

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Third Quarter Ended 31 December 2008

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the third quarter ended 31 December 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>9 months ended</u>	
		<u>31/12/2008</u>	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2007</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	8	31,707	29,833	107,618	91,709
Cost of sales		<u>(27,010)</u>	<u>(30,784)</u>	<u>(96,066)</u>	<u>(83,696)</u>
Gross profit/(loss)		4,697	(951)	11,552	8,013
Other income		1,575	701	1,793	909
Distribution costs		(241)	(290)	(914)	(748)
Other expenses		(71)	(76)	(215)	(228)
Administrative expenses		<u>(3,623)</u>	<u>(3,972)</u>	<u>(8,964)</u>	<u>(8,448)</u>
Profit/(loss) from operations		2,337	(4,588)	3,252	(502)
Interest on fixed deposits		669	600	1,811	1,840
Share of profit of an associate		<u>620</u>	<u>665</u>	<u>4,324</u>	<u>2,161</u>
Profit/(loss) before taxation		3,626	(3,323)	9,387	3,499
Income tax expense	13	<u>(964)</u>	<u>693</u>	<u>(1,904)</u>	<u>(1,198)</u>
Profit/(loss) for the period		<u>2,662</u>	<u>(2,630)</u>	<u>7,483</u>	<u>2,301</u>
Earnings/(loss) per share:	14	Sen	Sen	Sen	Sen
- Basic		1.81	(1.75)	5.03	1.54
- Diluted		1.81	(1.75)	5.03	1.52

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 31/12/2008 RM'000	AS AT 31/03/2008 RM'000
Non-current Assets			
Property, plant and equipment		18,436	16,024
Land lease prepayments		19,200	19,366
Investment in an associate	15	41,648	31,625
Other investments		125	131
		<u>79,409</u>	<u>67,146</u>
Current Assets			
Inventories		26,183	28,516
Trade receivables		2,581	12,486
Other receivables		489	1,014
Tax refundable		1,361	3,183
Fixed deposits	16	82,750	67,090
Cash and bank balances		12,321	3,188
		<u>125,685</u>	<u>115,477</u>
Total Assets		<u>205,094</u>	<u>182,623</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,983
Reserves		43,588	26,498
Treasury shares	7	<u>(6,166)</u>	<u>(2,788)</u>
Total Equity		<u>190,405</u>	<u>176,693</u>
Non-current Liability			
Deferred tax liabilities		<u>997</u>	<u>1,055</u>
Current Liabilities			
Trade payables		4,735	2,891
Other payables	16	8,957	1,984
		<u>13,692</u>	<u>4,875</u>
Total Liabilities		<u>14,689</u>	<u>5,930</u>
Total Equity and Liabilities		<u>205,094</u>	<u>182,623</u>
Net assets per share (RM)		1.32	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 ----->						
	Note	<u>Non-distributable</u>			<u>Distributable</u>		
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2007		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		-	-	-	-	2,301	2,301
Total recognised income and expense for the period		-	-	-	-	2,301	2,301
Issue of ordinary shares pursuant to ESOS		889	12	-	-	-	901
Purchase of treasury shares		-	-	-	(393)	-	(393)
Share-based payment under ESOS		-	-	147	-	-	147
Dividend		-	-	-	-	(6,010)	(6,010)
At 31 December 2007		152,983	16,515	332	(2,788)	10,272	177,314
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		-	-	-	-	7,483	7,483
Total recognized income and expense for the period		-	-	-	-	7,483	7,483
Purchase of treasury shares	7	-	-	-	(3,378)	-	(3,378)
Revaluation surplus of an associate's vessels		-	-	15,473	-	-	15,473
Share-based payment under ESOS		-	-	89	-	-	89
Dividend		-	-	-	-	(5,955)	(5,955)
At 31 December 2008		152,983	16,515	16,403	(6,166)	10,670	190,405

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

	9 months ended	
	31/12/2008	31/12/2007
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	9,387	3,499
Adjustments for:		
Amortisation of land lease prepayments	167	167
Depreciation of property, plant and equipment	2,826	2,940
Interest on fixed deposits	(1,811)	(1,840)
Profit on disposal of property, plant and equipment	(1,626)	(771)
Equipment scrapped	-	9
Share of profit of an associate	(4,324)	(2,161)
Share-based payment under ESOS	89	147
Loss on disposal of marketable securities	3	-
Operating profit before working capital changes	<u>4,711</u>	<u>1,990</u>
Decrease in inventories	2,333	8,135
Decrease/(Increase) in receivables	10,504	(2,264)
Increase/(Decrease) in payables	8,817	(1,480)
Cash generated from operations	<u>26,365</u>	<u>6,381</u>
Income tax paid	(937)	(6,705)
Refund of income tax	797	-
Net cash generated from/(used in) operating activities	<u>26,225</u>	<u>(324)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,239)	(553)
Proceeds from disposal of property, plant and equipment	1,626	1,023
Proceeds from disposal of marketable securities	3	-
Proceeds from redemption of RCPS by an associate	9,500	-
Interest on fixed deposits received	1,811	1,840
Dividend received	200	-
Net cash generated from investing activities	<u>7,901</u>	<u>2,310</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	901
Purchase of treasury shares	(3,378)	(393)
Dividends paid	(5,955)	(6,010)
Net cash used in financing activities	<u>(9,333)</u>	<u>(5,502)</u>
Net increase/(decrease) in cash and cash equivalents	24,793	(3,516)
Cash and cash equivalents at beginning of financial year	70,278	77,133
Cash and cash equivalents at end of financial period	16 <u>95,071</u>	<u>73,617</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 5,348,200 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 RM3,378,496 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 31 December 2008, 8,316,300 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 RM6,166,481. The number of outstanding ordinary shares in issue and fully paid is therefore 144,667,000 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	9 months ended 31 December 2008				
	Timber processing RM'000	Timber extraction RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	105,856	1,762	200	(200)	107,618
Inter-segment	-	-	-	-	-
Total	<u>105,856</u>	<u>1,762</u>	<u>200</u>	<u>(200)</u>	<u>107,618</u>
Results					
Segment results	<u>12,575</u>	<u>(359)</u>	<u>200</u>	<u>(200)</u>	<u>12,216</u>
Administrative expenses					<u>(8,964)</u>
Profit from operations					3,252
Interest on fixed deposits					1,811
Share of profit of an associate					<u>4,324</u>
Profit before taxation					9,387
Income tax expense					<u>(1,904)</u>
Profit for the period					<u><u>7,483</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.

However, as announced on 26 November 2008, the Company has commenced members' voluntary liquidation on its six wholly-owned non-operating subsidiaries.

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2008 to 23 February 2009, 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		9 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	808	(583)	1,972	1,498
- Deferred tax	166	(110)	(58)	(300)
Overprovision of income tax in prior year	(10)	-	(10)	-
	<u>964</u>	<u>(693)</u>	<u>1,904</u>	<u>1,198</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		9 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
(a) Basic earnings per share				
Profit/(loss) for the period (RM'000)	2,662	(2,630)	7,483	2,301
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	146,714	149,930	148,642	149,862
Basic earnings/(loss) per share (sen)	1.81	(1.75)	5.03	1.54
(b) Diluted earnings per share				
Profit/(loss) for the period (RM'000)	2,662	(2,630)	7,483	2,301
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	146,714	149,989	148,642	150,993
Diluted earnings/(loss) per share (sen)	1.81	(1.75)	5.03	1.52

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 31.12.2008
	RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition profits	10,158
Share of post-acquisition revaluation surplus	15,473
	<u>41,648</u>
Represented by:	
Share of net assets other than goodwill in associate	28,055
Share of goodwill in associate	813
	<u>28,868</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>41,648</u>

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 RM72,326 totalling RM5,073,826 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 31 December 2008, the Group recorded a revenue of RM31.71 million as compared to the previous corresponding quarter of RM29.83 million and a profit before taxation of RM3.63 million as compared to loss before taxation of RM3.32 million in the previous corresponding quarter. This was mainly due to higher plywood selling prices for the current quarter under review.

For the current period ended 31 December 2008, the Group recorded revenue of RM107.62 million as compared to the previous corresponding period of RM91.71 million and a profit before taxation of RM9.39 million as compared to profit before taxation of RM3.50 million in the previous corresponding period. The improvement in results was mainly due to higher plywood sales volume and higher contribution from the Group's associated company engaged in the provision of services to the oil and gas industry for the current period under review.

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

The Group recorded a profit before taxation of RM3.63 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM5.73 million. The decrease in results was mainly due to lower plywood sales volume and lower contribution from the associated company for the current quarter under review.

3. Commentary on Prospects

In view of the global financial and economic crisis, 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 31 December 2008.

7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 December 2008 other than the disposal of quoted securities in the interim period for RM3,195 resulting in a loss of RM2,805.

(b) There was no investment in quoted securities as at 31 December 2008.

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 23 February 2009, 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 December 2008.

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 23 February 2009, 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 23 February 2009, 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 February 2009.