

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Second Quarter Ended 30 September 2013

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the second quarter ended 30 September 2013

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		6 months ended	
		30/09/2013	30/09/2012	30/09/2013	30/09/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	8	24,507	24,273	42,974	43,341
Cost of sales		(22,393)	(23,250)	(40,262)	(44,280)
Gross profit/(loss)		2,114	(1,023)	2,712	(939)
Other income	13	11,268	449	11,416	490
Distribution costs		(207)	(153)	(409)	(296)
Other expenses		131	1,225	(1,732)	(416)
Administrative expenses		(1,858)	(2,468)	(3,805)	(5,028)
Profit/(loss) from operations		11,448	76	8,182	(6,189)
Interest on fixed deposits		152	8	157	27
Finance costs		(872)	(664)	(1,499)	(1,438)
Profit/(loss) before tax	9	10,728	(580)	6,840	(7,600)
Income tax expense	11	-	(29)	-	(29)
Profit/(loss) for the period		10,728	(609)	6,840	(7,629)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		10,728	(609)	6,840	(7,629)
Profit/(loss) attributable to owners of the Company		10,728	(609)	6,840	(7,629)
Total comprehensive income attributable to owners of the Company		10,728	(609)	6,840	(7,629)
Profit/(loss) per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		7.66	(0.44)	4.89	(5.45)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the second quarter ended 30 September 2013

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/09/2013 RM'000	AS AT 31/03/2013 RM'000
Non-current Assets			
Property, plant and equipment		24,412	105,010
Investment in an associate	15	-	-
Other investments		125	125
		<u>24,537</u>	<u>105,135</u>
Current Assets			
Inventories		23,482	17,447
Trade receivables		1,838	6,713
Other receivables		236	574
Prepayments		312	494
Tax refundable		151	151
Short-term investments		7,099	2,054
Fixed deposits		56,950	350
Cash and bank balances		5,314	3,825
		<u>95,382</u>	<u>31,608</u>
Total Assets		<u>119,919</u>	<u>136,743</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(49,004)	(55,844)
Treasury shares	7	(9,387)	(9,387)
Total Equity		<u>94,592</u>	<u>87,752</u>
Non-current Liabilities			
Borrowings	17	6,300	15,775
Deferred tax liabilities		499	499
		<u>6,799</u>	<u>16,274</u>
Current Liabilities			
Trade payables		11,430	5,019
Other payables		1,578	2,040
Borrowings	17	5,520	25,658
		<u>18,528</u>	<u>32,717</u>
Total Liabilities		25,327	48,991
Total Equity and Liabilities		<u>119,919</u>	<u>136,743</u>
Net assets per share attributable to owners of the Company (RM)		0.68	0.63

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

< -----Attributable to owners of the Company----->
< -- Non-distributable -->

Note	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 April 2012	152,983	16,549	(9,385)	24,349	(83,300)	101,196
Total comprehensive income for the period	-	-	-	-	(7,629)	(7,629)
Purchase of treasury shares	-	-	(2)	-	-	(2)
At 30 September 2012	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>24,349</u>	<u>(90,929)</u>	<u>93,565</u>
At 1 April 2013	152,983	16,549	(9,387)	1,295	(73,688)	87,752
Total comprehensive income for the period	-	-	-	-	6,840	6,840
At 30 September 2013	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>1,295</u>	<u>(66,848)</u>	<u>94,592</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 2013 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows

	6 months ended	
	30/09/2013	30/09/2012
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before tax	6,840	(7,600)
Adjustments for:		
Depreciation of property, plant and equipment	2,096	2,896
Dividend income	(41)	(10)
Equipment scrapped	-	1
Finance cost	1,499	1,438
Gain on disposal of property, plant and equipment	(16,359)	(247)
Gain on disposal of short-term investment	-	(8)
Interest on fixed deposits	(157)	(27)
Unrealised (gain)/loss on foreign exchange	(50)	(130)
Operating loss before working capital changes	<u>(6,172)</u>	<u>(3,687)</u>
Increase in inventories	(6,036)	(6,112)
Decrease in receivables	5,410	4,324
Increase in payables	5,949	6,615
Cash flows (used in)/from operations	<u>(849)</u>	<u>1,140</u>
Income tax paid	-	(142)
Income tax refunded	-	3
Net cash (used in)/flows from operating activities	<u>(849)</u>	<u>1,001</u>
Cash flows from investing activities		
Dividend income	41	10
Interest on fixed deposits received	157	27
Payment for acquisition of non-controlling interest	-	(3,938)
Proceeds from disposal of property, plant and equipment	94,979	5,000
Purchase of property, plant and equipment	(118)	(20)
Net cash flows from investing activities	<u>95,059</u>	<u>1,079</u>
Cash flows from financing activities		
Finance cost	(1,499)	(1,438)
Proceeds from borrowings	4,529	10,932
Purchase of treasury shares	-	(2)
Repayment of borrowings	(34,106)	(18,749)
Net cash flows used in financing activities	<u>(31,076)</u>	<u>(9,257)</u>
Net increase/(decrease) in cash and cash equivalents	63,134	(7,177)
Cash and cash equivalents at beginning of financial period	6,229	10,542
Cash and cash equivalents at end of financial period	16 <u>69,363</u>	<u>3,365</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.

(A) Notes to the interim financial statements

1) Basis of preparation

Tekala Corporation Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements, for the period ended 30 September 2013, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 March 2013. 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 2013.

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 2013.

Further, the Group will adopt applicable financial reporting standards and interpretations which are effective in respect of the current financial year.

3) Seasonality of operations

The Group's operations are not seasonal and cyclical in nature.

4) Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period under review.

5) Changes in estimates

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.

6) Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period under review.

7) Share capital, share premium and treasury shares

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period under review.

As at 30 September 2013, 13,008,000 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 RM9,386,487. The number of outstanding ordinary shares in issue and fully paid is therefore 139,975,300 ordinary shares of RM1 each.

8) Segment information

Business Segments

6 months ended 30 September 2013

	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	42,974	-	-	-	-	42,974
Inter-segment	-	-	-	540	(540)	-
Total	42,974	-	-	540	(540)	42,974
Results						
Depreciation	1,025	1,034	-	42	(5)	2,096
Interest on fixed deposits	92	-	-	65	-	157
Finance costs	345	1,154	-	-	-	1,499
Other income	147	11,211	7	51	-	11,416
Segment profit/(loss)	(1,126)	8,752	(424)	(367)	5	6,840

9) Profit/(loss) before tax

Included in the profit/(loss) before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	152	8	157	27
(b) Other income including investment income	391	202	513	243
(c) Interest expenses	872	664	1,499	1,438
(d) Depreciation and amortization	789	1,437	2,096	2,896
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Gain on disposal of property, plant and equipment	10,877	247	10,903	247
(i) Impairment of assets	-	-	-	-
(j) Foreign exchange gain/(loss)	316	1,595	(271)	(1)
(k) Gain or loss on derivatives	-	-	-	-
(l) Exceptional items	-	-	-	-

10) Events after the reporting period

There were no material events subsequent to end of the interim period.

11) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	29	-	29
	-	29	-	29

There is no tax for the current interim period as the gain on disposal of vessel by the offshore subsidiary is non-taxable.

12) Earnings/(loss) per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		6 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
(a) Basic earnings/(loss) per share				
Profit/(loss) attributable to owners of the Company (RM'000)	10,728	(609)	6,840	(7,629)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,975	139,975	139,977
Basic earnings/(loss) per share (sen)	7.66	(0.44)	4.89	(5.45)
(b) Diluted earnings/(loss) per share				
Profit/(loss) attributable to owners of the Company (RM'000)	10,728	(609)	6,840	(7,629)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	139,975	139,975	139,975	139,977
Diluted earnings/(loss) per share (sen)	7.66	(0.44)	4.89	(5.45)

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.

13) Other income

Included in other income for the current quarter was gain on disposal of the Group's vessel of RM10.88 million.

14) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2013 to 22 November 2013, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

15) Investment in an associate

The associate has been fully impaired in prior years.

16) Cash and Cash Equivalents

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Short-term investments	7,099	2,054
Fixed deposits	56,950	350
Cash and bank balances	5,314	3,825
	<u>69,363</u>	<u>6,229</u>

17) Group Borrowings and Debt Securities

The Group's borrowings and debt securities are as follows:

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings		
Secured:		
Term loans	5,520	25,658
Long term borrowings		
Secured:		
Term loans	6,300	15,775
	<u>11,820</u>	<u>41,433</u>

Borrowings denominated in foreign currency as at 30 September 2013:

	USD'000	RM'000 Equivalent
United States Dollars	1,127	<u>3,720</u>

18) Dividends

For the period ended 30 September 2013, the Directors do not recommend payment of dividend. (2013:Nil).

The total dividend for the current financial year is Nil (2013: Nil).

(B) Additional information required by Bursa Malaysia Securities Berhad's Listing Requirements

1. Performance review

For the current quarter ended 30 September 2013, the Group recorded a revenue of RM24.51 million as compared to the previous corresponding quarter of RM24.27 million and a profit before tax of RM10.73 million as compared to loss before tax of RM0.58 million in the previous corresponding quarter.

For the period ended 30 September 2013, the Group recorded a revenue of RM42.97 million as compared to the previous corresponding period of RM43.34 million and a profit before tax of RM6.84 million as compared to loss before tax of RM7.60 million in the previous corresponding period.

The profit before tax for the current quarter and period under review was mainly due to the gain on disposal of the Group's vessel in the current quarter.

2. Comments on material changes in profit before taxation

The Group recorded a profit before tax of RM10.73 million for the current quarter as compared to the immediate preceding quarter loss before tax of RM3.89 million mainly due to the gain on disposal of the Group's vessel in the current quarter under review.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors are confident that the Group's results for the current financial year will be better than the previous year.

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 11 to the interim financial report.

6. Corporate proposals

There were no corporate proposals announced but not completed as at 22 November 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial statements.

7. Group borrowings and debt securities

This is stated in note 17 to the interim financial statements.

8. Changes in material litigation

The Group did not have any material litigation as at 22 November 2013, the latest practicable date which is not earlier than 7 days from the date of issue of these interim financial statements.

9. Dividends

This is stated in note 18 to the interim financial statements.

10. Earnings/(loss) per share

This is stated in note 12 to the interim financial statements.

11. 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 2013 was not subject to any qualification.

12. Profit/(loss) before tax

Disclosure of items as required under Appendix 9B, Part A(16) of Bursa Malaysia Securities Bhd listing requirements is stated in note 9 to the interim financial statements.

13. Disclosure of derivatives

The Group did not enter into any derivatives during the period ended 30 September 2013 or the previous financial year ended 31 March 2013.

14. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2013 and 31 March 2013.

15. Breakdown of realised and unrealised profits or losses

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

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(8,055)	(17,537)
- Unrealised	50	2,697
	(8,005)	(14,840)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(19,546)	(19,551)
Total Group accumulated losses as per consolidated accounts	(66,848)	(73,688)

(C) Authorisation for issue of interim financial statements

The Board of Directors of the Company had authorised this unaudited interim financial statements for issue on 25 November 2013.