

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Unaudited Interim Financial Statements**

**For The Third Quarter Ended 31 December 2013**

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

Interim financial statements for the third quarter ended 31 December 2013

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**Condensed Consolidated Statement of Comprehensive Income**

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	8	25,846	32,688	68,820	76,029
Cost of sales		(24,286)	(28,060)	(64,548)	(72,340)
Gross profit		1,560	4,628	4,272	3,689
Other income	13	58	53	11,474	543
Distribution costs		(202)	(217)	(611)	(513)
Other expenses		(74)	(98)	(1,806)	(514)
Administrative expenses		(2,854)	(2,514)	(6,659)	(7,542)
Profit/(loss) from operations		(1,512)	1,852	6,670	(4,337)
Interest on fixed deposits		395	8	552	35
Finance costs		(151)	(593)	(1,650)	(2,031)
Profit/(loss) before tax	9	(1,268)	1,267	5,572	(6,333)
Income tax expense	11	-	(11)	-	(40)
Profit/(loss) for the period		(1,268)	1,256	5,572	(6,373)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(1,268)	1,256	5,572	(6,373)
Profit/(loss) attributable to owners of the Company		(1,268)	1,256	5,572	(6,373)
Total comprehensive income attributable to owners of the Company		(1,268)	1,256	5,572	(6,373)
Profit/(loss) per share attributable to owners of the Company:	12	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
- Basic/Diluted		(0.91)	0.90	3.98	(4.55)

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 third quarter ended 31 December 2013

**Condensed Consolidated Statement of Financial Position**

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 31/12/2013 RM'000</b>	<b>AS AT 31/03/2013 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		23,898	105,010
Investment in an associate	15	-	-
Other investments		125	125
		<u>24,023</u>	<u>105,135</u>
<b>Current Assets</b>			
Inventories		18,867	17,447
Trade receivables		9,827	6,713
Other receivables		201	574
Prepayments		207	494
Tax refundable		151	151
Short-term investments		5,131	2,054
Fixed deposits		53,750	350
Cash and bank balances		1,922	3,825
		<u>90,056</u>	<u>31,608</u>
<b>Total Assets</b>		<u>114,079</u>	<u>136,743</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		152,983	152,983
Reserves		(50,272)	(55,844)
Treasury shares	7	(9,387)	(9,387)
<b>Total Equity</b>		<u>93,324</u>	<u>87,752</u>
<b>Non-current Liabilities</b>			
Borrowings	17	5,850	15,775
Deferred tax liabilities		499	499
		<u>6,349</u>	<u>16,274</u>
<b>Current Liabilities</b>			
Trade payables		7,055	5,019
Other payables		1,846	2,040
Borrowings	17	5,505	25,658
		<u>14,406</u>	<u>32,717</u>
<b>Total Liabilities</b>		20,755	48,991
<b>Total Equity and Liabilities</b>		<u>114,079</u>	<u>136,743</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>		0.67	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 -->

	Share Capital	Share Premium	Treasury Shares	Other Reserves	Accumulated Losses	Total Equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2012</b>	152,983	16,549	(9,385)	24,349	(83,300)	101,196
Total comprehensive income for the period	-	-	-	-	(6,373)	(6,373)
Purchase of treasury shares	-	-	(2)	-	-	(2)
<b>At 31 December 2012</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>24,349</u>	<u>(89,673)</u>	<u>94,821</u>
<b>At 1 April 2013</b>	152,983	16,549	(9,387)	1,295	(73,688)	87,752
Total comprehensive income for the period	-	-	-	-	5,572	5,572
<b>At 31 December 2013</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>1,295</u>	<u>(68,116)</u>	<u>93,324</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**

	<b>9 months ended</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	5,572	(6,333)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	2,613	4,236
Dividend income	(70)	(28)
Equipment scrapped	-	1
Finance cost	1,650	2,031
Gain on disposal of property, plant and equipment (net)	(10,903)	(247)
Gain on disposal of short-term investment	(6)	(8)
Interest on fixed deposits	(552)	(35)
Unrealised (gain)/loss on foreign exchange	79	(14)
Operating loss before working capital changes	<u>(1,617)</u>	<u>(397)</u>
(Increase)/decrease in inventories	(1,420)	1,548
Increase in receivables	(2,389)	(3,180)
Increase in payables	1,839	4,936
Cash flows (used in)/from operations	<u>(3,587)</u>	<u>2,907</u>
Income tax paid	-	(142)
Income tax refunded	-	3
Net cash flows (used in)/from operating activities	<u>(3,587)</u>	<u>2,768</u>
<b>Cash flows from investing activities</b>		
Dividend income	70	28
Interest on fixed deposits received	552	35
Payment for acquisition of non-controlling interest	-	(3,938)
Proceeds from disposal of property, plant and equipment	89,522	5,000
Purchase of property, plant and equipment	(121)	(44)
Net cash flows from investing activities	<u>90,023</u>	<u>1,081</u>
<b>Cash flows from financing activities</b>		
Finance cost	(1,650)	(2,031)
Proceeds from borrowings	8,100	16,034
Purchase of treasury shares	-	(2)
Repayment of borrowings	(38,312)	(25,547)
Net cash flows used in financing activities	<u>(31,862)</u>	<u>(11,546)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	54,574	(7,697)
<b>Cash and cash equivalents at beginning of financial period</b>	6,229	10,542
<b>Cash and cash equivalents at end of financial period</b>	<u>16 60,803</u>	<u>2,845</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 31 December 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 31 December 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*

**9 months ended 31 December 2013**

	<b>Timber processing</b>	<b>Oil and Gas</b>	<b>Investment holding</b>	<b>Others</b>	<b>Elimination/adjustment</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>						
External	68,820	-	-	-	-	68,820
Inter-segment	-	-	-	810	(810)	-
<b>Total</b>	<b>68,820</b>	<b>-</b>	<b>-</b>	<b>810</b>	<b>(810)</b>	<b>68,820</b>
<b>Results</b>						
Depreciation	1,523	1,034	-	63	(7)	2,613
Interest on fixed deposits	301	-	-	251	-	552
Finance costs	496	1,154	-	-	-	1,650
Other income	193	11,209	8	64	-	11,474
<b>Segment profit/(loss)</b>	<b>(2,043)</b>	<b>8,742</b>	<b>(588)</b>	<b>(546)</b>	<b>7</b>	<b>5,572</b>

**9) Profit/(loss) before tax**

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

	<b>Individual Quarter</b>		<b>Financial Year-to-date</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Interest income	395	8	552	35
(b) Other income including investment income	58	53	571	296
(c) Interest expenses	151	593	1,650	2,031
(d) Depreciation and amortization	517	1,340	2,613	4,236
(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	-	8	-	8
(h) Gain on disposal of property, plant and equipment (net)	-	-	10,903	247
(i) Impairment of assets	-	-	-	-
(j) Foreign exchange gain/(loss)	192	(282)	(79)	(283)
(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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	11	-	40
	-	11	-	40

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		9 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>(a) Basic earnings/(loss) per share</b>				
Profit/(loss) attributable to owners of the Company (RM'000)	(1,268)	1,256	5,572	(6,373)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,975	139,975	139,976
Basic earnings/(loss) per share (sen)	(0.91)	0.90	3.98	(4.55)
<b>(b) Diluted earnings/(loss) per share</b>				
Profit/(loss) attributable to owners of the Company (RM'000)	(1,268)	1,256	5,572	(6,373)
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	139,976
Diluted earnings/(loss) per share (sen)	(0.91)	0.90	3.98	(4.55)

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 period 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 21 February 2014, 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 31.12.2013 RM'000	As at 31.03.2013 RM'000
Short-term investments	5,131	2,054
Fixed deposits	53,750	350
Cash and bank balances	1,922	3,825
	<u>60,803</u>	<u>6,229</u>

**17) Group Borrowings and Debt Securities**

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

	As at 31.12.2013 RM'000	As at 31.03.2013 RM'000
<b>Short term borrowings</b>		
Secured:		
Term loans	5,505	25,658
<b>Long term borrowings</b>		
Secured:		
Term loans	5,850	15,775
	<u>11,355</u>	<u>41,433</u>

Borrowings denominated in foreign currency as at  
31 December 2013:

	USD'000	RM'000 Equivalent
United States Dollars	1,114	<u>3,705</u>

**18) Dividends**

For the period ended 31 December 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 31 December 2013, the Group recorded a revenue of RM25.85 million as compared to the previous corresponding quarter of RM32.69 million and a loss before tax of RM1.27 million as compared to profit before tax of RM1.27 million in the previous corresponding quarter.

For the period ended 31 December 2013, the Group recorded a revenue of RM68.82 million as compared to the previous corresponding period of RM76.03 million and a profit before tax of RM5.57 million as compared to loss before tax of RM6.33 million in the previous corresponding period.

The lower revenue for the current quarter and period under review was mainly due to no revenue from vessel chartering for the current quarter under review following the disposal of the Group's vessel in the immediate preceding quarter under review.

The loss for the current quarter and profit for the current period under review was mainly because there was no contribution from vessel chartering in the current quarter and the gain on disposal of the Group's vessel in the immediate preceding quarter under review.

### **2. Comments on material changes in profit before taxation**

The Group recorded a loss before tax of RM1.27 million for the current quarter as compared to the immediate preceding quarter profit before tax of RM10.73 million mainly due to the gain on disposal of the Group's vessel in the immediate preceding quarter.

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

Barring any unforeseen circumstances, the Directors expect the Group's results for the current financial year to 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 21 February 2014, 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 21 February 2014, 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 31 December 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 31 December 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:

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.03.2013 RM'000</b>
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(9,196)	(17,537)
- Unrealised	(79)	2,697
	(9,275)	(14,840)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(19,544)	(19,551)
Total Group accumulated losses as per consolidated accounts	(68,116)	(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 26 February 2014.