back Accounts) and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

- (iv) SPECIAL RESOLUTION 12

**Proposed amendments to Articles of Association of the Company**

THAT the amendments to the Articles of Association of the Company as set out in the Appendix A that is attached be hereby approved.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT contingent upon the approval by the shareholders at the forthcoming Annual General Meeting a first and final tax exempt dividend of 3% for the year ended 31 March 2006 will be paid on 30 October 2006 to the shareholders registered in the Record of Depositors as at 6 October 2006.

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 6 October 2006 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 2006

#### 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 empower the Directors of the Company to purchase the Company's shares up to ten (10) per centum of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the total share premium and retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the Proposed Share Buy-Back are set out in the Statement dated 5 September 2006 which is despatched together with the Company's 2006 Annual Report.
  - (iv) Special Resolution (Resolution 12)  
The proposed amendments to the Articles of Association are
    - (i) to amend the terminology in the Company's Articles of Association to be in line with the terminologies used in Listing Requirements of Bursa Malaysia Securities Berhad;
    - (ii) to allow the Company to issue its annual reports in CDROM format to increase administrative efficiency and allow for savings in printing and postages cost involved in the despatch of the annual reports to shareholders;
    - (iii) to allow the Company to pay dividends by electronic transfer.

# STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

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

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

	Number	Percentage(%)
Datuk Seri Panglima Quek Chiow Yong	5	83
Chan Saik Chuen	6	100
Seah Tee Lean JP	6	100
Lim Ted Hing	6	100
Fong Kin Wui	6	100
Ag Ahmad Bin Ag Amin	5	83
Voon Sui Liong @ Paul Voon	6	100

3. The meeting will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2006 at 11.00 a.m.
4. Further details of Directors who are standing for re-election or re-appointment are as follows:

## **SEAH TEE LEAN JP**

A Malaysian, aged 68, 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 possesses 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. His direct and indirect shareholdings in the Company as at 4 August 2006 were 4,285,140 and 2,353,391 ordinary shares of RM1 each respectively. He also holds 600,000 share options. 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 44, a Malaysian and had completed a two-years course at Institute Technology Industries. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He had been involved in the timber industry for more than 10 years. He is currently doing his own business in contract farming. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. His direct shareholdings in the Company as at 4 August 2006 was 51,697 ordinary shares of RM1 each. He also holds 450,000 share options. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

**STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**  
PURSUANT TO PARAGRAPH 8.28 (2) OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA SECURITIES BERHAD

**DATUK SERI PANGLIMA QUEK CHIOW YONG**

A Malaysian, aged 75, 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 4 August 2006 was 10,838,479 ordinary shares of RM1 each. He also holds 800,000 share options. 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**

A Malaysian, aged 75, 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 4 August 2006 were 49,537 and 12,020,859 ordinary shares of RM1 each respectively. He also holds 800,000 share options. 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

## 100% KALABAKAN PLYWOOD SDN BHD

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

## 100% MARIMBA SDN BHD

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

## 100% SYARIKAT TEKALA SDN BHD

## 100% GERAK ARMADA SDN BHD

- 25% Offshoreworks Holdings Sdn Bhd  
(Formerly known as Frontier Alliance Sdn Bhd)

## 100% KINAMARKETING (S) SDN BHD

## 100% KIM HAW SDN BHD



**TEKALA CORPORATION BERHAD**

(357125-D)



# 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

### LIM TED 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

## REGISTRARS

Epsilon Registration Services Sdn Bhd  
312, 3rd Floor  
Block C, Kelana Square  
17 Jalan SS 7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-78062116  
Fax : 03-78061261

## SOLICITORS

Shearn Delamore & Co  
Chin Lau Wong & Foo

## AUDITORS

Ernst & Young

## 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

## STOCK EXCHANGE LISTING

Main Board of the  
Bursa Malaysia Securities Berhad

**GENERAL INFORMATION**

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

All information provided pursuant to Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad in this Annual Report unless otherwise specified, had been made up to a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting.

**DIRECTORS' REMUNERATION**

a) Details of the Directors' remuneration for the financial year ended 31 March 2006 are as follows:-

	<b>Salaries/ Allowances</b>	<b>Bonus</b>	<b>EPF &amp; Socso Contributions</b>	<b>Directors' Fees</b>	<b>Benefits in kind</b>	<b>Total</b>
Executive Directors	1,804,500	614,000	214,800	40,000	67,720	2,741,020
Non-Executive Directors	471,000	108,000	12,587	30,000	14,756	636,343
<b>Total</b>	<b>2,275,500</b>	<b>722,000</b>	<b>227,387</b>	<b>70,000</b>	<b>82,476</b>	<b>3,377,363</b>

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

(i) Executive Directors

<b>Range of Remuneration RM</b>	<b>No of Directors</b>
300,001 - 350,000	1
600,001 - 650,000	1
650,001 - 700,000	1
1,100,001 - 1,150,000	1
<b>Total</b>	<b>4</b>

(ii) Non-Executive Directors

<b>Range of Remuneration RM</b>	<b>No of Directors</b>
60,001 - 110,000	2
500,001 - 550,000	1
<b>Total</b>	<b>3</b>

**NUMBER OF BOARD MEETINGS**

During the financial year ended 31 March 2006, the Company held six (6) Board meetings.

**CORPORATE PROPOSAL**

There are no corporate proposals outstanding as at the date of the 2006 Annual Report.

## CORPORATE AND OTHER INFORMATION (CONT'D)

### SHARE BUY-BACKS

During the financial year ended 31 March 2006, the Company bought-back a total of 1,073,100 of its own shares for a total consideration of RM1,011,867.50. The shares bought back are retained as treasury shares. Details of the shares purchased are as follows:

Month	No of ordinary shares of RM1.00 each	Highest Purchase Price Per Share (RM)	Lowest Purchase Price Per Share (RM)	Average Purchase Price Per Share (RM)	Total Consideration (RM)
February 2006	246,500	0.950	0.940	0.949	233,935.00
March 2006	826,600	0.955	0.930	0.941	777,932.50

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities exercised in respect of the financial year under review other than the exercise of 685,900 share options.

The options granted during the financial year (which had been duly verified by the external auditors to be in compliance with the By-laws of the Company's Employees Shares Option Scheme as part of their annual audit exercise) were to the three Non-Executive Directors of the Company as follows:-

Name of Director	Amount of options offered	Amount of options exercised
1. Datuk Seri Panglima Quek Chiow Yong	800,000	-
2. Ag Ahmad bin Ag Amin	450,000	-
3. Voon Sui Liong @ Paul Voon	500,000	-
<b>Total</b>	<b>1,750,000</b>	<b>-</b>

### 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

An amount of RM104,150.00 has been paid to the external auditors in respect of other services rendered 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 recurrent related party transactions as disclosed in note 29 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 (“Listing Requirements”) 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 2006.

## 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 17 to 19 of the Annual Report.

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

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

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

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

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

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

**A. DIRECTORS (CONT'D)****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 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 and is sufficient to fairly reflect the investment of the minority shareholders. The Board has identified Mr Voon Sui Liong @ Paul Voon to be the senior independent non-executive director of the Company to whom the concerns of shareholders/investors may be conveyed.

**III Supply of Information**

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

**IV Appointments to the Board**

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

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

**V Re-election**

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

## A. DIRECTORS (CONT'D)

### VI Directors' Training

All directors have attended the Mandatory Accreditation Programme and Continuing Education Programme (CEP) as prescribed by the Listing Requirements. They also accumulated more than the 72 CEP points in the years 2003 and 2004. Given that Bursa Securities had varied the CEP requirements from year 2005 onwards, the Board of Directors in determining the training needs has adopted a policy that each director should attend such training which will aid them in the discharge of their duties and to accumulate no lesser than 48 points in a financial year ("the Minimum CEP points"). Each hour of training session attended shall be awarded 2 CEP points. Each director is allowed to have any excess CEP point carried forward to the next financial year provided that the number of points carried forward shall not exceed 24 CEP points. Should any Director not meet the Minimum CEP points in a financial year, the Board may grant such extension of time as required for him to meet it.

For the financial year ended 31 March 2006, all the Directors save for Encik Ag Ahmad bin Ag Amin, have met the Minimum CEP points set by the Company including Mr Chan Saik Chuen and Mr Paul Voon, who had subsequently attended seminars and met the Minimum CEP points.

The Board has granted Encik Ag Ahmad bin Ag Amin extension up to end of next financial year ending 31 March 2007 to fulfil his shortfall of 24 CEP points for the financial year under review.

The training of the Directors consists of attendance at one or more of the following events:-

- 3 days conference on Global Issues & Challenges Facing Asian Corporations;
- 2 days seminar on Financial Reporting Standards Update;
- 1 day seminar on 1st Interim Financial Reporting 2006;
- 1 day seminar on Understanding Financial Reporting For Directors and Senior Management;
- 1 day seminar on CEP-Building World-Class Boards;
- 1 day seminar on Advanced Principles of Deferred Taxation;
- 3 hours briefing on Goods and Service Tax;
- 3 hours briefing on Financial Reporting Standards; and
- 2 hours dialogue with Branch Chairman of Malaysian Institute of Accountants.

The Board will on a continuous basis, evaluate and determine the training needs of the Directors to aid them in the discharge of their duties as Directors. The training would be designed to cover, among others, updates/amendments on the Bursa Securities Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

## 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.

**B. DIRECTORS' REMUNERATION (CONT'D)****II Procedure (cont'd)**

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 9 of the Annual Report.

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

**C. SHAREHOLDERS****I Dialogue between Companies and Investors**

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

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

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

**II The Annual General Meeting**

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

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

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 of Directors' Responsibilities pursuant to Paragraph 15.27(a) of the Listing Requirements is set out on page 22 of the annual report.



**D. ACCOUNTABILITY AND AUDIT (CONT'D)**

**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 is set out on page 23 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 24 to 27 of the annual report.

## DIRECTORS' PROFILE



DATUK SERI PANGLIMA  
QUEK CHIOW YONG



CHAN SAIK CHUEN



SEAH TEE LEAN JP



LIM TED HING



FONG KIN WUI



AG AHMAD BIN AG AMIN



VOON SUI LIONG  
@ PAUL VOON

## DIRECTORS' PROFILE (CONT'D)



**DATUK SERI  
PANGLIMA QUEK  
CHIOW YONG**

A Malaysian, aged 75, 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 2006. 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**

A Malaysian, aged 75, 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 six Board Meetings in the financial year ended 31 March 2006. 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**

A Malaysian, aged 68, 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 possesses 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 six Board Meetings in the financial year ended 31 March 2006. 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 51, 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 six Board Meetings in the financial year ended 31 March 2006. 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 46, 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 six Board Meetings in the financial year ended 31 March 2006. 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 44, 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 2006. 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 55, 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 six Board Meetings in the financial year ended 31 March 2006. 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 2006.**

### **FINANCIAL RESULTS**

During the financial year under review, the Group recorded a turnover of RM119.39 million and a pre-tax profit of RM2.76 million (including the share of profit before taxation of RM485,000 from its newly acquired associate as noted below) compared to turnover of RM130.77 million and a pre-tax profit of RM17.75 million for the previous year. The decline in the performance was mainly due to lower plywood selling prices and sales volume, and higher raw materials costs for the year under review as compared to the preceding year.

### **CORPORATE DEVELOPMENTS**

The Company via its wholly owned subsidiary, Gerak Armada Sdn Bhd, completed the acquisition of a 25% equity stake in Offshoreworks Holdings Sdn Bhd (formerly known as Frontier Alliance Sdn Bhd) on 14 September 2005 and the subscription of 9,500,000 new redeemable 3-year preference shares of RM0.01 each ("RCPS") in Offshoreworks Group at a premium of RM0.99 per RCPS on 10 November 2005 for a consideration of RM15.5 million and RM9.5 million respectively. Offshoreworks Group is an oil and gas service provider to the upstream sector of the oil and gas industry.

The investment in Offshoreworks Group will enable the Group to diversify and venture into the oil and gas sector by tapping into existing expertise of the Offshoreworks Group in the provision of such services to this sector. The Directors believe the 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 remain challenging and dependent on the adequate supply of raw materials - round logs. The Group hopes to maintain its market position by actively sourcing round logs, producing and marketing high quality products and continually improving its efficiency.

The investment in Offshoreworks is expected to contribute positively to the future earnings of the group. In addition, the Group will continue to explore new business opportunities to further diversify its earnings base and enhance shareholders' value.

On the basis of the above and barring any unforeseen circumstances, the Directors expect the coming year to perform better than current year under review.

## DIVIDEND

The Board of Directors has recommended a first and final tax exempt dividend of 3% be paid in respect of the financial year ended 31 March 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

## APPRECIATION

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

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

**DATUK SERI PANGLIMA QUEK CHIOW YONG**  
CHAIRMAN

Sandakan  
4 August 2006

## **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 including the review of the internal audit work performed to assess the financial reporting frameworks of the associate - Offshoreworks Holdings Sdn Bhd and Group - was satisfactory.

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 2006 ("year under review").

## (A) COMPOSITION

The members of the Audit Committee are as follows:

<b>CHAIRMAN</b>		<b>No of meetings Attended</b>
Voon Sui Liong @ Paul Voon	Independent Non-Executive Director	5
<b>COMMITTEE MEMBERS</b>		
Ag Ahmad Bin Ag Amin	Independent Non-Executive Director	5
Lim Ted Hing (MIA 3437)	Executive Director/Chief Operating Officer	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 including reviewing of related party transactions before approval by the Board.

In addition, the Audit Committee verified that the options granted during the financial year were in compliance with the By-laws of the Company's Employees' Share Option Scheme.

## (D) INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company was 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 member of the Committee shall be

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

## RIGHTS

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

## AUDIT COMMITTEE REPORT (CONT'D)

### 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;
    - (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 4 AUGUST 2006

Authorised Share Capital	:	500,000,000
Paid-Up & Issued Share Capital	:	152,093,600
Treasury Shares	:	2,296,500
Adjusted capital (after netting Treasury Shares)	:	149,797,100
Type of Share	:	Ordinary share of RM1.00 each
No of Shareholders	:	12,489
Voting Rights	:	1 vote per shareholder on a show of hands 1 vote per ordinary share on a poll

## ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	Total Holdings#	Percentage#
1 to 99	5	37	0.00
100 to 1,000	5,631	5,597,350	3.74
1,001 to 10,000	5,961	22,801,566	15.22
10,001 to 100,000	808	22,066,379	14.73
100,001 to 7,489,854*	83	86,134,968	57.50
7,489,855 and above**	1	13,196,800	8.81
<b>TOTAL</b>	<b>12,489</b>	<b>149,797,100</b>	<b>100.00</b>

Notes:-

\* Less than 5% of Issued Holdings

\*\* 5% and above of Issued Holdings

# Excluding a total of 2,296,500 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 4 August 2006.

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

[based on notifications in writing received by the Company on or before 4 August 2006]

No.	Name of Substantial Shareholder	← Ordinary Shares of RM1 each →			%
		Direct interest	%	Indirect interest	
1.	Tan Teck Kong @ Mohammad Ibrahim	-	-	13,226,800 <sup>1</sup>	8.83
2.	Excelrun Project Management Sdn Bhd	-	-	13,226,800 <sup>1</sup>	8.83
3.	Peak Evergreen Sdn Bhd	20,000	0.01	13,196,800 <sup>2</sup>	8.81
4.	Centenary Sdn Bhd	10,000	0.01	13,196,800 <sup>2</sup>	8.81
5.	Excelrun Sdn Bhd	13,196,800	8.81	-	-
6.	Chan Saik Chuen	49,537	0.03	12,020,859 <sup>3</sup>	8.03
7.	Chan Saik Chuen Sdn Bhd	6,806,259 <sup>4</sup>	4.55	5,214,600 <sup>5</sup>	3.48
8.	Datuk Seri Panglima Quek Chiow Yong	-	-	10,838,479 <sup>6</sup>	7.24
9.	Quek Chiow Yong Holdings Sdn Bhd	5,623,879	3.76	5,214,600 <sup>5</sup>	3.48

Notes:-

1 Deemed interested through Excelrun Sdn Bhd, Centenary Sdn Bhd and Peak Evergreen Sdn Bhd

2 Deemed interested through Excelrun Sdn Bhd

3 Deemed interested through Chan Saik Chuen Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd

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

5 Deemed interested through Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd

6 Deemed interested through Quek Chiow Yong Holdings Sdn Bhd, Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd

## SHAREHOLDING STATISTICS

AS AT 4 AUGUST 2006 (CONT'D)

### 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 Chiow Yong	-	-	10,838,479 <sup>1</sup>	7.24	800,000 <sup>8</sup>	5.42
Chan Saik Chuen	49,537	0.03	12,020,859 <sup>2</sup>	8.03	800,000 <sup>9</sup>	5.42
Seah Tee Lean	4,285,140	2.86	2,353,391 <sup>3</sup>	1.57	600,000 <sup>9</sup>	4.06
Lim Ted Hing	1,211,100 <sup>4</sup>	0.81	-	-	800,000 <sup>9</sup>	5.42
Fong Kin Wui	1,695,794 <sup>5</sup>	1.13	3,427,100 <sup>6</sup>	2.29	800,000 <sup>9</sup>	5.42
Ag Ahmad bin Ag Amin	51,697 <sup>7</sup>	0.03	-	-	450,000 <sup>10</sup>	3.05
Voon Sui Liong						
@ Paul Voon	-	-	-	-	500,000 <sup>8</sup>	3.39

Notes:-

\* Percentage is computed based on the total number of share options granted by the Company of 14,769,400

1 Deemed interested through Quek Chiow Yong 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 S T L Holdings Sdn Bhd

4 Held directly and also via HSBC Nominees (Tempatan) Sdn Bhd

5 Held directly and also via Mayban Nominees (Tempatan) Sdn Bhd – Amanahraya-JMF Asset Management Sdn Bhd

6 Deemed interested through Tekala Holdings Sdn Bhd

7 Held via UOBM Nominees (Tempatan) Sdn Bhd

8 Options exercisable pursuant to the Company's Employees' Share Option Schemes ("ESOS") at option price of RM1.35 per share for 10% of the options and RM1.00 per share for the balance of 90% of the options

9 Options exercisable pursuant to the Company's ESOS at an option price of RM1.02 per share

10 Options exercisable pursuant to the Company's ESOS at an option price of RM1.00 per share

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

No.	Name	No. Of Shares Held #	% #
1.	EXCELRUN SDN BHD	7,756,600	5.18
2.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD Exempt an for EFG Bank	7,392,428	4.93
3.	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD Kim Eng Securities Pte Ltd for Wong Hon Chak	5,741,000	3.83
4.	QUEK CHIOW YONG HOLDINGS SDN BHD	5,623,879	3.75

## SHAREHOLDING STATISTICS

AS AT 4 AUGUST 2006 (CONT'D)

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

No.	Name	No. Of Shares Held #	% #
5.	EXCELRUN SDN BHD	5,440,200	3.63
6.	CHAN SAIK CHUEN SDN BHD	4,221,855	2.82
7.	TAN TONG CHEW	4,214,849	2.81
8.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD Skim Amanah Saham Bumiputera	4,000,000	2.67
9.	SEAH TEE LEAN	3,810,040	2.54
10.	Q C M SDN BHD	3,488,299	2.33
11.	TEKALA HOLDINGS SDN BHD	3,427,100	2.29
12.	KWAN PUN CHO	2,778,200	1.85
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged securities account for Chan Saik Chuen Sdn Bhd (071004)	2,584,404	1.73
14.	S T L HOLDINGS SDN BHD	2,353,391	1.57
15.	CITICORP NOMINEES (ASING) SDN BHD Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	2,276,857	1.52
16.	YEOH KEAN HUA	2,158,000	1.44
17.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD C C Ho Sdn Bhd (T- 071001)	1,981,000	1.32
18.	SYARIKAT KRETAM (FAR EAST) HOLDINGS SDN BHD	1,787,500	1.19
19.	CITICORP NOMINESS (TEMPATAN) SDN BHD Pledged securities account for Kwan Hung Cheong (473937)	1,668,000	1.11
20.	KWAN CHEE HANG SDN BHD	1,657,749	1.11
21.	T Y FONG SDN BHD	1,634,393	1.09
22.	MAYBAN NOMINEES (TEMPATAN) SDN BHD Amanahraya-JMF Asset Management Sdn Bhd for Fong Kin Wui (C346-240450)	1,395,794	0.93

## SHAREHOLDING STATISTICS

AS AT 4 AUGUST 2006 (CONT'D)

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

No.	Name	No. Of Shares Held #	% #
23.	PERMODALAN NASIONAL BERHAD	1,188,000	0.79
24.	HDM NOMINEES (ASING) SDN BHD DBS Vickers SECS (S) Pte Ltd for River Estates Incorporated	1,140,000	0.76
25.	LEMBAGA TABUNG HAJI	1,046,000	0.70
26.	FONG THAM YU	998,000	0.67
27.	SEAH SEN ONN @ DAVID SEAH	925,000	0.62
28.	HSBC NOMINEES (ASING) SDN BHD Coutts BK Von Ernst Sg for Jubilee Asset Limited	832,000	0.56
29.	FONG KING FUN	804,000	0.54
30.	LIM TED HING	711,100	0.48

Note:-

# Excluding a total of 2,296,500 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 4 August 2006.



## LIST OF PROPERTIES

Registered Owner and address	Land Area (per title deed)	Description	Tenure	Age of Building (years)	Net Book Value As At 31 March 2006 (RM'000)	Date of Acquisition
Kalabakan Plywood Sdn Bhd CL 105464766 Sungai Imam Pasir Putih District of Tawau	32.73 acres	Plywood factory, warehouse, office and auxiliary buildings	999 years leasehold (expiry 02.09.2923)	16	10,856	21.06.1996
Kalabakan Wood Products Sdn Bhd CL 105463956 Sungai Imam Pasir Putih District of Tawau	29.57 acres	Factory building	99 years leasehold (expiry 31.12.2088)	9	8,731	21.06.1996
Korsa Plywood Sdn Bhd CL 105421814 Sungai Imam Pasir Putih District of Tawau	46.38 acres	Industrial land and building	99 years leasehold (expiry 31.12.2076)	11	9,962	21.06.1996

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# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the group and of the company for the financial year ended 31 March 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding.

The principal activities of the subsidiary companies are stated in Note 14 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
Net profit for the year	1,598,764	4,752,941

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 other than the provision of RM12,367,039 for diminution in value of investment in a subsidiary company in the company.

## DIVIDENDS

Since the financial year ended 31 March 2005, a final dividend of 4% less 28% taxation and a special dividend of 3% less 28% taxation on 152,093,600 ordinary shares in respect of the financial year ended 31 March 2005 amounting to a total of RM7,665,518 (5.04 sen net per ordinary share) was paid on 26 October 2005.

At the forthcoming Annual General Meeting, a final tax exempt dividend of 3% in respect of the financial year ended 31 March 2006 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 equity as an appropriation of retained profits in the financial year ending 31 March 2007.

## SIGNIFICANT EVENTS

- (i) On 1 July 2005, the company acquired the entire equity interest in Gerak Armada Sdn. Bhd. ("GASB") for a purchase consideration of RM2. Also, on the same date, GASB acquired the entire equity interest in Rimbun Intan Sdn. Bhd. ("RISB") for a purchase consideration of RM2.
- (ii) On 11 August 2005, GASB completed the following:
  - (a) disposal of its entire equity interest in RISB, consisting of 2 ordinary shares of RM1 each and receivable of RM2,945,250 due to it which was assigned to Offshoreworks Sdn. Bhd. ("OSW"), for a total consideration of RM2,945,250 settled by the issuance of 347,850 ordinary shares in Offshoreworks Holdings Sdn. Bhd. (Formerly known as Frontier Alliance Sdn. Bhd.) ("OHSB") credited as fully paid-up pursuant to the terms of the Share Purchase Agreement entered on 1 August 2005 between GASB, OHSB and OSW, a wholly owned subsidiary of OHSB.

**SIGNIFICANT EVENTS (CONT'D)**

- (b) acquisition of 708,500 ordinary shares of RM1 each in OHSB for a cash consideration of RM6,000,000 pursuant to the Share Purchase Agreement entered on 1 August 2005 between GASB and the vendors of the ordinary shares being purchased; and
  - (c) subscription of 3,985,000, out of the total 9,500,000, 300% Redeemable Cumulative 3 Year Preference Shares of RM0.01 each ("RCPS") issued by OHSB at a premium of RM0.99 per RCPS for a total cash consideration of RM3,985,000 pursuant to the Subscription Agreement entered on 1 August 2005 between GASB, the vendors of the ordinary shares purchased by GASB and OHSB ("Subscription Agreement").
- (iii) On 14 September 2005, GASB completed the subscription of 774,150 ordinary shares of RM1 each in OHSB for a cash consideration of RM6,554,750 in accordance with the terms of the above Subscription Agreement, resulting in GASB holding 25% equity interest in OHSB. The principal activities of OHSB's group are investment holding and provision of oil and gas services. Also, on the same date, GASB increased its paid-up share capital from RM2 to RM100,000 comprising 100,000 ordinary shares of RM1 each in compliance with a condition imposed by the Foreign Investment Committee.
- (iv) On 3 October 2005 and 10 November 2005, GASB completed the subscription of the 4,655,000 and 860,000 RCPS in OHSB, being the remaining RCPS to be subscribed, at a premium of RM0.99 per RCPS for a consideration of RM4,655,000 and RM860,000 respectively in accordance with the terms of the above Subscription Agreement.

**TREASURY SHARES**

At the Tenth Annual General Meeting held on 28 September 2005, the shareholders approved to buy back up to 10% of the company's issued and paid-up share capital through the Bursa Malaysia Securities Berhad pursuant to Section 67A of the Companies Act, 1965 and in accordance with Part IIIA of the Companies Regulations, 1966.

During the financial year, the company repurchased 1,073,100 of its issued ordinary shares from the open market at an average price of RM0.94 per share. The total consideration paid for the repurchase including transaction costs was RM1,018,618. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Further details of the shares repurchased are disclosed in Note 25(b) to the financial statements.

**EMPLOYEES' SHARES OPTION SCHEME ("ESOS")**

The 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 ESOS became effective on 22 November 2004 when the last of the requisite approvals was obtained and was valid for a period of five (5) years expiring on 21 November 2009.

The salient features and other terms of the ESOS are disclosed in Note 25(a) to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### EMPLOYEES' SHARES OPTION SCHEME ("ESOS") (CONT'D)

The details of options granted to subscribe for ordinary shares of RM1 each during the financial year are as follows:

Name	Grant Date	Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM1 Each		
				Granted	Exercised	31.3.2006
Datuk Seri Panglima Quek Chiow Yong	6.5.2005	21.11.2009	1.35	80,000	-	80,000
	17.2.2006	21.11.2009	1.00	720,000	-	720,000
Voon Sui Liong @ Paul Voon	6.5.2005	21.11.2009	1.35	50,000	-	50,000
	17.2.2006	21.11.2009	1.00	450,000	-	450,000
Ag Ahmad Bin Ag Amin	17.2.2006	21.11.2009	1.00	450,000	-	450,000

### 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  
Lim Ted Hing  
Fong Kin Wui  
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, Seah Tee Lean and Ag Ahmad Bin Ag Amin 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 Employees' Shares Option 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 receivable by the directors as shown in Note 9 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 29 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			
	1.4.2005	Acquired	Sold	31.3.2006
Datuk Seri Panglima Quek Chiow Yong Indirect shareholding	9,690,479	1,148,000	-	10,838,479
Chan Saik Chuen Direct shareholding	49,537	-	-	49,537
Indirect shareholding	10,872,859	1,148,000	-	12,020,859
Seah Tee Lean Direct shareholding	4,010,040	275,100	-	4,285,140
Indirect shareholding	2,353,391	-	-	2,353,391
Lim Ted Hing Direct shareholding	1,211,100	-	-	1,211,100
Fong Kin Wui Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding	3,086,100	341,000	-	3,427,100
Ag Ahmad Bin Ag Amin Direct shareholding	138,697	-	(87,000)	51,697

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTERESTS (CONT'D)

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

Names of Directors	Option Price RM	Number of Options Over Ordinary Shares of RM1 Each			
		1.4.2005	Granted	Exercised	31.3.2006
Datuk Seri Panglima	1.35	-	80,000	-	80,000
Quek Chiow Yong	1.00	-	720,000	-	720,000
Chan Saik Chuen	1.02	800,000	-	-	800,000
Seah Tee Lean	1.02	600,000	-	-	600,000
Lim Ted Hing	1.02	800,000	-	-	800,000
Fong Kin Wui	1.02	800,000	-	-	800,000
Ag Ahmad Bin Ag Amin	1.00	-	450,000	-	450,000
Voon Sui Liong @	1.35	-	50,000	-	50,000
Paul Voon	1.00	-	450,000	-	450,000

### ISSUE OF SHARES

During the financial year, the company issued 685,900 ordinary shares of RM1 each for cash pursuant to the company's ESOS 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:
- 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
  - 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:
- it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - the values attributed to the current assets in the financial statements of the group and of the company misleading.

**OTHER STATUTORY INFORMATION (CONT'D)**

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the group and of the company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or 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
  - (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 2006

**LIM TED HING**



## STATEMENT BY DIRECTORS

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

We, **SEAH TEE LEAN** and **LIM TED HING**, being two of the directors of **TEKALA CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 76 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 2006 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 2006

**LIM TED HING**

## STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **LIM TED HING**, being the director primarily responsible for the financial management of **TEKALA CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 76 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 2006

**LIM TED HING**

Before me -

## REPORT OF THE AUDITORS

TO THE MEMBERS OF TEKALA CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 42 to 76. 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 2006 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

Sandakan, Malaysia  
26 July 2006

**CHONG YEW HOONG**  
1502/04/07 (J)  
Partner

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	119,388,854	130,773,748	17,607,024	11,550,000
Cost of sales	6	(107,873,065)	(100,575,723)	-	-
Gross profit		11,515,789	30,198,025	17,607,024	11,550,000
Other operating income		347,179	583,313	-	-
Distribution costs		(955,253)	(1,513,224)	-	-
Other operating expenses		(225,064)	(1,855,803)	-	-
Amortisation of goodwill		-	(1,542,366)	-	-
Administrative expenses		(10,368,446)	(10,334,363)	(12,977,634)	(507,698)
Profit from operations	7	314,205	15,535,582	4,629,390	11,042,302
Interest on fixed deposits		1,963,317	2,215,574	166,504	143,753
Share of results of an associate		484,797	-	-	-
Profit before taxation		2,762,319	17,751,156	4,795,894	11,186,055
Taxation:					
- Company and subsidiaries		(878,700)	(558,270)	(42,953)	(3,258,407)
- Associate		(284,855)	-	-	-
	10	(1,163,555)	(558,270)	(42,953)	(3,258,407)
Net profit for the year		1,598,764	17,192,886	4,752,941	7,927,648
Earnings per share (sen):					
Basic	11(a)	1.05	11.38		
Diluted	11(b)	1.05	11.34		
Net dividend per ordinary share in respect of the year (sen):	12	3.00	5.04	3.00	5.04

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

# BALANCE SHEETS

AS AT 31 MARCH 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	13	43,293,533	44,753,138	-	-
Investments in subsidiary companies	14	-	-	67,724,786	79,991,825
Investment in an associate	15	25,716,812	-	-	-
Other investments	16	111,000	111,000	-	-
		69,121,345	44,864,138	67,724,786	79,991,825
<b>Current Assets</b>					
Inventories	18	19,184,391	23,042,539	-	-
Amounts due from subsidiary companies	19	-	-	108,462,700	100,318,060
Trade receivables	20	9,887,339	13,759,481	-	-
Other receivables	21	655,082	2,060,682	21,281	18,963
Tax refundable		2,012,694	2,049,557	34,519	77,472
Fixed deposits	22	61,560,000	88,180,000	6,320,000	5,550,000
Cash and bank balances		9,967,270	4,623,601	396,667	248,993
		103,266,776	133,715,860	115,235,167	106,213,488
<b>Current Liabilities</b>					
Amounts due to subsidiary companies	19	-	-	6,996,572	6,996,572
Trade payables	23	3,344,820	2,937,539	-	-
Other payables	24	2,055,675	2,708,156	162,795	176,578
Provision for taxation		33,038	104,512	-	-
		5,433,533	5,750,207	7,159,367	7,173,150
<b>Net Current Assets</b>		97,833,243	127,965,653	108,075,800	99,040,338
		166,954,588	172,829,791	175,800,586	179,032,163
<b>Financed By:</b>					
Share capital	25	152,093,600	151,407,700	152,093,600	151,407,700
Treasury shares	25(b)	(1,018,618)	-	(1,018,618)	-
Reserves	26	14,870,460	20,923,496	24,725,604	27,624,463
Shareholders' equity		165,945,442	172,331,196	175,800,586	179,032,163
Deferred tax liabilities	27	1,009,146	498,595	-	-
		166,954,588	172,829,791	175,800,586	179,032,163
<b>Net Assets Per Share</b>		1.10	1.14	1.16	1.18

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Share Premium RM	(Accumulated Losses)/ Distributable Retained Profits RM	Total RM
<b>Group</b>						
<b>At 1 April 2004</b>		151,120,000	-	16,483,387	(8,224,931)	159,378,456
Issue of ordinary shares pursuant to ESOS	25	287,700	-	5,754	-	293,454
Profit after taxation		-	-	-	17,192,886	17,192,886
Dividends	12	-	-	-	(4,533,600)	(4,533,600)
<b>At 31 March 2005</b>		151,407,700	-	16,489,141	4,434,355	172,331,196
Issue of ordinary shares pursuant to ESOS	25	685,900	-	13,718	-	699,618
Purchase of treasury shares	25(b)	-	(1,018,618)	-	-	(1,018,618)
Profit after taxation		-	-	-	1,598,764	1,598,764
Dividends	12	-	-	-	(7,665,518)	(7,665,518)
<b>At 31 March 2006</b>		152,093,600	(1,018,618)	16,502,859	(1,632,399)	165,945,442

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

**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 MARCH 2006 (CONT'D)

	Note	Share Capital RM	Non-Distributable Treasury Shares RM	Share Premium RM	(Accumulated Losses)/ Distributable Retained Profits RM	Total RM
<b>Company</b>						
<b>At 1 April 2004</b>		151,120,000	-	16,483,387	7,741,274	175,344,661
Issue of ordinary shares pursuant to ESOS	25	287,700	-	5,754	-	293,454
Profit after taxation		-	-	-	7,927,648	7,927,648
Dividends	12	-	-	-	(4,533,600)	(4,533,600)
<b>At 31 March 2005</b>		151,407,700	-	16,489,141	11,135,322	179,032,163
Issue of ordinary shares pursuant to ESOS	25	685,900	-	13,718	-	699,618
Purchase of treasury shares	25(b)	-	(1,018,618)	-	-	(1,018,618)
Profit after taxation		-	-	-	4,752,941	4,752,941
Dividends	12	-	-	-	(7,665,518)	(7,665,518)
<b>At 31 March 2006</b>		152,093,600	(1,018,618)	16,502,859	8,222,745	175,800,586

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

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	2,762,319	17,751,156	4,795,894	11,186,055
Adjustments for:				
Amortisation of goodwill	-	1,542,366	-	-
Depreciation of property, plant and equipment	4,720,862	5,628,445	-	-
Provision for diminution in subsidiary companies	-	-	12,367,039	-
Provision for doubtful debts	-	1,500,000	-	-
Dividend from unquoted investments	-	(3,750)	-	-
Interest on fixed deposits	(1,963,317)	(2,215,574)	(166,504)	(143,753)
(Gain)/loss on disposal of plant and equipment	(151,511)	21,370	-	-
Share of results of an associate	(484,797)	-	-	-
Operating profit before working capital changes	4,883,556	24,224,013	16,996,429	11,042,302
Decrease/(increase) in inventories	3,858,148	(6,349,587)	-	-
Decrease/(increase) in receivables	5,308,641	1,523,894	(2,318)	20,996
(Decrease)/increase in payables	(245,200)	1,456,093	(13,783)	77,010
Cash generated from operations	13,805,145	20,854,413	16,980,328	11,140,308
Income tax paid	(402,760)	(1,216,352)	-	(3,244,004)
Income tax refunded	-	41,376	-	-
Net cash generated from operating activities	13,402,385	19,679,437	16,980,328	7,896,304
<b>Cash Flows From Investing Activities</b>				
Acquisition of a subsidiary	-	-	(2)	-
Additional investment in a subsidiary	-	-	(99,998)	-
Dividend received	-	3,750	-	-
Investment in associates	(25,516,870)	-	-	-
Purchase of property, plant and equipment (Note 13)	(3,277,747)	(1,941,476)	-	-
Proceeds from disposal of property, plant and equipment	168,001	585,350	-	-
Interest on fixed deposits received	1,932,418	2,195,799	166,504	143,753
Net cash (used in)/generated from investing activities	(26,694,198)	843,423	66,504	143,753
<b>Cash Flows From Financing Activities</b>				
Acquisition of treasury shares	(1,018,618)	-	(1,018,618)	-
Proceeds from issuance of shares	699,618	293,454	699,618	293,454
Net change in accounts with subsidiary companies	-	-	(8,144,640)	(2,771,263)
Dividends paid	(7,665,518)	(4,533,600)	(7,665,518)	(4,533,600)
Net cash used in financing activities	(7,984,518)	(4,240,146)	(16,129,158)	(7,011,409)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(21,276,331)</b>	<b>16,282,714</b>	<b>917,674</b>	<b>1,028,648</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>92,803,601</b>	<b>76,520,887</b>	<b>5,798,993</b>	<b>4,770,345</b>
<b>Cash and cash equivalents at end of year (Note 28)</b>	<b>71,527,270</b>	<b>92,803,601</b>	<b>6,716,667</b>	<b>5,798,993</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

## 1. CORPORATE INFORMATION

The principal activity of the company is investment holding. The principal activities of the subsidiary companies are stated in Note 14 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 is 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 1,090 (2005: 1,072). The company has no employee as at 31 March 2006 and 2005.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2006.

## 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 in transactional currencies are not hedged.

The company does not transact in derivative instruments.

### (b) Liquidity Risk

The group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall 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 by limiting the group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via group management reporting procedures.

The group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.



## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

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

#### (d) Fair Values

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

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

##### (i) *Investments in Unquoted Shares*

In 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 Shares*

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

The carrying amounts of the investments in quoted shares have not been reduced to fair value as the impairment in the value of investments is not material. 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 30 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

##### (i) **Subsidiaries**

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 FRS 1222004 "Business Combinations" (Formerly known as MASB 21).

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

#### (b) Basis of Consolidation (cont'd)

##### (i) Subsidiaries (cont'd)

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.

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.

##### (ii) Associates

Associates are those entities in which the group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The group's interest in associates is carried in the consolidated balance sheet at cost plus the group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the group and the associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

#### (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 or associate at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy on Impairment of Assets. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

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

#### (c) Goodwill (cont'd)

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

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

#### (d) Investments in Subsidiary Companies and Associates

The company's investments in subsidiary companies and associates 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. The effect of the non-amortisation of the long term lease is disclosed in Note 13 to the financial statements.

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	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.

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

#### (f) Inventories

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

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

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.

Cost of logging work-in-progress is determined using the weighted average method. The cost includes direct labour, materials and other direct expenses.

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

#### (g) Cash and Cash Equivalents

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

#### (h) Provisions for Liabilities

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

#### (i) Income Tax

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

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

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

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

#### (j) Employee Benefits

##### (i) Short-term benefits

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

##### (ii) Defined contribution plans

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

##### (iii) Equity compensation benefits

The Employees' Shares Option Scheme ("ESOS") of the Company 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) Dividend income

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

##### (iv) Storage income

Revenue from storage is recognised on accrual basis.

##### (v) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the assets.

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

#### (l) Foreign Currencies

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

All exchange rate differences are taken to the income statement.

#### (m) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately.

#### (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.

##### (iii) *Payables*

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

##### (iv) *Equity Instruments*

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

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 4. SIGNIFICANT EVENTS

- (i) On 1 July 2005, the company acquired the entire equity interest in Gerak Armada Sdn. Bhd. ("GASB") for a purchase consideration of RM2. Also, on the same date, GASB acquired the entire equity interest in Rimbun Intan Sdn. Bhd. ("RISB") for a purchase consideration of RM2.
- (ii) On 11 August 2005, GASB completed the following:
- (a) disposal of its entire equity interest in RISB, consisting of 2 ordinary shares of RM1 each and receivable of RM2,945,250 due to it which was assigned to Offshoreworks Sdn. Bhd ("OSW"), for a total consideration of RM2,945,250 settled by the issuance of 347,850 ordinary shares in Offshoreworks Holdings Sdn. Bhd. (Formerly known as Frontier Alliance Sdn. Bhd.) ("OHSB") credited as fully paid-up pursuant to the terms of the Share Purchase Agreement entered on 1 August 2005 between GASB, OHSB and OSW, a wholly owned subsidiary of OHSB.
- (b) acquisition of 708,500 ordinary shares of RM1 each in OHSB for a cash consideration of RM6,000,000 pursuant to the Share Purchase Agreement entered on 1 August 2005 between GASB and the vendors of the ordinary shares being purchased; and
- (c) subscription of 3,985,000, out of the total 9,500,000, 300% Redeemable Cumulative 3 Year Preference Shares of RM0.01 each ("RCPS") issued by OHSB at a premium of RM0.99 per RCPS for a total cash consideration of RM3,985,000 pursuant to the Subscription Agreement entered on 1 August 2005 between GASB, the vendors of the ordinary shares purchased by GASB and OHSB ("Subscription Agreement").
- (iii) On 14 September 2005, GASB completed the subscription of 774,150 ordinary shares of RM1 each in OHSB for a cash consideration of RM6,554,750 in accordance with the terms of the above Subscription Agreement, resulting in GASB holding 25% equity interest in OHSB. The principal activities of OHSB's group are investment holding and provision of oil and gas services. Also, on the same date, GASB increased its paid-up share capital from RM2 to RM100,000 comprising 100,000 ordinary shares of RM1 each in compliance with a condition imposed by the Foreign Investment Committee.
- (iv) On 3 October 2005 and 10 November 2005, GASB completed the subscription of the 4,655,000 and 860,000 RCPS in OHSB, being the remaining RCPS to be subscribed, at a premium of RM0.99 per RCPS for a consideration of RM4,655,000 and RM860,000 respectively in accordance with the terms of the above Subscription Agreement.

### 5. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax exempt dividend from an unquoted subsidiary company	-	-	17,607,024	-
Gross dividend from an unquoted:				
- subsidiary company	-	-	-	11,550,000
- associate company	84,947	-	-	-
Revenue from timber processing and log timber trading	101,451,878	122,977,860	-	-
Revenue from log timber extraction	17,852,029	7,795,888	-	-
	119,388,854	130,773,748	17,607,024	11,550,000

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2006 (CONT'D)

**6. COST OF SALES**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cost of inventories sold	91,177,711	93,840,715	-	-
Log timber extraction cost	16,695,354	6,735,008	-	-
	<b>107,873,065</b>	<b>100,575,723</b>	<b>-</b>	<b>-</b>

**7. PROFIT FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
This is stated after charging/ (crediting):				
Amortisation of goodwill (Note 17)	-	1,542,366	-	-
Auditors' remuneration				
- statutory audits	63,400	72,600	22,000	20,000
- other services	42,150	-	42,150	-
Depreciation of property, plant and equipment (Note 13)	4,720,862	5,628,445	-	-
Directors' remuneration (Note 9)	4,723,679	4,839,868	178,587	171,210
Land rental	92,600	34,600	-	-
Professional fees charged by an associate of the company's auditors	17,250	17,050	1,700	1,200
Provision for doubtful debts	-	1,500,000	-	-
Provision for diminution in value of investments in subsidiary companies	-	-	12,367,039	-
Rent of premises	282,000	282,000	-	-
Scow hire	-	512,244	-	-
Staff costs (Note 8)	11,114,648	11,714,916	-	-
(Gain)/loss on disposal of plant and equipment	(151,511)	21,370	-	-
Gross dividend from unquoted investments	-	(3,750)	-	-
Rental income	(6,000)	(6,000)	-	-



## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 8. STAFF COSTS

	Group	
	2006 RM	2005 RM
Staff costs:		
Salaries, wages and allowances	10,415,756	11,020,177
Employees' Provident Fund contributions	591,010	628,744
Gratuity	46,600	-
SOCSO contributions	61,281	65,995
	11,114,647	11,714,916

### 9. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Directors of the Company</b>				
Executive:				
- Salaries, bonus and other emoluments	2,633,300	2,645,436	-	-
- Fees	40,000	40,000	40,000	40,000
- Benefits-in-kind	67,720	99,105	-	-
	2,741,020	2,784,541	40,000	40,000
Non-Executive:				
- Salaries, bonus and other emoluments	591,587	572,910	108,587	101,210
- Fees	30,000	30,000	30,000	30,000
- Benefits-in-kind	14,756	14,640	-	-
	636,343	617,550	138,587	131,210
	3,377,363	3,402,091	178,587	171,210
<b>Other Directors of Subsidiary Companies</b>				
Executive:				
- Salaries, bonus and other emoluments	1,276,929	1,365,944	-	-
- Benefits-in-kind	69,387	71,833	-	-
	1,346,316	1,437,777	-	-
	4,723,679	4,839,868	178,587	171,210

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 9. DIRECTORS' REMUNERATION (CONT'D)

Executive directors and non-executive directors of the company have been granted the following number of options under the ESOS:

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	3,000,000	-
Granted	1,750,000	3,200,000
Exercised	-	(200,000)
At end of year	4,750,000	3,000,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 25(a)).

### 10. TAXATION

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Income tax:				
On results for the year	410,532	558,816	46,396	3,258,400
(Over)/underprovision in prior years	(42,383)	(546)	(3,443)	7
	368,149	558,270	42,953	3,258,407
Deferred tax (Note 27):				
Origination of temporary differences	510,551	-	-	-
Share of taxation of an associate	284,855	-	-	-
Tax expense for the year	1,163,555	558,270	42,953	3,258,407

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:

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before taxation	2,762,319	17,751,156	4,795,894	11,186,055
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	773,449	4,970,323	1,342,850	3,132,095
Effect of income subject to tax rate of 20%*	(10,942)	(40,298)	-	-
Effect of income not subject to income tax	-	-	(4,929,967)	-
Effect of expenses not deductible for tax purposes	487,063	1,004,574	3,633,513	126,305

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 10. TAXATION (CONT'D)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,055,846)	(5,009,377)	-	-
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	1,022,542	1,179,427	-	-
(Over)/underprovision of tax expense in prior years:				
- Company and subsidiaries	(42,383)	(546)	(3,443)	7
- Associate	(10,328)	-	-	-
<b>Tax expense for the year</b>	<b>1,163,555</b>	<b>558,270</b>	<b>42,953</b>	<b>3,258,407</b>

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

	Group	
	2006 RM	2005 RM
Tax savings recognised during the year arising from utilisation of:		
- current year tax losses	162,382	69,122
- current year capital allowances	1,240,792	1,145,834
- tax losses brought forward from previous years	1,579,867	1,093,018
- unabsorbed reinvestment allowances brought forward from previous years	-	1,545,833
- unabsorbed capital allowances brought forward from previous years	-	4,622,538
Unutilised tax losses carried forward	13,711,423	15,934,158
Unabsorbed capital allowances carried forward	1,926,426	1,797,198

### 11. EARNINGS PER SHARE

#### (a) Basic

The basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the company.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 11. EARNINGS PER SHARE (CONT'D)

#### (a) Basic (cont'd)

	2006	2005
Net profit for the year (RM)	1,598,764	17,192,886
Weighted average number of ordinary shares in issue	151,795,984	151,133,983
Basic earnings per share (sen)	1.05	11.38

#### (b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year 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.

	2006	2005
Net profit for the year (RM)	1,598,764	17,192,886
Weighted average number of ordinary shares in issue	151,795,984	151,133,983
Effect of dilution in share options	627,374	447,197
Adjusted weighted average number of ordinary shares in issue and issuable	152,423,358	151,581,180
Diluted earnings per share (sen)	1.05	11.34

### 12. DIVIDENDS

	Group and Company	
	2006	2005
	RM	RM
Final tax exempt dividend of 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
Final dividend of 4% less 28% taxation on 152,093,600 ordinary shares in respect of the financial year ended 31 March 2005, paid on 26 October 2005	4,380,296	-
Special dividend of 3% less 28% taxation on 152,093,600 ordinary shares in respect of the financial year ended 31 March 2005, paid on 26 October 2005	3,285,222	-
	7,665,518	4,533,600

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 12. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final tax exempt dividend of 3% in respect of the financial year ended 31 March 2006 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 equity as an appropriation of retained profits in the financial year ending 31 March 2007.

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Long leasehold land RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
<b>Cost</b>						
At 1 April 2005	19,811,247	23,643,594	69,032,494	2,276,272	1,658,818	116,422,425
Additions	-	-	2,920,698	321,973	35,076	3,277,747
Disposals	-	-	(402,504)	(84,602)	(11,788)	(498,894)
Scrapped	-	-	-	-	(10,761)	(10,761)
At 31 March 2006	19,811,247	23,643,594	71,550,688	2,513,643	1,671,345	119,190,517
<b>Accumulated Depreciation</b>						
At 1 April 2005	-	12,722,702	55,508,498	1,948,590	1,489,497	71,669,287
Charge for the year	-	1,182,607	3,337,464	140,506	60,285	4,720,862
Disposals	-	-	(388,721)	(82,100)	(11,786)	(482,607)
Scrapped	-	-	-	-	(10,558)	(10,558)
At 31 March 2006	-	13,905,309	58,457,241	2,006,996	1,527,438	75,896,984
<b>Net Book Value</b>						
At 31 March 2006	19,811,247	9,738,285	13,093,447	506,647	143,907	43,293,533
At 31 March 2005	19,811,247	10,920,892	13,523,996	327,682	169,321	44,753,138
<b>Depreciation charge for 2005</b>						
	-	1,182,608	4,289,887	93,961	61,989	5,628,445

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 RM221,617 (2005: RM218,741).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006 RM	2005 RM
Unquoted shares at cost	90,084,893	89,984,893
Less: Provision for diminution in value of investments in subsidiary companies		
At beginning of year	9,993,068	9,993,068
Current year provision	12,367,039	-
At end of year	22,360,107	9,993,068
	67,724,786	79,991,825

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

Name of Subsidiary Companies	Principal Activities	Equity Interest Held	
		2006 %	2005 %
Syarikat Tekala Sdn. Bhd.	Log timber extraction	100	100
Kalabakan Plywood Sdn. Bhd.	Timber processing	100	100
Marimba Sdn. Bhd.	Log timber trading and investment holding	100	100
Kinamarketing (S) Sdn. Bhd.	Investment holding	100	100
Kim Haw Sdn. Bhd.	Ceased operation	100	100
Gerak Armada Sdn. Bhd.	Investment holding	100	-
<b>Subsidiary companies of Kalabakan Plywood Sdn. Bhd.</b>			
Dealpact Sdn. Bhd.	Ceased operation	100	100
Kalabakan Wood Products Sdn. Bhd.	Provision of storage services	100	100
Korsa Plywood Sdn. Bhd. (Not yet commenced operation)	Downstream timber processing	100	100
<b>Subsidiary companies of Marimba Sdn. Bhd.</b>			
Barimas Sdn. Bhd.	Ceased operation	100	100
Hartawan Ekuiti Sdn. Bhd.	Ceased operation	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

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

Name of Subsidiary Companies	Principal Activities	Equity Interest Held	
		2006 %	2005 %
<b>Subsidiary companies of Marimba Sdn. Bhd.</b>			
Sabacergas Sdn. Bhd.	Ceased operation	100	100
Szan Szui Kayu Balak (Sabah) Sdn. Bhd.	Ceased operation	100	100

On 15 March 2006, the Foreign Investment Committee had approved the company's appeal to waive the 30% Bumiputra equity condition imposed on subsidiary, Hartawan Ekuiti Sdn. Bhd. subject to its equity structure be reviewed again if it resumes business operations.

#### (a) Acquisition of Subsidiary

On 1 July 2005, the company acquired 100% equity interest in Gerak Armada Sdn. Bhd. ("GASB"), a company incorporated in Malaysia, for a total cash consideration of RM2.

The fair values of the assets acquired from the acquisition of the subsidiary, GASB were as follows:

	<b>1.7.2005 RM</b>
Cash and bank balances	2
Fair value of total net assets	2
Goodwill on acquisition	-
Cost of acquisition satisfied by cash	2

On 14 September 2005, the company subscribed an additional 99,998 ordinary shares of RM1 each in GASB. During the financial year, the company via GASB invested in an associate, Offshoreworks Holdings Sdn. Bhd. (Formerly known as Frontier Alliance Sdn. Bhd.) for a total consideration of RM25,516,870 inclusive incidental expenses as referred to in Note 4 to the financial statements.

The investment in GASB has the following effect on the group's financial results for the year:

	<b>2006 RM</b>
Revenue	84,947
Profit before taxation	81,606
Share of results of an associate	199,942
Net profit for the year	264,354

**14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)**

**(a) Acquisition of Subsidiary (cont'd)**

The investment in GASB has the following effect on the financial position of the group as at the end of the year:

	<b>2006 RM</b>
Investment in an associate company	25,716,812
Tax refundable	6,831
Fixed deposits with a licensed bank	160,000
Sundry receivables	68
Cash and bank balances	4,513
Payables	(1,000)
	<hr/>
Group's share of net assets	25,887,224

**(b) Disposal of Subsidiary**

On 1 August 2005, GASB disposed of its entire equity interest in RISB for a total consideration of RM2,945,250 which was completed on 11 August 2005 as referred to in Note 4 to the financial statements. The disposal had no effect on the Group's financial results for the year.

The disposal also had no effect on the financial position of the Group as at the end of the year as analysed below:

	<b>2006 RM</b>
Sundry receivable	2,945,250
Cash in hand	2
	<hr/>
Net assets disposed	2,945,252
Total disposal proceeds	(2,945,252)
	<hr/>
Profit on disposal to the Group	-
	<hr/>
Disposal proceeds settled by:	
Cash	2
Issuance of shares in OHSB	2,945,250
	<hr/>
	2,945,252
	<hr/>
Cash inflow arising on disposal:	
Cash consideration, representing cash inflow of the Group	2
Cash and cash equivalents of subsidiary disposed	(2)
	<hr/>
Net cash outflow of the Group	-



## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 15. INVESTMENT IN AN ASSOCIATE

	Group	
	2006 RM	2005 RM
Unquoted ordinary shares in Malaysia at cost	16,016,870	-
Share of post-acquisition reserve	199,942	-
300% Redeemable Cumulative 3 Year Preference Shares	9,500,000	-
	25,716,812	-

The group's interests in the associate is analysed as follows:

Share of net assets	2,381,000	-
Share of goodwill in associates	1,056,050	-
300% Redeemable Cumulative 3 Year Preference Shares	9,500,000	-
	12,937,050	-
Goodwill on acquisition	12,779,762	-
	25,716,812	-

Details of the associate held by the subsidiary, Gerak Armada Sdn. Bhd. which is incorporated in Malaysia, is as follows:

Name of Associate	Principal Activities	Equity Interest Held (%)	
		2006	2005
Offshoreworks Holdings Sdn. Bhd. (Formerly known as Frontier Alliance Sdn. Bhd.)	Company's activity is investment holding while the group is an oil and gas services provider	25	-

### 16. OTHER INVESTMENTS

	Group	
	2006 RM	2005 RM
<b>At cost</b>		
Unquoted shares	325,000	325,000
Less: Provision for diminution in value of investments	(220,000)	(220,000)
	105,000	105,000
Shares quoted in Malaysia	6,000	6,000
	111,000	111,000

At 31 March 2006, the market value of the quoted shares was RM1,230 (2005: RM1,980). In the opinion of the directors, the impairment in the value of investments in quoted shares is not material and therefore, no provision for impairment is made.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 17. GOODWILL ON CONSOLIDATION

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	-	1,542,366
Amortisation for the year	-	(1,542,366)
At end of year	-	-

### 18. INVENTORIES

#### At cost

Finished goods	6,952,703	10,150,269
Production supplies	3,547,864	3,254,558
Raw materials	1,323,992	5,474,338
Stock-in-transit	2,909,290	464,009
Work-in-progress	4,450,542	3,699,365
	19,184,391	23,042,539

There were no inventories stated at net realisable value as at 31 March 2006 and 2005.

### 19. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

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

### 20. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	11,448,069	15,320,211
Less: Provision for doubtful debts	(1,560,730)	(1,560,730)
	9,887,339	13,759,481

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 exposure to a single debtor or to group of debtors.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 21. OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits	71,225	789,485	6,500	6,500
Prepayments	380,771	408,350	6,750	7,250
Sundry receivables	203,086	862,847	8,031	5,213
	655,082	2,060,682	21,281	18,963

### 22. FIXED DEPOSITS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
With:				
Licensed banks	59,560,000	77,480,000	6,320,000	5,550,000
Licensed financial institutions	2,000,000	10,700,000	-	-
	61,560,000	88,180,000	6,320,000	5,550,000

The interest rates of fixed deposits of the group and of the company for the financial year range from 2.15% to 3.00% (2005: 2.15% to 3.00%) per annum.

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

### 23. TRADE PAYABLES

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

### 24. OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accruals	993,974	1,758,058	94,918	91,495
Sundry payables	1,061,701	950,098	67,877	85,083
	2,055,675	2,708,156	162,795	176,578

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
<b>Authorised</b>				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000
<b>Issued and fully paid</b>				
At beginning of year	151,407,700	151,120,000	151,407,700	151,120,000
Issued during the year pursuant to ESOS	685,900	287,700	685,900	287,700
At end of year	152,093,600	151,407,700	152,093,600	151,407,700

#### (a) Employees' Share Option Scheme ("ESOS")

The 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 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 ESOS are as follows:

- (i) 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;
- (ii) 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;
- (iii) Eligible employees, executive directors and non-executive 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;
- (iv) The allowable allotment that may be offered to eligible employees and directors under the ESOS ranges from 5,000 to 800,000 ordinary shares;
- (v) 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

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 25. SHARE CAPITAL (CONT'D)

#### (a) Employees' Share Option Scheme ("ESOS") (cont'd)

- (vi) The new shares to be allotted and issued upon any exercise of the options will upon such allotment and issuance, rank pari passu in all respects with the then issued and fully paid-up shares except that the shares so issued will not rank for any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles of Association of the company relating to transfer, transmission and otherwise.

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

Grant Date	Expiry Date	Exercise Price RM	Number of Share Options				At end of year
			At beginning of year	Granted	Exercised	*Terminated/Expired	
<b>2006</b>							
22.12.2004	21.11.2009	1.02	12,731,700	-	(685,900)	*(888,000)	11,157,800
06.05.2005	21.11.2009	1.35	-	130,000	-	-	130,000
17.02.2006	21.11.2009	1.00	-	1,620,000	-	-	1,620,000
			12,731,700	1,750,000	(685,900)	(888,000)	12,907,800
<b>2005</b>							
19.07.1999	16.05.2004	1.38	7,385,000	-	-	(7,385,000)	-
17.03.2000	16.05.2004	1.68	187,000	-	-	(187,000)	-
11.08.2000	16.05.2004	1.68	37,000	-	-	(37,000)	-
23.10.2000	16.05.2004	1.32	500,000	-	-	(500,000)	-
07.11.2003	16.05.2004	1.00	1,358,000	-	-	(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

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

	2006	2005
At beginning of year	2,972,600	-
At end of year	5,579,600	2,972,600

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2006 (CONT'D)

**25. SHARE CAPITAL (CONT'D)**

**(a) Employees' Share Option Scheme ("ESOS") (cont'd)**

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

<b>Exercise date</b>	<b>Exercise Price RM</b>	<b>Fair Value of Ordinary Shares RM</b>	<b>Number of Share Options</b>	<b>Consideration Received RM</b>
<b>2006</b>				
1 April 2005	1.02	1.33	75,000	76,500
15 April 2005	1.02	1.15	4,000	4,080
18 May 2005	1.02	1.11	20,000	20,400
15 August 2005	1.02	1.24	336,100	342,822
19 August 2005	1.02	1.22	31,300	31,926
24 August 2005	1.02	1.20	2,000	2,040
30 August 2005	1.02	1.22	10,000	10,200
9 September 2005	1.02	1.20	200,000	204,000
20 September 2005	1.02	1.20	7,500	7,650
			<u>685,900</u>	<u>699,618</u>
Less: Par value of ordinary shares				(685,900)
Share premium				<u>13,718</u>
<b>2005</b>				
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 2006 (CONT'D)

### 25. SHARE CAPITAL (CONT'D)

#### (b) Treasury Shares

This amount represents the acquisition cost of treasury shares.

The shareholders of the company, by an ordinary resolution passed in a general meeting held on 28 September 2005, authorised the directors of the company to repurchase its own ordinary shares. The directors of the company believe that the repurchasing of its own ordinary shares is in the best interest of the company and its shareholders.

During the financial year, the company repurchased 1,073,100 of its issued ordinary shares from the open market at an average price of RM0.94 per share. The total consideration paid for the repurchase including transaction costs was RM1,018,618. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 152,093,600 (2005: 151,407,700) issued and fully paid ordinary shares as at 31 March 2006, 1,073,100 (2005: Nil) are held as treasury shares by the company. As at 31 March 2006, the number of outstanding ordinary shares in issue and fully paid is therefore 151,020,500 (2005: 151,407,700) ordinary shares of RM1 each.

### 26. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-distributable</b>				
Share premium	16,502,859	16,489,141	16,502,859	16,489,141
(Accumulated losses)/				
Distributable retained profits	(1,632,399)	4,434,355	8,222,745	11,135,322
	<hr/>	<hr/>	<hr/>	<hr/>
	14,870,460	20,923,496	24,725,604	27,624,463

As at 31 March 2006, the company has tax exempt profits available for distribution of approximately RM31,530,348 (2005: RM13,923,324), 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 2006.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2006 (CONT'D)

**27. DEFERRED TAX LIABILITIES**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	498,595	498,595
Recognised in income statement (Note 10)	510,551	-
<b>At end of year</b>	<b>1,009,146</b>	<b>498,595</b>
Deferred tax assets	-	-
Deferred tax liabilities	1,009,146	498,595
	<b>1,009,146</b>	<b>498,595</b>

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

**Group**

**Deferred Tax Liabilities in respect of Property, Plant and Equipment**

	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	2,349,051	2,928,518
Recognised in income statement	(34,233)	(579,467)
<b>At end of year</b>	<b>2,314,818</b>	<b>2,349,051</b>

**Deferred Tax Assets**

	<b>Unutilised Tax Losses RM</b>	<b>Unabsorbed Capital Allowances RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 April 2005	(1,482,079)	(368,377)	-	(1,850,456)
Recognised in income statement	527,458	17,326	-	544,784
<b>At 31 March 2006</b>	<b>(954,621)</b>	<b>(351,051)</b>	<b>-</b>	<b>(1,305,672)</b>
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
<b>At 31 March 2005</b>	<b>(1,482,079)</b>	<b>(368,377)</b>	<b>-</b>	<b>(1,850,456)</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 27. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2006 RM	2005 RM
Unutilised tax losses	10,311,196	10,612,166
Unabsorbed capital allowances	658,286	467,121
	<hr/>	<hr/>
	10,969,482	11,079,287

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the company are subject to no substantial changes in shareholdings of the company under Section 44(5A) and (5B) and Schedule 3, Paragraphs 75A and 75B of Income Tax Act, 1967.

### 28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with:				
Licensed banks	59,560,000	77,480,000	6,320,000	5,550,000
Licensed financial institutions	2,000,000	10,700,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash on hand and at banks	61,560,000	88,180,000	6,320,000	5,550,000
	9,967,270	4,623,601	396,667	248,993
	<hr/>	<hr/>	<hr/>	<hr/>
	71,527,270	92,803,601	6,716,667	5,798,993

### 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### Group

	2006 RM	2005 RM
Transactions with a company in which certain directors of the company are also directors:		
Rental of premises paid to 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Company	2006 RM	2005 RM
Transactions with subsidiary companies		
Repayment of advances received	46,685,389	5,544,738
Advances given	37,223,005	-
Gross dividend from an unquoted subsidiary	-	11,550,000
Tax exempt dividend from an unquoted subsidiary	17,607,024	-

### 30. CONTINGENT LIABILITIES - UNSECURED

#### Group

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 2005. The EPF Board has appealed to the Court of Appeal and the matter has been fixed for hearing commencing from 24 July 2006.

#### Company

	2006 RM	2005 RM
Guarantees given to banks for banking facilities granted to certain subsidiary companies	6,200,000	6,200,000

### 31. CAPITAL COMMITMENTS

	Group	
	2006 RM	2005 RM
Approved and contracted for purchase of veneer plant	-	1,668,940
Approved but not contracted for purchase of a motor vehicle	-	300,000
	-	1,968,940

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 32. SEGMENTAL INFORMATION

#### (a) Business Segments

	Investment holding		Timber processing and log timber trading		Log timber extraction		Elimination		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
<b>Revenue and expenses</b>										
Revenue										
External	84,947	-	101,451,878	122,977,860	17,852,029	7,795,888	-	-	119,388,854	130,773,748
Inter-segment	17,607,024	11,550,000	-	-	-	-	(17,607,024)	(11,550,000)	-	-
Total revenue	17,691,971	11,550,000	101,451,878	122,977,860	17,852,029	7,795,888	(17,607,024)	(11,550,000)	119,388,854	130,773,748
Results										
Segment results	17,691,971	11,550,000	9,310,431	24,576,777	1,287,273	1,293,168	(17,607,024)	(11,550,000)	10,682,651	25,869,945
Administrative expenses									(10,368,446)	(10,334,363)
Profit from operations									314,205	15,535,582
Interest on fixed deposits									1,963,317	2,215,574
Share of results of an associate									484,797	-
Profit before taxation									2,762,319	17,751,156
Taxation										
- Company and subsidiaries									(878,700)	(558,270)
- Associate									(284,855)	-
Net profit for the year									1,598,764	17,192,886

32. SEGMENTAL INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

Assets and liabilities	Investment holding		Timber processing and log timber trading		Log timber extraction		Elimination		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Segment assets	32,619,341	5,817,956	122,992,774	146,185,619	14,763,312	24,526,866	-	-	170,375,427	176,530,441
Tax refundable	41,350	77,472	610,248	610,989	1,361,096	1,361,096	-	-	2,012,694	2,049,557
<b>Consolidated total assets</b>	<b>32,660,691</b>	<b>5,895,428</b>	<b>123,603,022</b>	<b>146,796,608</b>	<b>16,124,408</b>	<b>25,887,962</b>	<b>-</b>	<b>-</b>	<b>172,388,121</b>	<b>178,579,998</b>
Segment liabilities	163,795	176,578	4,092,058	4,427,454	1,144,642	1,041,663	-	-	5,400,495	5,645,695
Provision for taxation	-	-	33,038	104,512	-	-	-	-	33,038	104,512
<b>Consolidated total liabilities</b>	<b>163,795</b>	<b>176,578</b>	<b>4,125,096</b>	<b>4,531,966</b>	<b>1,144,642</b>	<b>1,041,663</b>	<b>-</b>	<b>-</b>	<b>5,433,533</b>	<b>5,750,207</b>
<b>Other information</b>										
Capital expenditure	-	-	3,253,210	1,910,780	24,537	30,696	-	-	3,277,747	1,941,476
Amortisation of goodwill	-	-	-	1,542,366	-	-	-	-	-	1,542,366
Depreciation	-	-	4,665,942	5,575,920	54,920	52,525	-	-	4,720,862	5,628,445
Provision for doubtful debts	-	-	-	1,500,000	-	-	-	-	-	1,500,000

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006 (CONT'D)

### 32. SEGMENTAL INFORMATION (CONT'D)

#### (b) Revenue by geographical markets

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

	North Asia RM	Malaysia RM	Consolidated RM
<b>31 March 2006</b>			
Investment holding	-	84,947	84,947
Timber processing and log timber trading	101,451,878	-	101,451,878
Log timber extraction	-	17,852,029	17,852,029
	101,451,878	17,936,976	119,388,854
<b>31 March 2005</b>			
Timber processing and log timber trading	117,311,896	5,665,964	122,977,860
Log timber extraction	-	7,795,888	7,795,888
	117,311,896	13,461,852	130,773,748



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 2006 at 11.00 a.m or any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1	To receive and adopt Directors' Report and Audited Financial Statements		
2	To declare a first and final tax exempt dividend of 3% for the year ended 31 March 2006.		
3	To re-elect the following Directors:- - Seah Tee Lean		
4	- Ag Ahmad bin Ag Amin		
5	To re-appoint the following Directors in accordance with Section 129 of the Companies Act, 1965:- - Datuk Seri Panglima Quek Chiow Yong		
6	- Chan Saik Chuen		
7	To approve Directors' Fees of RM70,000 for the year ended 31 March 2006.		
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 renewal of the authority for the purchase of own shares		
12	- Proposed amendments to Articles of Association of the Company		

Dated this \_\_\_\_\_ day  
of \_\_\_\_\_ 2006

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

No. of shares held

**Notes**

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

(Please 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

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