

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Second Quarter Ended 30 September 2010

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the second quarter ended 30 September 2010

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		6 months ended	
		30/09/2010	30/09/2009	30/09/2010	30/09/2009
		RM'000	RM'000	RM'000	RM'000
Revenue	8	35,424	39,354	72,747	65,117
Cost of sales		(28,648)	(32,361)	(60,194)	(54,374)
Gross profit		6,776	6,993	12,553	10,743
Other income	13	3,883	31	4,655	63
Distribution costs		(281)	(340)	(588)	(545)
Other expenses		(70)	(507)	(141)	(590)
Administrative expenses		(2,654)	(2,417)	(4,938)	(4,785)
Profit from operations		7,654	3,760	11,541	4,886
Interest on fixed deposits		189	229	359	458
Finance costs		(1,115)	(1,802)	(2,389)	(3,909)
Share of (loss)/profit of an associate		(11,689)	(53)	(12,504)	1,586
(Loss)/profit before taxation		(4,961)	2,134	(2,993)	3,021
Income tax expense	14	(31)	221	(80)	201
(Loss)/profit for the period		(4,992)	2,355	(3,073)	3,222
Other comprehensive income, net of tax:					
Foreign currency translation		-	(841)	-	(2,560)
Total comprehensive income for the period		(4,992)	1,514	(3,073)	662
(Loss)/profit attributable to:					
Equity holders of the Company		(7,605)	1,216	(7,096)	925
Minority interests		2,613	1,139	4,023	2,297
		(4,992)	2,355	(3,073)	3,222
Total comprehensive income attributable to:					
Equity holders of the Company		(7,605)	375	(7,096)	(1,635)
Minority interests		2,613	1,139	4,023	2,297
		(4,992)	1,514	(3,073)	662
(Loss)/Earnings per share attributable to equity holders of the Company:	15	Sen	Sen	Sen	Sen
- Basic		(5.36)	0.85	(4.99)	0.64
- Diluted		-	0.85	-	0.64

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 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 2010

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/09/2010 RM'000	AS AT 31/03/2010 RM'000
Non-current Assets			
Property, plant and equipment		184,082	188,313
Investment in an associate	16	46,903	59,408
Other investments		125	125
		<u>231,110</u>	<u>247,846</u>
Current Assets			
Inventories		24,006	21,722
Trade receivables		11,000	4,768
Other receivables		7,063	7,161
Tax refundable		1,771	1,956
Short-term investments		5,131	6,595
Fixed deposits		25,985	40,035
Cash and bank balances		1,268	3,230
		<u>76,224</u>	<u>85,467</u>
Total Assets		<u>307,334</u>	<u>333,313</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,983
Reserves		47,607	54,588
Treasury shares	7	(8,266)	(7,523)
		<u>192,324</u>	<u>200,048</u>
Minority Interests		<u>33,900</u>	<u>29,992</u>
Total Equity		<u>226,224</u>	<u>230,040</u>
Non-current Liability			
Bank borrowings	18	55,631	68,046
Deferred tax liabilities		526	526
		<u>56,157</u>	<u>68,572</u>
Current Liabilities			
Trade payables		4,288	5,854
Other payables		3,528	10,681
Bank borrowings	18	17,117	18,146
Current tax payable		20	20
		<u>24,953</u>	<u>34,701</u>
Total Liabilities		<u>81,110</u>	<u>103,273</u>
Total Equity and Liabilities		<u>307,334</u>	<u>333,313</u>
Net assets per share attributable to equity holders of the Company (RM)		1.36	1.40

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 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>		Minority Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2009	152,983	16,515	(6,396)	25,935	13,053	202,090	24,169	226,259
Total comprehensive income for the period	-	-	-	(2,560)	925	(1,635)	2,297	662
Purchase of treasury shares	-	-	(531)	-	-	(531)	-	(531)
Share-based payment under ESOS	-	-	-	41	-	41	-	41
At 30 September 2009	152,983	16,515	(6,927)	23,416	13,978	199,965	26,466	226,431
At 1 April 2010	152,983	16,549	(7,523)	23,280	14,759	200,048	29,992	230,040
Total comprehensive income for the period	-	-	-	-	(7,096)	(7,096)	4,023	(3,073)
Pursuant to subscription of additional shares in a subsidiary	-	-	-	-	115	115	(115)	-
Purchase of treasury shares 7	-	-	(743)	-	-	(743)	-	(743)
At 30 September 2010	152,983	16,549	(8,266)	23,280	7,778	192,324	33,900	226,224

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Cash Flows

	6 months ended	
	30/09/2010	30/09/2009
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(2,993)	3,021
Adjustments for:		
Amortisation of land lease prepayments	113	111
Depreciation of property, plant and equipment	4,653	4,562
Dividend income	(153)	(19)
Equipment scrapped	1	1
Finance cost	2,389	3,909
Gain on disposal of short-term investments	(7)	-
Gain on disposal of plant and equipment	(66)	-
Interest on fixed deposits	(359)	(458)
Share of loss/(profit) of an associate	12,504	(1,586)
Share-based payment under ESOS	-	41
Unrealised gain on foreign exchange	(4,036)	-
Operating profit before working capital changes	<u>12,046</u>	<u>9,582</u>
Increase in inventories	(2,283)	(1,576)
Increase in receivables	(6,463)	(6,673)
Decrease in payables	(8,707)	(2,143)
Cash used in operations	<u>(5,407)</u>	<u>(810)</u>
Income tax paid	(20)	(217)
Refund of income tax	125	610
Net cash used in operating activities	<u>(5,302)</u>	<u>(417)</u>
Cash flows from investing activities		
Dividend income	153	19
Interest on fixed deposits received	359	458
Proceeds from disposal of plant and equipment	66	-
Purchase of property, plant and equipment	(547)	(793)
Net cash generated from/(used in) investing activities	<u>31</u>	<u>(316)</u>
Cash flows from financing activities		
Finance cost	(2,389)	(3,909)
Purchase of treasury shares	(743)	(531)
Repayment of bank borrowings	(9,073)	-
Net cash used in financing activities	<u>(12,205)</u>	<u>(4,440)</u>
Net decrease in cash and cash equivalents	(17,476)	(5,173)
Effect of foreign exchange rate changes	-	1
Cash and cash equivalents at beginning of financial year	<u>49,860</u>	<u>64,250</u>
Cash and cash equivalents at end of financial period	17 <u>32,384</u>	<u>59,078</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2010 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 2010. 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 2010.

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 2010.

Further, the Group has adopted applicable financial reporting standards and pronouncements which are effective in respect of the current financial year including the following:

(i) FRS 8: Operating Segment

FRS 8 replaces FRS 114₂₀₀₄: *Segment Reporting* and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments.

The chief operating decision maker which is defined as the Group's Executive Committee, relies on internal reports which are similar to those segmental information disclosed. There are no changes in the basis of segmentation and the measurement of segment profit or loss in the current interim financial statements.

(ii) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

The Group has elected to present the condensed consolidated statement of comprehensive income in one single statement.

2) Accounting Policies (Cont'd.)

(iii) FRS 139: Financial Instruments: Recognition and Measurement, FRS7:Financial Instruments: disclosures and Amendments to FRS 139:Financial Instruments: Recognition and Measurement, FRS7:Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

In accordance with the respective transition provisions, the Group is exempted from disclosing the possible impact to the financial statements upon the initial applications.

(iv) Amendment to FRS 117: Leases

The Group has adopted the Amendment to FRS 117 and reclassified the leasehold lands to property, plant and equipment as the existing leasehold lands of the Group are in substance finance leases. As a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

	As previously reported RM'000	Increase/(Decrease) Amendment to FRS 117 RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	169,156	19,157	188,313
Land lease prepayments	19,157	(19,157)	-

The application of the new/revised applicable standards and pronouncements did not result in any significant impact on the Groups' financial statements upon their initial applications.

Comparative figures and items in the financial statements of the Group, where applicable, have been presented and reclassified following the adoption of the relevant standards and pronouncements.

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 2010 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 1,003,600 of its issued ordinary shares from the open market at an average price of RM0.73 per share. The total consideration paid for the repurchase including transaction costs was RM743,487 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.

As at 30 September 2010, 11,269,400 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 RM8,266,256. The number of outstanding ordinary shares in issue and fully paid is therefore 141,713,900 ordinary shares of RM1 each.

8) Segmental information*Business Segments***6 months ended 30 September 2010**

	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External	61,087	11,660	-	-	-	72,747
Inter-segment	-	-	-	540	(540)	-
Total	61,087	11,660	-	540	(540)	72,747
Results						
Segment results	2,861	9,067	-	797	(540)	12,185
Administrative expenses						(4,938)
Interest on fixed deposits						359
Finance costs		(2,389)				(2,389)
Gain on foreign exchange		4,294				4,294
Share of loss of an associate		(12,504)				(12,504)
Loss before taxation						(2,993)
Income tax expense						(80)
Loss for the period						(3,073)

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 other than the members' voluntary liquidation of the six non-operating subsidiaries as announced on 22 July 2010.

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2010 to 22 November 2010, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

13) Other income

Included in other income was the gain on foreign exchange of RM4,294,185 from the vessel chartering division.

14) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	31	1	80	21
- Deferred tax	-	(222)	-	(222)
	<u>31</u>	<u>(221)</u>	<u>80</u>	<u>(201)</u>

The Group's effective tax rate for the current quarter and period differed from the statutory income tax rate in Malaysia principally due to losses of subsidiaries which cannot be set off against taxable profits made by other subsidiaries within the Group and the Group's offshore subsidiary is subject to tax at a nominal amount.

15) (Loss)/Earnings per share

	Individual Quarter		Financial Year-to-date	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
(a) Basic (loss)/earnings per share				
(Loss)/profit for the period (RM'000)	(7,605)	1,216	(7,096)	925
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	141,857	143,541	142,171	143,762
Basic (loss)/earnings per share (sen)	(5.36)	0.85	(4.99)	0.64
(b) Diluted (loss)/earnings per share				
(Loss)/profit for the period (RM'000)	(7,605)	1,216	(7,096)	925
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	141,857	143,541	142,171	143,762
Diluted (loss)/earnings per share (sen)	-	0.85	-	0.64

Diluted loss per share for the current quarter and period have not been presented as the Company has no potential ordinary shares in issue as at the end of financial period as the Company's Employees' Share Options Scheme had expired on 21 November 2009.

16) Investment in an associate

	As at 30.09.2010 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	30,886
	<u>46,903</u>
Represented by:	
Share of net assets other than goodwill in associate	33,310
Share of goodwill in associate	813
	<u>34,123</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>46,903</u>

17) Cash and Cash Equivalents

	As at 30.09.2010 RM'000
Short-term investments	5,131
Fixed deposits	25,985
Cash and bank balances	1,268
	<u>32,384</u>

18) Bank Borrowings

These are stated in note 9 of part (B) of the interim financial report.

(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 2010, the Group recorded a revenue of RM35.42 million as compared to the previous corresponding quarter of RM39.35 million and loss before taxation of RM4.96 million as compared to profit before taxation of RM2.13 million in the previous corresponding quarter. The decrease in revenue was mainly due to lower plywood sales for the current quarter as compared to the previous corresponding quarter whereas the loss for the current quarter was mainly due to share of loss of the associate.

For the current period ended 30 September 2010, the Group recorded revenue of RM72.75 million as compared to the previous corresponding period of RM65.12 million and loss before taxation of RM2.99 million as compared to profit before taxation of RM3.02 million in the previous corresponding period. The increase in revenue was mainly due to higher plywood sales for the current period under review whereas the loss before taxation for the current period was mainly due to share of loss of the associate.

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

The Group recorded a loss before taxation of RM4.96 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM1.97 million. The loss was mainly due to share of loss of the associate.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's results for the current financial year to be adversely affected by the challenging business environment of the Group and the losses incurred by the associate.

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 14 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 2010.

7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 30 September 2010.

(b) There was no investment in quoted securities as at 30 September 2010.

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 November 2010, 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 2010 other than the secured bank borrowings as follows:

	As at 30.09.2010 RM'000	As at 30.09.2009 RM'000
Short term borrowings		
Secured	17,117	-
Long term borrowings		
Secured	55,631	-
	72,748	-
Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
United States Dollars	23,562	72,748

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 22 November 2010, 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 2010, 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 15 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 2010.