

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Interim Financial Report**

**For The Fourth Quarter Ended 31 March 2010**

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

<b>Index</b>	<b>page</b>
Condensed Consolidated Income Statements	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash flow Statement	6
Notes to the interim financial report	7 – 10
Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements	11 - 12
Authorisation for issue of the interim financial report	12

**Condensed Consolidated Income Statements**

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		12 months ended	
		31/03/2010	31/03/2009	31/03/2010	31/03/2009
		RM'000	RM'000	RM'000	RM'000
Revenue	8	28,066	19,874	130,383	127,492
Cost of sales		(24,030)	(17,980)	(109,167)	(114,046)
Gross profit		4,036	1,894	21,216	13,446
Other income	13	10,180	109	10,480	1,902
Distribution costs		(233)	(147)	(1,077)	(1,061)
Other expenses	14	(5,779)	(71)	(7,243)	(286)
Administrative expenses		(3,811)	(2,605)	(11,517)	(11,569)
Profit/(loss) from operations		4,393	(820)	11,859	2,432
Interest on fixed deposits		222	529	904	2,340
Finance costs		(1,628)	(743)	(7,061)	(743)
Share of profit of an associate		1,458	3,396	4,316	7,720
Profit before taxation		4,445	2,362	10,018	11,749
Income tax expense	15	95	404	406	(1,506)
Profit for the period		4,540	2,766	10,424	10,243
Attributable to:					
Equity holders of the Company		1,679	2,389	4,514	9,866
Minority interests		2,861	377	5,910	377
		4,540	2,766	10,424	10,243
Earnings per share attributable to equity holders of the Company:	16	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
- Basic		1.17	1.65	3.14	6.68
- Diluted		-	1.65	-	6.68

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial report.

**TEKALA CORPORATION BERHAD** (357125-D)

Interim financial report for the fourth quarter ended 31 March 2010

**Condensed Consolidated Balance Sheets**

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 31/03/2010 RM'000</b>	<b>AS AT 31/03/2009 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		169,156	172,100
Land lease prepayments		19,157	19,144
Investment in an associate	17	59,033	54,792
Other investments		125	125
		<u>247,471</u>	<u>246,161</u>
<b>Current Assets</b>			
Inventories		21,722	27,313
Trade receivables		4,768	3,544
Other receivables		7,161	1,109
Tax refundable		1,956	2,393
Short-term investments		6,595	5,006
Fixed deposits		40,035	57,036
Cash and bank balances		3,498	2,208
		<u>85,735</u>	<u>98,609</u>
<b>Total Assets</b>		<u>333,206</u>	<u>344,770</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		152,983	152,983
Reserves		54,367	55,503
Treasury shares	7	<u>(7,523)</u>	<u>(6,396)</u>
		199,827	202,090
<b>Minority Interests</b>		<u>30,079</u>	<u>24,169</u>
<b>Total Equity</b>		<u>229,906</u>	<u>226,259</u>
<b>Non-current Liability</b>			
Bank borrowings	20	68,045	-
Deferred tax liabilities		526	959
		<u>68,571</u>	<u>959</u>
<b>Current Liabilities</b>			
Trade payables		5,854	2,371
Other payables	19	10,689	115,161
Bank borrowings	20	18,146	-
Current tax payable		40	20
		<u>34,729</u>	<u>117,552</u>
<b>Total Liabilities</b>		<u>103,300</u>	<u>118,511</u>
<b>Total Equity and Liabilities</b>		<u>333,206</u>	<u>344,770</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>			
		1.40	1.40

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial report.

**TEKALA CORPORATION BERHAD** (357125-D)

Interim financial report for the fourth quarter ended 31 March 2010

**Condensed Consolidated Statement of Changes in Equity**

Note	< -----Attributable to Equity Holders of the Company----->							
	<i>Non-distributable</i>				<i>Distributable</i>			
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Profits	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2008</b>	152,983	16,515	(2,788)	841	9,142	176,693	-	176,693
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognised in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	9,866	9,866	377	10,243
Total recognised income and expense for the period	-	-	-	-	9,866	9,866	377	10,243
Issue of ordinary shares pursuant to ESOS	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(3,608)	-	-	(3,608)	-	(3,608)
Revaluation surplus of an associate's vessels	-	-	-	25,616	-	25,616	-	25,616
Foreign currency translation of an associate	-	-	-	(395)	-	(395)	-	(395)
Foreign currency translation of a subsidiary	-	-	-	(164)	-	(164)	-	(164)
Minority interest on acquisition of a subsidiary	-	-	-	-	-	-	23,792	23,792
Share-based payment under ESOS	-	-	-	37	-	37	-	37
Dividend	-	-	-	-	(5,955)	(5,955)	-	(5,955)
<b>At 31 March 2009</b>	152,983	16,515	(6,396)	25,935	13,053	202,090	24,169	226,259
<b>At 1 April 2009</b>	152,983	16,515	(6,396)	25,935	13,053	202,090	24,169	226,259
Income recognized in equity	-	-	-	-	-	-	-	-
Expense recognized in equity	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	4,514	4,514	5,910	10,424
Total recognised income and expense for the period	-	-	-	-	4,514	4,514	5,910	10,424
Purchase of treasury shares	-	-	(1,127)	-	-	(1,127)	-	(1,127)
Foreign currency translation adjustment	-	-	-	91	-	91	-	91
Dividend	-	-	-	-	(5,741)	(5,741)	-	(5,741)
Pursuant to expiry of ESOS	-	34	-	(410)	376	-	-	-
<b>At 31 March 2010</b>	152,983	16,549	(7,523)	25,616	12,202	199,827	30,079	229,906

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial report.

**Condensed Consolidated Cash Flow Statement**

	<b>12 months ended</b>	
	<b>31/03/2010</b>	<b>31/03/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	10,018	11,749
<b>Adjustments for:</b>		
Amortisation of land lease prepayments	222	222
Depreciation of property, plant and equipment	9,288	4,294
Dividend income	(215)	(6)
Equipment scrapped	1	-
Finance cost	7,061	743
Gain on disposal of plant and equipment	(9)	(1,654)
Gain on disposal of short-term investments	(20)	-
Interest on fixed deposits	(904)	(2,340)
Loss on disposal of marketable securities	-	3
Share of profit of an associate	(4,316)	(7,720)
Share-based payment under ESOS	-	37
Unrealised gain on foreign exchange	(3,087)	(12)
Operating profit before working capital changes	<u>18,039</u>	<u>5,317</u>
Decrease in inventories	5,591	1,202
(Increase)/Decrease in receivables	(7,227)	8,961
(Decrease)/Increase in payables	(101,853)	4,112
Cash (used in)/generated from operations	<u>(85,450)</u>	<u>19,592</u>
Dividend received from an associate	-	200
Income tax paid	(218)	(1,586)
Refund of income tax	647	794
Net cash (used in)/generated from operating activities	<u>(85,021)</u>	<u>19,000</u>
<b>Cash flows from investing activities</b>		
Acquisition of a subsidiary	-	(22,869)
Dividend income	215	6
Interest on fixed deposits received	877	2,301
Proceeds from disposal of property, plant and equipment	35	1,654
Proceeds from disposal of marketable securities	-	3
Proceeds from redemption of RCPS by an associate	-	9,500
Purchase of property, plant and equipment	(6,085)	(5,319)
Net cash used in investing activities	<u>(4,958)</u>	<u>(14,724)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(5,741)	(5,955)
Finance cost	(7,061)	(742)
Purchase of treasury shares	(1,127)	(3,608)
Proceeds from bank borrowings	94,511	-
Repayment of bank borrowings	(4,725)	-
Net cash generated from/(used in) financing activities	<u>75,857</u>	<u>(10,305)</u>
<b>Net decrease in cash and cash equivalents</b>	(14,122)	(6,029)
<b>Cash and cash equivalents at beginning of financial year</b>	<u>64,250</u>	<u>70,279</u>
<b>Cash and cash equivalents at end of financial year</b>	18 <u>50,128</u>	<u>64,250</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2009 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 2009. 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 2009.

### **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 2009.

### **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 2009 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 1,586,800 of its issued ordinary shares from the open market at an average price of RM0.71 per share. The total consideration paid for the repurchase including transaction costs was RM1,127,209 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.

**7) Debt and equity securities (cont'd)**

As at 31 March 2010, 10,265,800 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 RM7,522,740. The number of outstanding ordinary shares in issue and fully paid is therefore 142,717,500 ordinary shares of RM1 each.

**8) Segmental information***Business Segments*

	12 months ended 31 March 2010					
	Timber processing RM'000	Vessel chartering RM'000	Investment holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External	105,057	25,200	-	126	-	130,383
Inter-segment	-	-	6,403	1,080	(7,483)	-
Total	105,057	25,200	6,403	1,206	(7,483)	130,383
<b>Results</b>						
Segment results	(64)	16,097	6,403	1,362	(7,483)	16,315
Administrative expenses						(11,517)
Interest on fixed deposits						904
Share of profit of an associate						4,316
Profit before taxation						10,018
Income tax expense						406
Profit for the period						10,424

**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 following:

On 13 November 2009, the Company through its wholly owned subsidiary, Gerak Armada Sdn Bhd ("GASB"), completed the subscription of an additional 391 ordinary shares of USD1.00 each in the Group's offshore subsidiary, Offshore Constructor (Labuan) Ltd. ("OCL") at an issue price of USD652.17 per share thereby increasing the Group's direct equity interest in OCL from 49.01% to 51% in accordance with the terms and conditions of the Subscription and Shareholders' Agreement dated 20 February 2009 entered into between GASB, Offshore Construction & Engineering Sdn. Bhd. and OCL. This has resulted in the Group holding an effective interest in OCL of 63.25%.



**TEKALA CORPORATION BERHAD** (357125-D)

Interim financial report for the fourth quarter ended 31 March 2010

**12) Contingent Liabilities**

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2009 to 20 May 2010, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report other than a corporate guarantee of USD14.14 million given to a bank by the Company for the Trade Facility-Structured Commodity Financing-i of USD27.72 million granted to the Group's offshore subsidiary for settlement of the acquisition cost of its vessel.

**13) Other Income**

Included in other income was gain on foreign exchange of the Group's offshore subsidiary of RM10,093,000.

**14) Other expenses**

Included in other expenses were ancillary costs of RM6,552,000 in connection with the bank borrowings of the Group's offshore subsidiary.

**15) Income tax expense**

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
In respect of current period:				
- Income tax	5	(366)	22	1,612
- Deferred tax	(100)	(38)	(433)	(96)
Under/(Over)provision of income tax in prior year	-	-	5	(10)
	<u>(95)</u>	<u>(404)</u>	<u>(406)</u>	<u>1,506</u>

The Group's effective tax rate for the current quarter and year 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.

**16) Earnings per share**

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
<b>(a) Basic earnings per share</b>				
Profit for the period (RM'000)	1,679	2,389	4,514	9,866
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	143,187	144,511	143,555	147,623
Basic earnings per share (sen)	1.17	1.65	3.14	6.68
<b>(b) Diluted earnings per share</b>				
Profit for the period (RM'000)	1,679	2,389	4,514	9,866
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	143,187	145,511	143,555	147,623
Diluted earnings per share (sen)	-	1.65	-	6.68

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

**TEKALA CORPORATION BERHAD** (357125-D)

Interim financial report for the fourth quarter ended 31 March 2010

**17) Investment in an associate**

	As at 31.03.2010 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	43,016
	<u>59,033</u>
Represented by:	
Share of net assets other than goodwill in associate	45,440
Share of goodwill in associate	813
	<u>46,253</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>59,033</u>

**18) Cash and Cash Equivalents**

	As at 31.03.2010 RM'000
Short-term investments	6,595
Fixed deposits	40,035
Cash and bank balances	3,498
	<u>50,128</u>

**19) Other Payables**

Included in other payables is amount due to Offshore Construction & Engineering Sdn Bhd of RM 5,750,685 for payments made on behalf of the Group's offshore subsidiary.

**20) 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 March 2010, the Group recorded a revenue of RM28.07 million as compared to the previous corresponding quarter of RM19.87 million and profit before taxation of RM4.45 million as compared to profit before taxation of RM2.36 million in the previous corresponding quarter. The increase in revenue as compared to the previous corresponding quarter was mainly due to higher plywood sales and revenue from vessel chartering. The higher profit before taxation was mainly due to higher earnings from vessel chartering despite lower contribution from the associate and losses from plywood sales for the current quarter under review.

For the year ended 31 March 2010, the Group recorded a revenue of RM130.38 million as compared to the previous corresponding year of RM127.49 million and a profit before taxation of RM10.02 million as compared to profit before taxation of RM11.75 million in the previous corresponding year. The increase in revenue was mainly due to higher revenue from vessel chartering despite lower revenue from plywood sales. The lower profit before taxation for the year under review was mainly because of the earnings from vessel chartering was offset by the lower contribution from the associate and losses from plywood sales.

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

The Group recorded a profit before taxation of RM4.45 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM2.55 million. The increase in profit before taxation for the current quarter under review was mainly due to higher earnings from vessel chartering despite lower plywood sales.

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

Barring any unforeseen circumstances, the Directors expect the Group's results for the coming financial year to be affected by the current global economy uncertainties.

### **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 15 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 March 2010.

### **7. Quoted Securities**

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

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

**8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 20 May 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 31 March 2010 other than the secured bank borrowings as follows:

	<b>As at 31.03.2010 RM'000</b>	<b>As at 31.03.2009 RM'000</b>
<b>Short term borrowings</b>		
Secured	18,146	-
<b>Long term borrowings</b>		
Secured	68,045	-
	<u>86,191</u>	<u>-</u>
 Borrowings denominated in foreign currency:		
	<b>USD'000</b>	<b>RM'000 Equivalent</b>
United States Dollars	26,334	86,191

**10. Off Balance Sheet Financial Instruments**

The Group did not have any off balance sheet financial instruments as at 20 May 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 20 May 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

**12. Dividends**

- (a) (i) For year ended 31 March 2010, the Directors have recommended a proposed final tax exempt dividend of 4% (2009: final tax exempt dividend of 4%);
- (ii) Payment date: to be announced at a later date;
- (iii) The date of entitlement to dividend: to be announced at a later date; and
- (iv) The proposed dividend is subject to the approval of shareholders at the Annual General Meeting to be held on a date to be announced later.
- (b) The total dividend for the current financial year ended 31 March 2010 is 4% tax exempt dividend (2009: 4% tax exempt).

**13. Earnings per share**

This is stated in note 16 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 May 2010.