

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Fourth Quarter Ended 31 March 2008

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the fourth quarter ended 31 March 2008

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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>31/03/2008</u>	<u>31/03/2007</u>	<u>31/03/2008</u>	<u>31/03/2007</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	8	23,008	45,843	114,717	161,191
Cost of sales		<u>(24,212)</u>	<u>(32,211)</u>	<u>(107,908)</u>	<u>(120,430)</u>
Gross profit/(loss)		(1,204)	13,632	6,809	40,761
Other income		96	302	1,005	506
Distribution costs		(252)	(305)	(1,000)	(1,133)
Other expenses		(73)	33	(301)	(303)
Administrative expenses		<u>(2,646)</u>	<u>(2,743)</u>	<u>(11,094)</u>	<u>(11,247)</u>
Profit/(loss) from operations		(4,079)	10,919	(4,581)	28,584
Interest on fixed deposits		604	625	2,444	2,251
Share of profit of an associate		<u>1,519</u>	<u>475</u>	<u>3,680</u>	<u>1,939</u>
Profit/(loss) before taxation		(1,956)	12,019	1,543	32,774
Income tax expense	13	<u>794</u>	<u>(3,229)</u>	<u>(404)</u>	<u>(9,680)</u>
Profit/(loss) for the period		<u>(1,162)</u>	<u>8,790</u>	<u>1,139</u>	<u>23,094</u>
Earnings/(loss) per share:	14	Sen	Sen	Sen	Sen
- Basic		(0.78)	5.88	0.76	15.40
- Diluted		(0.78)	5.87	0.75	15.40

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Balance Sheets

ASSETS	Note	AS AT 31/03/2008 RM'000	AS AT 31/03/2007 RM'000
Non-current Assets			
Property, plant and equipment		16,023	19,584
Land lease prepayments		19,366	19,589
Investment in an associate	15	31,125	27,656
Other investments		131	131
		<u>66,645</u>	<u>66,960</u>
Current Assets			
Inventories		28,516	34,129
Trade receivables		12,461	14,889
Other receivables		883	1,232
Tax refundable		3,183	1,988
Fixed deposits		67,090	72,395
Cash and bank balances		3,189	4,738
		<u>115,322</u>	<u>129,371</u>
Total Assets		<u>181,967</u>	<u>196,331</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,094
Reserves		25,997	30,669
Treasury shares	7(b)	(2,788)	(2,395)
Total Equity		<u>176,192</u>	<u>180,368</u>
Non-current Liability			
Deferred tax liabilities		1,055	1,599
Current Liabilities			
Trade payables		2,757	5,695
Other payables		1,963	4,106
Provision for taxation		0	4,563
		<u>4,720</u>	<u>14,364</u>
Total Liabilities		<u>5,775</u>	<u>15,963</u>
Total Equity and Liabilities		<u>181,967</u>	<u>196,331</u>
Net assets per share (RM)		1.17	1.21

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

	Note	<i>Non-distributable</i>				<i>Distributable</i>	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Treasury Shares RM'000	Retained Profits/ (Accumulated Losses) RM'000	
At 1 April 2006		152,094	16,503	-	(1,019)	(1,632)	165,946
Income recognized directly in equity		-	-	-	-	-	-
Expense recognised directly in equity		-	-	-	-	-	-
Net income/(expense) recognised directly in equity		-	-	-	-	-	-
Profit for the period		-	-	-	-	23,094	23,094
Total recognised income and expense for the period		-	-	-	-	23,094	23,094
Purchase of treasury shares		-	-	-	(1,376)	-	(1,376)
Share-based payment under ESOS		-	-	185	-	-	185
Dividends	16(b)	-	-	-	-	(7,481)	(7,481)
At 31 March 2007		152,094	16,503	185	(2,395)	13,981	180,368
At 1 April 2007		152,094	16,503	185	(2,395)	13,981	180,368
Income recognized directly in equity		-	-	-	-	-	-
Expense recognized directly in equity		-	-	-	-	-	-
Net income/(expense) recognised directly in equity		-	-	-	-	-	-
Profit for the period		-	-	-	-	1,139	1,139
Total recognised income and expense for the period		-	-	-	-	1,139	1,139
Issue of ordinary shares pursuant to ESOS	7(a)	889	12	-	-	-	901
Purchase of treasury shares	7(b)	-	-	-	(393)	-	(393)
Share-based payment under ESOS		-	-	187	-	-	187
Dividend	16(a)	-	-	-	-	(6,010)	(6,010)
At 31 March 2008		152,983	16,515	372	(2,788)	9,110	176,192

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

	12 months ended	
	31/03/2008 RM'000	31/03/2007 RM'000
Cash flows from operating activities		
Profit before taxation	1,543	32,774
Adjustments for:		
Amortisation of land lease prepayments	222	222
Depreciation of property, plant and equipment	3,864	4,237
Interest on fixed deposits	(2,444)	(2,251)
Profit on disposal of property, plant and equipment	(811)	(40)
Provision for diminution in value of other investments	-	30
Plant and equipment scrapped	10	-
Share of profit of an associate	(3,680)	(1,939)
Share-based payment under ESOS	187	185
Write-back of provision for diminution in value of other investments	-	(50)
Operating (loss)/profit before working capital changes	<u>(1,109)</u>	<u>33,168</u>
Decrease/(Increase) in inventories	5,613	(14,944)
Decrease/(Increase) in receivables	2,859	(5,505)
(Decrease)/Increase in payables	<u>(5,081)</u>	<u>4,400</u>
Cash generated from operations	2,282	17,119
Income tax paid	<u>(6,706)</u>	<u>(4,535)</u>
Net cash (used in)/generated from operating activities	<u>(4,424)</u>	<u>12,584</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(569)	(339)
Proceeds from disposal of property, plant and equipment	1,067	40
Interest on fixed deposits received	2,363	2,178
Dividend received	211	-
Net cash generated from investing activities	<u>3,072</u>	<u>1,879</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	901	-
Purchase of treasury shares	(393)	(1,376)
Dividends paid	<u>(6,010)</u>	<u>(7,481)</u>
Net cash used in financing activities	<u>(5,502)</u>	<u>(8,858)</u>
Net (decrease)/increase in cash and cash equivalents	(6,854)	5,606
Cash and cash equivalents at beginning of financial year	77,133	71,527
Cash and cash equivalents at end of financial year	<u>70,279</u>	<u>77,133</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 2007. 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 2007.

2) Change in Accounting Policy

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2007 except for the adoption of the new Financial Reporting Standard FRS 124: Related Party Disclosures effective for financial year beginning 1 April 2007, the adoption of which is not likely to have any significant impact on the Group.

3) 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 2007 was not subject to any qualification.

4) Seasonal and cyclical factors

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

5) Unusual items

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

6) 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.

7) 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 following:

(a) Employee Share Options Scheme ("ESOS")

During the interim period, the Company issued 889,700 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise prices of RM1.00 and RM1.02 per ordinary share.

7) Debt and equity securities (Cont'd)**(b) Share Buy-back**

During the interim period, the Company repurchased 404,800 of its issued ordinary shares from the open market at an average price of RM0.96 per share. The total consideration paid for the repurchase including transaction costs was RM392,795 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 2008, 2,968,100 out of the total 152,983,300 issued and fully paid ordinary shares were held as treasury shares by the Company and the total consideration paid including transaction costs was RM2,787,985. The number of outstanding ordinary shares in issue and fully paid is therefore 150,015,200 ordinary shares of RM1 each.

8) Segmental information*Business Segments*

	12 months ended 31 March 2008				
	Timber processing	Timber extraction	Investment holding	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	102,888	11,829	-	-	114,717
Inter-segment	-	-	9,889	(9,889)	-
Total	102,888	11,829	9,889	(9,889)	114,717
Results					
Segment results	7,450	(937)	9,889	(9,889)	6,513
Administrative expenses					(11,094)
Profit from operations					(4,581)
Interest on fixed deposits					2,444
Share of profit of an associate					3,680
Profit before taxation					1,543
Income tax expense					(404)
Profit for the period					1,139

9) 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.

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

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

11) Changes in the composition of the Group

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

12) Contingent Liabilities

Since the last balance sheet date, 31 March 2007 to 21 May 2008, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report, there were no changes to the contingent liabilities other than the status of the litigation on the claims from Employees Provident Fund (EPF) Board over EPF contributions for contractors totalling RM2,595,484 as noted below:

As reported previously, 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 and on 27 August 2007, the Court of Appeal further upheld the High Court's decision in dismissing the charges against the Company.

13) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	(511)	3,479	987	9,090
- Deferred tax	(244)	(250)	(544)	590
Overprovision of income tax in prior year	(39)	-	(39)	-
	<u>(794)</u>	<u>3,229</u>	<u>404</u>	<u>9,680</u>

The Group's effective tax rate for the 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.

14) Earnings/(loss) per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
(a) Basic earnings per share				
Profit/(loss) for the period (RM'000)	(1,162)	8,790	1,139	23,094
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	150,015	149,610	149,900	149,943
Basic earnings/(loss) per share (sen)	(0.78)	5.88	0.76	15.40
(b) Diluted earnings per share				
Profit/(loss) for the period (RM'000)	(1,162)	8,790	1,139	23,094
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	150,015	149,811	150,325	149,943
Diluted earnings/(loss) per share (sen)	(0.78)	5.87	0.75	15.40

15) Investment in an associate

	As at 31.03.2008 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	5,608
	<u>21,625</u>
300% Redeemable Cumulative 3 Year Preference Shares (RCPS)	9,500
	<u>31,125</u>
Represented by:	
Share of net assets other than goodwill in associate	8,032
Share of goodwill in associate	813
RCPS	9,500
	<u>18,345</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>31,125</u>

16) Dividends

	RM'000
(a) Final tax exempt dividend of 4% on 150,243,200 ordinary shares (netted off 2,740,100 treasury shares) in respect of financial year ended 31 March 2007, paid on 30 October 2007	<u>6,010</u>
(b) 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 ended 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) 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 2008, the Group recorded a lower revenue of RM23.01 million as compared to the previous corresponding quarter of RM45.84 million and a loss before taxation of RM1.96 million as compared to profit before taxation RM12.02 million in the previous corresponding quarter mainly due to lower plywood selling prices and sales volume for the current quarter under review.

For the current year ended 31 March 2008, the Group recorded a revenue of RM114.72 million and profit before taxation of RM1.54 million as compared to the revenue of RM161.19 million and profit before taxation of RM32.77 million in the previous corresponding year. The decline in performance was mainly due to lower plywood selling prices and sales volume for the current year under review.

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

The Group recorded a loss before taxation of RM1.96 million for the current quarter as compared to the immediate preceding quarter loss before taxation of RM3.32 million. The decrease in loss before taxation was mainly due to lower administrative expenses and higher contribution from the Group's associated company for the current quarter under review.

3. Commentary on Prospects

The Directors are optimistic, barring further strengthening of the exchange rate of Ringgit Malaysia and any unforeseen circumstances, that the Group's performance for the coming financial year would be better as compared to the current financial year in line with the anticipated better world plywood market and the expected increased positive contribution from the Group's 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 13 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 2008.

7. Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 March 2008.

7. Quoted Securities (Cont'd)

(b) Total investment in quoted securities as at 31 March 2008 is as follows:

	RM'000
(i) At cost	<u>6</u>
(ii) At Book Value	<u>6</u>
(iii) At Market Value	<u>4</u>

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 May 2008, 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 2008.

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 21 May 2008, 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 12 to the interim financial report.

12. Dividends

- (a) (i) For year ended 31 March 2008, the Directors have recommended a proposed final tax exempt dividend of 4% (2007: final tax exempt dividend of 4%);
(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 2008 is 4% tax exempt dividend (2007: 6% tax exempt).

13. Earnings per share

This is stated in note 14 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 27 May 2008.