

## **Tekala Corporation Berhad**

*A summary of the key matters discussed at the annual general meeting to be published on the Company's website pursuant to Paragraph 9.21 (2) (b) of the Main Market Listing Requirements of Bursa Malaysia.*

At the Twenty First Annual General Meeting of Tekala Corporation Berhad held on 30 August 2016 (AGM), the shareholders present approved all the 8 resolutions tabled.

The matters discussed at the AGM relate to the clarifications sought by the Minority Shareholder Watchdog Group (MSWG) through its letter to the Company dated 24 August 2016.

The Company's reply dated 30 August 2016 together with MSWG's letter dated 24 August 2016 are published herewith.



**MINORITY SHAREHOLDER WATCHDOG GROUP**  
*Shareholder Activism and Protection of Minority Interest*

24 August 2016

**BY FAX/HAND**

(Fax No.: 6089- 271628)

The Chairman and  
Board of Directors  
**Tekala Corporation Berhad**  
Wisma Tekala  
Lot 2, Lorong Indah Jaya 29  
Taman Indah Jaya  
Jalan Lintas Selatan  
90000 Sandakan, Sabah

**Attention: Mr. Thien Vui Heng/Mr. Chung Chen Vui**  
*Company Secretaries*

**Re: Twenty First (21<sup>st</sup>) Annual General Meeting (AGM) of Tekala Corporation Berhad**  
**("Tekala" the Group or the Company)**

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MSWG received Notice of Tekala Corporation Berhad's upcoming AGM to be held on Tuesday, 30 August 2016 at 11.00 a.m. at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah.

In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following points and queries. We would be pleased if you could address them during the AGM.

**Strategy/Financials**

- 1) What were the reasons for the sharp increase in Other expenses by 423% from RM754,182 in FY 2015 to RM3.9 million in FY2016?
- 2) As at 31 March 2016, the allowance for impairment of Trade receivables from the third parties stood at RM5.5 million, representing 100% of the total trade receivables.
  - a) Who are the major trade debtors?
  - b) Is the amount recoverable and what action have been taken to collect the amount? How much have been collected so far?
- 3) As reported, on 3 December 2015, the Company announced a corporate exercise in which WMG Holdings Sdn Bhd ("WMG"), a newly incorporated special purpose vehicle shall assume the listing status of Tekala. The Company and Syarikat Kretam (Far East) Holdings Sdn Bhd ("SKHSB") entered into agreement to facilitate the proposed reverse take-over ("Proposed RTO") of Tekala by WMG which involves the Proposed Acquisitions, Proposed Share Exchange and Proposed Transfer of Listing Status, collectively be referred as the "Proposals".
  - a) Kindly brief shareholders on the current status.

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**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

(Incorporated in Malaysia • Company No: 524989-M)  
Tingkat 11, Bangunan KWSR No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.  
Tel: (603) 2070 9090 Fax: (603) 2070 9107  
E-Mail: [watchdog@mswg.org.my](mailto:watchdog@mswg.org.my) Website: [www.mswg.org.my](http://www.mswg.org.my)

- b) It is said that the Proposals present an opportunity for the existing shareholders of Tekala to participate in a proposed new core business that is viable and profitable. However, we note that there is competition risks in which as mentioned that there is no assurance that the Target Companies will be able to successfully compete in the market and remain competitive in the future as a result of various factors.
- i) How would the current shareholders of Tekala be able to reap the benefits of participating in it?
  - ii) How would WMG be able to weather the market competition?
  - iii) What are the track records of the Target Companies, strengths, etc.?
- 4) The Proposed RTO involves conditions precedent to be satisfied by various parties. In the event that the Proposal did not go through, in meeting the challenges ahead, how would the Board strategise for the remaining segments after ceasing its wholly-owned subsidiary, Kalabakan Plywood Sdn Bhd on 11 July 2016?

### **Corporate Governance**

MSWG is promoting standards of corporate governance best practices in PLCs. In this regard, we hope the Board would address the following:-

- 1) As stated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), under recommendation 3.5, the Board should comprise a majority of independent directors where the Chairman of the Board is not an independent director.
- 2) As stated in MCCG 2012, under recommendation 2.1, the chair of the Nominating Committee should be the senior independent director identified by the board.
- 3) Formalize a policy on succession planning, evaluating the contribution and performance of the directors including the tenure limits for independent directors as recommended under MCCG 2012.
- 4) Fee for non-audit services of the Group is more than 50% of total auditor's remuneration. What is the nature of these non-audit services? Is there an internal policy in place as regard audit versus non-audit fee?
- 5) The recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' website for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of proceedings for this AGM on the Company's website.



**Tekala Corporation Berhad**  
**21<sup>st</sup> AGM, 30<sup>th</sup> August 2016**  
**Page 3 of 3**

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We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records, and for posting on our website for the benefit of all stakeholders.

Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Quan San Aik', is written over the typed name.

**Quan San Aik**  
Head  
Corporate Monitoring

QBA/RBB/nhs



**TEKALA CORPORATION BERHAD** (357125-D)

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BY FAX/COURIER  
03 2070 9107

30 August 2016

Corporate Monitoring  
Badan Pengawas Pemegang Saham Minoriti Berhad  
Tingkat 11, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

Attn: Mr Quah Ban Aik

Dear Sirs

**Re: Twenty First Annual General Meeting (“AGM”) of Tekala Corporation Berhad  
 (“Tekala” or “the Company”)**

We refer to your letter dated 24 August 2016 pertaining to the above and furnish below for your record our response and clarifications at the AGM held on 30 August 2016.

**Strategy/Financials**

- 1) The increase in other expenses from RM754,182 in FY 2015 to RM3,944,161 in FY 2016 is mainly due to expenses of RM3,362,106 incurred in relation to the corporate proposals as announced on 3 December 2015.
- 2)
  - (a) The trade debtors relate to log purchases and vessel chartering in prior years.
  - (b) The amount is not recoverable as these debtors were in significant financial difficulties and had defaulted on payments. The amount had been fully impaired in prior years and would be written off in the financial year ending 31 March 2017.
- 3)
  - (a) The application in relation to the proposals (as announced on 3 December 2015) has been submitted by the Company’s principal adviser, Hong Leong Investment Bank Berhad to the Securities Commission for their consideration and approval. Queries raised by the SC in relation to the application are being duly addressed and responded accordingly when received.
  - (b)
    - (i) The shareholders of Tekala would be able to exchange their existing shares in Tekala (which has been incurring losses) with shares of WMG (which has been making profits).

**Re: Twenty First Annual General Meeting (“AGM”) of Tekala Corporation Berhad (“Tekala” or “the Company”)**

- (ii) The brand name of WMG, its track records, relationship with suppliers, contractors and bankers would enable WMG to weather the market competition satisfactorily.
  - (iii) WMG has carried out property development successfully for over 30 years in Sabah.
- 4) Subject to obtaining the requisite approvals, the Board expects the proposals to succeed and proceed as planned.

In the unlikely event the proposals did not go through, the Board would review again and pursue other new profitable businesses.


### **Corporate Governance**

The Board has noted your following comments pertaining to promoting standards of corporate governance best practices in PLCs and will look into them for future implementations.

- 1) The Board should comprise a majority of independent directors where the Chairman of the Board is not an independent director.
- 2) The chair of the Nominating Committee should be the senior independent director identified by the Board.
- 3) Formalise a policy on succession planning, evaluating the contribution and performance of the directors including the tenure limits for independent directors.
- 4) The non-audit services comprise fees for tax compliance services of RM14,200, fees incurred in relation to the proposals of RM374,000, and review of statement of Risk Management and Internal Control of RM3,000.
- 5) A summary of key matters discussed at the Company’s AGM held on 30 August 2016 would be published on the Company’s website per Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements as soon as possible.

Thank you.

Yours faithfully  
for and on behalf of  
TEKALA CORPORATION BERHAD

  
THIEN VUTHENG/CHUNG CHEN VUI  
Company Secretaries

WT/cl