

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The First Quarter Ended 30 June 2008

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the first quarter ended 30 June 2008

Index	page
Condensed Consolidated Income Statements	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash flow Statement	6
Notes to the interim financial report	7 – 10
Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements	11 - 12
Authorisation for issue of the interim financial report	12

Condensed Consolidated Income Statements

	Note	<u>Individual Quarter</u>		<u>Financial Year-to-date</u>	
		3 months ended		3 months ended	
		30/06/2008	30/06/2007	30/06/2008	30/06/2007
		RM'000	RM'000	RM'000	RM'000
Revenue	8	35,249	32,885	35,249	32,885
Cost of sales		<u>(34,919)</u>	<u>(25,702)</u>	<u>(34,919)</u>	<u>(25,702)</u>
Gross profit		330	7,183	330	7,183
Other income		142	61	142	61
Distribution costs		(342)	(223)	(342)	(223)
Other expenses		(71)	(76)	(71)	(76)
Administrative expenses		<u>(2,304)</u>	<u>(2,190)</u>	<u>(2,304)</u>	<u>(2,190)</u>
(Loss)/profit from operations		(2,245)	4,755	(2,245)	4,755
Interest on fixed deposits		543	588	543	588
Share of profit of an associate		<u>1,730</u>	<u>867</u>	<u>1,730</u>	<u>867</u>
Profit before taxation		28	6,210	28	6,210
Income tax expense	13	<u>108</u>	<u>(1,621)</u>	<u>108</u>	<u>(1,621)</u>
Profit for the period		<u>136</u>	<u>4,589</u>	<u>136</u>	<u>4,589</u>
Earnings per share:	14	Sen	Sen	Sen	Sen
- Basic		0.09	3.07	0.09	3.07
- Diluted		0.09	3.05	0.09	3.05

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Balance Sheets

ASSETS	Note	AS AT 30/06/2008 RM'000	AS AT 31/03/2008 RM'000
Non-current Assets			
Property, plant and equipment		16,314	16,024
Land lease prepayments		19,311	19,366
Investment in an associate	15	33,355	31,625
Other investments		131	131
		<u>69,111</u>	<u>67,146</u>
Current Assets			
Inventories		26,536	28,516
Trade receivables		15,217	12,486
Other receivables		1,667	1,014
Tax refundable		3,302	3,183
Fixed deposits		65,090	67,090
Cash and bank balances		2,825	3,188
		<u>114,637</u>	<u>115,477</u>
Total Assets		<u>183,748</u>	<u>182,623</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,983
Reserves		26,664	26,498
Treasury shares	7	<u>(2,976)</u>	<u>(2,788)</u>
Total Equity		<u>176,671</u>	<u>176,693</u>
Non-current Liability			
Deferred tax liabilities		<u>945</u>	<u>1,055</u>
Current Liabilities			
Trade payables		4,228	2,891
Other payables		1,904	1,984
		<u>6,132</u>	<u>4,875</u>
Total Liabilities		<u>7,077</u>	<u>5,930</u>
Total Equity and Liabilities		<u>183,748</u>	<u>182,623</u>
Net assets per share (RM)		1.18	1.18

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

	<----- Attributable to Equity Holders of the Company ----->					
	Share Capital	<u>Non-distributable</u>			<u>Distributable</u>	
		Share Premium	Other Reserves	Treasury Shares	Retained Profits	Total Equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2007	152,094	16,503	185	(2,395)	13,980	180,367
Income recognized directly in equity	-	-	-	-	-	-
Expense recognised directly in equity	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-
Profit for the period	-	-	-	-	4,589	4,589
Total recognised income and expense for the period	-	-	-	-	4,589	4,589
Issue of ordinary shares pursuant to ESOS	181	2	-	-	-	183
Purchase of treasury shares	-	-	-	(172)	-	(172)
Share-based payment under ESOS	-	-	34	-	-	34
At 30 June 2007	152,275	16,505	219	(2,567)	18,569	185,001
At 1 April 2008	152,983	16,515	841	(2,788)	9,142	176,693
Income recognized directly in equity	-	-	-	-	-	-
Expense recognized directly in equity	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-
Profit for the period	-	-	-	-	136	136
Total recognized income and expense for the period	-	-	-	-	136	136
Purchase of treasury shares	-	-	-	(188)	-	(188)
Share-based payment under ESOS	-	-	30	-	-	30
At 30 June 2008	152,983	16,515	871	(2,976)	9,278	176,671

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

	3 months ended	
	30/06/2008 RM'000	30/06/2007 RM'000
Cash flows from operating activities		
Profit before taxation	28	6,210
Adjustments for:		
Amortisation of land lease prepayments	56	56
Depreciation of property, plant and equipment	907	1,008
Interest on fixed deposits	(543)	(588)
Profit on disposal of property, plant and equipment	(70)	-
Unrealised loss on exchange differences	69	-
Share of profit of an associate	(1,730)	(867)
Share-based payment under ESOS	30	34
Operating (loss)/profit before working capital changes	<u>(1,253)</u>	<u>5,853</u>
Decrease in inventories	1,980	2,977
Increase in receivables	(3,452)	(451)
Increase/(Decrease) in payables	1,257	(2,510)
Cash (used in)/generated from operations	<u>(1,468)</u>	<u>5,869</u>
Income tax paid	(234)	(2,237)
Refund of income tax	111	-
Net cash (used in)/generated from operating activities	<u>(1,591)</u>	<u>3,632</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,197)	(14)
Proceeds from disposal of property, plant and equipment	70	-
Interest on fixed deposits received	543	588
Net cash (used in)/generated from investing activities	<u>(584)</u>	<u>574</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	183
Purchase of treasury shares	(188)	(172)
Net cash (used in)/generated from financing activities	<u>(188)</u>	<u>11</u>
Net (decrease)/increase in cash and cash equivalents	(2,363)	4,217
Cash and cash equivalents at beginning of financial year	70,278	77,133
Cash and cash equivalents at end of financial period	<u>67,915</u>	<u>81,350</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2008 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 2008. 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 2008.

2) Accounting Policies

The accounting policies and presentation adopted for the interim financial reporting are consistent with those adopted for the audited financial statements for the year ended 31 March 2008.

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 2008 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:

Share Buy-back

During the interim period, the Company repurchased 265,700 of its issued ordinary shares from the open market at an average price of RM0.70 per share. The total consideration paid for the repurchase including transaction costs was RM187,887 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.

7) Debt and equity securities (cont'd)

As at 30 June 2008, 3,233,800 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 RM2,975,872. The number of outstanding ordinary shares in issue and fully paid is therefore 149,749,500 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	3 months ended 30 June 2008				
	Timber processing RM'000	Timber extraction RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	33,481	1,768	-	-	35,249
Inter-segment	-	-	-	-	-
Total	33,481	1,768	-	-	35,249
Results					
Segment results	450	(391)	-	-	59
Administrative expenses					(2,304)
Loss from operations					(2,245)
Interest on fixed deposits					543
Share of profit of an associate					1,730
Profit before taxation					28
Income tax expense					108
Profit for the period					136

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

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2008 to 22 August 2008, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the first quarter ended 30 June 2008

13) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	30.06.2008 RM'000	30.06.2007 RM'000	30.06.2008 RM'000	30.06.2007 RM'000
In respect of current period:				
- Income tax	2	1,751	2	1,751
- Deferred tax	(110)	(130)	(110)	(130)
	<u>(108)</u>	<u>1,621</u>	<u>(108)</u>	<u>1,621</u>

The Group's effective tax rate for the interim period differed from the statutory income tax rate in Malaysia principally due a subsidiary's loss where deferred tax asset was not recognized, and certain expenses which are not deductible for tax purposes.

14) Earnings per share

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
(a) Basic earnings per share				
Profit for the period (RM'000)	136	4,589	136	4,589
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	149,980	149,409	149,980	149,409
Basic earnings per share (sen)	0.09	3.07	0.09	3.07
(b) Diluted earnings per share				
Profit for the period (RM'000)	136	4,589	136	4,589
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	149,980	150,471	149,980	150,471
Diluted earnings per share (sen)	0.09	3.05	0.09	3.05

The assumed conversion of share option is antidilutive and the antidilutive potential ordinary shares are ignored in calculating diluted earnings per share in accordance with FRS 133.

15) Investment in an associate

	As at 30.06.2008 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	7,838
	<u>23,855</u>
300% Redeemable Cumulative 3 Year Preference Shares (RCPS)	9,500
	<u>33,355</u>
Represented by:	
Share of net assets other than goodwill in associate	10,262
Share of goodwill in associate	813
RCPS	9,500
	<u>20,575</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>33,355</u>

16) Capital Commitments

	As at 30.06.2008 RM'000
Capital expenditure approved and contracted for:	
Property, plant and equipment	<u>1,966</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 30 June 2008, the Group recorded a higher revenue of RM35.25 million as compared to the previous corresponding quarter of RM32.89 million and a lower profit before taxation of RM0.03 million as compared to profit before taxation of RM6.21 million in the previous corresponding quarter. This was mainly due to higher plywood selling prices despite lower plywood sales volume for the previous corresponding quarter.

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

The Group recorded a profit before taxation of RM0.03 million for the current quarter as compared to the immediate preceding quarter loss before taxation of RM1.96 million. The improvement in results was mainly due to better plywood selling prices and higher plywood sales volume for the current quarter under review.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's performance for the current financial year to improve as compared to the previous financial year with the anticipated better world plywood market and higher 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 30 June 2008.

7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 30 June 2008.

(b) Total investment in quoted securities as at 30 June 2008 is as follows:

	RM'000
(i) At cost	6
(ii) At Book Value	6
(iii) At Market Value	4

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 August 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 30 June 2008.

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 22 August 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

The Group did not have any material litigation as at 22 August 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

12. Dividends

The directors do not recommend the payment of dividend for the period under review.

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 28 August 2008.