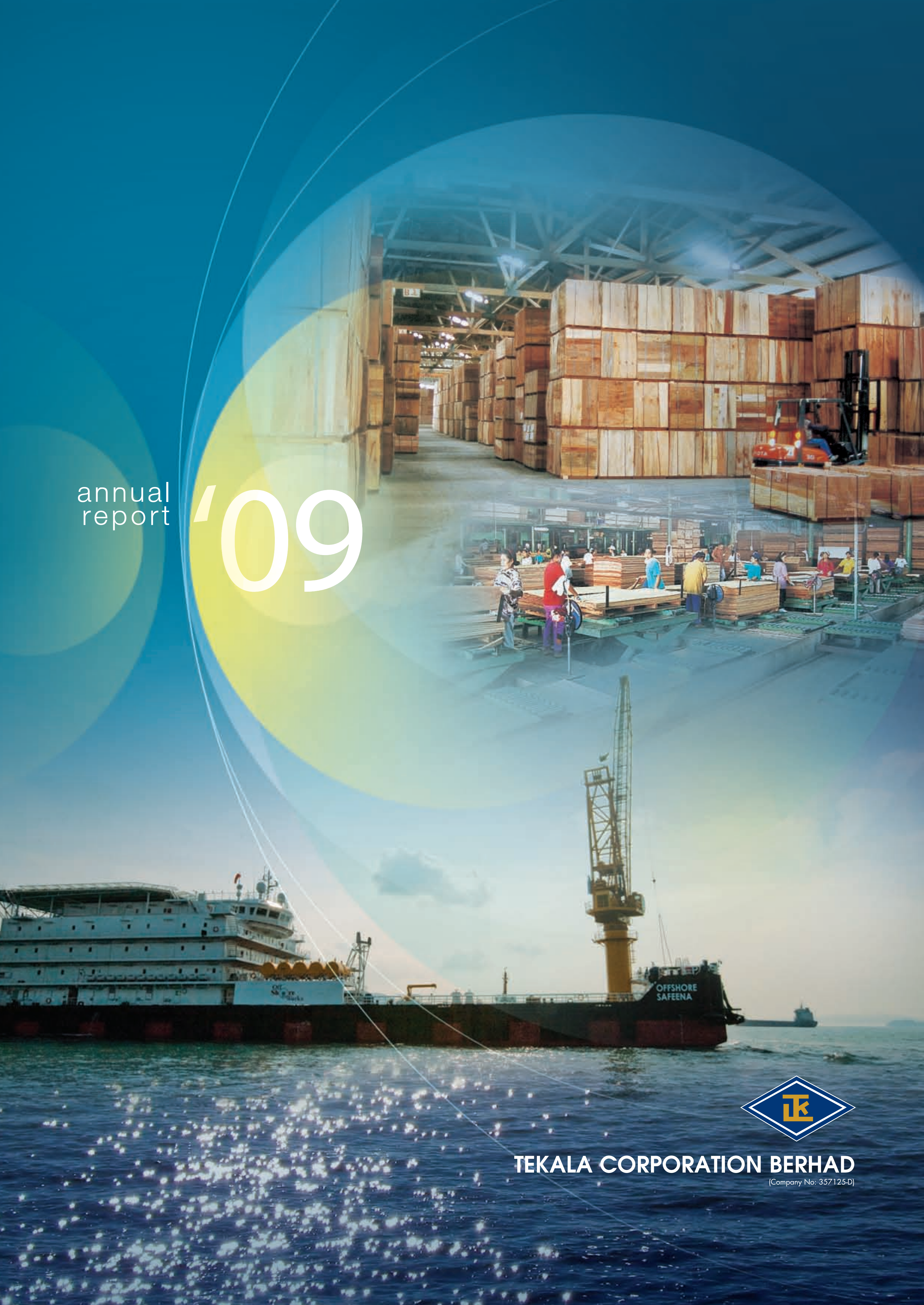

annual report '09

TEKALA CORPORATION BERHAD

(Company No: 357125-D)

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FOURTEENTH ANNUAL GENERAL MEETING of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 29 September 2009 at 11.00 a.m to transact the following business:

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2009 and the reports of the Directors and Auditors thereon. **Resolution 1**

2. To declare a first and final tax exempt dividend of 4% for the year ended 31 March 2009. **Resolution 2**

3. To re-elect Mr Lim Ted Hing who retires under Article 103 of the Company's Articles of Association and being eligible, has offered himself for re-election. **Resolution 3**

4. To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association:-

   (a) Datuk Eric Usip Juin **Resolution 4**

   (b) Mr Tan Kung Ming **Resolution 5**

5. 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." **Resolution 6**

   (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." **Resolution 7**

   (c) "That Mr Seah Tee Lean JP, 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." **Resolution 8**

6. To approve payment of Directors' fees of RM75,000 for the year ended 31 March 2009. **Resolution 9**

7. To re-appoint Auditors and authorise the Directors to fix their remuneration. **Resolution 10**

8. As Special Business, to consider and if thought fit, to pass the following resolutions:-

(i) ORDINARY RESOLUTION **Resolution 11**

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."

(ii) ORDINARY RESOLUTION **Resolution 12**

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. As at 31 March 2009, the audited share premium and retained profits accounts of the Company were RM16,515,040 and RM14,324,488 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 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.

9. 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 4% for the year ended 31 March 2009 will be paid on 30 October 2009 to the shareholders registered in the Record of Depositors as at 16 October 2009.

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 16 October 2009 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)
CHUNG CHEN VUI (MIA 7384)
Company Secretaries

Sandakan, Sabah
7 September 2009

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 11)

The ordinary resolution if passed, will enable the Directors of the Company to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme.

(ii) Ordinary Resolution (Resolution 12)

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 7 September 2009 which is despatched together with the Company's 2009 Annual Report.

Statement Accompanying
The Notice of Annual General Meeting

pursuant to Paragraph 8.27 (2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

1. The names of Directors who are standing for re-election or re-appointment are Mr Lim Ted Hing, Datuk Eric Usip Juin, Mr Tan Kung Ming, Datuk Seri Panglima Quek Chiow Yong, Mr Chan Saik Chuen and Mr Seah Tee Lean JP.

2. Further details of Directors who are standing for re-election or re-appointment are as follows:

   Lim Ted Hing
   Aged 54, 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. 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 currently a Director of NPC Resources Berhad and several other private companies. As at 31 July 2009, his direct shareholding in the Company was 1,711,100 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.

   Datuk Eric Usip Juin
   Aged 56, a Malaysian with a Master of Science (Forestry) majoring in Watershed Management from Stephen F. Austin State University, Nacogdoches, East Texas, USA which he obtained in 1991 and a Bachelor of Science (Forestry) from Universiti Putra Malaysia obtained in 1979. He is an Independent Non-Executive Director. He was the Director of Environment Protection Department in the Ministry of Tourism, Culture and Environment, Sabah from August 1998 prior to his retirement on 9 October 2008 where he was responsible for the management of the Environment Protection Department and enforcement of the State Environment Protection Enactment 2002. He was also the Secretary of the Environmental Protection Council Sabah, a member of the Environmental Quality Council Malaysia and the Environmental Action Committee Management Group (EAC) from August 1998 to October 2008 and Deputy President of the Sabah Wetlands Conservation Society, Sabah from March 2006 to March 2007. Prior to that, he was with the Forestry Department for about 28 years from March 1970 to July 1998 in various departments, capacities and job responsibilities, the last of which from April 1994 to July 1998 where he was the Head of Planning Division, responsible for planning and monitoring of forest development projects including dealing with national and international forestry issues. He has no directorship in other public companies. As at 31 July 2009, he does not own any shares in the Company. 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 withtin the past 10 of years.

   Tan Kung Ming
   Aged 38, a Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company. He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is currently a director of Kretam Holdings Berhad. As at 31 July 2009, he does not own any shares in the Company. 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 8.27 (2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

2. Further details of Directors who are standing for re-election or re-appointment are as follows: (cont'd)

Datuk Seri Panglima Quek Chiow Yong
Aged 78, a Malaysian, 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 experience in the timber industry, he contributes to the direction and pace of the Group. He has no directorships in other public companies. As at 31 July 2009, his indirect shareholding in the Company was 23,347,479 ordinary shares of RM1 each and his deemed interest for shares held by children was 419,489 ordinary shares of RM1 each. He also holds 800,000 share options and his deemed interest for options held by children was 1,075,000 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
Aged 78, a Malaysian, 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 oversees the log production operations of the Group and provides the Group with information on the various logistics and operational methods. He sits on the Board of a number of private companies. He has no directorships in other public companies. As at 31 July 2009, his direct and indirect shareholding in the Company were 49,537 and 24,529,859 ordinary shares of RM1 each respectively. His deemed interest for shares held by children was 38,500 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.

Seah Tee Lean JP
Aged 71, a Malaysian, is the Group Managing Director/Chief Executive Officer of the Company. 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 Managing Director of Syarikat Kretam (Far East) Holdings Sdn Bhd Group of Companies. He has no directorships in other public companies. As at 31 July 2009, his direct and indirect shareholding in the Company were 4,285,140 and 2,353,391 ordinary shares of RM1 each respectively. His deemed interest for shares held by spouse and children was 1,980,900 ordinary shares of RM1 each. He also holds 600,000 share options and his deemed interest for options held by children was 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.

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

Voon Sui Liong @ Paul Voon
Independent Non-Executive Director

Datuk Eric Usip Juin
Independent Non-Executive Director

Tan Kung Ming
Independent Non-Executive Director

COMPANY SECRETARY

Thien Vui Heng (MIA 5970)
Chung Chen Vui (MIA 7384)

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
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
tel 603-22643883
fax 603-22821886

SOLICITORS

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

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

GENERAL INFORMATION

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

All information provided 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 2009 are as follows:-

	Salaries/ Allowances	Bonus	EPF & Socso Contributions	Directors' Fees	Benefits in kind	Total
Executive Directors	2,094,000	734,500	251,520	40,000	94,269	3,214,289
Non-Executive Directors	573,500	129,400	16,308	35,000	23,826	778,034
Total	2,667,500	863,900	267,828	75,000	118,095	3,992,323

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

(i) Executive Directors

Range of Remuneration RM	No of Directors
400,001 - 450,000	1
700,001 - 750,000	1
750,001 - 800,000	1
1,300,001 - 1,350,000	1
Total	4

(ii) Non-Executive Directors

Range of Remuneration RM	No of Directors
Below 50,000	2
50,001 - 100,000	1
550,001 - 600,000	1
Total	4

NUMBER OF BOARD MEETINGS

During the financial year ended 31 March 2009, the Company held five (5) Board meetings.

CORPORATE PROPOSAL

There are no corporate proposals outstanding as at the date of the 2009 Annual Report.

SHARE BUY-BACKS

During the financial year ended 31 March 2009, the Company bought-back a total of 5,710,900 of its own shares for a total consideration of RM3,585,781.00 and retained them as treasury shares. Details of the shares purchased are as follows:

Month	No of ordinary shares of RM1.00 each	Lowest Purchase Price Per Share (RM)	Highest Purchase Price Per Share (RM)	Average Purchase Price Per Share (RM)	Total Consideration (RM)
April 2008	-	-	-	-	-
May 2008	5,000	0.740	0.740	0.740	3,700.00
June 2008	260,700	0.670	0.730	0.701	182,691.00
July 2008	352,000	0.670	0.690	0.688	242,210.00
August 2008	255,800	0.690	0.700	0.697	178,190.00
September 2008	224,300	0.700	0.720	0.710	159,303.00
October 2008	1,488,700	0.580	0.750	0.618	920,108.00
November 2008	1,924,700	0.600	0.620	0.608	1,170,403.00
December 2008	837,000	0.600	0.600	0.600	502,200.00
January 2009	93,600	0.600	0.620	0.619	57,932.00
February 2009	32,100	0.630	0.640	0.632	20,294.00
March 2009	237,000	0.620	0.630	0.628	148,750.00

There were no resale of treasury shares or shares cancelled during the financial year under review.

OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities exercised in respect of the financial year under review.

There were no options offered to and/or exercised by non-executive directors pursuant to a share scheme for employees in respect of the financial year under review.

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme.

SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the external auditors and its affiliated company was RM48,050.00.

VARIATION IN RESULTS

There was no significant variance between the results for the financial year and the unaudited results previously announced. The Company did not issue any profit estimate, forecast or projections for the financial year.

PROFIT GUARANTEE

There was no profit guarantee to be received by the Company for the financial year ended 31 March 2009.

MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in note 28 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 2.4(d) to the financial statements.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is performed in-house and the costs incurred for the internal audit function in respect of the financial year under review amounted to RM79,388.00.

The activities of the internal audit function are as disclosed in the audit committee report.

Corporate Social Responsibility

The Group acknowledges that Corporate Social Responsibility ("CSR") goes beyond sponsorship and philanthropic activities. It endeavours to entrench CSR in its business operations based on ethical values and respect for the environment, community, marketplace and workplace.

ENVIRONMENTAL RESPONSIBILITY

The Group sources its logs from sustainable sources, in line with the government efforts to manage its forest resources so as to ensure sustainability. Investments in technologies that are environmentally friendly, such as its steam turbine power plant utilising wood waste and sawdust has allowed the Group to generate energy for its plywood mill.

COMMUNITY SERVICES

The Group supports benevolent and charitable causes on an ad hoc basis through monetary assistance and sponsorship to promote community activities.

MARKETPLACE

The Group believes that with sound business practices and effective management, shareholders' value will be enhanced. It takes pride in the production of plywood that meets the Japan Agriculture Standard's strict certification criteria. The Standard ensures plywood produced is of quality, low odour emission and environmentally safe for the end users in Japan.

In the Group's endeavour to diversify its earnings, it has invested into the oil and gas service sector.

EMPLOYEE WELFARE

The Group believes that employees are one of its most important assets. In line with this belief, the Group is constantly creating and maintaining a working environment where employees who perform well are recognised, rewarded and promoted accordingly.

In addition to the above, at the plywood mill, the Group is committed to maintaining a high safety and health standard by cultivating safe working practices through in-house as well as external trainings.

The Group believes that proper human capital development will produce effective performance and high commitment in all level of employees.

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 Bursa Malaysia Securities Berhad Main Market Listing Requirements ("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 its compliance with the best practices of the Code for the year ended 31 March 2009.

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 8 members namely a Non-independent Non-executive Chairman, an Executive Vice-Chairman, a Chief Executive Officer, an Executive Director, a Chief Operating Officer and 3 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 18 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 consideration and 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 their written terms of reference. All minutes of their proceedings and deliberations at the Committee meetings are tabled at the subsequent Board meetings and are duly noted and acted on where deemed necessary 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.

AUDIT COMMITTEE

The Committee has been appointed to assist the Board in discharging its oversight functions and to comply with the Listing Requirements.

The membership and functions of the Committee including its terms of references are as disclosed in the Audit Committee report on pages 25 to 28 of the annual report.

A. DIRECTORS (cont'd)

I The Board (cont'd)

REMUNERATION COMMITTEE

The Remuneration Committee consists of Non-Executive Directors of the Company as follows:-

- Datuk Seri Panglima Quek Chiow Yong *(Chairman)*
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

The Committee is responsible to draw up and recommend to the Board for its consideration and implementation, the policy framework on all elements of Directors' remuneration including fringe benefits.

The Committee reviews the annual remuneration packages of the Directors and makes appropriate recommendations to the Board for its consideration.

NOMINATING COMMITTEE

The Nominating Committee consists of Non-Executive Directors of the Company as follows:-

- Datuk Seri Panglima Quek Chiow Yong *(Chairman)*
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

The Committee is responsible for proposing new nominees for the Board and for assessing directors on an on-going basis and report back recommendations to the Board for its consideration and implementation.

The Committee recommends to the Board, Directors to fill seats on Board committees and provides orientation and education program for new Board members.

SHARE OPTION COMMITTEE

The Committee consists of four (4) members as follows:-

Directors of the Company
- Seah Tee Lean JP *(Chairman)*
- Lim Ted Hing

Directors of Subsidiaries
- Quek Siew Hau
- Seah Sen Onn

The Committee administers the Company's Employees Share Option Scheme ("ESOS") in accordance with the Bye-Laws of the Company's ESOS and is vested with powers and authorities in respect of the administration of the Company's ESOS as approved by the Board.

EXECUTIVE COMMITTEE

The Executive Committee of Directors (Exco) consists of four (4) directors of the Company and three (3) directors of its subsidiaries as follows:

Directors of the Company
- Chan Saik Chuen *(Chairman)*
- Seah Tee Lean JP
- Fong Kin Wui
- Lim Ted Hing

Directors of Subsidiaries
- Fong Tham Yu
- Quek Siew Hau
- Seah Sen Onn

A. DIRECTORS (cont'd)

I The Board (cont'd)

EXECUTIVE COMMITTEE (cont'd)

The Exco undertakes tasks assigned to it by the Board of Directors.

The Exco is vested with powers and authorities in respect of the management, control, and direction of the Company as approved by the Board of Directors save for the schedule of matters reserved specifically for the Board's consideration and decision.

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 eight (8) directors (comprising four (4) 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 three (3) 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 both financial and non-financial pertaining to the Group's affairs. The Directors also have full access to the advice and services of the Company Secretaries. 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 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.

VI Directors' Training

As an integral process of appointing new directors, new Board members are provided orientation and education to familiarise them with nature of the Group's businesses, current issues and the responsibilities of directors.

A. DIRECTORS (cont'd)

VI Directors' Training (cont'd)

All present directors have attended the Mandatory Accreditation Programme and Continuing Education Programme (CEP) as prescribed by the Listing Requirements. Given that the CEP requirements have been varied 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.

The Board evaluates and determines the training needs of the Directors to aid them in the discharge of their duties as Directors. The training is designed to cover, among others, updates/amendments on the Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities including relevant business opportunities.

For the financial year ended 31 March 2009, all the Directors have met the minimum CEP points set by the Company except Datuk Seri Panglima Quek Chiow Yong who has been granted extension to fulfill his shortfall of 12 CEP points in the coming financial year.

The details of the training programmes attended by the Directors for the financial year ended 31 March 2009 are as follows:-

DATUK SERI PANGLIMA QUEK CHIOW YONG	
• International Palm Oil Sustainability Conference	14-15 April 2008
• Cost Reduction & Profit Improvement Strategies	16-17 March 2009
CHAN SAIK CHUEN	
• International Palm Oil Sustainability Conference	14-15 April 2008
• Cost Reduction & Profit Improvement Strategies	16-17 March 2009
SEAH TEE LEAN JP	
• International Palm Oil Sustainability Conference	14-15 April 2008
• Investment and Trade Dialogue & Seminar on the Manufacturing & Services Sectors	14-15 August 2008
LIM TED HING	
• MIA Members' Dialogue - April 2008	10 April 2008
• International Palm Oil Sustainability Conference	14-15 April 2008
• MIA Regional Conference 2008, Kota Kinabalu	18-19 August 2008
• Cost Reduction & Profit Improvement Strategies	16-17 March 2009
FONG KIN WUI	
• Dividends & The Single-Tier Tax System	9 June 2008
• Seminar on 2009 Budget Proposals and Recent Tax Developments	8 September 2008
• Blue Ocean Strategy Workshop for Decision Makers	17 March 2009
VOON SUI LIONG @ PAUL VOON	
• International Palm Oil Sustainability Conference	14-15 April 2008
• Audit Strategy	17-18 April 2008
• Seminar on Sabah Tourism Industry Towards 2025	12 June 2008
• Familiarisation/Visit of Plymill	10 February 2009

A. DIRECTORS (cont'd)

VI Directors' Training (cont'd)

The details of the training programmes attended by the Directors for the financial year ended 31 March 2009 are as follows:- (cont'd)

DATUK ERIC USIP JUIN

• Familiarisation/Visit of Plymill	10 February 2009
• Cost Reduction & Profit Improvement Strategies	16-17 March 2009

TAN KUNG MING

• Corporate Directors' Training Programme	4 December 2008
• Familiarisation/Visit of Plymill	10 February 2009
• Cost Reduction & Profit Improvement Strategies	16-17 March 2009

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. There are no attendance fee for both executive and non-executive directors as attendance are expected of the directors in the discharge of their duties as Directors. For Executive Directors, they are appropriately rewarded. For non-executive Directors, the level of remuneration will commensurate with the responsibilities undertaken by them.

II Procedure

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

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

III Disclosure

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

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

C. SHAREHOLDERS

I Shareholders' Communication

The Group recognises the importance of accountability to its shareholders, stakeholders and investors through proper, timely and adequate dissemination of information on the Group's performance and other developments via appropriate channels of communication including information posted on its website, www.tekala.com.my. The annual reports, the interim results announcements and other announcements and the circulars to shareholders are the primary modes of communication to report the Group's business, results and other major developments to its shareholders, stakeholders and investors.

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

C. SHAREHOLDERS (cont'd)

I Shareholders' Communication (cont'd)

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

II The Annual General Meeting

The Annual General Meeting serves as a 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 15.26(a) of the Listing Requirements is set out on page 23 of the annual report.

In addition, Directors are furnished with management accounts to enable them to review the Group prospect, performance and financial position.

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 15.26(b) of the Listing Requirements is set out on page 24 of the annual report.

III Risk Management

Resources, be they physical, financial and human resources, will be applied to ensure our standards of product/services achieve and exceed expectations.

It is the Group policy that in order to achieve the economic expectations of our shareholders, it would pursue business opportunities/activities involving certain degree of risk. Due consideration would be given to the balance of risks and rewards, as far as practicable, to optimize the rewards from the Group's business activities.

IV 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 external auditors shall meet with the internal auditors as and when deemed necessary, without the presence of the management.

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 25 to 28 of the annual report.

Directors' Profile




1. Datuk Seri Panglima Quek Chiow Yong

A Malaysian aged 78, 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 experience in the timber industry, he contributes 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 all five Board Meetings held during the financial year ended 31 March 2009. 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.

2. Chan Saik Chuen

A Malaysian aged 78, 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 oversees the log production operations of the Group and provides the Group with information on the various logistics and operational methods. 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 all five Board Meetings held during the financial year ended 31 March 2009. 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.

3. Seah Tee Lean JP

A Malaysian aged 71, 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 Managing Director of Syarikat Kretam (Far East) Holdings Sdn Bhd Group of Companies. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2009. 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.

4. Lim Ted Hing

Aged 54, 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 Share Option Committee and Executive Committee of the Board. He is currently a Director of NPC Resources Berhad and several other private companies. He had attended all five Board Meetings held during the financial year ended 31 March 2009. 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.

5. Fong Kin Wui

Aged 49, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymonth 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

director's profile (cont'd)

5. Fong Kin Wui (cont'd)

and plantation business. He is a member of the Executive Committee of the Board. He currently sits on the Board of several companies. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2009. 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.

6. Voon Sui Liong @ Paul Voon

Aged 57, 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 all five Board Meetings held during the financial year ended 31 March 2009. 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.

7. Datuk Eric Usip Juin

Aged 56, a Malaysian with a Master of Science (Forestry) majoring in Watershed Management from Stephen F. Austin State University, Nacogdoches, East Texas, USA which he obtained in 1991 and a Bachelor of Science (Forestry) from Universiti Putra Malaysia obtained in 1979. He is an Independent Non-Executive Director and was appointed to the Board on 1 November 2008. He was the Director of Environment Protection Department in the Ministry of Tourism, Culture and Environment, Sabah from August 1998 prior to his retirement on 9 October 2008 where he was responsible for the management of the Environment Protection Department and enforcement of the State Environment Protection Enactment 2002. He was also the Secretary of the Environmental Protection Council Sabah, a member of the Environmental Quality Council Malaysia and the Environmental Action Committee Management Group (EAC) from August 1998 to October 2008 and Deputy President of the Sabah Wetlands Conservation Society, Sabah from March 2006 to March 2007. Prior to that, he was with the Forestry Department for about 28 years from March 1970 to July 1998 in various departments, capacities and job responsibilities, the last of which from April 1994 to July 1998 where he was the Head of Planning Division, responsible for planning and monitoring of forest development projects including dealing with national and international forestry issues. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorship in other public companies. He had attended all two Board Meetings held during the period from his date of appointment to the financial year ended 31 March 2009. 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.

8. Tan Kung Ming

Aged 38, a Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 1 November 2008. He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He is currently a director of Kretam Holdings Berhad. He had attended all two Board Meetings held during the period from his date of appointment to the financial year ended 31 March 2009. 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 2009.

FINANCIAL RESULTS

During the financial year under review, the Group recorded a turnover of RM127.49 million and a pre-tax profit of RM11.75 million compared to turnover of RM114.72 million and a pre-tax profit of RM1.54 million for the previous year. The improvement in results was mainly due to higher plywood sales and higher contributions from the Group's associate - Offshoreworks Holdings Sdn Bhd ("Offshoreworks"), engaged in the provision of services to the oil and gas industry and the vessel chartering of the newly acquired subsidiary for the current year under review.

Included in the above results was the share of profit after taxation of RM7.72 million versus RM3.68 million in 2008 from Offshoreworks.

CORPORATE DEVELOPMENTS

In line with the streamlining of the Group's operations and strategic direction being pursued by the Group, the Group has during the financial year under review commenced members' voluntary liquidation of its six non-operating subsidiaries which are no longer required. The four subsidiaries which have ceased their business as a timber concessionaire where the log supply was exhausted are Dealpact Sdn Bhd, Barimas Sdn Bhd, Sabacergas Sdn Bhd and Szan Szui Kayu Balak (Sabah) Sdn Bhd while Kinamarketing (S) Sdn Bhd and Kim Haw Sdn Bhd have ceased their business of wholesaling and retailing of spare parts and consumables.

Pursuant to a Subscription and Shareholders' Agreement dated 20 February 2009 entered into between wholly owned subsidiary, Gerak Armada Sdn Bhd ("GASB"), Offshore Construction and Engineering Sdn Bhd, a subsidiary of the Company's associate, and Offshore Constructor (Labuan) Ltd ("OCL"), GASB has subscribed 49.01% of the shareholding in OCL and the balance is held by the Company's associate. OCL owns a vessel and is engaged in vessel chartering business for the oil and gas industry.

DIVIDENDS

The Board of Directors has recommended a first and final tax exempt dividend of 4% be paid in respect of the financial year ended 31 March 2009 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

PROSPECTS

The prospects for the timber industry are dependent on the global outlook and the global economy will drive demand for timber and processed wood products.

The Group would continue to focus on operational efficiency, promotion and marketing of high quality floorbase plywood for its main Japanese market.

As regards to Offshoreworks and vessel chartering, it is expected to further enhance the earnings of the Group going forward.

Barring any unforeseen circumstances, the Directors expect higher contributions from the associate and vessel chartering in the oil and gas industry while the plywood market will remain challenging for the coming financial year.

The Group would continue to explore new business opportunities to further enhance earnings and shareholders' value.

DIRECTORATE

The Board would like to welcome the appointment of Datuk Eric Usip Juin and Tan Kung Ming to the Board on 1 November 2008.

The Board also wishes to record its appreciation to Ag Ahmad Bin Ag Amin who resigned from the Board on 31 October 2008.

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
31 July 2009

Corporate Structure

TEKALA CORPORATION BERHAD
(Company No. 357125-D)

- 100% **Kalabakan Plywood Sdn Bhd**
  - 100% Kalabakan Wood Products Sdn Bhd
  - 100% Korsa Plywood Sdn Bhd
  - 100% Dealpact Sdn Bhd *
- 100% **Gerak Armada Sdn Bhd**
  - 25% Offshoreworks Holdings Sdn Bhd
  - 49.01% Offshore Constructor (Labuan) Ltd
  - 50.99%
- 100% **Syarikat Tekala Sdn Bhd**
- 100% **Marimba Sdn Bhd**
  - 100% Hartawan Ekuiti Sdn Bhd
  - 100% Barimas Sdn Bhd *
  - 100% Sabacergas Sdn Bhd *
  - 100% Szan Szui Kayu Balak (Sabah) Sdn Bhd *
- 100% **Kinamarketing (S) Sdn Bhd** *
- 100% **Kim Haw Sdn Bhd** *

** Inactive subsidiaries under members' voluntary liquidation*

Statement of Directors' Responsibilities

Pursuant to Paragraph 15.26 (a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

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 15.26 (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

The Directors acknowledge that they are responsible for the Group's system of internal control and ensuring 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 the orderly 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 businesses. 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 three independent non-executive Directors, operates under written terms of reference. Its functions include discussing and reviewing with the external auditors their audit findings, 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, amongst others, the external and 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 of 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 results of the review were satisfactory.

The Directors have considered and reviewed 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 2009 ("year under review").

(A) COMPOSITION

The members of the Audit Committee are as follows:

		No of meetings attended during the year under review
CHAIRMAN		
Voon Sui Liong @ Paul Voon	*Independent Non-Executive Director*	5 of 5
COMMITTEE MEMBERS		
Datuk Eric Usip Juin *(Appointed on 1 November 2008)*	*Independent Non-Executive Director*	2 of 2
Tan Kung Ming (MIA 21364) *(Appointed on 1 November 2008)*	*Independent Non-Executive Director*	2 of 2
Lim Ted Hing (MIA 3437) *(Resigned on 31 October 2008)*	*Executive Director/Chief Operating Officer*	3 of 3
Ag Ahmad bin Ag Amin *(Resigned on 31 October 2008)*	*Independent Non-Executive Director*	3 of 3

(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 auditors, 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 no options were granted during the financial year under review.

(D) INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company, established in June 2002, is independent of the activities it audits and reports directly to the Audit Committee. Its responsibilities are, amongst others, to assist the Audit Committee in providing independent assessments of the adequacy, efficiency and effectiveness of the internal control systems to ensure compliance with the systems and standard operating procedures in the Group and to carry other tasks as specified by the Audit Committee.

The main activities undertaken by the internal auditors during the year under review are as follows:-

- Review of the corporate governance of the Group and its compliance with the Malaysian Code on Corporate Governance (Revised 2007);
- Review of the strategic planning and management process of the Group's plymill operations;
- Assessment of risks that may impede the achievement of the corporate objectives and strategies; and
- Audit of the eight functional areas of the Group's plymill operations namely marketing, sales, engineering, production, human resource, personnel, finance and accounts in accordance with its risk-based audit plan.

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee are as follows:

CONSTITUTION

1. A committee of the Board known as the Audit Committee is hereby established in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

MEMBERSHIP

2. The committee shall consist of not less than three members, all must be non-executive directors, 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, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

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

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

FUNCTIONS

8. The Audit Committee shall, amongst others, discharge the following functions:-

    (1) review the following and report the same to the Board:-

    (a) with the external auditors, the audit plan;
    (b) with the external auditors, his evaluation of the system of internal controls;
    (c) with the external auditors, his audit report;
    (d) the assistance given by the employees of the Company to the external auditors;
    (e) the adequacy of the scope, functions, competency 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 Secretaries shall be the Secretaries 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.

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

PROCEEDINGS AT MEETINGS (cont'd)

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 Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

Shareholding Statistics

AS AT 31 JULY 2009

Authorised Share Capital	:	500,000,000
Paid-Up & Issued Share Capital	:	152,983,300
Treasury Shares	:	9,448,900
Adjusted capital (after netting Treasury Shares)	:	143,534,400
Type of Share	:	Ordinary share of RM1.00 each
No of Shareholders	:	10,857
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	8	91	0.00
100 to 1,000	4,796	4,762,453	3.32
1,001 to 10,000	5,186	20,458,127	14.25
10,001 to 100,000	788	21,054,979	14.67
100,001 to 7,176,719*	78	83,797,350	58.38
7,176,720 and above**	1	13,461,400	9.38
TOTAL	**10,857**	**143,534,400**	**100.00**

Notes:-

* *Less than 5% of Issued Holdings*

** *5% and above of Issued Holdings*

\# *Excluding a total of 9,448,900 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 31 July 2009*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

[based on notifications in writing received by the Company on or before 31 July 2009]

		<——Ordinary Shares of RM1 each——>			
No	Name of Substantial Shareholder	Direct Interest	%	Indirect interest	%
1	Syarikat Kretam (Far East) Holdings Sdn Bhd	13,461,400	9.38	-	-
2	Chan Saik Chuen	49,537	0.03	24,529,859 [1]	17.09
3	Chan Saik Chuen Sdn Bhd	6,806,259	4.74	17,723,600 [2]	12.35
4	Datuk Seri Panglima Quek Chiow Yong	-	-	23,347,479 [3]	16.27
5	Quek Chiow Yong Holdings Sdn Bhd	5,623,879	3.92	17,723,600 [2]	12.35

Notes:-

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

2 *Deemed interested through Tekala Holdings Sdn Bhd and Syarikat Kretam (Far East) Holdings Sdn Bhd.*

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

shareholding statistics (cont'd)
as at 31 July 2009

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 or in a related corporation are as follows:-

Name of Directors	Ordinary Shares of RM1 each <—in the Company—> Direct interest	%	Indirect interest	%	Options Over Ordinary shares of RM1 each <—in the Company—> No of Options	%*
Datuk Seri Panglima Quek Chiow Yong	-	-	23,347,479 [1] 419,489 [2]	16.27 0.29	800,000 [8] 1,075,000 [9]	4.61 6.19
Chan Saik Chuen	49,537	0.03	24,529,859 [3] 38,500 [2]	17.09 0.03	800,000[10]	4.61
Seah Tee Lean	4,285,140	2.99	2,353,391 [4] 1,980,900 [2]	1.64 1.38	600,000[10] 600,000 [9]	3.46 3.46
Lim Ted Hing	1,711,100 [5]	1.19	-	-	800,000[10]	4.61
Fong Kin Wui	1,695,794 [6]	1.18	4,262,200 [7]	2.97	800,000[10]	4.61
Voon Sui Liong @ Paul Voon	-	-	-	-	500,000 [8]	2.88

The Directors by virtue of their interest in shares in the Company are also deemed to have interest in shares in all of its related corporations to the extent the Company has an interest.

Notes:-

* *Percentage is computed based on the total number of share options granted by the Company of 17,357,200.*

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 for shares held by spouse and/or children.*

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

4 *Deemed interested through S T L Holdings Sdn Bhd.*

5 *Held directly and also via CIMSEC Nominees (Tempatan) Sdn Bhd-CIMB Bank.*

6 *Held directly and also via Mayban Nominees (Tempatan) Sdn Bhd-Amanahraya-JMF Asset Management Sdn Bhd.*

7 *Deemed interested through Tekala Holdings 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 *Deemed interested for options held by children, 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 RM1.02 per share.*

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. Of Shares Held #	% #
1.	SYARIKAT KRETAM (FAR EAST) HOLDINGS SDN BHD	13,461,400	9.38
2.	CHAN SAIK CHUEN SDN BHD	6,806,259	4.74
3.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *Exempt An for EFG Bank Ag (HongKong)*	5,898,928	4.11
4.	QUEK CHIOW YONG HOLDINGS SDN BHD	5,623,879	3.92

shareholding statistics (cont'd)
as at 31 July 2009

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (cont'd)

No.	Name	No. Of Shares Held #	% #
5.	DB (MALAYSIA) NONIMEE (ASING) SDN BHD *BNP Paribas Nominees Singapore Pte Ltd* *For Allied Venture Investments Limited*	5,220,000	3.64
6.	PERMODALAN NASIONAL BERHAD	5,188,000	3.61
7.	SEAH TEE LEAN	4,285,140	2.99
8.	TEKALA HOLDINGS SDN BHD	4,262,200	2.97
9.	TAN TONG CHEW	4,214,849	2.94
10.	Q C M SDN BHD	3,488,299	2.43
11.	MALAYSIA NOMINEES (TEMPATAN) SDN BHD *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	3,243,300	2.26
12.	KWAN PUN CHO	2,778,200	1.94
13.	S T L HOLDINGS SDN BHD	2,353,391	1.64
14.	YEOH KEAN HUA	2,282,100	1.59
15.	KWAN CHEE HANG SDN BHD	1,637,749	1.14
16.	T Y FONG SDN BHD	1,634,393	1.14
17.	MAYBAN NOMINEES (TEMPATAN) SDN BHD *Amanahraya-JMF Asset Management Sdn Bhd* *For Fong Kin Wui (C346-240450)*	1,395,794	0.97
18.	CITIGROUP NOMINESS (TEMPATAN) SDN BHD *Pledged securities account for Kwan Hung Cheong (473937)*	1,268,000	0.88
19.	SEAH SEN ONN @ DAVID SEAH	1,200,000	0.84
20.	HDM NOMINEES (ASING) SDN BHD *DBS Vickers SECS (S) Pte Ltd for River Estates Incorporated*	1,140,000	0.79
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB Bank for Lim Ted Hing (MY0410)*	1,100,000	0.77
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *C C Ho Sdn Bhd (T- 071001)*	1,022,100	0.71
23.	MALAYSIA NOMINEES (TEMPATAN) SDN BHD *Great Eastern Life Assurance (Malaysia) Berhad (LBF)*	1,002,800	0.70
24.	FONG THAM YU	998,000	0.70
25.	CHIANG YOK LENG	953,700	0.66
26.	HSBC NOMINEES (ASING) SDN BHD *RBS Coutts Sg For Jubilee Asset Limited*	789,000	0.55
27.	LIE TJIE MOH @ LEE CHEE HIONG	780,900	0.54
28.	CITIGROUP NOMINEES (ASING) SDN BHD *Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)*	753,550	0.53
29.	JOHAN ENTERPRISE SDN BHD	668,000	0.47
30.	CIMSEC NOMINEES (ASING) SDN BHD *ING Asia Private Bank Limited* *For Jarsuma Investments Ltd*	650,000	0.45

Note:-
\# *Excluding a total of 9,448,900 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 31 July 2009.*

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 2009 (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)	19	7,878	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)	12	7,925	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)	14	9,534	21.06.1996

Financial Statements

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2009.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are timber processing, log timber extraction and investment holding. During the financial year, an indirect subsidiary commenced vessel chartering services to oil and gas industry.

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

Results

	Group RM	Company RM
Profit for the year	10,243,107	6,192,679
Attributable to:		
Equity holders of the Company	9,866,161	6,192,679
Minority interests	376,946	-
	10,243,107	6,192,679

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividend paid by the Company since 31 March 2008 was as follows:

	RM
In respect of the financial year ended 31 March 2008 as reported in the Directors' report of that year:	
Final tax exempt dividend of 4% on 148,871,400 ordinary shares (netted off 4,111,900 treasury shares), declared on 28 September 2008 and paid on 30 October 2008	5,954,856

At the forthcoming Annual General Meeting, a final tax exempt dividend of 4% in respect of the financial year ended 31 March 2009 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 earnings in the financial year ending 31 March 2010.

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	
Voon Sui Liong @ Paul Voon	
Datuk Eric Usip Juin	*(Appointed on 1 November 2008)*
Tan Kung Ming	*(Appointed on 1 November 2008)*
Ag Ahmad Bin Ag Amin	*(Resigned on 31 October 2008)*

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

In accordance with Article 103 of the Company's Articles of Association, Lim Ted Hing retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Datuk Eric Usip Juin and Tan Kung Ming who were appointed to the Board since the last Annual General Meeting, retire in accordance with Article 86 of the Company's Articles of Association 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 the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Directors' Interest

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:

	Number of Ordinary Shares of RM1 Each			
Names of Directors	1.4.2008	Acquired	Sold	31.3.2009
Datuk Seri Panglima Quek Chiow Yong				
Indirect shareholding#	23,347,479	-	-	23,347,479
Deemed interest*	409,489	10,000	-	419,489
Chan Saik Chuen				
Direct shareholding	49,537	-	-	49,537
Indirect shareholding#	24,529,859	-	-	24,529,859
Deemed interest*	38,500	-	-	38,500

Directors' Interest (cont'd)

Names of Directors	Number of Ordinary Shares of RM1 Each 1.4.2008	Acquired	Sold	31.3.2009
Seah Tee Lean				
Direct shareholding	4,285,140	-	-	4,285,140
Indirect shareholding#	2,353,391	-	-	2,353,391
Deemed interest*	1,705,900	275,000	-	1,980,900
Lim Ted Hing				
Direct shareholding	1,711,100	-	-	1,711,100
Fong Kin Wui				
Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding#	4,262,200	-	-	4,262,200

\# *Held through another body corporate*
* *Held by spouse and/or children*

The Directors, Datuk Seri Panglima Quek Chiow Yong and Chan Saik Chuen by virtue of their interests in shares in the Company, are also deemed to have interest in shares in all of the Company's subsidiaries to the extent the Company has an interest.

The interests of Directors in options granted to subscribe for ordinary shares in the Company pursuant to the Employee Share Options Scheme are as follows:

Names of Directors	Option Price RM	Number of Options Over Ordinary Shares of RM1 Each 1.4.2008	Granted	Exercised/ Terminated	31.3.2009
Direct interest:					
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
Voon Sui Liong @	1.35	50,000	-	-	50,000
Paul Voon	1.00	450,000	-	-	450,000
Deemed interest for options held by children:					
Datuk Seri Panglima					
Quek Chiow Yong	1.02	1,075,000	-	-	1,075,000
Seah Tee Lean	1.02	600,000	-	-	600,000

Treasury Shares

During the financial year, the Company repurchased 5,710,900 of its issued ordinary shares from the open market at an average price of RM0.63 per share. The total consideration paid for the repurchase including transaction costs was RM3,607,545. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 March 2009, the Company held as treasury shares a total of 8,679,000 of its 152,983,300 issued ordinary shares. Such treasury shares are held at a carrying amount of RM6,395,530 and further relevant details are disclosed in Note 21 to the financial statements.

Employee Share Options Scheme

The Tekala Corporation Berhad Employee Share Options Scheme ("ESOS") for eligible employees and Directors of the Company and its subsidiaries 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 is 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 26 to the financial statements.

There were no options granted during the financial year.

Other Statutory Information

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other Statutory Information (cont'd)

(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.

Significant Event

During the financial year, the Company through its wholly owned subsidiary Gerak Armada Sdn. Bhd. subscribed shares in a newly incorporated subsidiary, Offshore Constructor (Labuan) Ltd. as disclosed in Note 15 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 July 2009.

SEAH TEE LEAN **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 84 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2009 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 dated 23 July 2009.

SEAH TEE LEAN **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 84 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed LIM TED HING
at Sandakan in the State of Sabah
on 23 July 2009

LIM TED HING

Before me,

Independent Auditors' Report

to the members of TEKALA CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of Tekala Corporation Berhad, which comprise the balance sheets as at 31 March 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 84.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Report on Other Legal and Regulatory Requirements (cont'd)

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Yong Voon Kar
1769/04/10 (J/PH)
Chartered Accountant

Sandakan, Malaysia
23 July 2009

Income Statements
for the year ended 31 March 2009

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Revenue	3	127,491,670	114,717,198	6,402,554	9,603,831
Cost of sales	4	(114,046,015)	(107,899,956)	-	-
Gross profit		13,445,655	6,817,242	6,402,554	9,603,831
Other income	5	4,241,507	3,449,010	281,498	194,273
Distribution costs		(1,061,345)	(999,750)	-	-
Other expenses		(285,673)	(329,257)	-	-
Administrative expenses		(11,568,518)	(11,073,703)	(489,623)	(2,233,206)
Operating profit/(loss)		4,771,626	(2,136,458)	6,194,429	7,564,898
Finance costs	6	(742,806)	-	-	-
Share of profit of an associate		7,720,455	3,679,800	-	-
Profit before tax	7	11,749,275	1,543,342	6,194,429	7,564,898
Income tax expense	10	(1,506,168)	(403,892)	(1,750)	45,007
Profit for the year		10,243,107	1,139,450	6,192,679	7,609,905
Attributable to:					
Equity holders of the Company		9,866,161	1,139,450	6,192,679	7,609,905
Minority interests		376,946	-	-	-
		10,243,107	1,139,450	6,192,679	7,609,905
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	11(a)	6.68	0.76		
Diluted, for profit for the year	11(b)	6.68	0.75		

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

Balance Sheets
as at 31 March 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	172,100,005	16,023,757	-	-
Land lease prepayments	14	19,144,197	19,366,547	-	-
Investments in subsidiaries	15	-	-	62,568,205	62,531,305
Investment in an associate	16	54,792,071	31,625,109	-	-
Other investments	17	125,000	131,000	-	-
		246,161,273	67,146,413	62,568,205	62,531,305
Current assets					
Inventories	18	27,312,825	28,515,551	-	-
Trade and other receivables	19	4,653,277	13,500,178	115,987,376	119,288,838
Tax refundable		2,392,731	3,183,001	68,250	70,000
Cash and bank balances	20	64,250,394	70,278,613	6,448,121	6,381,884
		98,609,227	115,477,343	122,503,747	125,740,722
TOTAL ASSETS		344,770,500	182,623,756	185,071,952	188,272,027
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	152,983,300	152,983,300	152,983,300	152,983,300
Share premium	21	16,515,040	16,515,040	16,515,040	16,515,040
Treasury shares	21	(6,395,530)	(2,787,985)	(6,395,530)	(2,787,985)
Other reserves	22	25,935,050	841,268	409,020	371,833
Retained earnings	23	13,052,839	9,141,534	14,324,488	14,086,665
		202,090,699	176,693,157	177,836,318	181,168,853
Minority interests		24,168,561	-	-	-
Total equity		226,259,260	176,693,157	177,836,318	181,168,853
Non-current liabilities					
Deferred tax liabilities	24	959,462	1,055,462	-	-
Current liabilities					
Trade and other payables	25	117,531,921	4,875,137	7,235,634	7,103,174
Current tax payable		19,857	-	-	-
		117,551,778	4,875,137	7,235,634	7,103,174
Total liabilities		118,511,240	5,930,599	7,235,634	7,103,174
TOTAL EQUITY AND LIABILITIES		344,770,500	182,623,756	185,071,952	188,272,027

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Note	Attributable to Equity Holders of the Company: Non-Distributable: Share Capital (Note 21) RM	Treasury Shares (Note 21) RM	Share Premium (Note 21) RM	Other Reserves (Note 22) RM	Distributable: Retained Earnings (Note 23) RM	Total RM	Minority Interests RM	Total Equity RM
At 1 April 2007		152,093,600	(2,395,190)	16,502,859	185,412	13,980,687	180,367,368	-	180,367,368
Prior year adjustment of an associate		-	-	-	-	31,125	31,125	-	31,125
Issue of ordinary shares pursuant to ESOS		889,700	-	12,181	-	-	901,881	-	901,881
Foreign currency translation of an associate		-	-	-	469,435	-	469,435	-	469,435
Share options granted under ESOS	22	-	-	-	186,421	-	186,421	-	186,421
Purchase of treasury shares	21	-	(389,894)	-	-	-	(389,894)	-	(389,894)
Transaction costs		-	(2,901)	-	-	-	(2,901)	-	(2,901)
Profit for the year		-	-	-	-	1,139,450	1,139,450	-	1,139,450
Dividends	12	-	-	-	-	(6,009,728)	(6,009,728)	-	(6,009,728)
At 31 March 2008		152,983,300	(2,787,985)	16,515,040	841,268	9,141,534	176,693,157	-	176,693,157

consolidated statement of changes in equity
for the year ended 31 March 2009 (cont'd)

		← Attributable to Equity Holders of the Company →							
			Non-Distributable			Distributable		Minority Interests	Total Equity
	Note	Share Capital (Note 21)	Treasury Shares (Note 21)	Share Premium (Note 21)	Other Reserves (Note 22)	Retained Earnings (Note 23)	Total		
		RM	RM	RM	RM	RM	RM	RM	RM
Revaluation reserve of an associate		-	-	-	25,616,067	-	25,616,067	-	25,616,067
Minority interests at date of acquisition of a subsidiary		-	-	-	-	-	-	23,791,615	23,791,615
Foreign currency translation of									
- an associate		-	-	-	(395,175)	-	(395,175)	-	(395,175)
- a subsidiary		-	-	-	(164,297)	-	(164,297)	-	(164,297)
Share options granted under ESOS	22	-	-	-	37,187	-	37,187	-	37,187
Purchase of treasury shares	21	-	(3,585,781)	-	-	-	(3,585,781)	-	(3,585,781)
Transaction costs		-	(21,764)	-	-	-	(21,764)	-	(21,764)
Profit for the year		-	-	-	-	9,866,161	9,866,161	376,946	10,243,107
Dividends	12	-	-	-	-	(5,954,856)	(5,954,856)	-	(5,954,856)
At 31 March 2009		152,983,300	(6,395,530)	16,515,040	25,935,050	13,052,839	202,090,699	24,168,561	226,259,260

Company Statement of Changes in Equity

for the year ended 31 March 2009

	Note	Share Capital (Note 21) RM	Non-Distributable Treasury Shares (Note 21) RM	Non-Distributable Share Premium (Note 21) RM	Non-Distributable Other Reserves (Note 22) RM	Distributable Retained Earnings (Note 23) RM	Total RM
At 1 April 2007		152,093,600	(2,395,190)	16,502,859	185,412	12,486,488	178,873,169
Issue of ordinary shares pursuant to ESOS		889,700	-	12,181	-	-	901,881
Share options granted under ESOS	22	-	-	-	186,421	-	186,421
Purchase of treasury shares	21	-	(389,894)	-	-	-	(389,894)
Transaction costs		-	(2,901)	-	-	-	(2,901)
Profit for the year		-	-	-	-	7,609,905	7,609,905
Dividends	12	-	-	-	-	(6,009,728)	(6,009,728)
At 31 March 2008		152,983,300	(2,787,985)	16,515,040	371,833	14,086,665	181,168,853
Share options granted under ESOS	22	-	-	-	37,187	-	37,187
Purchase of treasury shares	21	-	(3,585,781)	-	-	-	(3,585,781)
Transaction costs		-	(21,764)	-	-	-	(21,764)
Profit for the year		-	-	-	-	6,192,679	6,192,679
Dividends	12	-	-	-	-	(5,954,856)	(5,954,856)
At 31 March 2009		152,983,300	(6,395,530)	16,515,040	409,020	14,324,488	177,836,318

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

Cash Flow Statements

for the year ended 31 March 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash Flows From Operating Activities					
Profit before tax		11,749,275	1,543,342	6,194,429	7,564,898
Adjustments for:					
Interest on fixed deposits	5	(2,339,942)	(2,443,616)	(281,498)	(194,273)
Dividend income	5	(5,890)	-	-	-
Unrealised (gain)/loss of foreign exchange differences	5	(12,381)	28,466	-	-
Gain on disposal of plant and equipment	5	(1,653,609)	(811,158)	-	-
Finance costs	6	742,806	-	-	-
Loss on disposal of marketable securities	7	2,805	-	-	-
Amortisation of land lease prepayments	7	222,350	222,350	-	-
Depreciation of property, plant and equipment	7	4,294,106	3,864,059	-	-
Equipment scrapped	7	392	9,577	-	-
Provision for diminution in value of investments in other investments and subsidiaries	7	-	-	-	1,627,354
Share options granted under ESOS	22	37,187	186,421	287	81,537
Share of profit of an associate		(7,720,455)	(3,679,800)	-	-
Operating profit/(loss) before working capital changes		5,316,644	(1,080,359)	5,913,218	9,079,516
Decrease in inventories		1,202,726	5,612,972	-	-
Decrease/(increase) in receivables		8,961,061	2,673,666	(3,169)	4,809
Increase/(decrease) in payables		4,111,999	(4,925,378)	11,460	(8,089)
Cash generated from operations		19,592,430	2,280,901	5,921,509	9,076,236
Income tax refunded		794,129	-	-	-
Dividend received from an associate		200,285	210,900	-	-
Income tax paid		(1,586,027)	(6,705,734)	-	(19,167)
Net cash generated from/(used in) operating activities		19,000,817	(4,213,933)	5,921,509	9,057,069

cash flow statements
for the year ended 31 March 2009 (cont'd)

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash Flows From Investing Activities					
Acquisition of a subsidiary	15	(22,868,891)	-	-	-
Proceeds from disposal of marketable securities		3,195	-	-	-
Interest on fixed deposits received		2,301,177	2,362,675	278,275	186,007
Dividend income		5,890	-	-	-
Proceeds from redemption of redeemable convertible preference shares by an associate		9,500,000	-	-	-
Purchase of property, plant and equipment	13	(5,319,508)	(568,922)	-	-
Proceeds from disposal of property, plant and equipment		1,653,964	1,066,800	-	-
Net cash (used in)/generated from investing activities		(14,724,173)	2,860,553	278,275	186,007
Cash Flows From Financing Activities					
Purchase of treasury shares	21	(3,607,545)	(392,795)	(3,607,545)	(392,795)
Proceeds from issuance of shares		-	901,881	-	901,881
Finance costs	6	(742,806)	-	-	-
Net change in accounts with subsidiaries		-	-	3,428,854	(3,093,205)
Dividends paid	12	(5,954,856)	(6,009,728)	(5,954,856)	(6,009,728)
Net cash used in financing activities		(10,305,207)	(5,500,642)	(6,133,547)	(8,593,847)
Net (decrease)/increase in cash and cash equivalents		(6,028,563)	(6,854,022)	66,237	649,229
Effects of foreign exchange rate changes		344	-	-	-
Cash and cash equivalents at beginning of year		70,278,613	77,132,635	6,381,884	5,732,655
Cash and cash equivalents at end of year	20	64,250,394	70,278,613	6,448,121	6,381,884

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

Notes to the Financial Statements

31 March 2009

1. Corporate Information

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 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries are timber processing, log timber extraction and investment holding. During the financial year, an indirect subsidiary commenced vessel chartering services to oil and gas industry. There have been no other significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 July 2009.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted the revised FRSs, amendment to FRSs and Interpretations which are mandatory for financial periods beginning on or after 1 July 2007 as described in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis except for vessels included within property, plant and equipment of an associate which are measured at their revalued amounts.

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

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 April 2008, the Group and the Company adopted the following revised FRSs, amendment to FRSs and Interpretations, where applicable:

FRS 107: Cash Flow Statements
FRS 111: Construction Contracts
FRS 112: Income Taxes
FRS 118: Revenue
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
FRS 134: Interim Financial Reporting
FRS 137: Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the Restatement Approach under FRS 129 *Financial Reporting in Hyperinflationary Economies*
IC Interpretation 8: Scope of FRS 2

The applicable revised FRSs, amendment to FRSs and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

2. Significant Accounting Policies (cont'd)

2.3 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendment to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group and the Company are exempted from disclosing the possible impact if any, to the financial statements upon the initial application of FRS 139.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

(ii) Basis of Consolidation (cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's income statement in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(c) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(d) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of 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:

	%
Vessel	3.33
Buildings	5
Plant, machinery and heavy equipment	10 - 20
Motor vehicles	20
Furniture, fittings and equipment	10 - 20

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement.

(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.

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(f) Inventories (cont'd)

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 cost of completion and the estimated costs necessary to make the sale.

(g) 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 assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial assets and liabilities are offset against each other 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) Cash and cash equivalents

For the purposes of the cash flow statements, 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.

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries and associates 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.

(iii) Trade receivables

Trade 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.

(iv) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Equity instruments

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

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

(v) Equity instruments

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.4(d).

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Leases (cont'd)

(iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(k) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

(iii) Share-based Compensation

The Tekala Corporation Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(l) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. Significant Accounting Policies (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(l) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each income statement are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Vessel chartering income

Vessel chartering income is recognised upon services rendered.

(iii) Log timber extraction income

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

(iv) Dividend income

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

2. Significant Accounting Policies (cont'd)

2.5 Review of Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group reviewed the residual values and the estimated useful lives of all property, plant and equipment. The effects of the reviews are immaterial and no adjustment is made. The effects on future periods are dependent on the review of the residual value and remaining useful life of an item of property, plant and equipment in future periods.

2.6 Significant Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years. These are common life expectancies applied in the timber industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM914,899 (2008: RM1,060,020) and the unrecognised tax losses and capital allowances of the Group was RM19,245,313 (2008: RM17,479,544).

3. Revenue

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Revenue from timber processing	123,451,680	102,888,222	-	-
Vessel chartering income	2,278,128	-	-	-
Revenue from log timber extraction	1,761,862	11,828,976	-	-
Tax exempt dividends from an unquoted subsidiary	-	-	6,402,554	9,603,831
	127,491,670	114,717,198	6,402,554	9,603,831

4. Cost of Sales

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cost of inventories sold	111,363,460	94,999,661	-	-
Vessel operating expenses	433,785	-	-	-
Log timber extraction cost	2,248,770	12,900,295	-	-
	114,046,015	107,899,956	-	-

5. Other Income

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Dividend income	5,890	-	-	-
Gain on disposal of plant and equipment	1,653,609	811,158	-	-
Gain on foreign exchange				
- Realised	36,591	11,648	-	-
- Unrealised	12,381	-	-	-
Interest on fixed deposits	2,339,942	2,443,616	281,498	194,273
Miscellaneous income	187,094	176,588	-	-
Rental income	6,000	6,000	-	-
	4,241,507	3,449,010	281,498	194,273

6. Finance Costs

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest charged on balance payable for the purchase of a vessel	742,806	-	-	-

7. Profit before Tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Amortisation of land lease prepayment (Note 14)	222,350	222,350	-	-
Auditors' remuneration:				
- statutory audits	69,200	70,900	25,000	25,000
- other services	2,000	2,000	2,000	2,000
Depreciation of property, plant and equipment (Note 13)	4,294,106	3,864,059	-	-
Employee benefits expense (Note 8)	17,908,991	16,824,110	40,000	40,000
Equipment scrapped	392	9,577	-	-
Land rental	14,150	85,600	-	-
Loss on disposal of marketable securities	2,805	-	-	-
Non-executive Directors' remuneration (Note 9)	778,321	820,289	194,995	269,399
Professional fees charged by an associate of the Company's auditors	45,730	39,200	2,180	1,800
Provision for diminution in value of investment in subsidiary	-	-	-	1,627,354
Rental of premises	240,000	240,000	-	-
Unrealised loss on foreign exchange	-	28,466	-	-

8. Employee Benefits Expense

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Salaries, wages and allowances	16,423,530	15,362,639	40,000	40,000
Contributions to defined contribution plan	1,035,388	1,000,389	-	-
Gratuity	37,098	-	-	-
Share options granted under ESOS	36,900	104,884	-	-
Social security contributions	59,285	57,190	-	-
Benefits-in-kind	316,790	299,008	-	-
	17,908,991	16,824,110	40,000	40,000

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM5,053,399 (2008: RM4,866,016) and RM40,000 (2008: RM40,000) respectively as further disclosed in Note 9.

9. Directors' Remuneration

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Directors of the Company				
Executive:				
- Salaries, bonus and other emoluments	3,080,020	2,923,740	-	-
- Fees	40,000	40,000	40,000	40,000
- Benefits-in-kind	94,269	89,887	-	-
	3,214,289	3,053,627	40,000	40,000
Non-Executive:				
- Salaries, bonus and other emoluments	719,208	688,862	159,708	157,862
- Fees	35,000	30,000	35,000	30,000
- Benefits-in-kind	23,826	19,890	-	-
- Share options granted under ESOS	287	81,537	287	81,537
	778,321	820,289	194,995	269,399
	3,992,610	3,873,916	234,995	309,399
Other directors of Subsidiaries				
Executive:				
- Salaries, bonus and other emoluments	1,732,700	1,727,780	-	-
- Benefits-in-kind	106,410	84,609	-	-
	1,839,110	1,812,389	-	-
	5,831,720	5,686,305	234,995	309,399

10. Income Tax Expense

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Current income tax:				
On results for the year	1,612,313	987,290	1,750	-
Overprovision in prior years	(10,145)	(39,348)	-	(45,007)
	1,602,168	947,942	1,750	(45,007)
Deferred tax (Note 24):				
Relating to reversal of temporary differences	(96,000)	(544,050)	-	-
Total income tax expense	1,506,168	403,892	1,750	(45,007)

10. Income Tax Expense (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : 26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit before tax	11,749,275	1,543,342	6,194,429	7,564,898
Tax expense at Malaysian statutory tax rate of 25% (2008: 26%)	2,937,319	401,269	1,548,607	1,966,873
Effect of changes in tax rates	-	(22,275)	-	-
Effect of income subject to tax rate of 20%	-	(17,818)	-	-
Income not subject to tax	(50,070)	(73,271)	(1,600,639)	(2,496,996)
Different tax rate in Labuan	(231,418)	-	-	-
Expenses not deductible for tax purposes	282,132	426,622	53,782	530,123
Share of results of an associate	(1,861,518)	(956,748)	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	439,868	685,461	-	-
Overprovision of tax expense in prior years	(10,145)	(39,348)	-	(45,007)
Income tax expense for the year	1,506,168	403,892	1,750	(45,007)

	Group	
	2009 RM	2008 RM
Tax savings recognised during the year arising from utilisation of:		
- current year tax losses	-	123,658
- current year capital allowances	792,290	454,573
Unutilised tax losses carried forward	17,981,715	16,369,245
Unabsorbed capital and forest allowances carried forward	2,178,497	2,131,388

11. Earnings Per Share

(a) Basic

Basic earnings per share amount is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2009	2008
Profit for the year (RM)	9,866,161	1,139,450
Weighted average number of ordinary shares in issue	147,623,290	149,899,899
Basic earnings per share (sen)	6.68	0.76

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company 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.

	2009	2008
Profit for the year (RM)	9,866,161	1,139,450
Weighted average number of ordinary shares in issue	147,623,290	149,899,899
Effect of dilution in share options	-	424,767
Adjusted weighted average number of ordinary shares in issue and issuable	147,623,290	150,324,666
Diluted earnings per share (sen)	6.68	0.75

12. Dividends

	Dividends in respect of Year		Dividends recognised in Year	
	2008 RM	2007 RM	2009 RM	2008 RM
Recognised during the year:				
First interim tax exempt dividend for 2007: 2% on 149,617,300 ordinary shares (netted off 2,476,300 treasury share) (2 sen per ordinary share)	-	2,992,346	-	-
Final tax exempt dividend for 2007: 4% on 150,243,200 ordinary shares (netted off 2,740,100 treasury shares) (4 sen per ordinary share)	-	6,009,728	-	6,009,728
Final tax exempt dividend for 2008: 4% on 148,871,400 ordinary shares (netted off 4,111,900 treasury shares) (4 sen per ordinary share)	5,954,856	-	5,954,856	-
	5,954,856	9,002,074	5,954,856	6,009,728

12. Dividends (cont'd)

At the forthcoming Annual General Meeting, a final tax exempt dividend of 4% in respect of the financial year ended 31 March 2009 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 earnings in the financial year ending 31 March 2010.

13. Property, Plant and Equipment

Group	Vessel RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
At 31 March 2009						
Cost						
At 1 April 2008	-	23,643,594	68,007,609	2,610,566	1,482,425	95,744,194
Additions	-	-	5,057,963	202,815	58,730	5,319,508
Disposals	-	-	(6,937,085)	(389,150)	(1,399)	(7,327,634)
Scrapped	-	-	(2,000)	-	(40,623)	(42,623)
At date of acquisition of a subsidiary (Note 15)	155,571,250	-	-	-	-	155,571,250
Exchange differences	(522,750)	-	-	-	-	(522,750)
At 31 March 2009	155,048,500	23,643,594	66,126,487	2,424,231	1,499,133	248,741,945
Accumulated depreciation						
At 1 April 2008	-	16,270,110	60,073,185	2,044,788	1,332,354	79,720,437
Depreciation charge for the year	433,785	1,181,922	2,420,549	203,987	53,863	4,294,106
Disposals	-	-	(6,937,082)	(389,147)	(1,050)	(7,327,279)
Scrapped	-	-	(1,998)	-	(40,233)	(42,231)
Reclassification	-	-	121,374	(121,374)	-	-
Exchange differences	(3,093)	-	-	-	-	(3,093)
At 31 March 2009	430,692	17,452,032	55,676,028	1,738,254	1,344,934	76,641,940
Net carrying amount						
At 31 March 2009	154,617,808	6,191,562	10,450,459	685,977	154,199	172,100,005

13. Property, Plant and Equipment (cont'd)

Group	Vessel RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
At 31 March 2008						
Cost						
At 1 April 2007	-	23,643,594	71,595,888	2,472,693	1,613,890	99,326,065
Additions	-	-	18,010	515,115	35,797	568,922
Disposals	-	-	(3,514,589)	(377,242)	-	(3,891,831)
Scrapped	-	-	(91,700)	-	(167,262)	(258,962)
At 31 March 2008	-	23,643,594	68,007,609	2,610,566	1,482,425	95,744,194
Accumulated depreciation						
At 1 April 2007	-	15,087,916	61,100,974	2,108,753	1,444,309	79,741,952
Depreciation charge for the year	-	1,182,194	2,314,280	313,273	54,312	3,864,059
Disposals	-	-	(3,258,951)	(377,238)	-	(3,636,189)
Scrapped	-	-	(83,118)	-	(166,267)	(249,385)
At 31 March 2008	-	16,270,110	60,073,185	2,044,788	1,332,354	79,720,437
Net carrying amount						
At 31 March 2008	-	7,373,484	7,934,424	565,778	150,071	16,023,757

14. Land Lease Prepayments

	Group 2009 RM	2008 RM
Long Term Leasehold Land		
At beginning of year	19,366,547	19,588,897
Amortisation charge for the year (Note 7)	(222,350)	(222,350)
At end of year	19,144,197	19,366,547

15. Investments in Subsidiaries

	Company 2009 RM	Company 2008 RM
Unquoted shares at cost	90,084,893	90,084,893
Add: Share options under ESOS	212,131	175,231
	90,297,024	90,260,124
Less: Provision for diminution in value of investments in subsidiaries		
At beginning of year	27,728,819	26,101,465
Current year provision	-	1,627,354
At end of year	27,728,819	27,728,819
	62,568,205	62,531,305

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

Name of Subsidiaries	Principal Activities	Proportion of Ownership Interest 2009 %	Proportion of Ownership Interest 2008 %
Syarikat Tekala Sdn. Bhd.	Log timber extraction	100	100
Kalabakan Plywood Sdn. Bhd.	Timber processing	100	100
Marimba Sdn. Bhd.	Investment holding	100	100
Gerak Armada Sdn. Bhd.	Investment holding	100	100
Kinamarketing (S) Sdn. Bhd. (In Liquidation)	Ceased operation	100	100
Kim Haw Sdn. Bhd. (In Liquidation)	Ceased operation	100	100
Subsidiaries of Kalabakan Plywood Sdn. Bhd.			
Kalabakan Wood Products Sdn. Bhd.	Provision of storage services	100	100
Korsa Plywood Sdn. Bhd. (Not yet commenced operation)	Downstream timber processing	100	100
Dealpact Sdn. Bhd. (In Liquidation)	Ceased operation	100	100
Subsidiaries of Marimba Sdn. Bhd.			
Hartawan Ekuiti Sdn. Bhd.	Ceased operation	100	100
Barimas Sdn. Bhd. (In Liquidation)	Ceased operation	100	100
Sabacergas Sdn. Bhd. (In Liquidation)	Ceased operation	100	100
Szan Szui Kayu Balak (Sabah) Sdn. Bhd. (In Liquidation)	Ceased operation	100	100

15. Investments in Subsidiaries (cont'd)

Name of Subsidiaries	Principal Activities	Proportion of Ownership Interest 2009 %	2008 %
Subsidiary of Gerak Armada Sdn. Bhd.			
Offshore Constructor (Labuan) Ltd.	Vessel chartering	61.76	-

Acquisition of subsidiary

On 20 February 2009, the Company through its wholly owned subsidiary, Gerak Armada Sdn. Bhd. ("GASB") entered into a Subscription and Shareholders' Agreement ("the Agreement") with Offshore Construction & Engineering Sdn. Bhd., a subsidiary of an associate, and Offshore Constructor (Labuan) Ltd ("OCL") whereby GASB subscribed 4,709 new ordinary shares of USD1.00 each in OCL representing 49.01% of the issued and paid-up share capital at an issue price of USD1,326.71 per share. The subscription of shares in OCL was completed on 23 February 2009. Pursuant to the Agreement, the Company will have the majority number of directors in OCL. The Company also has an indirect interest of 12.75% in OCL through its associate. Therefore, the Company has an effective equity interest in OCL of 61.76% and as a result, the financial statements of OCL have been consolidated in the financial statements of the Group.

The total cost of acquisition is RM22,868,891.

The acquired subsidiary has contributed the following results to the Group:

	2009 RM
Revenue	2,278,128
Profit for the period	985,672

If the acquisition had occurred on 1 April 2008, the Group revenue and profit for the year would have been RM127,491,670 and RM10,243,107 respectively.

The assets and liabilities arising from the acquisition on 20 February 2009 are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	155,571,250	155,571,250
Other payables	(108,910,744)	(108,910,744)
Total net assets	46,660,506	46,660,506
Less: Minority interests	(23,791,615)	(23,791,615)
Group's share of net assets	22,868,891	22,868,891

15. Investments in Subsidiaries (cont'd)

The cash outflow on acquisition is as follows:

	2009 RM
Purchase consideration satisfied by cash	22,868,891
Cash and cash equivalent of subsidiary acquired	-
Net cash outflow of the Group	22,868,891

16. Investment in An Associate

	Group	
	2009 RM	2008 RM
Unquoted ordinary shares in Malaysia, at cost	16,016,870	16,016,870
Share of post-acquisition reserves	38,775,201	6,108,239
300% Redeemable Cumulative 3 Year Preference Shares	-	9,500,000
	54,792,071	31,625,109

Share of post-acquisition reserves included share of post-acquisition revaluation reserve of vessels amounted to RM25,616,067 (2008: Nil).

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	Proportion of Ownership Interest 2009 %	Proportion of Ownership Interest 2008 %
Offshoreworks Holdings Sdn. Bhd.	Company's activity is investment holding while the Group is an oil and gas services provider	25	25

The summarised financial information of the associate is as follows:

	2009 RM	2008 RM
Assets and liabilities		
Current assets	367,150,728	79,866,830
Non-current assets	210,293,362	87,099,208
Total assets	577,444,090	166,966,038
Current liabilities	(275,343,489)	(69,509,540)
Non-current liabilities	(134,051,365)	(60,075,101)
Total liabilities	(409,394,854)	(129,584,641)

16. Investment in An Associate (cont'd)

	2009 RM	2008 RM
Results		
Revenue	461,095,495	181,589,339
Profit for the year	29,784,275	13,875,601

The amount of goodwill included within the Group's carrying amount of investment in an associate is RM12,779,762 (2008: RM12,779,762)

17. Other Investments

	Group	
	2009 RM	2008 RM
At cost		
Unquoted shares	325,000	325,000
Less: Provision for diminution in value of investments	200,000	200,000
	125,000	125,000
Shares quoted in Malaysia	-	6,000
	125,000	131,000
Market value of quoted shares	-	3,990

18. Inventories

	Group	
	2009 RM	2008 RM
Cost		
Finished goods	1,030,080	14,528,006
Production supplies	2,657,054	3,065,376
Raw materials	3,212,700	3,527,962
Stock-in-transit	2,345,309	2,853,276
Work-in-progress	4,960,607	3,201,799
	14,205,750	27,176,419
Net realisable value		
Finished goods	13,056,555	1,310,739
Work-in-progress	50,520	28,393
	13,107,075	1,339,132
	27,312,825	28,515,551

19. Trade and Other Receivables

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade receivables				
Third parties	3,556,512	13,985,606	-	-
Subsidiary of an associate	1,487,896	-	-	-
	5,044,408	13,985,606	-	-
Less: Provision for doubtful debts	1,500,000	1,500,000	-	-
	3,544,408	12,485,606	-	-
Other receivables				
Amounts due from subsidiaries	-	-	115,951,218	119,259,072
Deposits	52,024	52,925	6,500	6,500
Prepayments	466,291	394,698	26,435	15,000
Sundry receivables	590,554	566,949	3,223	8,266
	1,108,869	1,014,572	115,987,376	119,288,838
	4,653,277	13,500,178	115,987,376	119,288,838

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period ranging from 30 days to 60 days. Overdue balances are reviewed regularly by senior management. There is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 28(a).

20. Cash and Cash Equivalents

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash on hand and at banks	2,208,356	3,188,613	48,121	31,884
Deposits with licensed banks	57,036,148	67,090,000	6,400,000	6,350,000
Short-term investments	5,005,890	-	-	-
Cash and bank balances	64,250,394	70,278,613	6,448,121	6,381,884

20. Cash and Cash Equivalents (cont'd)

The interest rates of fixed deposits of the Group and of the Company for the financial year ranged from 1.15% to 3.40% (2008: 2.70% to 3.45%) and 3.00% to 3.37% (2008: 3.00% to 3.37%) per annum respectively.

Included in fixed deposits are the insurance monies received pursuant to the Group personal accident policy and interest earned thereon totalling RM5,091,148 which is payable to the estate of a deceased director of certain subsidiaries upon granting of letter of probate from the High Court.

21. Share Capital, Share Premium and Treasury Shares

	Number of Ordinary Shares of RM1 Each		← Amount →			
	Share Capital (Issued and fully paid)	Treasury Share	Share Capital (Issued and fully paid) RM	Share Premium RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 April 2007	152,093,600	(2,563,300)	152,093,600	16,502,859	168,596,459	(2,395,190)
Ordinary shares issued pursuant to ESOS (Note 26)	889,700	-	889,700	12,181	901,881	-
Purchase of treasury shares	-	(404,800)	-	-	-	(389,894)
Transaction costs	-	-	-	-	-	(2,901)
At 31 March 2008 and 1 April 2008	152,983,300	(2,968,100)	152,983,300	16,515,040	169,498,340	(2,787,985)
Purchase of treasury shares	-	(5,710,900)	-	-	-	(3,585,781)
Transaction costs	-	-	-	-	-	(21,764)
At 31 March 2009	152,983,300	(8,679,000)	152,983,300	16,515,040	169,498,340	(6,395,530)

	Number of Ordinary Shares of RM1 Each 2009	2008	Amount 2009 RM	2008 RM
Authorised share capital				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000

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 23 September 2008 to approve the renewal of authority of the Directors of the Company to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

21. Share Capital, Share Premium and Treasury Shares (cont'd)

Treasury Shares

During the financial year, the Company repurchased 5,710,900 of its issued ordinary shares from the open market at an average price of RM0.63 per share. The total consideration paid for the repurchase was RM3,607,545 comprising consideration paid amounting to RM3,585,781 and transaction costs of RM21,764. 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 152,983,300 (2008: 152,983,300) issued and fully paid ordinary shares as at 31 March 2009, 8,679,000 (2008: 2,968,100) are held as treasury shares by the Company. As at 31 March 2009, the number of outstanding ordinary shares in issue after the setoff is therefore 144,304,300 (2008: 150,015,200) ordinary shares of RM1 each.

22. Other Reserves

	Foreign Currency Translation Reserve RM	Share Option Reserve RM	Revaluation Reserve RM	Total RM
Group				
At 1 April 2007	-	185,412	-	185,412
Share options granted under ESOS recognised in income statement	-	186,421	-	186,421
Foreign currency translation of an associate	469,435	-	-	469,435
At 31 March 2008	469,435	371,833	-	841,268
Share options granted under ESOS recognised in income statement	-	37,187	-	37,187
Foreign currency translation of				
- an associate	(395,175)	-	-	(395,175)
- a subsidiary	(164,297)	-	-	(164,297)
Revaluation reserve of an associate	-	-	25,616,067	25,616,067
At 31 March 2009	(90,037)	409,020	25,616,067	25,935,050

22. Other Reserves (cont'd)

	Foreign Currency Translation Reserve RM	Share Option Reserve RM	Revaluation Reserve RM	Total RM
Company				
At 1 April 2007	-	185,412	-	185,412
Share options granted under ESOS:				
- Recognised in income statement	-	81,537	-	81,537
- Included in investments in subsidiaries (Note 15)	-	104,884	-	104,884
At 31 March 2008	-	371,833	-	371,833
Share options granted under ESOS:				
- Recognised in income statement	-	287	-	287
- Included in investments in subsidiaries (Note 15)	-	36,900	-	36,900
At 31 March 2009	-	409,020	-	409,020

The share option reserve represents the equity-settled share options granted to employees and Directors of the Company and its subsidiaries. This reserve is made up of the cumulative value of services received from employees and Directors recorded on grant of share options.

23. Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

As at 31 March 2009, the Company has tax exempt profits available for distribution of approximately RM44,097,369 (2008: RM43,649,671), subject to the agreement of the Inland Revenue Board.

The Company did not elect for irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 March 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 March 2009 and 2008, the Company has sufficient credit in the 108 balance and the balance in the tax exempt income account to distribute dividends out of its entire retained earnings.

24. Deferred Tax

	Group 2009 RM	Group 2008 RM
At beginning of year	1,055,462	1,599,512
Recognised in income statement (Note 10)	(96,000)	(544,050)
At end of year	959,462	1,055,462

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

	2009 RM	2008 RM
At beginning of year	1,310,734	1,892,115
Recognised in income statement	(122,547)	(581,381)
At end of year	1,188,187	1,310,734

Deferred Tax Assets

	Unutilised Tax Losses RM	Unabsorbed Capital Allowances RM	Total RM
At 1 April 2008	-	(255,272)	(255,272)
Recognised in income statement	(2,597)	29,144	26,547
At 31 March 2009	(2,597)	(226,128)	(228,725)
At 1 April 2007	-	(292,603)	(292,603)
Recognised in income statement	-	37,331	37,331
At 31 March 2008	-	(255,272)	(255,272)

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

	Group 2009 RM	Group 2008 RM
Unutilised tax losses	17,971,326	16,369,245
Unabsorbed capital and forest allowances	1,273,987	1,110,299
	19,245,313	17,479,544

The unutilised tax losses and unabsorbed capital and forest allowances of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

25. Trade and Other Payables

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade payables				
Third parties	2,370,517	2,890,766	-	-
Other payables				
Amounts due to subsidiaries	-	-	7,117,572	6,996,572
Accruals	823,295	974,209	102,700	100,673
Other payables	114,338,109	1,010,162	15,362	5,929
	115,161,404	1,984,371	7,235,634	7,103,174
	117,531,921	4,875,137	7,235,634	7,103,174

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 28(a).

(c) Other payables

Included in other payables are insurance monies payable of RM5,091,148 (2008: Nil) as disclosed in Note 20 and interest bearing amount of RM108,544,785 (2008: Nil) due to the associate's subsidiary, Offshore Construction & Engineering Sdn. Bhd. for the purchase of a vessel.

26. Employee Benefits - Employee Share Options Scheme ("ESOS")

The ESOS for eligible employees and Directors of the Company and its subsidiaries 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;

26. Employee Benefits - Employee Share Options Scheme ("ESOS") (cont'd)

(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

(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 following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	Number of Share Options					
	Outstanding at 1 April	Movements During the Year: Granted	Exercised	Terminated	Outstanding at 31 March	Exercisable at 31 March
2009						
22.12.2004	9,899,000	-	-	(327,400)	9,571,600	9,571,600
06.05.2005	130,000	-	-	-	130,000	130,000
17.02.2006	1,620,000	-	-	(450,000)	1,170,000	1,170,000
13.11.2006	1,360,700	-	-	(27,500)	1,333,200	1,333,200
27.09.2008	61,300	-	-	(31,300)	30,000	30,000
	13,071,000	-	-	(836,200)	12,234,800	12,234,800
WAEP	1.02	-	-	1.01	1.02	1.02
2008						
22.12.2004	10,766,800	-	(609,000)	(258,800)	9,899,000	9,899,000
06.05.2005	130,000	-	-	-	130,000	130,000
17.02.2006	1,620,000	-	-	-	1,620,000	1,215,000
13.11.2006	1,690,200	-	(280,700)	(48,800)	1,360,700	953,200
27.09.2008	-	861,300	-	(800,000)	61,300	31,200
	14,207,000	861,300	(889,700)	(1,107,600)	13,071,000	12,228,400
WAEP	1.02	1.09	1.01	1.07	1.02	1.02

26. Employee Benefits - Employee Share Options Scheme ("ESOS") (cont'd)

(i) Details of share options outstanding at the end of the year:

	WAEP RM	Exercised Period
2009		
22.12.2004	1.02	22.12.2004 - 21.11.2009
06.05.2005	1.35	06.05.2005 - 21.11.2009
17.02.2006	1.00	17.02.2006 - 21.11.2009
13.11.2006	1.00	13.11.2006 - 21.11.2009
27.09.2008	1.09	27.09.2008 - 21.11.2009
2008		
22.12.2004	1.02	22.12.2004 - 21.11.2009
06.05.2005	1.35	06.05.2005 - 21.11.2009
17.02.2006	1.00	17.02.2006 - 21.11.2009
13.11.2006	1.00	13.11.2006 - 21.11.2009
27.09.2008	1.09	27.09.2008 - 21.11.2009

(ii) Share options exercised during the year

Options exercised during the financial year amounted to nil (2008: 889,700 options).

27. Contingent Liabilities

Unsecured

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Corporate guarantees given to banks for banking facilities granted to certain subsidiaries	-	-	6,200,000	6,200,000

28. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, further details of related party transactions are as follows:

	2009 RM	2008 RM
Group		
Rental of premises paid to Syarikat Kretam Sdn. Bhd., a company in which certain Directors of the Company are also directors	240,000	240,000

28. Related Party Disclosures (cont'd)

(a) In addition to the transactions detailed elsewhere in the financial statements, further details of related party transactions are as follows: (cont'd)

	2009 RM	2008 RM
Group		
Transactions with Offshore Construction & Engineering Sdn. Bhd., an associate's subsidiary		
Interest charged on balance payable for the purchase of a vessel	742,806	-
Vessel chartering	2,278,128	-

Information regarding outstanding balances arising from related party transactions as at 31 March 2009 are disclosed in Note 19 and Note 25.

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

	2009 RM	2008 RM
Company		
Transaction with a subsidiary		
Tax exempt dividend from an unquoted subsidiary	6,402,554	9,603,831

(b) Compensation of key management personnel

The remuneration of Executive Directors and other members of key management during the financial year was as follows:

	Group	
	2009 RM	2008 RM
Short-term employee benefits	5,362,556	5,163,931
Post employment benefits:		
Defined contribution plan	456,807	444,309
	5,819,363	5,608,240

The Executive Directors and other members of key management have been granted the following number of options under Employee Share Options Scheme ("ESOS"):

	Group	
	2009 RM	2008 RM
At beginning of year	5,600,000	5,700,000
Granted	-	800,000
Exercised	-	(100,000)
Terminated	-	(800,000)
At end of year	5,600,000	5,600,000

28. Related Party Disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 26).

29. Capital Commitments

	Group 2009 RM	Group 2008 RM
Capital expenditure approved and contracted for:		
Property, plant and equipment	-	3,043,572

30. Financial Instruments

(a) Financial risk management objective and 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.

(b) Foreign currency risk

The Group is exposed to foreign exchange risk as certain purchases and sales are transacted in United States Dollar and Japanese Yen. Foreign exchange exposures in transactional currencies are not hedged.

The Company does not transact in derivative instruments.

(c) 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.

(d) 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.

(e) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated 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.

30. Financial Instruments (cont'd)

(e) Fair values (cont'd)

(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 Subsidiaries, Trade and Other Receivables and Payables

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

31. Segmental Information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segment

The Group's operations, conducted in Malaysia, comprise the following main business segments:

(i) Timber processing
(ii) Vessel chartering
(iii) Investment holding
(iv) Log timber extraction

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

(c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets which are in Malaysia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers as follows:

(i) Malaysia - Investment holding, vessel chartering and log timber extraction
(ii) North Asia - Timber processing

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

31. Segmental Information (cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

Business Segments

	Investment holding RM	Timber processing RM	Log timber extraction RM	Vessel chartering RM	Elimination RM	Consolidated RM
31 March 2009						
Revenue						
Revenue from external customers	200,285	123,451,680	1,761,862	2,278,128	(200,285)	127,491,670
Inter-segment revenue	6,402,554	-	-	-	(6,402,554)	-
Total revenue	6,602,839	123,451,680	1,761,862	2,278,128	(6,602,839)	127,491,670
Results						
Segment results	6,602,839	12,446,663	(290,804)	1,844,343	(6,602,839)	14,000,202
Unallocated expenses						(11,568,518)
Interest on fixed deposits						2,339,942
Finance costs						(742,806)
Share of profit of an associate						7,720,455
Profit before tax						11,749,275
Income tax expense						(1,506,168)
Profit for the year						10,243,107
31 March 2008						
Revenue						
Revenue from external customers	285,000	102,888,222	11,828,976	-	(285,000)	114,717,198
Inter-segment revenue	9,603,831	-	-	-	(9,603,831)	-
Total revenue	9,888,831	102,888,222	11,828,976	-	(9,888,831)	114,717,198
Results						
Segment results	9,888,831	7,422,135	(928,506)	-	(9,888,831)	6,493,629
Unallocated expenses						(11,073,703)
Interest on fixed deposits						2,443,616
Share of profit of an associate						3,679,800
Profit before tax						1,543,342
Income tax expense						(403,892)
Profit for the year						1,139,450

31. Segmental Information (cont'd)

Business Segments (cont'd)

	Investment holding RM	Timber processing RM	Log timber extraction RM	Vessel chartering RM	Elimination RM	Consolidated RM
31 March 2009						
Assets						
Segment assets	8,033,106	103,973,623	19,720,942	156,142,186	(284,159)	287,585,698
Investment in an associate	54,792,071	-	-	-	-	54,792,071
Unallocated assets						2,392,731
Total assets						344,770,500
Liabilities						
Segment liabilities	134,854	3,672,338	5,179,944	108,639,967	(95,182)	117,531,921
Unallocated liabilities						979,319
Total liabilities						118,511,240
Other segment information						
Capital expenditure	-	5,312,704	6,804	-	-	5,319,508
Depreciation	-	3,877,189	41,132	433,785	(58,000)	4,294,106
Amortisation of land lease prepayments	-	222,350	-	-	-	222,350
31 March 2008						
Assets						
Segment assets	7,912,345	120,755,382	19,394,416	-	(246,497)	147,815,646
Investment in an associate	31,625,109	-	-	-	-	31,625,109
Unallocated assets						3,183,001
Total assets						182,623,756
Liabilities						
Segment liabilities	111,402	4,186,366	577,369	-	-	4,875,137
Unallocated liabilities						1,055,462
Total liabilities						5,930,599
Other segment information						
Capital expenditure	-	762,485	96,437	-	(290,000)	568,922
Depreciation	-	3,856,356	43,019	-	(35,316)	3,864,059
Amortisation of land lease prepayments	-	222,350	-	-	-	222,350

31. Segmental Information (cont'd)

Geographical Segments

The following table provides an analysis of the Group's revenue by geographical segment:

	Revenue RM
2009	
Malaysia	4,039,990
North Asia	123,451,680
	127,491,670
2008	
Malaysia	11,988,126
North Asia	102,729,072
	114,717,198

TEKALA CORPORATION BERHAD
(Company No: 357125-D)

Form of Proxy

I/We, ____

of ____

being a Member/Members of the Tekala Corporation Berhad, hereby appoint ____________________

of ____

or failing him ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 29 September 2009 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 4% for the year ended 31 March 2009.		
3	To re-elect Mr Lim Ted Hing who retires under Article 103 of the Company's Articles of Association and being eligible, has offered himself for re-election.		
4	To re-elect the following Directors:- - Datuk Eric Usip Juin		
5	- Mr Tan Kung Ming		
6	To re-appoint the following Directors in accordance with Section 129 of the Companies Act, 1965:- - Datuk Seri Panglima Quek Chiow Yong		
7	- Mr Chan Saik Chuen		
8	- Mr Seah Tee Lean JP		
9	To approve Directors' Fees of RM75,000 for the year ended 31 March 2009.		
10	To re-appoint Auditors and to authorise the Directors to fix their remuneration.		
11	- Authority to issue shares pursuant to the Company's Employees' Share Option Scheme		
12	- Proposed renewal of the authority for the purchase of own shares		

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

Dated this day of 2009

No. of shares held	

____

Signature(s) of Member(s)

Notes

a) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or an attorney to attend and vote instead.

b) A proxy or an attorney need not be a member of the Company.

c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.

d) The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at 2nd Floor Lot 15 Block C, Old Slipway Site, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

Please fold along this line (1)

Affix
stamp
here

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

Please fold along this line (2)

www.tekala.com.my

TEKALA CORPORATION BERHAD
(Company No: 357125-D)

2nd Floor Lot 15 Block C
Old Slipway Site
90000 Sandakan, Sabah

tel : 6089 212177 fax : 6089 271628