

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Fourth Quarter Ended 31 March 2009

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the fourth quarter ended 31 March 2009

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Condensed Consolidated Income Statements

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		12 months ended	
		31/03/2009	31/03/2008	31/03/2009	31/03/2008
		RM'000	RM'000	RM'000	RM'000
Revenue	8	19,874	23,008	127,492	114,717
Cost of sales		(17,980)	(24,204)	(114,046)	(107,900)
Gross profit/(loss)		1,894	(1,196)	13,446	6,817
Other income		109	96	1,902	1,005
Distribution costs		(147)	(252)	(1,061)	(1,000)
Other expenses		(71)	(101)	(286)	(329)
Administrative expenses		(2,605)	(2,626)	(11,569)	(11,074)
Profit/(loss) from operations		(820)	(4,079)	2,432	(4,581)
Interest on fixed deposits		528	604	2,339	2,444
Finance cost		(743)	-	(743)	-
Share of profit of an associate		2,786	1,519	7,110	3,680
Profit/(loss) before taxation		1,751	(1,956)	11,138	1,543
Income tax expense	13	404	794	(1,500)	(404)
Profit/(loss) for the period		2,155	(1,162)	9,638	1,139
Attributable to:					
Equity holders of the Company		1,778	(1,162)	9,261	1,139
Minority interests		377	-	377	-
		2,155	(1,162)	9,638	1,139
Earnings/(loss) per share:	14	Sen	Sen	Sen	Sen
- Basic		1.49	(0.78)	6.53	0.76
- Diluted		1.49	(0.78)	6.53	0.75

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.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the fourth quarter ended 31 March 2009

Condensed Consolidated Balance Sheets

ASSETS	Note	AS AT 31/03/2009 RM'000	AS AT 31/03/2008 RM'000
Non-current Assets			
Property, plant and equipment		172,100	16,024
Land lease prepayments		19,144	19,366
Investment in an associate	15	54,181	31,625
Other investments		125	131
		<u>245,550</u>	<u>67,146</u>
Current Assets			
Inventories		27,313	28,516
Trade receivables		3,544	12,486
Other receivables		1,102	1,014
Tax refundable		2,392	3,183
Short-term investments		5,006	-
Fixed deposits		50,436	67,090
Cash and bank balances		8,809	3,188
		<u>98,602</u>	<u>115,477</u>
Total Assets		<u>344,152</u>	<u>182,623</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,983
Reserves		54,898	26,498
Treasury shares	7	(6,396)	(2,788)
		<u>201,485</u>	<u>176,693</u>
Minority Interests		24,169	-
Total Equity		<u>225,654</u>	<u>176,693</u>
Non-current Liability			
Deferred tax liabilities		953	1,055
Current Liabilities			
Trade payables		2,374	2,891
Other payables	17	115,151	1,984
Current tax payable		20	-
		<u>117,545</u>	<u>4,875</u>
Total Liabilities		<u>118,498</u>	<u>5,930</u>
Total Equity and Liabilities		<u>344,152</u>	<u>182,623</u>
Net assets per share (RM)		1.40	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

Note	< -----Attributable to Equity Holders of the Company----->							
	<i>Non-distributable</i>				<i>Distributable</i>			
	Share Capital RM'00 0	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 April 2007	152,094	16,503	(2,395)	185	13,981	180,368	-	180,368
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognised in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	1,139	1,139	-	1,139
Total recognised income and Expense for the period	-	-	-	-	1,139	1,139	-	1,139
Issue of ordinary shares pursuant to ESOS	889	12	-	-	-	901	-	901
Purchase of treasury shares	-	-	(393)	-	-	(393)	-	(393)
Foreign currency translation of an associate	-	-	-	469	-	469	-	469
Prior year adjustment of an associate	-	-	-	-	31	31	-	31
Share-based payment under ESOS	-	-	-	187	-	187	-	187
Dividend	-	-	-	-	(6,009)	(6,009)	-	(6,010)
At 31 March 2008	152,983	16,515	(2,788)	841	9,142	176,693	-	176,693
At 1 April 2008	152,983	16,515	(2,788)	841	9,142	176,693	-	176,693
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognized in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	9,261	9,261	377	9,638
Total recognised income and expense for the period	-	-	-	-	9,261	9,261	377	9,638
Purchase of treasury shares	-	-	(3,608)	-	-	(3,608)	-	(3,608)
Revaluation surplus of an associate's vessels	-	-	-	25,616	-	25,616	-	25,616
Foreign currency translation of an associate	-	-	-	(395)	-	(395)	-	(395)
Foreign currency translation of a subsidiary	-	-	-	(164)	-	(164)	-	(164)
Minority Interests on acquisition of a subsidiary	-	-	-	-	-	-	23,792	23,792
Share-based payment under ESOS	-	-	-	37	-	37	-	37
Dividend	-	-	-	-	(5,955)	(5,955)	-	(5,955)
At 31 March 2009	152,983	16,515	(6,396)	25,935	12,448	201,485	24,169	225,654

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

	12 months ended	
	31/03/2009	31/03/2008
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	11,138	1,543
Adjustments for:		
Amortisation of land lease prepayments	222	222
Depreciation of property, plant and equipment	4,294	3,864
Finance cost	743	-
Interest on fixed deposits	(2,339)	(2,444)
Profit on disposal of property, plant and equipment	(1,654)	(811)
Share of profit of an associate	(7,110)	(3,680)
Share-based payment under ESOS	37	187
Dividend income from short-term investments	(6)	-
Loss on disposal of marketable securities	3	-
Unrealised gain on exchange differences	(12)	-
Equipment scrapped	-	10
Operating profit/(loss) before working capital changes	5,316	(1,109)
Decrease in inventories	1,203	5,613
Decrease in receivables	8,978	2,859
Increase/(Decrease) in payables	2,525	(5,081)
Cash generated from operations	18,022	2,282
Income tax paid	(1,589)	(6,706)
Refund of income tax	797	-
Net cash generated from/(used in) operating activities	<u>17,230</u>	<u>(4,424)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,320)	(569)
Proceeds from disposal of property, plant and equipment	1,654	1,067
Proceeds from redemption of RCPS by an associate	9,500	-
Acquisition of a subsidiary	(22,869)	-
Interest on fixed deposits received	2,301	2,363
Dividend received	206	211
Proceeds from disposal of marketable securities	3	-
Net cash (used in)/generated from investing activities	<u>(14,525)</u>	<u>3,072</u>
Cash flows from financing activities		
Finance cost	(743)	-
Purchase of treasury shares	(3,608)	(393)
Dividends paid	(5,955)	(6,010)
Proceeds from issuance of ordinary shares	-	901
Net cash used in financing activities	<u>(10,306)</u>	<u>(5,502)</u>
Net decrease in cash and cash equivalents	(7,601)	(6,854)
Effects of foreign exchange rate changes	1,574	-
Cash and cash equivalents at beginning of financial year	70,278	77,133
Cash and cash equivalents at end of financial year	16 <u>64,251</u>	<u>70,279</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 5,710,900 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 RM3,607,546 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 March 2009, 8,679,000 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 RM6,395,530. The number of outstanding ordinary shares in issue and fully paid is therefore 144,304,300 ordinary shares of RM1 each.

8) Segmental information*Business Segments*

	12 months ended 31 March 2009					Consolidated RM'000
	Timber processing RM'000	Vessel chartering RM'000	Timber extraction RM'000	Investment holding RM'000	Elimination RM'000	
Revenue						
External	123,452	2,278	1,762	200	(200)	127,492
Inter-segment	-	-	-	-	-	-
Total	123,452	2,278	1,762	200	(200)	127,492
Results						
Segment results	12,447	1,844	(290)	200	(200)	14,001
Administrative expenses						(11,569)
Finance cost						(743)
Profit from operations						1,689
Interest on fixed deposits						2,339
Share of profit of an associate						7,110
Profit before taxation						11,138
Income tax expense						(1,500)
Profit for the period						9,638

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 other changes in the composition of the Group during the interim period under review except for the following:

- (i) The Company had commenced members' voluntary liquidation on its six wholly owned non-operating subsidiaries as announced on 26 November 2008 which are expected to be completed within two years from the date of the announcement;

11) Changes in the composition of the Group (cont'd)

- (ii) The Company through its wholly owned subsidiary, Gerak Armada Sdn Bhd (GASB) had on 20 February 2009 entered into a Subscription and Shareholders' Agreement ("the Agreement") with Offshore Construction & Engineering Sdn Bhd, a subsidiary of an associate, and Offshore Constructor (Labuan) Ltd (OCL) whereby GASB subscribed 4,709 new ordinary shares of USD1.00 each in OCL representing 49.01% of the issued and paid-up share capital at an issue price of USD1,326.71 per share. The subscription of OCL shares was completed on 23 February 2009. Pursuant to the Agreement, the Company will have the majority number of directors in OCL. The Company also has an indirect interest of 12.75% in OCL through its associate. Therefore, the Company has an effective equity interest in OCL of 61.76% and as a result, the financial statements of OCL have been consolidated in the financial statements of the Group.

The total cost of acquisition is RM22,868,891.

The acquired subsidiary has contributed the following results to the Group:

	3 months ended 31.03.2009 RM'000	12 months ended 31.03.2009 RM'000
Revenue	2,278	2,278
Profit for the period	<u>986</u>	<u>986</u>

If the acquisition had occurred on 1 April 2008, the Group revenue and profit for the year would have been RM127,491,670 and RM9,638,612 respectively.

The assets and liabilities arising from the acquisition are as follows:

	31.03.2009 RM'000
Property, plant and equipment	155,571
Other creditors	<u>(108,910)</u>
Total net assets	46,661
Less: Minority interests	<u>(23,792)</u>
Group's share of net assets	<u><u>22,869</u></u>

The cash outflow on acquisition is as follows:

	12 months ended 31.03.2009 RM'000
Purchase consideration satisfied by cash	22,869
Cash and cash equivalents of subsidiary acquired	<u>0</u>
Net cash outflow of the Group	<u><u>22,869</u></u>

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2008 to 22 May 2009, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

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Interim financial report for the fourth quarter ended 31 March 2009

13) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	(366)	(511)	1,606	987
- Deferred tax	(38)	(244)	(96)	(544)
Overprovision of income tax in prior year	0	(39)	(10)	(39)
	<u>(404)</u>	<u>(794)</u>	<u>1,500</u>	<u>404</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 including a Labuan offshore subsidiary which suffered tax at a nominal amount, and certain expenses which are not deductible for tax purposes.

14) Earnings per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
(a) Basic earnings per share				
Profit/(loss) for the period (RM'000)	2,155	(1,162)	9,638	1,139
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	144,511	150,015	147,623	149,900
Basic earnings/(loss) per share (sen)	1.49	(0.78)	6.53	0.76

(b) Diluted earnings per share

Profit/(loss) for the period (RM'000)	2,155	(1,162)	9,638	1,139
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	144,511	150,015	147,623	150,325
Diluted earnings/(loss) per share (sen)	1.49	(0.78)	6.53	0.75

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 31.03.2009 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	<u>38,164</u>
	<u>54,181</u>
Represented by:	
Share of net assets other than goodwill in associate	40,588
Share of goodwill in associate	<u>813</u>
	41,401
Goodwill on acquisition of ordinary shares	<u>12,780</u>
	<u>54,181</u>

16) Cash and Cash Equivalents

	As at 31.03.2009 RM'000
Short-term investments	5,006
Fixed deposits	50,436
Cash and bank balances	8,809
	<hr/> 64,251 <hr/>

Included in fixed deposits are the insurance monies received pursuant to the Group personal accident policy of RM5,001,500 and interest earned thereon of RM89,648 totalling RM5,091,148 and is payable to the estate of a deceased director of certain subsidiaries upon granting of letter of probate from the High Court.

17) Other Payables

Included in other payables are insurance monies payable as mentioned in Note 16 and interest bearing advances of RM108,544,785 from the associate's subsidiary, Offshore Construction & Engineering Sdn Bhd to the Group's partly owned subsidiary, Offshore Constructor (Labuan) Ltd for the purchase of a vessel.

(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 2009, the Group recorded a revenue of RM19.87 million as compared to the previous corresponding quarter of RM23 million and a profit before taxation of RM1.75 million as compared to loss before taxation of RM1.96 million in the previous corresponding quarter.

For the current year ended 31 March 2009, the Group recorded revenue of RM127.49 million as compared to the previous corresponding year of RM114.72 million and a profit before taxation of RM11.14 million as compared to profit before taxation of RM1.54 million in the previous corresponding year.

The improvement in results was mainly due to higher plywood sales and higher contributions from the Group's associate engaged in the provision of services to the oil and gas industry and the vessel chartering of the newly acquired subsidiary for the current quarter and year under review.

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

The Group recorded a profit before taxation of RM1.75 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM3.63 million. The decrease in results was mainly due to lower plywood sales despite higher contributions from the associate and vessel chartering for the current quarter under review.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect higher contributions from the associate and vessel chartering in the oil and gas industry while the plywood market will remain challenging for the coming financial year.

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 2009.

7. Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 March 2009 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 March 2009.

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 May 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 March 2009.

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 22 May 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 22 May 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

12. Dividends

- (a) (i) For year ended 31 March 2009, the Directors have recommended a proposed final tax exempt dividend of 4% (2008: final tax exempt dividend of 4%);
- (ii) Payment date: to be announced at a later date;
- (iii) The date of entitlement to dividend: to be announced at a later date; and
- (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 2009 is 4% tax exempt dividend (2008: 4% 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 2009.