

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Interim Financial Report**

**For The Second Quarter Ended 30 September 2008**

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

Interim financial report for the second quarter ended 30 September 2008

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**Condensed Consolidated Income Statements**

	Note	<u>Individual Quarter</u>		<u>Financial Year-to-date</u>	
		<b>3 months ended</b>		<b>6 months ended</b>	
		<b>30/09/2008</b>	<b>30/09/2007</b>	<b>30/09/2008</b>	<b>30/09/2007</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	8	40,662	28,991	75,911	61,876
Cost of sales		<u>(34,137)</u>	<u>(27,210)</u>	<u>(69,056)</u>	<u>(52,912)</u>
Gross profit		6,525	1,781	6,855	8,964
Other income		76	147	218	208
Distribution costs		(331)	(235)	(673)	(458)
Other expenses		(73)	(76)	(144)	(152)
Administrative expenses		<u>(3,037)</u>	<u>(2,286)</u>	<u>(5,341)</u>	<u>(4,476)</u>
Profit/(loss) from operations		3,160	(669)	915	4,086
Interest on fixed deposits		599	652	1,142	1,240
Share of profit of an associate		<u>1,974</u>	<u>629</u>	<u>3,704</u>	<u>1,496</u>
Profit before taxation		5,733	612	5,761	6,822
Income tax expense	13	<u>(1,048)</u>	<u>(270)</u>	<u>(940)</u>	<u>(1,891)</u>
Profit for the period		<u>4,685</u>	<u>342</u>	<u>4,821</u>	<u>4,931</u>
Earnings per share:	14	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
- Basic		3.14	0.23	3.22	3.29
- Diluted		3.14	0.22	3.22	3.26

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

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 30/09/2008 RM'000</b>	<b>AS AT 31/03/2008 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		17,525	16,024
Land lease prepayments		19,255	19,366
Investment in an associate	15	45,962	31,625
Other investments		125	131
		<u>82,867</u>	<u>67,146</u>
<b>Current Assets</b>			
Inventories		31,576	28,516
Trade receivables		9,521	12,486
Other receivables		766	1,014
Tax refundable		1,809	3,183
Fixed deposits	16	80,956	67,090
Cash and bank balances		2,463	3,188
		<u>127,091</u>	<u>115,477</u>
<b>Total Assets</b>		<u>209,958</u>	<u>182,623</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		152,983	152,983
Reserves		46,143	26,498
Treasury shares	7	<u>(3,560)</u>	<u>(2,788)</u>
<b>Total Equity</b>		<u>195,566</u>	<u>176,693</u>
<b>Non-current Liability</b>			
Deferred tax liabilities		<u>831</u>	<u>1,055</u>
<b>Current Liabilities</b>			
Trade payables		4,929	2,891
Other payables	16	<u>8,632</u>	<u>1,984</u>
		<u>13,561</u>	<u>4,875</u>
<b>Total Liabilities</b>		<u>14,392</u>	<u>5,930</u>
<b>Total Equity and Liabilities</b>		<u>209,958</u>	<u>182,623</u>
<b>Net assets per share (RM)</b>		1.31	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
<b>At 1 April 2007</b>	152,094	16,503	185	(2,395)	13,981	180,368
Income recognized directly in equity	-	-	-	-	-	-
Expense recognised directly in equity	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-
Profit for the period	-	-	-	-	4,931	4,931
Total recognised income and expense for the period	-	-	-	-	4,931	4,931
Issue of ordinary shares pursuant to ESOS	889	12	-	-	-	901
Purchase of treasury shares	-	-	-	(172)	-	(172)
Share-based payment under ESOS	-	-	72	-	-	72
<b>At 30 September 2007</b>	152,983	16,515	257	(2,567)	18,912	186,100
<b>At 1 April 2008</b>	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	-	-	-	-	4,821	4,821
Total recognized income and expense for the period	-	-	-	-	4,821	4,821
Purchase of treasury shares	-	-	-	(772)	-	(772)
Revaluation surplus of an associate's vessels	-	-	14,764	-	-	14,764
Share-based payment under ESOS	-	-	60	-	-	60
<b>At 30 September 2008</b>	152,983	16,515	15,665	(3,560)	13,963	195,566

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

	<b>6 months ended</b>	
	<b>30/09/2008</b>	<b>30/09/2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	5,761	6,822
<b>Adjustments for:</b>		
Amortisation of land lease prepayments	111	111
Depreciation of property, plant and equipment	1,828	2,015
Interest on fixed deposits	(1,142)	(1,240)
Profit on disposal of property, plant and equipment	(70)	(88)
Equipment scrapped	-	5
Unrealised gain on exchange differences	(18)	-
Share of profit of an associate	(3,704)	(1,496)
Share-based payment under ESOS	60	72
Loss on disposal of marketable securities	3	-
Operating profit before working capital changes	<u>2,829</u>	<u>6,201</u>
Increase in inventories	(3,060)	(328)
Decrease/(Increase) in receivables	3,305	(2,432)
Increase in payables	8,686	993
Cash generated from operations	<u>11,760</u>	<u>4,434</u>
Income tax paid	(584)	(3,505)
Refund of income tax	794	-
Net cash generated from operating activities	<u>11,970</u>	<u>929</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,330)	(199)
Proceeds from disposal of property, plant and equipment	70	88
Proceeds from disposal of marketable securities	3	-
Proceeds from redemption of RCPS by an associate	3,985	-
Interest on fixed deposits received	1,142	1,240
Dividend received	73	-
Net cash generated from investing activities	<u>1,943</u>	<u>1,129</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	-	901
Purchase of treasury shares	(772)	(172)
Net cash (used in)/generated from financing activities	<u>(772)</u>	<u>729</u>
<b>Net increase in cash and cash equivalents</b>	<b>13,141</b>	<b>2,787</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<u>70,278</u>	<u>77,133</u>
<b>Cash and cash equivalents at end of financial period</b>	<b>16 <u>83,419</u></b>	<u>79,920</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 1,097,800 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 RM772,270 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 September 2008, 4,065,900 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 RM3,560,255. The number of outstanding ordinary shares in issue and fully paid is therefore 148,917,400 ordinary shares of RM1 each.

**8) Segmental information***Business Segments*

	<b>6 months ended 30 September 2008</b>				
	<b>Timber processing RM'000</b>	<b>Timber extraction RM'000</b>	<b>Investment holding RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External	74,149	1,762	-	-	75,911
Inter-segment	-	-	-	-	-
Total	<u>74,149</u>	<u>1,762</u>	<u>-</u>	<u>-</u>	<u>75,911</u>
<b>Results</b>					
Segment results	<u>6,649</u>	<u>(393)</u>	<u>-</u>	<u>-</u>	<u>6,256</u>
Administrative expenses					<u>(5,341)</u>
Profit from operations					915
Interest on fixed deposits					1,142
Share of profit of an associate					<u>3,704</u>
Profit before taxation					5,761
Income tax expense					<u>(940)</u>
Profit for the period					<u><u>4,821</u></u>

**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 November 2008, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

**13) Income tax expense**

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	1,162	330	1,164	2,081
- Deferred tax	(114)	(60)	(224)	(190)
	<u>1,048</u>	<u>270</u>	<u>940</u>	<u>1,891</u>

The Group's effective tax rate for the current quarter and period differed from the statutory income tax rate in Malaysia principally due 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 per share**

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
<b>(a) Basic earnings per share</b>				
Profit for the period (RM'000)	4,685	342	4,821	4,931
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	149,246	150,013	149,611	149,713
Basic earnings per share (sen)	3.14	0.23	3.22	3.29

**(b) Diluted earnings per share**

Profit for the period (RM'000)	4,685	342	4,821	4,931
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	149,246	152,204	149,611	151,397
Diluted earnings per share (sen)	3.14	0.22	3.22	3.26

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 30.09.2008 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition profits	9,666
Share of post-acquisition revaluation surplus	14,764
	<u>40,447</u>
300% Redeemable Cumulative 3 Year Preference Shares (RCPS) - The balance was fully redeemed subsequent to this second quarter in accordance with the terms of RCPS	5,515
	<u>45,962</u>

**15) Investment in an associate (cont'd)**

Represented by:

Share of net assets other than goodwill in associate	26,854
Share of goodwill in associate	813
RCPS	5,515
	<hr/>
	33,182
Goodwill on acquisition of ordinary shares	12,780
	<hr/>
	45,962

**16) Fixed Deposits, Other Payables, Cash and Cash Equivalents**

Included in the above are the insurance monies received pursuant to the Group personal accident policy of RM5,001,500 and interest earned thereon of RM14,867 totalling RM5,016,367 and is payable to the estate of a deceased director of certain subsidiaries upon granting of letter of probate from the High Court.

## **(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 September 2008, the Group recorded a higher revenue of RM40.66 million as compared to the previous corresponding quarter of RM28.99 million and a higher profit before taxation of RM5.73 million as compared to profit before taxation of RM0.61 million in the previous corresponding quarter. This was mainly due to higher plywood selling prices and sales volume for the current quarter under review.

For the current period ended 30 September 2008, the Group recorded revenue of RM75.91 million as compared to the previous corresponding period of RM61.88 million and a profit before taxation of RM5.76 million as compared to profit before taxation of RM6.82 million in the previous corresponding period. This was mainly due to lower plywood margins for the current period under review despite higher plywood sales volume recorded.

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

The Group recorded a profit before taxation of RM5.73 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM0.03 million. The improvement in results was mainly due to higher plywood selling prices for the current quarter under review.

### **3. Commentary on Prospects**

In view of the current global financial conditions, the Directors expect the Group's operating environment for the remaining financial year to be challenging.

### **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 September 2008.

### **7. Quoted Securities**

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 30 September 2008 other than the disposal of quoted securities in the current quarter for RM3,195 resulting in a loss of RM2,805.

(b) There was no investment in quoted securities as at 30 September 2008.

**8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 22 November 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 September 2008.

**10. Off Balance Sheet Financial Instruments**

The Group did not have any off balance sheet financial instruments as at 22 November 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 November 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 26 November 2008.