

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Second Quarter Ended 30 September 2011

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the second quarter ended 30 September 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	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		6 months ended	
		30/09/2011	30/09/2010	30/09/2011	30/09/2010
		RM'000	RM'000	RM'000	RM'000
Revenue	8	24,347	35,424	47,144	72,747
Cost of sales		(19,939)	(28,648)	(34,159)	(60,194)
Gross profit		4,408	6,776	12,985	12,553
Other income		(22)	3,883	164	4,655
Distribution costs		(100)	(281)	(229)	(588)
Other expenses		(2,593)	(70)	(2,664)	(141)
Exceptional items	13	(67,442)	-	(67,442)	-
Administrative expenses		(2,531)	(2,654)	(5,288)	(4,938)
(Loss/)/Profit from operations		(68,280)	7,654	(62,474)	11,541
Interest on fixed deposits		150	189	333	359
Finance costs		(916)	(1,115)	(1,970)	(2,389)
Share of results of an associate	16	-	(11,689)	-	(12,504)
Loss before taxation		(69,046)	(4,961)	(64,111)	(2,993)
Income tax expense	14	(22)	(31)	(75)	(80)
Loss for the period		(69,068)	(4,992)	(64,186)	(3,073)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(69,068)	(4,992)	(64,186)	(3,073)
(Loss/)/Profit attributable to:					
Owners of the Company		(44,620)	(7,605)	(40,919)	(7,096)
Non-controlling interests		(24,448)	2,613	(23,267)	4,023
		(69,068)	(4,992)	(64,186)	(3,073)
Total comprehensive income attributable to:					
Owners of the Company		(44,620)	(7,605)	(40,919)	(7,096)
Non-controlling interests		(24,448)	2,613	(23,267)	4,023
		(69,068)	(4,992)	(64,186)	(3,073)
Loss per share attributable to owners of the Company:	15	Sen	Sen	Sen	Sen
- Basic/Diluted		(31.76)	(5.36)	(29.09)	(4.99)

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 second quarter ended 30 September 2011

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/09/2011 RM'000	AS AT 31/03/2011 RM'000
Non-current Assets			
Property, plant and equipment		118,295	180,078
Investment in an associate	16	-	-
Other investments		125	125
		<u>118,420</u>	<u>180,203</u>
Current Assets			
Inventories		39,594	18,973
Trade receivables		4,798	4,118
Other receivables		1,066	1,825
Prepayments		381	528
Tax refundable		865	808
Short-term investments		217	5,263
Fixed deposits		11,710	28,390
Cash and bank balances		8,935	846
		<u>67,566</u>	<u>60,751</u>
Total Assets		<u>185,986</u>	<u>240,954</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(45,393)	(4,474)
Treasury shares	7	(9,138)	(8,925)
		<u>98,452</u>	<u>139,584</u>
Non-controlling Interests		<u>13,352</u>	<u>36,619</u>
Total Equity		<u>111,804</u>	<u>176,203</u>
Non-current Liability			
Bank borrowings	18	39,804	41,938
Deferred tax liabilities		499	499
		<u>40,303</u>	<u>42,437</u>
Current Liabilities			
Trade payables		7,567	3,445
Other payables		1,714	2,093
Bank borrowings	18	24,578	16,776
Current tax payable		20	-
		<u>33,879</u>	<u>22,314</u>
Total Liabilities		<u>74,182</u>	<u>64,751</u>
Total Equity and Liabilities		<u>185,986</u>	<u>240,954</u>
Net assets per share attributable to owners of the Company (RM)		0.70	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----->							
	<i>Non-distributable</i>				<i>Distributable</i>			
	Share Capital	Share Premium	Treasury Shares	Other Reserves	(Accumulated Losses)/ Retained Profits	Total	Non- controlling Interests	Total Equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	(7,096)	(7,096)	4,023	(3,073)
Purchase of treasury shares	-	-	(743)	-	-	(743)	-	(743)
Pursuant to subscription of additional shares in a subsidiary					115	115	(115)	-
At 30 September 2010	<u>152,983</u>	<u>16,549</u>	<u>(8,266)</u>	<u>23,279</u>	<u>7,779</u>	<u>192,324</u>	<u>33,900</u>	<u>226,224</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	-	-	-	-	(40,919)	(40,919)	(23,267)	(64,186)
Purchase of treasury shares 7	-	-	(213)	-	-	(213)	-	(213)
At 30 September 2011	<u>152,983</u>	<u>16,549</u>	<u>(9,138)</u>	<u>23,279</u>	<u>(85,221)</u>	<u>98,452</u>	<u>13,352</u>	<u>111,804</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

	6 months ended	
	30/09/2011	30/09/2010
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(64,111)	(2,993)
Adjustments for:		
Depreciation of property, plant and equipment	4,230	4,766
Dividend income	(13)	(153)
Equipment scrapped	-	1
Finance cost	1,970	2,389
Gain on disposal of short-term investments	-	(7)
Gain on disposal of plant and equipment	(20)	(66)
Interest on fixed deposits	(333)	(359)
Impairment loss of vessel	57,618	-
Impairment loss of receivables	9,824	-
Share of results of an associate	-	12,504
Unrealised loss/(gain) on foreign exchange	2,294	(4,036)
Operating profit before working capital changes	<u>11,459</u>	<u>12,046</u>
Increase in inventories	(20,621)	(2,283)
Increase in receivables	(8,919)	(6,463)
Increase/(decrease) in payables	3,744	(8,707)
Cash used in operations	<u>(14,337)</u>	<u>(5,407)</u>
Income tax paid	(153)	(20)
Income tax refunded	41	125
Net cash used in operating activities	<u>(14,449)</u>	<u>(5,302)</u>
Cash flows from investing activities		
Dividend income	13	153
Interest on fixed deposits received	333	359
Proceeds from disposal of plant and equipment	20	66
Purchase of property, plant and equipment	(64)	(547)
Net cash generated from investing activities	<u>302</u>	<u>31</u>
Cash flows from financing activities		
Finance cost	(1,970)	(2,389)
Purchase of treasury shares	(213)	(743)
Proceeds from bank borrowings	6,887	-
Repayment of bank borrowings	(4,194)	(9,073)
Net cash generated from/(used in) financing activities	<u>510</u>	<u>(12,205)</u>
Net decrease in cash and cash equivalents	<u>(13,637)</u>	<u>(17,476)</u>
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>20,862</u>	<u>32,384</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 348,000 of its issued ordinary shares from the open market at an average price of RM0.61 per share. The total consideration paid for the repurchase including transaction costs was RM212,737 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 September 2011, 12,514,000 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 RM9,137,746. The number of outstanding ordinary shares in issue and fully paid is therefore 140,469,300 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	6 months ended 30 September 2011					
	Timber processing	Oil and Gas	Investment holding	Others	Elimination /adjustment	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External	33,045	14,099	-	-	-	47,144
Inter-segment	-	-	-	540	(540)	-
Total	33,045	14,099	-	540	(540)	47,144
Results						
Depreciation	1,444	2,593	-	227	(34)	4,230
Interest on fixed deposits	218	-	3	112	-	333
Finance costs	-	1,970	-	-	-	1,970
Unrealised loss on foreign exchange	176	2,118	-	-	-	2,294
Impairment loss of vessel	-	57,618	-	-	-	57,618
Impairment loss of receivables	-	9,824	-	-	-	9,824
Segment profit/(loss)	270	(63,293)	(453)	(669)	34	(64,111)

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 acquisition of 4,900 ordinary shares in subsidiary, Offshore Constructor (Labuan) Ltd., thereby increasing the Group's effective interest from 63.25% to 100% for a purchase consideration of RM10,691,781 as announced on 14 November 2011.

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 21 November 2011, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

13) Exceptional items

These comprise non-recurrent impairment losses of vessel and receivables of subsidiary, Offshore Constructor (Labuan) Ltd, amounting to RM57,617,831 and RM9,823,835 respectively.

14) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 6 months ended	
	30.09.2011 RM'000	30.09.2010 RM'000	30.09.2011 RM'000	30.09.2010 RM'000
In respect of current period:				
- Income tax	22	31	75	80

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 subsidiary within the Group.

15) Loss per share

	Individual Quarter 3 months ended		Financial Year-to-date 6 months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
(a) Basic loss per share				
Loss attributable to owners of the Company (RM'000)	(44,620)	(7,605)	(40,919)	(7,096)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	140,496	141,857	140,640	142,171
Basic loss per share (sen)	(31.76)	(5.36)	(29.09)	(4.99)
(b) Diluted loss per share				
Loss attributable to owners of the Company (RM'000)	(44,620)	(7,605)	(40,919)	(7,096)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	140,496	141,857	140,640	142,171
Diluted loss per share (sen)	(31.76)	(5.36)	(29.09)	(4.99)

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

16) Investment in an associate

	RM'000
Balance as at 30.9.2011	<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 based on the latest management accounts of the associate. The Group has no obligation in respect of these losses.

17) Cash and Cash Equivalents

	As at 30.09.2011 RM'000
Short-term investments	217
Fixed deposits	11,710
Cash and bank balances	<u>8,935</u>
	<u>20,862</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 2011, the Group recorded a revenue of RM24.35 million as compared to the previous corresponding quarter of RM35.42 million and loss before taxation of RM69.05 million as compared to loss before taxation of RM4.96 million in the previous corresponding quarter.

For the current period ended 30 September 2011, the Group recorded a revenue of RM47.14 million as compared to the previous corresponding period of RM72.75 million and loss before taxation of RM64.11 million as compared to loss before taxation of RM2.99 million in the previous corresponding period.

The decrease in revenue for the current quarter and period was mainly due to lower plywood sales. The loss before taxation for the current quarter and period was mainly due to impairment losses of vessel and receivables of a subsidiary.

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

The Group recorded a loss before taxation of RM69.05 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM4.93 million. The loss before taxation for the current quarter was mainly due to impairment losses of vessel and receivables of a subsidiary.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's results for the remaining 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 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 2011.

7. Quoted Securities

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

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

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 November 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 effective date of implementation of the Company's Employees' Share Option Scheme which was approved by the shareholders on 28 September 2011.

9. Group Borrowings and Debt Securities

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

	As at 30.09.2011 RM'000	As at 31.03.2011 RM'000
Short term borrowings		
Secured	24,578	16,776
Long term borrowings		
Secured	39,804	41,938
	<u>64,382</u>	<u>58,714</u>

Borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
United States Dollars	18,018	57,495

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 21 November 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 21 November 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 15 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 30.09.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(8,573)	55,970
- Unrealised	4,618	4,293
	(3,955)	60,263
Total share of losses from associated company:		
- Realised	(39,296)	(39,296)
- Unrealised	-	-
	(39,296)	(39,296)
Less: Consolidation adjustments	(41,970)	(65,269)
Total Group accumulated losses as per consolidated accounts	(85,221)	(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 25 November 2011.