

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Interim Financial Report**

**For The Second Quarter Ended 30 September 2009**

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

Interim financial report for the second quarter ended 30 September 2009

<b>Index</b>	<b>page</b>
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	Individual Quarter		Financial Year-to-date	
		3 months ended		6 months ended	
		30/09/2009	30/09/2008	30/09/2009	30/09/2008
		RM'000	RM'000	RM'000	RM'000
Revenue	8	39,354	40,662	65,117	75,911
Cost of sales		(32,361)	(34,137)	(54,374)	(69,056)
Gross profit		6,993	6,525	10,743	6,855
Other income		31	76	63	218
Distribution costs		(340)	(331)	(545)	(673)
Other expenses		(507)	(73)	(590)	(144)
Administrative expenses		(2,417)	(3,037)	(4,785)	(5,341)
Profit from operations		3,760	3,160	4,886	915
Interest on fixed deposits		229	599	458	1,142
Finance costs		(1,802)	-	(3,909)	-
Share of (loss)/profit of an associate		(53)	1,974	1,586	3,704
Profit before taxation		2,134	5,733	3,021	5,761
Income tax expense	13	221	(1,048)	201	(940)
Profit for the period		2,355	4,685	3,222	4,821
Attributable to:					
Equity holders of the Company		1,216	4,685	925	4,821
Minority interests		1,139	-	2,297	-
		2,355	4,685	3,222	4,821
Earnings per share attributable to equity holders of the Company:	14	Sen	Sen	Sen	Sen
- Basic		0.85	3.14	0.64	3.22
- Diluted		0.85	3.14	0.64	3.22

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial report.

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

Interim financial report for the second quarter ended 30 September 2009

**Condensed Consolidated Balance Sheets**

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 30/09/2009 RM'000</b>	<b>AS AT 31/03/2009 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		160,468	172,100
Land lease prepayments		19,033	19,144
Investment in an associate	15	56,378	54,792
Other investments		125	125
		<u>236,004</u>	<u>246,161</u>
<b>Current Assets</b>			
Inventories		28,889	27,313
Trade receivables		6,608	3,544
Other receivables		4,603	1,109
Tax refundable		1,999	2,393
Short-term investments		4,525	5,006
Fixed deposits		51,338	57,036
Cash and bank balances		3,215	2,208
		<u>101,177</u>	<u>98,609</u>
<b>Total Assets</b>		<u>337,181</u>	<u>344,770</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		152,983	152,983
Reserves		53,909	55,503
Treasury shares	7	(6,927)	(6,396)
		<u>199,965</u>	<u>202,090</u>
<b>Minority Interests</b>		<u>26,466</u>	<u>24,169</u>
<b>Total Equity</b>		<u>226,431</u>	<u>226,259</u>
<b>Non-current Liability</b>			
Deferred tax liabilities		<u>737</u>	<u>959</u>
<b>Current Liabilities</b>			
Trade payables		6,469	2,371
Other payables	17	103,506	115,161
Current tax payable		38	20
		<u>110,013</u>	<u>117,552</u>
<b>Total Liabilities</b>		<u>110,750</u>	<u>118,511</u>
<b>Total Equity and Liabilities</b>		<u>337,181</u>	<u>344,770</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>			
		1.39	1.40

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2009 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----->							Total Equity RM'000
	<i>Non-distributable</i>				<i>Distributable</i>		Minority Interests RM'000	
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000		
<b>At 1 April 2008</b>	152,983	16,515	(2,788)	841	9,142	176,693	-	176,693
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognised in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	4,821	4,821	-	4,821
Total recognised income and Expense for the period	-	-	-	-	4,821	4,821	-	4,821
Issue of ordinary shares pursuant to ESOS	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(772)	-	-	(772)	-	(772)
Revaluation surplus of an associate's vessels	-	-	-	14,764	-	14,764	-	14,764
Share-based payment under ESOS	-	-	-	60	-	60	-	60
<b>At 30 September 2008</b>	152,983	16,515	(3,560)	15,665	13,963	195,566	-	195,566
<b>At 1 April 2009</b>	152,983	16,515	(6,396)	25,935	13,053	202,090	24,169	226,259
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognized in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	925	925	2,297	3,222
Total recognised income and expense for the period	-	-	-	-	925	925	2,297	3,222
Purchase of treasury shares	-	-	(531)	-	-	(531)	-	(531)
Foreign currency translation of a subsidiary	-	-	-	(2,560)	-	(2,560)	-	(2,560)
Share-based payment under ESOS	-	-	-	41	-	41	-	41
<b>At 30 September 2009</b>	152,983	16,515	(6,927)	23,416	13,978	199,965	26,466	226,431

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**

	<b>6 months ended</b>	
	<b>30/09/2009</b>	<b>30/09/2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	3,021	5,761
<b>Adjustments for:</b>		
Amortisation of land lease prepayments	111	111
Depreciation of property, plant and equipment	4,562	1,828
Dividend income from short-term investments	(19)	-
Equipment scrapped	1	-
Finance cost	3,909	-
Interest on fixed deposits	(458)	(1,142)
Loss on disposal of marketable securities	-	3
Profit on disposal of property, plant and equipment	-	(70)
Share of profit of an associate	(1,586)	(3,704)
Share-based payment under ESOS	41	60
Unrealised gain on exchange differences	-	(18)
Operating profit before working capital changes	<u>9,582</u>	<u>2,829</u>
Increase in inventories	(1,576)	(3,060)
(Increase)/Decrease in receivables	(6,673)	3,305
(Decrease)/Increase in payables	<u>(2,143)</u>	<u>8,686</u>
Cash generated from operations	(810)	11,760
Income tax paid	(217)	(584)
Refund of income tax	610	794
Net cash (used in)/generated from operating activities	<u>(417)</u>	<u>11,970</u>
<b>Cash flows from investing activities</b>		
Dividend received	19	73
Interest on fixed deposits received	458	1,142
Proceeds from disposal of property, plant and equipment	-	70
Proceeds from disposal of marketable securities	-	3
Proceeds from redemption of RCPS by an associate	-	3,985
Purchase of property, plant and equipment	(793)	(3,330)
Net cash (used in)/generated from investing activities	<u>(316)</u>	<u>1,943</u>
<b>Cash flows from financing activities</b>		
Finance cost	(3,909)	-
Purchase of treasury shares	(531)	(772)
Net cash used in financing activities	<u>(4,440)</u>	<u>(772)</u>
<b>Net decrease in cash and cash equivalents</b>	(5,173)	13,141
<b>Effects of foreign exchange rate changes</b>	1	-
<b>Cash and cash equivalents at beginning of financial year</b>	<u>64,250</u>	<u>70,278</u>
<b>Cash and cash equivalents at end of financial period</b>	16 <u>59,078</u>	<u>83,419</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2009 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 2009. 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 2009.

### **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 2009.

### **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 2009 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 769,900 of its issued ordinary shares from the open market at an average price of RM0.69 per share. The total consideration paid for the repurchase including transaction costs was RM531,592 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 2009, 9,448,900 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 RM6,927,122. The number of outstanding ordinary shares in issue and fully paid is therefore 143,534,400 ordinary shares of RM1 each.

**8) Segmental information**

*Business Segments*

	<b>6 months ended 30 September 2009</b>					
	<b>Timber processing</b>	<b>Vessel chartering</b>	<b>Investment holding</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>						
External	52,119	12,942	-	56	-	65,117
Inter-segment	-	-		540	(540)	-
Total	<u>52,119</u>	<u>12,942</u>	<u>-</u>	<u>596</u>	<u>(540)</u>	<u>65,117</u>
<b>Results</b>						
Segment results	<u>(373)</u>	<u>6,079</u>	<u>-</u>	<u>596</u>	<u>(540)</u>	<u>5,762</u>
Administrative expenses						(4,785)
Interest on fixed deposits						458
Share of profit of an associate						1,586
Profit before taxation						<u>3,021</u>
Income tax expense						<u>201</u>
Profit for the period						<u><u>3,222</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 other than the following:

- (a) On 13 November 2009, the Company through its wholly owned subsidiary, Gerak Armada Sdn Bhd ("GASB"), completed the subscription of an additional 391 ordinary shares of USD1.00 each in Offshore Constructor (Labuan) Ltd. ("OCL") at an issue price of USD652.17 per share thereby increasing the Group's direct equity interest in OCL from 49.01% to 51% in accordance to the terms and conditions of the Subscription and Shareholders' Agreement dated 20 February 2009 entered into between GASB, Offshore Construction & Engineering Sdn. Bhd. and OCL. This has resulted in the Group holding an effective interest in OCL of 63.25%;



**(10) Material events subsequent to the end of the interim period (cont'd)**

(b) Subsequent to the above subscription, the Company gave an unconditional and irrevocable corporate guarantee to a bank of up to 51% of the facility limit, that is USD14.14 million for the Trade Facility-Structured Commodity Financing-i of USD27.72 million granted to an indirect subsidiary, Offshore Constructor (Labuan) Ltd., for settlement of the acquisition cost of its vessel.

**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 2009 to 20 November 2009, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report other than a corporate guarantee given to a bank by the Company for facility granted to an indirect subsidiary as disclosed in note 10(b) above.

**13) Income tax expense**

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	1	1,162	21	1,164
- Deferred tax	(222)	(114)	(222)	(224)
	<u>(221)</u>	<u>1,048</u>	<u>(201)</u>	<u>940</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 subsidiaries which cannot be set off against taxable profits made by other subsidiaries including a Labuan offshore subsidiary which suffered tax at a nominal amount.

**14) Earnings per share**

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
<b>(a) Basic earnings per share</b>				
Profit for the period (RM'000)	1,216	4,685	925	4,821
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	143,541	149,246	143,762	149,611
Basic earnings per share (sen)	0.85	3.14	0.64	3.22

**(b) Diluted earnings per share**

Profit for the period (RM'000)	1,216	4,685	925	4,821
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	143,541	149,246	143,762	149,611
Diluted earnings per share (sen)	0.85	3.14	0.64	3.22

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 30.09.2009 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	40,361
	<u>56,378</u>
Represented by:	
Share of net assets other than goodwill in associate	42,785
Share of goodwill in associate	813
	<u>43,598</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>56,378</u>

**16) Cash and Cash Equivalents**

	As at 30.09.2009 RM'000
Short-term investments	4,525
Fixed deposits	51,338
Cash and bank balances	3,215
	<u>59,078</u>

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 RM141,193 totalling RM5,142,693 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 net interest bearing amount of RM92,701,064 due to the associate's subsidiary, Offshore Construction & Engineering Sdn Bhd 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 30 September 2009, the Group recorded a revenue of RM39.35 million as compared to the previous corresponding quarter of RM40.66 million and a profit before taxation of RM2.13 million as compared to profit before taxation of RM5.73 million in the previous corresponding quarter.

For the period ended 30 September 2009, the Group recorded a revenue of RM65.12 million as compared to the previous corresponding period of RM75.91 million and a profit before taxation of RM3.02 million as compared to profit before taxation of RM5.76 million in the previous corresponding period.

The decrease in results for the current quarter and period under review was mainly due to lower plywood sales which was partly offset by the contribution from vessel chartering.

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

The Group recorded a profit before taxation of RM2.13 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM887,000. The increase in results for the current quarter under review was mainly due to higher plywood sales.

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

In view of the uncertainty in the global economic recovery, the Directors expect the Group's operating environment for the remaining current 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 2009.

### **7. Quoted Securities**

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 30 September 2009.

(b) There was no investment in quoted securities as at 30 September 2009.

**8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 20 November 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 30 September 2009.

**10. Off Balance Sheet Financial Instruments**

The Group did not have any off balance sheet financial instruments as at 20 November 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 20 November 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 25 November 2009.