

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Third Quarter Ended 31 December 2011

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the third quarter ended 31 December 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		9 months ended	
		31/12/2011	31/12/2010	31/12/2011	31/12/2010
		RM'000	RM'000	RM'000	RM'000
Revenue	8	45,101	28,688	92,245	101,435
Cost of sales		(37,293)	(22,155)	(71,452)	(82,349)
Gross profit		7,808	6,533	20,793	19,086
Other income		4,943	79	5,107	4,734
Distribution costs		(252)	(229)	(482)	(817)
Other expenses		213	(101)	(2,451)	(242)
Impairment losses	13	-	-	(67,442)	-
Administrative expenses		(3,225)	(3,338)	(8,513)	(8,276)
Profit/(Loss) from operations		9,487	2,944	(52,988)	14,485
Interest on fixed deposits		39	184	372	543
Finance costs		(920)	(1,073)	(2,890)	(3,462)
Share of results of an associate	16	-	(27,904)	-	(40,408)
Profit/(Loss) before taxation		8,606	(25,849)	(55,506)	(28,842)
Income tax expense	14	(8)	(29)	(83)	(109)
Profit/(Loss) for the period		8,598	(25,878)	(55,589)	(28,951)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		8,598	(25,878)	(55,589)	(28,951)
Profit/(Loss) attributable to:					
Owners of the Company		7,606	(27,116)	(33,313)	(34,212)
Non-controlling interests		992	1,238	(22,276)	5,261
		8,598	(25,878)	(55,589)	(28,951)
Total comprehensive income attributable to:					
Owners of the Company		7,606	(27,116)	(33,313)	(34,212)
Non-controlling interests		992	1,238	(22,276)	5,261
		8,598	(25,878)	(55,589)	(28,951)
Earnings/(Loss) per share attributable to owners of the Company:	15	Sen	Sen	Sen	Sen
- Basic/Diluted		5.42	(19.17)	(23.70)	(24.10)

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 third quarter ended 31 December 2011

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/12/2011 RM'000	AS AT 31/03/2011 RM'000
Non-current Assets			
Property, plant and equipment		116,591	180,078
Investment in an associate	16	-	-
Other investments		125	125
		<u>116,716</u>	<u>180,203</u>
Current Assets			
Inventories		22,658	18,973
Trade receivables		17,724	4,118
Other receivables		1,491	1,825
Prepayments		322	528
Tax refundable		917	808
Short-term investments		1,021	5,263
Fixed deposits		6,950	28,390
Cash and bank balances		3,701	846
		<u>54,784</u>	<u>60,751</u>
Total Assets		<u>171,500</u>	<u>240,954</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(39,356)	(4,474)
Treasury shares	7	(9,250)	(8,925)
		<u>104,377</u>	<u>139,584</u>
Non-controlling Interests		-	36,619
Total Equity		<u>104,377</u>	<u>176,203</u>
Non-current Liability			
Bank borrowings	18	30,741	41,938
Deferred tax liabilities		499	499
		<u>31,240</u>	<u>42,437</u>
Current Liabilities			
Trade payables		9,719	3,445
Other payables		8,578	2,093
Bank borrowings	18	17,566	16,776
Income tax payable		20	-
		<u>35,883</u>	<u>22,314</u>
Total Liabilities		<u>67,123</u>	<u>64,751</u>
Total Equity and Liabilities		<u>171,500</u>	<u>240,954</u>
Net assets per share attributable to owners of the Company (RM)		0.74	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	-	-	-	-	(34,212)	(34,212)	5,261	(28,951)
Purchase of treasury shares	-	-	(1,166)	-	-	(1,166)	-	(1,166)
Dividend	-	-	-	-	(5,668)	(5,668)	-	(5,668)
Pursuant to subscription of additional shares in a subsidiary					115	115	(115)	-
At 31 December 2010	<u>152,983</u>	<u>16,549</u>	<u>(8,689)</u>	<u>23,279</u>	<u>(25,006)</u>	<u>159,117</u>	<u>35,138</u>	<u>194,255</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	-	-	-	-	(33,313)	(33,313)	(22,276)	(55,589)
Purchase of treasury shares 7	-	-	(325)	-	-	(325)	-	(325)
Arising from acquisition of non-controlling interest	-	-	-	1,240	-	1,240	(14,343)	(13,103)
Dividend					(2,809)	(2,809)		(2,809)
At 31 December 2011	<u>152,983</u>	<u>16,549</u>	<u>(9,250)</u>	<u>24,519</u>	<u>(80,424)</u>	<u>104,377</u>	<u>-</u>	<u>104,377</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

	9 months ended	
	31/12/2011	31/12/2010
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(55,506)	(28,842)
Adjustments for:		
Depreciation of property, plant and equipment	5,351	7,159
Dividend income	(17)	(169)
Equipment scrapped	3	2
Finance cost	2,890	3,462
Gain on disposal of short-term investments	-	(17)
Gain on disposal of plant and equipment	(21)	(66)
Interest on fixed deposits	(372)	(543)
Impairment loss of vessel	57,618	-
Impairment loss of receivables	9,824	-
Share of results of an associate	-	40,408
Unrealised loss/(gain) on foreign exchange	2,401	(4,350)
Operating profit before working capital changes	<u>22,171</u>	<u>17,044</u>
Increase in inventories	(3,685)	(6,571)
Increase in receivables	(24,225)	(4,524)
Increase/(decrease) in payables	6,356	(1,892)
Cash generated from operations	<u>617</u>	<u>4,057</u>
Income tax paid	(214)	(20)
Income tax refunded	42	125
Net cash generated from operating activities	<u>445</u>	<u>4,162</u>
Cash flows from investing activities		
Dividend income	17	169
Interest on fixed deposits received	372	543
Part payment for acquisition of non-controlling interest	(5,000)	-
Proceeds from disposal of plant and equipment	22	66
Purchase of property, plant and equipment	(77)	(862)
Net cash used in investing activities	<u>(4,666)</u>	<u>(84)</u>
Cash flows from financing activities		
Dividend paid	(2,809)	(5,668)
Finance cost	(2,890)	(3,462)
Purchase of treasury shares	(325)	(1,166)
Repayment of bank borrowings	(12,582)	(15,586)
Net cash used in financing activities	<u>(18,606)</u>	<u>(25,882)</u>
Net decrease in cash and cash equivalents	(22,827)	(21,804)
Cash and cash equivalents at beginning of financial period	34,499	49,860
Cash and cash equivalents at end of financial period	<u>11,672</u>	<u>28,056</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 566,000 of its issued ordinary shares from the open market at an average price of RM0.57 per share. The total consideration paid for the repurchase including transaction costs was RM324,698 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 31 December 2011, 12,732,000 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 RM9,249,706. The number of outstanding ordinary shares in issue and fully paid is therefore 140,251,300 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	9 months ended 31 December 2011					
	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination /adjustment RM'000	Consolidated RM'000
Revenue						
External	70,802	21,443	-	-	-	92,245
Inter-segment	-	-	-	810	(810)	-
Total	70,802	21,443	-	810	(810)	92,245
Results						
Depreciation	2,038	3,025	-	339	(51)	5,351
Interest on fixed deposits	247	-	5	120	-	372
Finance costs	-	2,890	-	-	-	2,890
Unrealised gain/(loss) on foreign exchange	9	(2,174)	-	-	-	2,165
Impairment loss of vessel	-	57,618	-	-	-	57,618
Impairment loss of receivables	-	9,824	-	-	-	9,824
Segment profit/(loss)	1,046	(54,656)	(690)	(1,257)	51	(55,506)

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 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 acquisition of 4,900 ordinary shares in subsidiary, Offshore Constructor (Labuan) Ltd.(OCL), which increased the Group's effective interest from 63.25% to 100% as announced on 14 November 2011.

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2011 to 21 February 2012, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

13) Impairment losses

These comprise 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		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	8	29	83	109

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) Earnings/(Loss) per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
(a) Basic earnings/(loss) per share				
Profit/(Loss) attributable to owners of the Company (RM'000)	7,606	(27,116)	(33,313)	(34,212)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	140,405	141,460	140,562	141,933
Basic earnings/(loss) per share (sen)	5.42	(19.17)	(23.70)	(24.10)
(b) Diluted earnings/(loss) per share				
Profit/(Loss) attributable to owners of the Company (RM'000)	7,606	(27,116)	(33,313)	(34,212)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	140,405	141,460	140,562	141,933
Diluted earnings/(loss) per share (sen)	5.42	(19.17)	(23.70)	(24.10)

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

16) Investment in an associate

	RM'000
Balance as at 31.12.2011	-

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 RM33.95 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 31.12.2011 RM'000
Short-term investments	1,021
Fixed deposits	6,950
Cash and bank balances	3,701
	11,672

18) Bank Borrowings

These are stated in note 7 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 31 December 2011, the Group recorded a revenue of RM45.10 million as compared to the previous corresponding quarter of RM28.69 million and profit before taxation of RM8.61 million as compared to loss before taxation of RM25.85 million in the previous corresponding quarter.

For the current period ended 31 December 2011, the Group recorded a revenue of RM92.25 million as compared to the previous corresponding period of RM101.44 million and loss before taxation of RM55.51 million as compared to loss before taxation of RM28.84 million in the previous corresponding period.

The increase in revenue for the current quarter was mainly due to higher plywood sales, an increase of 33% as compared to previous corresponding quarter whereas the lower revenue for the current period was mainly due to lower plywood sales volume, a drop of 36% as compared to the previous corresponding period.

The profit before taxation for the current quarter was mainly due to the Group's share of losses of the associate in the previous corresponding quarter whereas the loss for the current period was mainly due to impairment losses of vessel and receivables of the oil and gas segment.

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

The Group recorded a profit before taxation of RM8.61 million for the current quarter as compared to the immediate preceding quarter loss before taxation of RM69.05 million. The profit before taxation for the current quarter was mainly due to the impairment losses of vessel and receivables of the oil and gas segment in the preceding quarter.

3. Commentary on Prospects

The Directors expect the Group's operating environment for the remaining financial year to remain difficult.

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. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 February 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

7. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 December 2011 are as follows:

	As at 31.12.2011 RM'000	As at 31.03.2011 RM'000
Short term borrowings		
Secured	17,566	16,776
Long term borrowings		
Secured	30,741	41,938
	<u>48,307</u>	<u>58,714</u>
 Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
United States Dollars	15,246	<u>48,307</u>

8. Changes in Material Litigation

The Group did not have any material litigation as at 21 February 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Dividends

The Directors do not recommend the payment of dividend for the period under review.

10. Earnings per share

This is stated in note 15 to the interim financial report.

11. Statement of comprehensive income

The Statement of comprehensive income for the current quarter and financial year to date includes the following items as set out in item 16, part A of Appendix 9B:

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	39	184	372	543
(b) Other income including investment income	4,943	79	5,107	4,734
(c) Interest expenses	920	1,073	2,890	3,462
(d) Depreciation and amortization	1,121	2,393	5,351	7,159
(e) Provision for and write off of receivables	-	-	9,824	-
(f) Provision for and write off of inventories	N/A	N/A	N/A	N/A
(g) Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A	N/A	N/A
(h) Impairment of assets	-	-	57,618	-
(i) Foreign exchange gain/(loss)	45	30	(2,249)	4,324
(j) Gain or loss on derivatives	N/A	N/A	N/A	N/A
(k) Exceptional items	N/A	N/A	N/A	N/A

12. Realised and Unrealised Profits/Losses Disclosure

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

	As at 31.12.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(1,850)	55,970
- Unrealised	3,683	4,293
	1,833	60,263
Total share of losses from associated company:		
- Realised	(39,296)	(39,296)
- Unrealised	-	-
	(39,296)	(39,296)
Less: Consolidation adjustments	(42,962)	(65,269)
Total Group accumulated losses as per consolidated accounts	(80,425)	(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 24 February 2012.