

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Fourth Quarter Ended 31 March 2007

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the fourth quarter ended 31 March 2007

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Condensed Consolidated Income Statements

	Note	<u>Individual Quarter</u>		<u>Financial Year-to-date</u>	
		<u>3 months ended</u>		<u>12 months ended</u>	
		<u>31/03/2007</u>	<u>31/03/2006</u>	<u>31/03/2007</u>	<u>31/03/2006</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	9	45,843	24,653 (restated)	161,191	119,389 (restated)
Cost of sales		(32,181)	(23,185)	(120,400)	(107,873)
Gross profit		13,662	1,468	40,791	11,516
Other income		139	50	343	347
Distribution costs		(305)	(229)	(1,133)	(955)
Other expenses		(111)	(47)	(447)	(225)
Administrative expenses		(2,458)	(2,466)	(10,962)	(10,369)
Profit/(loss) from operations		10,927	(1,224)	28,592	314
Interest on fixed deposits		625	465	2,251	1,963
Share of profit/(loss) of an associate		471	(273)	1,935	200
Profit/(loss) before taxation		12,023	(1,032)	32,778	2,477
Income tax expense	14	(3,229)	(588)	(9,680)	(878)
Profit/(loss) for the period		8,794	(1,620)	23,098	1,599
Earnings/(loss) per share:	15	Sen	Sen	Sen	Sen
- Basic		5.88	(1.07)	15.40	1.05
- Diluted		5.87	(1.07)	15.40	1.05

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Balance Sheets

	Note	AS AT 31/03/2007 RM'000	AS AT 31/03/2006 RM'000 (restated)
Non-current Assets			
Property, plant and equipment		19,584	23,483
Land lease prepayments		19,589	19,811
Investment in an associate	17	27,652	25,717
Other investments		131	111
		<u>66,956</u>	<u>69,122</u>
Current Assets			
Inventories		34,129	19,184
Trade receivables		14,912	9,887
Other receivables		930	655
Tax refundable		2,051	2,013
Fixed deposits		72,395	61,560
Cash and bank balances		4,738	9,967
		<u>129,155</u>	<u>103,266</u>
Total Assets		<u>196,111</u>	<u>172,388</u>
Non-current Liability			
Deferred tax liabilities		<u>1,599</u>	<u>1,009</u>
Current Liabilities			
Trade payables		5,553	3,345
Other payables		3,961	2,055
Provision for taxation		4,626	33
		<u>14,140</u>	<u>5,433</u>
Total Liabilities		<u>15,739</u>	<u>6,442</u>
Net Assets		<u>180,372</u>	<u>165,946</u>
Equity attributable to equity holders of the parent			
Share capital		152,094	152,094
Reserves		30,673	14,871
Treasury shares	8	(2,395)	(1,019)
Total Equity		<u>180,372</u>	<u>165,946</u>
Net assets per share (RM)		1.21	1.10

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

	Note	<u>Non-distributable</u>			<i>Distributable</i>	Total Equity	
		Share Capital	Share Premium	Other Reserves	Treasury Shares		Retained Profits/ (Accumulated Losses)
		RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2005		151,408	16,489	-	-	4,434	172,331
Income recognised directly in equity		-	-	-	-	-	-
Expense recognised directly equity		-	-	-	-	-	-
Net income/(expense) recognised directly in equity	2(b)	-	-	-	-	-	-
Profit for the period		-	-	-	-	1,599	1,599
Total recognised income and expense for the period	2(b)	-	-	-	-	1,599	1,599
Dividends	16(b)					(7,665)	(7,665)
Issue of ordinary shares pursuant to ESOS		686	14	-	-	-	700
Purchase of treasury shares		-	-	-	(1,019)	-	(1,019)
At 31 March 2006		152,094	16,503	-	(1,019)	(1,632)	165,946
At 1 April 2006		152,094	16,503	-	(1,019)	(1,632)	165,946
Income recognised directly in equity		-	-	-	-	-	-
Expense recognised directly equity		-	-	-	-	-	-
Net income/(expense) recognised directly in equity	2(b)	-	-	-	-	-	-
Profit for the period		-	-	-	-	23,098	23,098
Total recognised income and expense for the period	2(b)	-	-	-	-	23,098	23,098
Dividends	16(a)					(7,481)	(7,481)
Purchase of treasury shares	8	-	-	-	(1,376)	-	(1,376)
Share-based payment under ESOS	2(a)	-	-	185	-	-	185
At 31 March 2007		152,094	16,503	185	(2,395)	13,985	180,372

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

	12 months ended	
	31/03/2007	31/03/2006
	RM'000	RM'000
Cash flows from operating activities		(restated)
Profit before taxation	32,778	2,477
Adjustments for:		
Amortisation of land lease prepayments	222	-
Depreciation of property, plant and equipment	4,237	4,721
Interest on fixed deposits	(2,251)	(1,963)
Profit on disposal of equipment	(40)	(152)
Share of profit of an associate	(1,935)	(200)
Share-based payment under ESOS	185	-
Write-back of other investments	(20)	-
Operating profit before working capital changes	<u>33,176</u>	<u>4,883</u>
(Increase)/Decrease in inventories	(14,945)	3,858
(Increase)/Decrease in receivables	(5,227)	5,309
Increase/(Decrease) in payables	4,114	(245)
Cash generated from operations	<u>17,118</u>	<u>13,805</u>
Income tax paid	(4,535)	(403)
Net cash generated from operating activities	<u>12,583</u>	<u>13,402</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(339)	(3,278)
Proceeds from disposal of property, plant and equipment	41	168
Interest on fixed deposits received	2,178	1,932
Investment in an associate	-	(25,517)
Net cash generated from/(used in) investing activities	<u>1,880</u>	<u>(26,695)</u>
Cash flows from financing activities		
Proceeds from issuance of shares	-	700
Purchase of treasury shares	(1,376)	(1,019)
Dividends paid	(7,481)	(7,665)
Net cash used in financing activities	<u>(8,857)</u>	<u>(7,984)</u>
Net increase/(decrease) in cash and cash equivalents	5,606	(21,277)
Cash and cash equivalents at beginning of financial year	71,527	92,804
Cash and cash equivalents at end of period	<u>77,133</u>	<u>71,527</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial report.

(A) Notes to the interim financial report

1) Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 March 2006. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2006.

2) Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2006 except for the adoption of the following applicable new/revised Financial Reporting Standards (FRSs) effective for financial period beginning 1 April 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

In addition to the above, the Group has also taken the option of early adoption of FRS 117 “Leases” for the financial period beginning 1 April 2006.

The adoption of FRS 3, 102, 108, 110, 116, 121, 127, 128, 132, 133, 136, and 138 did not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

(a) FRS 2: Share-based Payment (Contd.)

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the Tekala Corporation Berhad Employees' Share Options Scheme ("ESOS"). Prior to 1 April 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity (included within other reserves). The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective. However, the comparative amount as at 31 March 2006 is insignificant to be restated to reflect this application.

The financial impact to the Group arising from this change in accounting policy is as follows:

	3 months ended		12 months ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	(34)	-	(185)	-

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of share of net after-tax results of associates and other disclosures. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the period.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(c) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represent prepaid lease payments and are amortised on a straight-line basis over the remaining lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 April 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

The reclassification of leasehold land as land lease prepayments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 March 2006 have been restated.

3) Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated RM'000	Adjustments		Restated RM'000
		FRS 117 Note 2(c) RM'000	FRS 101 Note 2(b) RM'000	
At 31 March 2006				
Property, plant and equipment	43,294	(19,811)		23,483
Land lease payments	-	19,811		19,811
3 months ended 31 March 2006				
Share of profit/(loss) of an associate	(202)		(71)	(273)
Profit/(loss) before taxation	(961)		(71)	(1,032)
Income tax expense	659		(71)	588
12 months ended 31 March 2006				
Share of profit/(loss) of an associate	485		(285)	200
Profit/(loss) before taxation	2,762		(285)	2,477
Income tax expense	1,163		(285)	878

4) Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company for the preceding financial year ended 31 March 2006 was not subject to any qualification.

5) Seasonal and cyclical factors

The Group's operations are not seasonal and cyclical in nature.

6) Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period under review.

7) Changes in estimates of amounts reported

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or the prior financial year that have a material effect in the interim period under review.

8) Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period under review except for the share Buy-back:

Share Buy-back

During the interim period, the Company repurchased 1,490,200 of its issued ordinary shares from the open market at an average price of RM0.92 per share. The total consideration paid for the repurchase including transaction costs was RM1,376,573 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

As at 31 March 2007, 2,563,300 out of the total 152,093,600 issued and fully paid ordinary shares were held as treasury shares by the Company and the total consideration paid including transaction costs was RM2,395,190. The number of outstanding ordinary shares in issue and fully paid is therefore 149,530,300 ordinary shares of RM1 each.

9) Segmental information*Business Segments*

	12 months ended 31 March 2007				
	Timber processing RM'000	Timber extraction RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	149,105	11,801	285	-	161,191
Inter-segment	0	0	16,006	(16,006)	0
Total	149,105	11,801	16,291	(16,006)	161,191
Results					
Segment results	40,018	(749)	16,291	(16,006)	39,554
Administrative expenses					(10,962)
Profit from operations					28,592
Interest on fixed deposits					2,251
Share of profit of an associate					1,935
Profit before taxation					32,778
Income tax expense					(9,680)
Profit for the period					23,098

10) Valuations of property, plant and equipment

The above is not applicable as the Group's property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.

11) Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period.

12) Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period under review.

13) Contingent Liabilities

There were no changes to the contingent liabilities including the status of the litigation on the claims from Employees Provident Fund (EPF) Board over EPF contributions for contractors totalling RM2,595,484 since the last balance sheet date, 31 March 2006 to 19 May 2007, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

The magistrate's court has allowed the company's preliminary objection and dismissed the charges which was reaffirmed by the High Court on 26 May 2004. The EPF Board has appealed to the Court of Appeal and the matter is now pending a decision by the Court of Appeal.

14) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2007 RM'000	31.03.2006 RM'000	31.03.2007 RM'000	31.03.2006 RM'000
In respect of current period:				
- Income tax	3,479	120	9,090	410
- Overprovision of tax in prior year	-	(42)	-	(42)
	<u>3,479</u>	<u>78</u>	<u>9,090</u>	<u>368</u>
- Deferred tax	(250)	510	590	510
	<u>3,229</u>	<u>588</u>	<u>9,680</u>	<u>878</u>

The Group's effective tax rate for the current quarter and interim period was higher than the statutory income tax rate in Malaysia principally due to the losses of a subsidiary which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

15) Earnings per share

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
(a) Basic earnings per share				
Profit/(loss) for the period (RM'000)	8,794	(1,620)	23,098	1,599
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	149,610	151,846	149,943	151,796
Basic earnings/(loss) per share (sen)	5.88	(1.07)	15.40	1.05

(b) Diluted earnings per share

Profit/(loss) for the period (RM'000)	8,794	(1,620)	23,098	1,599
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	149,811	151,846	149,943	152,465
Diluted earnings/(loss) per share (sen)	5.87	(1.07)	15.40	1.05

16) Dividends

	RM,000
(a) First interim tax exempt dividend of 2% on 149,617,300 ordinary shares (netted off 2,476,300 treasury shares) in respect of financial year ending 31 March 2007, paid on 8 February 2007	2,992
Final tax exempt dividend of 3% on 149,627,300 ordinary shares (netted off 2,466,300 treasury shares) in respect of financial year ended 31 March 2006, paid on 30 October 2006	4,489
	<u>7,481</u>
(b) Final dividend of 4% less 28% tax and special dividend of 3% less 28% tax on 152,093,600 ordinary shares in respect of financial year ended 31 March 2005, paid on 26 October 2005	<u>7,665</u>

17) Investment in an associate

	As at 31.03.2007 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	2,135
	<u>18,152</u>
300% Redeemable Cumulative 3 Year Preference Shares (RCPS)	9,500
	<u>27,652</u>
Represented by:	
Share of net assets other than goodwill in associate	4,316
Share of goodwill in associate	1,056
RCPS	9,500
	<u>14,872</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>27,652</u>

(B) Additional information required by Bursa Malaysia Securities Berhad's Listing Requirements

1. Review of Performance of the Company and its Principal Subsidiaries

For the current quarter ended 31 March 2007, the Group recorded a revenue of RM45.84 million as compared to the previous corresponding quarter of RM24.65 million and profit before taxation of RM12.02 million as compared to loss before taxation of RM1.03 million in the previous corresponding quarter.

For the current year ended 31 March 2007, the Group recorded a revenue of RM161.19 million and profit before taxation of RM32.78 million as compared to the revenue of RM119.39 million and profit before taxation of RM2.48 million in the previous corresponding year.

The improvement in performance was mainly due to better plywood margins and sales volume for the current quarter and year under review.

2. Material Changes in Quarterly Results compared to the Results of the Preceding Quarter

The Group's profit before taxation of RM12.02 million for the current quarter is comparable to the preceding quarter profit before taxation of RM11.94 million.

3. Commentary on Prospects

The current prices and demand of timber products are reasonably expected to hold for the coming financial year while the positive outlook of the oil and gas industry is expected to continue in the foreseeable years ahead.

Given the above market conditions and barring any unforeseen circumstances, the Directors expect the Group to deliver satisfactory financial results for the coming financial year, with increasing contribution from its associated company engaged in the provision of services to the oil and gas industry.

4. Profits Forecast and Profit Guarantee

The above is not applicable as no profit forecast and profit guarantee were provided.

5. Income Tax Expense

This is stated in note 14 to the interim financial report.

6. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties for the current quarter and interim period ended 31 March 2007.

7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 March 2007.

(b) Total investment in quoted securities as at 31 March 2007 is as follows:

	RM'000
(i) At cost	<u>6</u>
(ii) At Book Value	<u>6</u>
(iii) At Market Value	<u>2</u>

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 May 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 31 March 2007.

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 19 May 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

11. Changes in Material Litigation

This is included in note 13 to the interim financial report.

12. Dividends

(a) (i) For year ended 31 March 2007, the Directors have recommended a proposed final tax exempt dividend of 4% (2006: final tax exempt dividend of 3%);
(ii) Payment date: to be announced at a later date; and
(iii) The date of entitlement to dividend: to be announced at a later date.
(iv) The proposed dividend is subject to the approval of shareholders at the Annual General Meeting to be held on a date to be announced later.

(b) The total dividend for the current financial year ended 31 March 2007 is 6% tax exempt dividend.

13. Earnings per share

This is stated in note 15 to the interim financial report.

(C) Authorisation for issue of interim financial report

The Board of Directors of the Company had authorised this unaudited interim financial report for issue on 25 May 2007.