

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Third Quarter Ended 31 December 2009

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the third quarter ended 31 December 2009

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Condensed Consolidated Income Statements

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2009	31/12/2008	31/12/2009	31/12/2008
		RM'000	RM'000	RM'000	RM'000
Revenue	8	37,200	31,707	102,317	107,618
Cost of sales		(30,763)	(27,010)	(85,137)	(96,066)
Gross profit		6,437	4,697	17,180	11,552
Other income		237	1,575	300	1,793
Distribution costs		(299)	(241)	(844)	(914)
Other expenses		(874)	(71)	(1,464)	(215)
Administrative expenses		(2,921)	(3,623)	(7,706)	(8,964)
Profit from operations		2,580	2,337	7,466	3,252
Interest on fixed deposits		224	669	682	1,811
Finance costs		(1,524)	-	(5,433)	-
Share of profit of an associate		1,272	620	2,858	4,324
Profit before taxation		2,552	3,626	5,573	9,387
Income tax expense	13	110	(964)	311	(1,904)
Profit for the period		2,662	2,662	5,884	7,483
Attributable to:					
Equity holders of the Company		1,910	2,662	2,835	7,483
Minority interests		752	-	3,049	-
		2,662	2,662	5,884	7,483
Earnings per share attributable to equity holders of the Company:	14	Sen	Sen	Sen	Sen
- Basic		1.33	1.81	1.97	5.03
- Diluted		-	1.81	-	5.03

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 third quarter ended 31 December 2009

Condensed Consolidated Balance Sheets

ASSETS	Note	AS AT 31/12/2009 RM'000	AS AT 31/03/2009 RM'000
Non-current Assets			
Property, plant and equipment		168,903	172,100
Land lease prepayments		19,212	19,144
Investment in an associate	15	57,576	54,792
Other investments		125	125
		<u>245,816</u>	<u>246,161</u>
Current Assets			
Inventories		23,369	27,313
Trade receivables		944	3,544
Other receivables		13,225	1,109
Tax refundable		1,975	2,393
Short-term investments		6,545	5,006
Fixed deposits		50,543	57,036
Cash and bank balances		3,536	2,208
		<u>100,137</u>	<u>98,609</u>
Total Assets		<u>345,953</u>	<u>344,770</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		152,983	152,983
Reserves		52,688	55,503
Treasury shares	7	<u>(7,022)</u>	<u>(6,396)</u>
		198,649	202,090
Minority Interests		<u>27,218</u>	<u>24,169</u>
Total Equity		<u>225,867</u>	<u>226,259</u>
Non-current Liability			
Bank borrowings	18	75,514	-
Deferred tax liabilities		626	959
		<u>76,140</u>	<u>959</u>
Current Liabilities			
Trade payables		3,242	2,371
Other payables	17	21,672	115,161
Bank borrowings	18	18,997	-
Current tax payable		35	20
		<u>43,946</u>	<u>117,552</u>
Total Liabilities		<u>120,086</u>	<u>118,511</u>
Total Equity and Liabilities		<u>345,953</u>	<u>344,770</u>
Net assets per share attributable to equity holders of the Company (RM)			
		1.39	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.

Condensed Consolidated Statement of Changes in Equity

Note	< -----Attributable to Equity Holders of the Company----->							
	<i>Non-distributable</i>				<i>Distributable</i>		Minority Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2008	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	-	-	-	-	7,483	7,483	-	7,483
Total recognised income and Expense for the period	-	-	-	-	7,483	7,483	-	7,483
Issue of ordinary shares pursuant to ESOS	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(3,378)	-	-	(3,378)	-	(3,378)
Revaluation surplus of an associate's vessels	-	-	-	15,473	-	15,473	-	15,473
Share-based payment under ESOS	-	-	-	89	-	89	-	89
Dividend	-	-	-	-	(5,955)	(5,955)	-	(5,955)
At 31 December 2008	152,983	16,515	(6,166)	16,403	10,670	190,405	-	190,405
At 1 April 2009	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	-	-	-	-	2,835	2,835	3,049	5,884
Total recognised income and expense for the period	-	-	-	-	2,835	2,835	3,049	5,884
Purchase of treasury shares	-	-	(626)	-	-	(626)	-	(626)
Foreign currency translation adjustment	-	-	-	91	-	91	-	91
Dividend	-	-	-	-	(5,741)	(5,741)	-	(5,741)
Pursuant to expiry of ESOS	-	34	-	(410)	376	-	-	-
At 31 December 2009	152,983	16,549	(7,022)	25,616	10,523	198,649	27,218	225,867

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

	9 months ended	
	31/12/2009	31/12/2008
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	5,573	9,387
Adjustments for:		
Amortisation of land lease prepayments	167	167
Depreciation of property, plant and equipment	6,979	2,826
Dividend income from short-term investments	(195)	-
Equipment scrapped	1	-
Finance cost	5,433	-
Interest on fixed deposits	(682)	(1,811)
Loss on disposal of marketable securities	-	3
Profit on disposal of property, plant and equipment	(9)	(1,626)
Share of profit of an associate	(2,858)	(4,324)
Share-based payment under ESOS	-	89
Unrealised gain on exchange differences	-	-
Operating profit before working capital changes	<u>14,409</u>	<u>4,711</u>
Decrease in inventories	3,944	2,333
(Increase)/Decrease in receivables	(9,468)	10,504
(Decrease)/Increase in payables	<u>(93,023)</u>	<u>8,817</u>
Cash generated from operations	(84,138)	26,365
Income tax paid	(218)	(937)
Refund of income tax	629	797
Net cash (used in)/generated from operating activities	<u>(83,727)</u>	<u>26,225</u>
Cash flows from investing activities		
Dividend received	195	200
Interest on fixed deposits received	682	1,811
Proceeds from disposal of property, plant and equipment	35	1,626
Proceeds from disposal of marketable securities	-	3
Proceeds from redemption of RCPS by an associate	-	9,500
Purchase of property, plant and equipment	<u>(3,522)</u>	<u>(5,239)</u>
Net cash (used in)/generated from investing activities	<u>(2,610)</u>	<u>7,901</u>
Cash flows from financing activities		
Dividend paid	(5,741)	(5,955)
Finance cost	(5,433)	-
Purchase of treasury shares	(626)	(3,378)
Proceeds from bank borrowings	<u>94,511</u>	<u>-</u>
Net cash generated/(used in) financing activities	<u>82,711</u>	<u>(9,333)</u>
Net (decrease)/increase in cash and cash equivalents	(3,626)	24,793
Cash and cash equivalents at beginning of financial year	<u>64,250</u>	<u>70,278</u>
Cash and cash equivalents at end of financial period	16 <u>60,624</u>	<u>95,071</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 904,200 of its issued ordinary shares from the open market at an average price of RM0.69 per share. The total consideration paid for the repurchase including transaction costs was RM626,526 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 December 2009, 9,583,200 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 RM7,022,056. The number of outstanding ordinary shares in issue and fully paid is therefore 143,400,100 ordinary shares of RM1 each.

8) Segmental information*Business Segments*

	9 months ended 31 December 2009					
	Timber processing RM'000	Vessel chartering RM'000	Investment holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External	83,088	19,146	-	83	-	102,317
Inter-segment	-	-		810	(810)	-
Total	83,088	19,146	-	893	(810)	102,317
Results						
Segment results	928	14,005	-	1,049	(810)	15,172
Administrative expenses						(7,706)
Finance costs						(5,433)
Interest on fixed deposits						682
Share of profit of an associate						2,858
Profit before taxation						5,573
Income tax expense						311
Profit for the period						5,884

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 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 to 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%.

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2009 to 19 February 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 an indirect subsidiary, Offshore Constructor (Labuan) Ltd., for settlement of the acquisition cost of its vessel.

13) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income tax	(4)	808	17	1,972
- Deferred tax	(111)	166	(333)	(58)
Under/(Over)provision of income tax in prior year	5	(10)	5	(10)
	<u>(110)</u>	<u>964</u>	<u>(311)</u>	<u>1,904</u>

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 subsidiaries including a Labuan offshore subsidiary which suffered tax at a nominal amount.

14) Earnings per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
(a) Basic earnings per share				
Profit for the period (RM'000)	1,910	2,662	2,835	7,483
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	143,504	146,714	143,676	148,642
Basic earnings per share (sen)	1.33	1.81	1.97	5.03

(b) Diluted earnings per share

Profit for the period (RM'000)	1,910	2,662	2,835	7,483
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	143,504	146,714	143,676	148,642
Diluted earnings per share (sen)	-	1.81	-	5.03

Diluted earnings 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.

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15) Investment in an associate

	As at 31.12.2009 RM'000
<u>Offshoreworks Holdings Sdn Bhd</u>	
Unquoted shares in Malaysia, at cost	16,017
Share of post-acquisition reserves	41,559
	<u>57,576</u>
Represented by:	
Share of net assets other than goodwill in associate	43,983
Share of goodwill in associate	813
	<u>44,796</u>
Goodwill on acquisition of ordinary shares	12,780
	<u>57,576</u>

16) Cash and Cash Equivalents

	As at 31.12.2009 RM'000
Short-term investments	6,545
Fixed deposits	50,543
Cash and bank balances	3,536
	<u>60,624</u>

Included in fixed deposits are the insurance monies received pursuant to the Group personal accident policy of RM5,001,500 and interest earned thereon of RM166,879 totalling RM5,168,379 and was paid to the estate of a deceased director of certain subsidiaries upon receipt of the letter of probate subsequent to the end of the interim period.

17) Other Payables

Included in other payables are insurance monies payable as mentioned in Note 16 and amount due to Offshore Construction & Engineering Sdn Bhd of RM 14,276,246 for payments made on behalf of Offshore Constructor (Labuan) Ltd., a partly owned subsidiary of the Group.

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 2009, the Group recorded a revenue of RM37.20 million as compared to the previous corresponding quarter of RM31.71 million and a profit before taxation of RM2.55 million as compared to profit before taxation of RM3.63 million in the previous corresponding quarter. The increase in revenue as compared to the previous corresponding quarter was mainly due to the contribution from vessel chartering business. The lower profit before taxation was mainly due to lower plywood sales for the current quarter under review as compared to the preceding quarter.

For the period ended 31 December 2009, the Group recorded a revenue of RM102.32 million as compared to the previous corresponding period of RM107.62 million and a profit before taxation of RM5.57 million as compared to profit before taxation of RM9.39 million in the previous corresponding period. The decrease in results for the period under review was mainly due to lower plywood sales which was partly offset by the contribution from vessel chartering.

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

The Group recorded a profit before taxation of RM2.55 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM2.13 million. The increase in results for the current quarter under review was mainly due to higher contribution from the Group's associate engaged in the provision of services to the oil and gas industry.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors are of the opinion that the Group's results for the current financial year would be affected by the challenging operating environment.

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 31 December 2009.

7. Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and interim period ended 31 December 2009.
- (b) There was no investment in quoted securities as at 31 December 2009.

8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 February 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 December 2009 other than the secured bank borrowings as follows:

	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
Short term borrowings		
Secured	18,997	-
Long term borrowings		
Secured	75,514	-
	<u>94,511</u>	<u>-</u>

Borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
United States Dollars	27,720	94,511

10. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 19 February 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 19 February 2010, 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.

(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 February 2010.