

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The First Quarter Ended 30 June 2011

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the first quarter ended 30 June 2011

Index	page
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash flows	6
Notes to the interim financial report	7 – 10
Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements	11 - 13
Authorisation for issue of the interim financial report	13

Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		3 months ended	
		30/06/2011	30/06/2010	30/06/2011	30/06/2010
		RM'000	RM'000	RM'000	RM'000
Revenue	8	22,797	37,323	22,797	37,323
Cost of sales		(14,220)	(31,546)	(14,220)	(31,546)
Gross profit		8,577	5,777	8,577	5,777
Other income		186	772	186	772
Distribution costs		(129)	(307)	(129)	(307)
Other expenses		(71)	(71)	(71)	(71)
Administrative expenses		(2,758)	(2,284)	(2,758)	(2,284)
Profit from operations		5,805	3,887	5,805	3,887
Interest on fixed deposits		183	170	183	170
Finance costs		(1,054)	(1,274)	(1,054)	(1,274)
Share of results of an associate	15	-	(815)	-	(815)
Profit before taxation		4,934	1,968	4,934	1,968
Income tax expense	13	(53)	(49)	(53)	(49)
Profit for the period		4,881	1,919	4,881	1,919
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		4,881	1,919	4,881	1,919
Profit attributable to:					
Owners of the Company		3,700	509	3,700	509
Non-controlling interests		1,181	1,410	1,181	1,410
		4,881	1,919	4,881	1,919
Total comprehensive income attributable to:					
Owners of the Company		3,700	509	3,700	509
Non-controlling interests		1,181	1,410	1,181	1,410
		4,881	1,919	4,881	1,919
Earnings per share attributable to owners of the Company:	14	Sen	Sen	Sen	Sen
- Basic/Diluted		2.63	0.36	2.63	0.36

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the first quarter ended 30 June 2011

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/06/2011 RM'000	AS AT 31/03/2011 RM'000
Non-current Assets			
Property, plant and equipment		177,900	180,078
Investment in an associate	15	-	-
Other investments		125	125
		<u>178,025</u>	<u>180,203</u>
Current Assets			
Inventories		36,336	18,973
Trade receivables		14,695	4,118
Other receivables		1,045	1,825
Prepayments		349	528
Tax refundable		795	808
Short-term investments		709	5,263
Fixed deposits		21,440	28,390
Cash and bank balances		4,190	846
		<u>79,559</u>	<u>60,751</u>
Total Assets		<u>257,584</u>	<u>240,954</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(774)	(4,474)
Treasury shares	7	(9,113)	(8,925)
		<u>143,096</u>	<u>139,584</u>
Non-controlling Interests		<u>37,800</u>	<u>36,619</u>
Total Equity		<u>180,896</u>	<u>176,203</u>
Non-current Liability			
Bank borrowings	17	41,864	41,938
Deferred tax liabilities		499	499
		<u>42,363</u>	<u>42,437</u>
Current Liabilities			
Trade payables		15,102	3,445
Other payables		2,457	2,093
Bank borrowings	17	16,746	16,776
Current tax payable		20	-
		<u>34,325</u>	<u>22,314</u>
Total Liabilities		<u>76,688</u>	<u>64,751</u>
Total Equity and Liabilities		<u>257,584</u>	<u>240,954</u>
Net assets per share attributable to owners of the Company (RM)		1.02	0.99

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

	< -----Attributable to owners of the Company----- >							
	<u>Non-distributable</u>				<u>Distributable</u>			
Note	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2010	152,983	16,549	(7,523)	23,279	14,760	200,048	29,992	230,040
Total comprehensive income for the period	-	-	-	-	509	509	1,410	1,919
Purchase of treasury shares	-	-	(447)	-	-	(447)	-	(447)
At 30 June 2010	<u>152,983</u>	<u>16,549</u>	<u>(7,970)</u>	<u>23,279</u>	<u>15,269</u>	<u>200,110</u>	<u>31,402</u>	<u>231,512</u>
At 1 April 2011	152,983	16,549	(8,925)	23,279	(44,302)	139,584	36,619	176,203
Total comprehensive income for the period	-	-	-	-	3,700	3,700	1,181	4,881
Purchase of treasury shares 7	-	-	(188)	-	-	(188)	-	(188)
At 30 June 2011	<u>152,983</u>	<u>16,549</u>	<u>(9,113)</u>	<u>23,279</u>	<u>(40,602)</u>	<u>143,096</u>	<u>37,800</u>	<u>180,896</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Cash Flows

	3 months ended	
	30/06/2011	30/06/2010
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	4,934	1,968
Adjustments for:		
Depreciation of property, plant and equipment	2,194	2,361
Dividend income	(10)	(5)
Equipment scrapped	-	1
Finance cost	1,054	1,274
Gain on disposal of short-term investments	-	(7)
Interest on fixed deposits	(183)	(170)
Share of results of an associate	-	815
Unrealised gain on foreign exchange	(115)	(544)
Operating profit before working capital changes	<u>7,874</u>	<u>5,693</u>
Increase in inventories	(17,363)	(4,126)
Increase in receivables	(9,608)	(5,177)
Increase/(decrease) in payables	12,021	(4,491)
Cash used in operations	<u>(7,076)</u>	<u>(8,101)</u>
Income tax paid	(61)	(20)
Income tax refunded	41	35
Net cash used in operating activities	<u>(7,096)</u>	<u>(8,086)</u>
Cash flows from investing activities		
Dividend income	10	5
Interest on fixed deposits received	183	170
Purchase of property, plant and equipment	(15)	(179)
Net cash generated from/(used in) investing activities	<u>178</u>	<u>(4)</u>
Cash flows from financing activities		
Finance cost	(1,054)	(1,274)
Purchase of treasury shares	(188)	(447)
Repayment of bank borrowings	-	(4,422)
Net cash used in financing activities	<u>(1,242)</u>	<u>(6,143)</u>
Net decrease in cash and cash equivalents	(8,160)	(14,233)
Cash and cash equivalents at beginning of financial period	<u>34,499</u>	<u>49,860</u>
Cash and cash equivalents at end of financial period	<u>16 26,339</u>	<u>35,627</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 2011. 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 2011.

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 2011.

Further, the Group has adopted applicable financial reporting standards and interpretations which are effective in respect of the current financial year.

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 2011 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 303,000 of its issued ordinary shares from the open market at an average price of RM0.62 per share. The total consideration paid for the repurchase including transaction costs was RM187,737 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 June 2011, 12,469,000 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 RM9,112,746. The number of outstanding ordinary shares in issue and fully paid is therefore 140,514,300 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	3 months ended 30 June 2011					
	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External	17,334	5,463	-	-	-	22,797
Inter-segment	-	-	-	270	(270)	-
Total	17,334	5,463	-	270	(270)	22,797
Results						
Depreciation	802	1,296	-	113	(17)	2,194
Interest on fixed deposits	130	-	1	52	-	183
Finance costs	-	1,054	-	-	-	1,054
Unrealised gain/(loss) on foreign exchange	(7)	122	-	-	-	115
Segment profit/(loss)	2,311	3,050	(72)	(372)	17	4,934

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 2011 to 22 August 2011, 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		3 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	53	49	53	49

The Group's effective tax rate for the current quarter and period is lower than the statutory income tax rate in Malaysia principally due to utilization of capital allowances brought forward of a subsidiary and the Group's offshore subsidiary being subject to tax at a nominal amount.

14) Earnings per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	3,700	509	3,700	509
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	140,787	142,488	140,787	142,488
Basic earnings per share (sen)	2.63	0.36	2.63	0.36
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	3,700	509	3,700	509
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	140,787	142,488	140,787	142,488
Diluted earnings per share (sen)	2.63	0.36	2.63	0.36

The Company has no potential ordinary shares in issue as at the end of financial period and therefore, basic and diluted earnings per share are equal.

15) Investment in an associate

	RM'000
Balance as at 30.6.2011	<u>-</u>

As disclosed previously, the Group has ceased recognizing losses relating to its associate, Offshoreworks Holdings Sdn Bhd, where its share of losses exceeds the Group's interest in this associate which comprises unquoted shares at a cost of RM16,016,870. As at the reporting date, the Group's cumulative share of unrecognized losses was RM29.77 million, of which RM15.89 million was the share of current quarter's losses. The Group has no obligation in respect of these losses.

16) Cash and Cash Equivalents

	As at 30.06.2011 RM'000
Short-term investments	709
Fixed deposits	21,440
Cash and bank balances	<u>4,190</u>
	<u>26,339</u>

17) 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 and period ended 30 June 2011, the Group recorded a revenue of RM22.80 million as compared to the previous corresponding quarter and period of RM37.32 million and profit before taxation of RM4.93 million as compared to profit before taxation of RM1.97 million in the previous corresponding quarter and period. The decrease in revenue was mainly due to lower plywood sales as compared to the previous corresponding quarter and period. Profit before taxation for the current quarter and period was higher mainly due to better plywood margin.

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

The Group recorded a profit before taxation of RM4.93 million for the current quarter as compared to the immediate preceding quarter loss before taxation of RM17.95 million. The improvement in results for the current quarter was mainly due to better plywood margin and the non-recognition of losses of the associate for the current quarter where the Group's share of losses exceeds its interest in the associate as disclosed in note 15 to the interim financial report.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's results for the current financial year to improve.

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 June 2011.

7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 30 June 2011.

(b) There was no investment in quoted securities as at 30 June 2011.

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 August 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report other than the proposed establishment of an Employees' Share Option Scheme which was announced on 1 July 2011.

9. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 30 June 2011 other than the secured bank borrowings as follows:

	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
Short term borrowings		
Secured	16,746	16,776
Long term borrowings		
Secured	41,864	41,938
	<u>58,610</u>	<u>58,714</u>

Borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
United States Dollars	19,404	58,610

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 22 August 2011, 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 August 2011, 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.

14. Realised and Unrealised Profits/Losses Disclosure

The above disclosure in the format prescribed by Bursa Malaysia Securities Bhd is as follows:

	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	60,705	55,970
- Unrealised	4,408	4,293
	65,113	60,263
Total share of losses from associated company:		
- Realised	(39,296)	(39,296)
- Unrealised	-	-
	(39,296)	(39,296)
Less: Consolidation adjustments	(66,419)	(65,269)
Total Group accumulated losses as per consolidated accounts	(40,602)	(44,302)

(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 August 2011.