

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Third Quarter Ended 31 December 2015

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the third quarter ended 31 December 2015

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014
		RM'000	RM'000	RM'000	RM'000
Revenue	8	14,737	15,263	29,742	43,658
Cost of sales		(14,676)	(16,114)	(33,044)	(46,789)
Gross profit/(loss)		61	(851)	(3,302)	(3,131)
Other income		-	34	141	280
Distribution costs		(89)	(113)	(192)	(361)
Other expenses		(927)	(283)	(1,603)	(641)
Administrative expenses		(2,502)	(2,428)	(6,269)	(6,259)
Loss from operations		(3,457)	(3,641)	(11,225)	(10,112)
Interest on fixed deposits		304	313	896	962
Loss before tax	9	(3,153)	(3,328)	(10,329)	(9,150)
Income tax expense	11	-	-	-	-
Loss for the period		(3,153)	(3,328)	(10,329)	(9,150)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(3,153)	(3,328)	(10,329)	(9,150)
Loss attributable to owners of the Company		(3,153)	(3,328)	(10,329)	(9,150)
Total comprehensive loss attributable to owners of the Company		(3,153)	(3,328)	(10,329)	(9,150)
Loss per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		(2.25)	(2.38)	(7.38)	(6.54)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/12/2015 RM'000	AS AT 31/03/2015 RM'000
Non-current Assets			
Property, plant and equipment		20,382	21,525
Other investments	14	115	115
		<u>20,497</u>	<u>21,640</u>
Current Assets			
Inventories		8,568	13,383
Trade receivables		1,614	-
Other receivables		399	555
Prepayments		170	400
Other investments	14	2,005	1,551
Fixed deposits		37,000	41,500
Cash and bank balances		1,368	2,027
		<u>51,124</u>	<u>59,416</u>
Total Assets		<u>71,621</u>	<u>81,056</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(75,371)	(65,042)
Treasury shares	7	(9,387)	(9,387)
Total Equity		<u>68,225</u>	<u>78,554</u>
Non-current Liabilities			
Deferred tax liabilities		499	499
		<u>499</u>	<u>499</u>
Current Liabilities			
Trade payables		1,954	684
Other payables		943	1,319
		<u>2,897</u>	<u>2,003</u>
Total Liabilities		3,396	2,502
Total Equity and Liabilities		<u>71,621</u>	<u>81,056</u>
Net assets per share attributable to owners of the Company (RM)		0.49	0.56

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2015 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 -->

	Share Capital	Share Premium	Treasury Shares	Other Reserves	Accumulated Losses	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2014	152,983	16,549	(9,387)	-	(68,703)	91,442
Total comprehensive loss for the period	-	-	-	-	(9,150)	(9,150)
At 31 December 2014	152,983	16,549	(9,387)	-	(77,853)	82,292
At 1 April 2015	152,983	16,549	(9,387)	1,295	(82,886)	78,554
Total comprehensive loss for the period	-	-	-	-	(10,329)	(10,329)
At 31 Decemebr 2015	152,983	16,549	(9,387)	1,295	(93,215)	68,225

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows

	9 months ended	
	31/12/2015	31/12/2014
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(10,329)	(9,150)
Adjustments for:		
Depreciation of property, plant and equipment	1,173	1,471
Dividend income	(39)	(69)
Equipment scrapped	-	2
Gain on disposal of short-term investment	(16)	(8)
Interest on fixed deposits	(896)	(962)
Profit on disposal of plant and equipment	(2)	-
Unrealised (gain)/loss on foreign exchange	(108)	235
Operating loss before working capital changes	<u>(10,217)</u>	<u>(8,481)</u>
Decrease in inventories	4,815	2,565
Increase in receivables	(1,105)	(1,210)
Increase/(decrease) in payables	896	(2,272)
Net cash flows used in operating activities	<u>(5,611)</u>	<u>(9,398)</u>
Cash flows from investing activities		
(Addition)/disposal of investment in money market fund	(454)	5,123
Dividend income	39	69
Interest on fixed deposits received	896	962
Proceeds from disposal of plant and equipment	2	-
Purchase of property, plant and equipment	(31)	(22)
Net cash flows from investing activities	<u>452</u>	<u>6,132</u>
Cash flows from financing activities		
Proceeds from borrowings	3,629	7,113
Repayment of borrowings	(3,629)	(7,071)
Net cash flows from financing activities	<u>-</u>	<u>42</u>
Net decrease in cash and cash equivalents	(5,159)	(3,224)
Cash and cash equivalents at beginning of financial period	<u>43,527</u>	<u>46,816</u>
Cash and cash equivalents at end of financial period	15 <u>38,368</u>	<u>43,592</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2015 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 31 December 2015, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board 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 2015. 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 2015.

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 2015.

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 31 December 2015, 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

	9 months ended 31 December 2015				
	Timber processing RM'000	Investment holding RM'000	Others RM'000	Elimination/ adjustment RM'000	Consolidated RM'000
Revenue					
External	29,742	-	-	-	29,742
Inter-segment	-	-	810	(810)	-
Total	29,742	-	810	(810)	29,742
Results					
Depreciation	1,168	-	12	(7)	1,173
Interest on fixed deposits	496	-	400	-	896
Other income	68	-	73	-	141
Segment loss	(8,495)	(1,567)	(274)	7	(10,329)

9) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	304	313	896	962
(b) Other income including investment income	-	34	141	280
(c) Interest expenses	-	-	-	-
(d) Depreciation and amortization	340	475	1,173	1,471
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision/(reversal of provision) for and write off of inventories	-	-	-	-
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-	16	8
(h) Gain on disposal of property, plant and equipment	-	-	-	-
(i) Impairment of other investments	-	-	-	-
(j) Foreign exchange gain/(loss)	499	(192)	(79)	(228)
(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		9 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	-	-	-

There is no tax expense for the current quarter and period under review because of losses incurred by the Group.

12) Loss per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
(a) Basic loss per share				
Loss attributable to owners of the Company (RM'000)	(3,153)	(3,328)	(10,329)	(9,150)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,975	139,975	139,975
Basic loss per share (sen)	(2.25)	(2.38)	(7.38)	(6.54)

(b) Diluted loss per share

Loss attributable to owners of the Company (RM'000)	(3,153)	(3,328)	(10,329)	(9,150)
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	139,975
Diluted loss per share (sen)	(2.25)	(2.38)	(7.38)	(6.54)

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

13) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2015 to 22 February 2016, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

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14) Other investments

	As at 31.12.2015 RM'000	As at 31.03.2015 RM'000
Non-current		
Investment securities	115	115
Current		
Wholesale money market fund	2,005	1,551

15) Cash and Cash Equivalents

	As at 31.12.2015 RM'000	As at 31.03.2015 RM'000
Fixed deposits	37,000	41,500
Cash and bank balances	1,368	2,027
	<u>38,368</u>	<u>43,527</u>

16) Dividends

For the period ended 31 Decemebr 2015, the Directors do not recommend payment of dividend. (2015:Nil).

The total dividend for the current financial year is Nil (2015: Nil).

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

1. Performance review

For the current quarter ended 31 December 2015, the Group recorded a revenue of RM14.74 million as compared to the previous corresponding quarter of RM15.26 million and a loss before tax of RM3.15 million as compared to loss before tax of RM3.33 million in the previous corresponding quarter.

For the current period ended 31 December 2015, the Group recorded a revenue of RM29.74 million as compared to the previous corresponding period of RM43.66 million and a loss before tax of RM10.33 million as compared to loss before tax of RM9.15 million in the previous corresponding period.

The lower revenue and loss before tax for the current quarter and period as compared to the previous corresponding quarter and period were mainly due to lower plywood sales.

2. Comments on material changes in profit before taxation

The Group loss before tax of RM3.15 million for the current quarter was lower as compared to the immediate preceding quarter loss before tax of RM3.82 million mainly due to lower production costs.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's plywood operations for the current financial year to be 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 11 to the interim financial report.

6. Corporate proposals

There were no other corporate proposals announced but not completed as at 22 February 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial statements other than the corporate proposals as announced on 3 December 2015.

7. Group borrowings and debt securities

There were no Group borrowings and debt securities as at 31 December 2015 and 31 March 2015.

8. Changes in material litigation

The Group did not have any material litigation as at 22 February 2016, 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 16 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 2015 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 31 December 2015 or the previous financial year ended 31 March 2015.

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 31 December 2015 and 31 March 2015.

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 31.12.2015 RM'000	As at 31.03.2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(34,500)	(23,971)
- Unrealised	108	40
	(34,392)	(23,931)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(19,526)	(19,658)
Total Group accumulated losses as per consolidated accounts	(93,215)	(82,886)

(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 February 2016.