

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Interim Financial Report**

**For The Third Quarter Ended 31 December 2010**

**TEKALA CORPORATION BERHAD** (357125-D)  
Interim financial report for the third quarter ended 31 December 2010

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**Condensed Consolidated Statement of Comprehensive Income**

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
		RM'000	RM'000	RM'000	RM'000
Revenue	8	28,688	37,200	101,435	102,317
Cost of sales		(22,155)	(30,763)	(82,349)	(85,137)
Gross profit		6,533	6,437	19,086	17,180
Other income	13	79	237	4,734	300
Distribution costs		(229)	(299)	(817)	(844)
Other expenses		(101)	(874)	(242)	(1,464)
Administrative expenses		(3,338)	(2,921)	(8,276)	(7,706)
Profit from operations		2,944	2,580	14,485	7,466
Interest on fixed deposits		184	224	543	682
Finance costs		(1,073)	(1,524)	(3,462)	(5,433)
Share of (loss)/profit of an associate		(27,904)	1,272	(40,408)	2,858
(Loss)/profit before taxation		(25,849)	2,552	(28,842)	5,573
Income tax expense	14	(29)	110	(109)	311
(Loss)/profit for the period		(25,878)	2,662	(28,951)	5,884
Other comprehensive income, net of tax:					
Foreign currency translation		-	2,651	-	91
Total comprehensive income for the period		(25,878)	5,313	(28,951)	5,975
(Loss)/profit attributable to:					
Equity holders of the Company		(27,116)	1,910	(34,212)	2,835
Minority interests		1,238	752	5,261	3,049
		(25,878)	2,662	(28,951)	5,884
Total comprehensive income attributable to:					
Equity holders of the Company		(27,116)	4,561	(34,212)	2,926
Minority interests		1,238	752	5,261	3,049
		(25,878)	5,313	(28,951)	5,975
(Loss)/Earnings per share attributable to equity holders of the Company:	15	Sen	Sen	Sen	Sen
- Basic		(19.17)	1.33	(24.10)	1.97
- Diluted		-	-	-	-

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)

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**Condensed Consolidated Statement of Financial Position**

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 31/12/2010 RM'000</b>	<b>AS AT 31/03/2010 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		182,002	188,313
Investment in an associate	16	19,000	59,408
Other investments		125	125
		<u>201,127</u>	<u>247,846</u>
<b>Current Assets</b>			
Inventories		28,294	21,722
Trade receivables		9,018	4,768
Other receivables		7,140	7,161
Tax refundable		1,742	1,956
Short-term investments		3,157	6,595
Fixed deposits		24,165	40,035
Cash and bank balances		734	3,230
		<u>74,250</u>	<u>85,467</u>
<b>Total Assets</b>		<u>275,377</u>	<u>333,313</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		152,983	152,983
Reserves		14,823	54,588
Treasury shares	7	(8,689)	(7,523)
		<u>159,117</u>	<u>200,048</u>
<b>Minority Interests</b>		<u>35,138</u>	<u>29,992</u>
<b>Total Equity</b>		<u>194,255</u>	<u>230,040</u>
<b>Non-current Liability</b>			
Bank borrowings	18	48,849	68,046
Deferred tax liabilities		526	526
		<u>49,375</u>	<u>68,572</u>
<b>Current Liabilities</b>			
Trade payables		10,891	5,854
Other payables		3,741	10,681
Bank borrowings	18	17,095	18,146
Current tax payable		20	20
		<u>31,747</u>	<u>34,701</u>
<b>Total Liabilities</b>		<u>81,122</u>	<u>103,273</u>
<b>Total Equity and Liabilities</b>		<u>275,377</u>	<u>333,313</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>		1.13	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

	< -----Attributable to Equity Holders of the Company----->								
	<i>Non-distributable</i>				<i>Distributable</i>				
	Note	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Retained Profits/ (Losses) RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<b>At 1 April 2009</b>		152,983	16,515	(6,396)	25,935	13,053	202,090	24,169	226,259
Total comprehensive income for the period		-	-	-	91	2,835	2,926	3,049	5,975
Purchase of treasury shares		-	-	(626)	-	-	(626)	-	(626)
Dividend		-	-	-	-	(5,741)	(5,741)	-	(5,741)
Pursuant to expiry of ESOS		-	34	-	(410)	376	-	-	-
<b>At 31 December 2009</b>		<u>152,983</u>	<u>16,549</u>	<u>(7,022)</u>	<u>25,616</u>	<u>10,523</u>	<u>198,649</u>	<u>27,218</u>	<u>225,867</u>
<b>At 1 April 2010</b>		152,983	16,549	(7,523)	23,280	14,759	200,048	29,992	230,040
Total comprehensive income for the period		-	-	-	-	(34,212)	(34,212)	5,261	(28,951)
Pursuant to subscription of additional shares in a subsidiary		-	-	-	-	115	115	(115)	-
Purchase of treasury shares	7	-	-	(1,166)	-	-	(1,166)	-	(1,166)
Dividend		-	-	-	-	(5,668)	(5,668)	-	(5,668)
<b>At 31 December 2010</b>		<u>152,983</u>	<u>16,549</u>	<u>(8,689)</u>	<u>23,280</u>	<u>(25,006)</u>	<u>159,117</u>	<u>35,138</u>	<u>194,255</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 2010 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended</b>	
	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(28,842)	5,573
<b>Adjustments for:</b>		
Amortisation of land lease prepayments	169	167
Depreciation of property, plant and equipment	6,990	6,979
Dividend income	(169)	(195)
Equipment scrapped	2	1
Finance cost	3,462	5,433
Gain on disposal of short-term investments	(17)	-
Gain on disposal of plant and equipment	(66)	(9)
Interest on fixed deposits	(543)	(682)
Share of loss/(profit) of an associate	40,408	(2,858)
Share-based payment under ESOS	-	-
Unrealised gain on foreign exchange	(4,350)	-
Operating profit before working capital changes	<u>17,044</u>	<u>14,409</u>
(Increase)/Decrease in inventories	(6,571)	3,944
Increase in receivables	(4,524)	(9,468)
(Decrease)/Increase in payables	(1,892)	8,142
Cash generated from operations	<u>4,057</u>	<u>17,027</u>
Income tax paid	(20)	(218)
Refund of income tax	125	629
Net cash generated from operating activities	<u>4,162</u>	<u>17,438</u>
<b>Cash flows from investing activities</b>		
Dividend income	169	195
Full settlement of vessel cost	-	(101,165)
Interest on fixed deposits received	543	682
Proceeds from disposal of plant and equipment	66	35
Purchase of property, plant and equipment	(862)	(3,522)
Net cash used in investing activities	<u>(84)</u>	<u>(103,775)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(5,668)	(5,741)
Finance cost	(3,462)	(5,433)
Purchase of treasury shares	(1,166)	(626)
Proceeds from bank borrowings	-	94,511
Repayment of bank borrowings	(15,586)	-
Net cash (used in)/generated from financing activities	<u>(25,882)</u>	<u>82,711</u>
<b>Net decrease in cash and cash equivalents</b>	(21,804)	(3,626)
<b>Cash and cash equivalents at beginning of financial year</b>	49,860	64,250
<b>Cash and cash equivalents at end of financial period</b>	<u>28,056</u>	<u>60,624</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 114<sub>2004</sub>: *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
<b>Non-current assets</b>			
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.



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**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 1,569,200 of its issued ordinary shares from the open market at an average price of RM0.74 per share. The total consideration paid for the repurchase including transaction costs was RM1,166,433 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 2010, 11,835,000 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 RM8,689,202. The number of outstanding ordinary shares in issue and fully paid is therefore 141,148,300 ordinary shares of RM1 each.

**8) Segmental information***Business Segments***9 months ended 31 December 2010**

	<b>Timber processing RM'000</b>	<b>Oil and Gas RM'000</b>	<b>Investment holding RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External	84,041	17,394	-	-	-	101,435
Inter-segment	-	-	-	810	(810)	-
Total	84,041	17,394	-	810	(810)	101,435
<b>Results</b>						
Segment results	4,699	13,475	-	1,072	(810)	18,436
Administrative expenses						(8,276)
Interest on fixed deposits						543
Finance costs		(3,462)				(3,462)
Gain on foreign exchange		4,325				4,325
Share of loss of an associate		(40,408)				(40,408)
Loss before taxation						(28,842)
Income tax expense						(109)
Loss for the period						(28,951)

**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 18 February 2011, 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 RM4,324,378 from the vessel chartering division.

**14) Income tax expense**

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	29	(4)	109	17
- Deferred tax	-	(111)	-	(333)
Under provision of income tax in prior year	-	5	-	5
	<u>29</u>	<u>(110)</u>	<u>109</u>	<u>(311)</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	
	3 months ended	3 months ended	9 months ended	9 months ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
<b>(a) Basic (loss)/earnings per share</b>				
(Loss)/profit for the period (RM'000)	(27,116)	1,910	(34,212)	2,835
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	141,460	143,504	141,933	143,676
Basic (loss)/earnings per share (sen)	(19.17)	1.33	(24.10)	1.97
<b>(b) Diluted (loss)/earnings per share</b>				
(Loss)/profit for the period (RM'000)	(27,116)	1,910	(34,212)	2,835
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	141,460	143,504	141,933	143,676
Diluted (loss)/earnings per share (sen)	-	-	-	-

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 31.12.2010 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	2,983
	19,000
Represented by:	
Share of net assets other than goodwill in associate	5,407
Share of goodwill in associate	813
	6,220
Goodwill on acquisition of ordinary shares	12,780
	19,000

**17) Cash and Cash Equivalents**

	As at 31.12.2010 RM'000
Short-term investments	3,157
Fixed deposits	24,165
Cash and bank balances	734
	28,056

**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 31 December 2010, the Group recorded a revenue of RM28.69 million as compared to the previous corresponding quarter of RM37.20 million and loss before taxation of RM25.85 million as compared to profit before taxation of RM2.55 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 31 December 2010, the Group recorded revenue of RM101.44 million which is comparable to the previous corresponding period of RM102.32 million and loss before taxation of RM28.84 million as compared to profit before taxation of RM5.57 million in the previous corresponding period. 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 RM25.85 million for the current quarter as compared to the immediate preceding quarter loss before taxation of RM4.96 million. The increase in loss was mainly due to share of loss of the associate.

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

Barring any unforeseen circumstances, the Group's results for the current financial year will 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 31 December 2010.

### **7. Quoted Securities**

(a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 December 2010.

(b) There was no investment in quoted securities as at 31 December 2010.

**8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 18 February 2011, 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 31 December 2010 other than the secured bank borrowings as follows:

	<b>As at 31.12.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>
<b>Short term borrowings</b>		
Secured	17,095	18,997
<b>Long term borrowings</b>		
Secured	48,849	75,514
	<u>65,944</u>	<u>94,511</u>
Borrowings denominated in foreign currency:		
	<b>USD'000</b>	<b>RM'000 Equivalent</b>
United States Dollars	21,386	<u>65,944</u>

**10. Off Balance Sheet Financial Instruments**

The Group did not have any off balance sheet financial instruments as at 18 February 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 18 February 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:

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.09.2010 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	52,475	55,438
- Unrealised	6,610	7,251
	59,085	62,689
Total share of retained profits/(losses) from associated company:		
- Realised	(20,296)	7,607
- Unrealised	-	-
	(20,296)	7,607
Less: Consolidation adjustments	(63,795)	(62,518)
Total Group retained profits/(losses) as per consolidated accounts	(25,006)	7,778

**(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 23 February 2011.