

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Unaudited Interim Financial Statements**

**For The First Quarter Ended 30 June 2012**

**TEKALA CORPORATION BERHAD** (357125-D)  
Interim financial statements for the first quarter ended 30 June 2012

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**Condensed Consolidated Statement of Comprehensive Income**

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		3 months ended	
		30/06/2012	30/06/2011	30/06/2012	30/06/2011
		RM'000	RM'000	RM'000	RM'000
Revenue	8	19,068	22,797	19,068	22,797
Cost of sales		(21,030)	(14,220)	(21,030)	(14,220)
Gross (loss)/profit		(1,962)	8,577	(1,962)	8,577
Other income		41	186	41	186
Distribution costs		(143)	(129)	(143)	(129)
Other expenses		(1,641)	(71)	(1,641)	(71)
Administrative expenses		(2,560)	(2,758)	(2,560)	(2,758)
(Loss)/Profit from operations		(6,265)	5,805	(6,265)	5,805
Interest on fixed deposits		19	183	19	183
Finance costs		(774)	(1,054)	(774)	(1,054)
(Loss)/Profit before tax	9	(7,020)	4,934	(7,020)	4,934
Income tax expense	11	-	(53)	-	(53)
(Loss)/Profit for the period		(7,020)	4,881	(7,020)	4,881
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(7,020)	4,881	(7,020)	4,881
(Loss)/Profit attributable to:					
Owners of the Company		(7,020)	3,700	(7,020)	3,700
Non-controlling interests		-	1,181	-	1,181
		(7,020)	4,881	(7,020)	4,881
Total comprehensive income attributable to:					
Owners of the Company		(7,020)	3,700	(7,020)	3,700
Non-controlling interests		-	1,181	-	1,181
		(7,020)	4,881	(7,020)	4,881
(Loss)/Earnings per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		(5.02)	2.63	(5.02)	2.63

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

Interim financial statements for the first quarter ended 30 June 2012

**Condensed Consolidated Statement of Financial Position**

		AS AT 30/06/2012	AS AT 31/03/2012	AS AT 01/04/2011
ASSETS	Note	RM'000	RM'000 (restated)	RM'000 (restated)
<b>Non-current Assets</b>				
Property, plant and equipment		113,794	115,247	180,078
Investment in an associate	14	-	-	-
Other investments		125	125	125
		<u>113,919</u>	<u>115,372</u>	<u>180,203</u>
<b>Current Assets</b>				
Inventories		20,382	20,671	18,973
Trade receivables		4,358	4,677	4,118
Other receivables		1,252	6,192	1,825
Prepayments		320	472	528
Tax refundable		256	202	808
Short-term investments		1,033	1,027	5,263
Fixed deposits		4,050	6,850	28,390
Cash and bank balances		1,195	2,665	846
		<u>32,846</u>	<u>42,756</u>	<u>60,751</u>
<b>Total Assets</b>		<u>146,765</u>	<u>158,128</u>	<u>240,954</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital		152,983	152,983	152,983
Reserves		(49,423)	(42,403)	(4,474)
Treasury shares	7	(9,386)	(9,384)	(8,925)
		<u>94,174</u>	<u>101,196</u>	<u>139,584</u>
Non-controlling interests		-	-	36,619
<b>Total Equity</b>		<u>94,174</u>	<u>101,196</u>	<u>176,203</u>
<b>Non-current Liability</b>				
Borrowings	16	22,022	25,484	41,938
Deferred tax liabilities		499	499	499
		<u>22,521</u>	<u>25,983</u>	<u>42,437</u>
<b>Current Liabilities</b>				
Trade payables		5,622	2,833	3,445
Other payables		1,800	5,791	2,093
Borrowings	16	22,648	22,325	16,776
		<u>30,070</u>	<u>30,949</u>	<u>22,314</u>
<b>Total Liabilities</b>		<u>52,591</u>	<u>56,932</u>	<u>64,751</u>
<b>Total Equity and Liabilities</b>		<u>146,765</u>	<u>158,128</u>	<u>240,954</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>		0.67	0.72	0.99

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

Interim financial statements for the first quarter ended 30 June 2012

**Condensed Consolidated Statement of Changes in Equity**

< -----Attributable to owners of the Company----->								
<i>Non-distributable</i>								
	Share	Share	Treasury	Other	Accumulated	Total	Non-	Total
Note	Capital	Premium	Shares	Reserves	Losses	RM'000	controlling	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Interests	RM'000
<b>At 1 April 2011</b>	152,983	16,549	(8,925)	23,054	(44,077)	139,584	36,619	176,203
Total comprehensive income for the period	-	-	-	-	3,700	3,700	1,181	4,881
Purchase of treasury shares	-	-	(188)	-	-	(188)	-	(188)
<b>At 30 June 2011</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,113)</u>	<u>23,054</u>	<u>(40,377)</u>	<u>143,096</u>	<u>37,800</u>	<u>180,896</u>
<b>At 1 April 2012</b>	152,983	16,549	(9,384)	24,349	(83,301)	101,196	-	101,196
Total comprehensive income for the period	-	-	-	-	(7,020)	(7,020)	-	(7,020)
Purchase of treasury shares 7	-	-	(2)	-	-	(2)	-	(2)
<b>At 30 June 2012</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,386)</u>	<u>24,349</u>	<u>(90,321)</u>	<u>94,174</u>	<u>-</u>	<u>94,174</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 2012 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Cash Flows**

	<b>3 months ended</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(7,020)	4,934
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	1,459	2,194
Dividend income	(6)	(10)
Equipment scrapped	1	-
Finance cost	774	1,054
Interest on fixed deposits	(19)	(183)
Unrealised loss/(gain) on foreign exchange	1,445	(115)
Operating (loss)/profit before working capital changes	<u>(3,366)</u>	<u>7,874</u>
Decrease/(increase) in inventories	289	(17,363)
Decrease/(increase) in receivables	5,409	(9,608)
Increase in payables	2,735	12,021
Cash flows from/(used in) operations	<u>5,067</u>	<u>(7,076)</u>
Income tax paid	(57)	(61)
Income tax refunded	3	41
Net cash flows from/(used in) operating activities	<u>5,013</u>	<u>(7,096)</u>
<b>Cash flows from investing activities</b>		
Dividend income	6	10
Interest on fixed deposits received	19	183
Full settlement for acquisition of non-controlling interest	(3,938)	-
Purchase of property, plant and equipment	(7)	(15)
Net cash flows (used in)/from investing activities	<u>(3,920)</u>	<u>178</u>
<b>Cash flows from financing activities</b>		
Finance cost	(774)	(1,054)
Proceeds from borrowings	4,945	-
Purchase of treasury shares	(2)	(188)
Repayment of borrowings	(9,526)	-
Net cash flows used in financing activities	<u>(5,357)</u>	<u>(1,242)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(4,264)</u>	<u>(8,160)</u>
<b>Cash and cash equivalents at beginning of financial period</b>	<u>10,542</u>	<u>34,499</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>15 6,278</u>	<u>26,339</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

## **(A) Notes to the interim financial statements**

### **1) First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)**

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 June 2012, 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. For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 March 2012 which were prepared under FRS are available upon request from the Company’s registered office at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah.

These unaudited condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 March 2013. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements 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 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2011 (which is also the date of transition), the Group has adjusted, where applicable, the amounts previously reported in financial statements prepared in accordance with FRS. The transition from FRS to MFRS has not had a material impact on the Group's financial position, financial performance and cash flows as set out in Note 2 below.

### **2) Significant accounting policies and application of MFRS 1**

The audited financial statements of the Group for the year ended 31 March 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are essentially similar. The significant accounting policies adopted in preparing these unaudited condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 March 2012 except as discussed below:

#### **(a) Foreign currency translation reserve**

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM225,224 (30 June 2011: RM225,224; 31 March 2012: RM225,224) were adjusted to retained earnings.

**2) Significant accounting policies and application of MFRS 1 (continued)****(b) Estimates**

The estimates at 1 April 2011 and at 31 March 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 April 2011, the date of transition to MFRS and as of 31 March 2012.

The reconciliations of the components in the consolidated statement of changes in equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

**(i) Reconciliation of equity as at 1 April 2011**

	<b>FRS as at 1 April 2011</b>	<b>Effect of transition to MFRS</b>	<b>MFRS as at 1 April 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	152,983	-	152,983
Share premium	16,549	-	16,549
Treasury shares	(8,925)	-	(8,925)
Accumulated losses	(44,302)	225	(44,077)
Foreign currency translation reserve	225	(225)	-
Asset revaluation reserve	23,054	-	23,054
Non-controlling interests	36,619	-	36,619
Total equity	<u>176,203</u>	<u>-</u>	<u>176,203</u>

**ii) Reconciliation of equity as at 30 June 2011**

	<b>FRS as at 30 June 2011</b>	<b>Effect of transition to MFRS</b>	<b>MFRS as at 30 June 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	152,983	-	152,983
Share premium	16,549	-	16,549
Treasury shares	(9,113)	-	(9,113)
Accumulated losses	(40,602)	225	(40,377)
Foreign currency translation reserve	225	(225)	-
Asset revaluation reserve	23,054	-	23,054
Non-controlling interests	37,800	-	37,800
Total equity	<u>180,896</u>	<u>-</u>	<u>180,896</u>



**2) Significant accounting policies and application of MFRS 1 (continued)****iii) Reconciliation of equity as at 31 March 2012**

	<b>FRS as at 31 March 2012 RM'000</b>	<b>Effect of transition to MFRS RM'000</b>	<b>MFRS as at 31 March 2012 RM'000</b>
Share capital	152,983	-	152,983
Share premium	16,549	-	16,549
Treasury shares	(9,384)	-	(9,384)
Accumulated losses	(83,526)	225	(83,301)
Foreign currency translation reserve	225	(225)	-
Asset revaluation reserve	23,054	-	23,054
Other reserve	1,295	-	1,295
Total equity	101,196	-	101,196

**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 except for the following:

Share Buy-back

During the interim period, the Company repurchased 5,000 of its issued ordinary shares from the open market at an average price of RM0.40 per share. The total consideration paid for the repurchase including transaction costs was RM2,043 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.

As at 30 June 2012, 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.

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

Interim financial statements for the first quarter ended 30 June 2012

**8) Segment information***Business Segments*

3 months ended 30 June 2012

	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination/ adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External	19,068	-	-	-	-	19,068
Inter-segment	-	-	-	270	(270)	-
Total	19,068	-	-	270	(270)	19,068
<b>Results</b>						
Depreciation	588	776	-	112	(17)	1,459
Interest on fixed deposits	16	-	-	3	-	19
Finance costs	-	774	-	-	-	774
Unrealised loss on foreign exchange	50	1,395	-	-	-	1,445
Segment profit/(loss)	(1,674)	(4,905)	(72)	(386)	17	(7,020)

**9) (Loss)/profit before tax**

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

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	19	183	19	183
(b) Other income including investment income	41	186	41	186
(c) Interest expenses	774	1,054	774	1,054
(d) Depreciation and amortization	1,459	2,194	1,459	2,194
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Gain or loss on disposal of property, plant and equipment	-	-	-	-
(i) Impairment of assets	-	-	-	-
(j) Foreign exchange gain/(loss)	(1,596)	115	(1,596)	115
(k) Gain or loss on derivatives	-	-	-	-
(l) Exceptional items	-	-	-	-

**10) Events after the reporting period**

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

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

Interim financial statements for the first quarter ended 30 June 2012

**11) Income tax expense**

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	53	-	53
	-	53	-	53

The Group's effective tax rate for the previous quarter and period was lower than the statutory income tax rate in Malaysia principally due to utilization of capital allowances brought forward of a subsidiary and the Group's offshore subsidiary being subject to tax at a nominal amount.

**12) (Loss)/Earnings per share**

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
<b>(a) Basic (loss)/earnings per share</b>				
(Loss)/profit attributable to owners of the Company (RM'000)	(7,020)	3,700	(7,020)	3,700
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,978	140,787	139,978	140,787
Basic (loss)/earnings per share (sen)	(5.02)	2.63	(5.02)	2.63
<b>(b) Diluted (loss)/earnings per share</b>				
(Loss)/profit attributable to owners of the Company (RM'000)	(7,020)	3,700	(7,020)	3,700
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	139,978	140,787	139,978	140,787
Diluted (loss)/earnings per share (sen)	(5.02)	2.63	(5.02)	2.63

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

**13) Contingencies**

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2012 to 22 August 2012, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

**14) Investment in an associate**

As previously reported, the associate is in the process of undergoing financial restructuring.

**15) Cash and Cash Equivalents**

	As at 30.06.2012 RM'000	As at 31.03.2012 RM'000	As at 01.04.2011 RM'000
Short-term investments	1,033	1,027	5,263
Fixed deposits	4,050	6,850	28,390
Cash and bank balances	1,195	2,665	846
	6,278	10,542	34,499

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

Interim financial statements for the first quarter ended 30 June 2012

**16) Group Borrowings and Debt Securities**

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

	<b>As at 30.06.2012 RM'000</b>	<b>As at 31.03.2012 RM'000</b>	<b>As at 01.04.2011 RM'000</b>
<b>Short term borrowings</b>			
Secured	22,648	22,325	16,776
<b>Long term borrowings</b>			
Secured	22,022	25,484	41,938
	<u>44,670</u>	<u>47,809</u>	<u>58,714</u>

Borrowings denominated in foreign currency as at 30 June 2012:

	<b>USD'000</b>	<b>RM'000 Equivalent</b>
United States Dollars	12,474	<u>39,640</u>

**17) Dividends**

The Directors do not recommend payment of dividend for the period ended 30 June 2012. (2012:Nil).

The total dividend for the current financial period is Nil (2012: Nil).

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

### **1. Performance review**

For the current quarter and period ended 30 June 2012, the Group recorded a revenue of RM19.07 million as compared to the previous corresponding quarter and period of RM22.80 million and loss before tax of RM7.02 million as compared to profit before tax of RM4.93 million in the previous corresponding quarter and period.

The decline in revenue and the loss before tax for the current quarter and period as compared to the previous corresponding quarter and period was mainly because the Group's vessel was idle for the current quarter and period under review.

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

The Group recorded a loss before tax of RM7.02 million for the current quarter as compared to the immediate preceding quarter loss before tax of RM3.04 million. The higher loss before tax for the current quarter was mainly because the Group's vessel was idle for the current quarter under review.

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

In view of the Group's efforts and strategies being pursued to face the challenging operating environment of the Group, the Directors are of the opinion the Group's results for the current financial year would stabilize.

### **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 August 2012, 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 16 to the interim financial statements.

### **8. Changes in material litigation**

The Group did not have any material litigation as at 22 August 2012, 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 17 to the interim financial statements.

### **10. Earnings 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 2012 was not subject to any qualification.

**12. 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 June 2012 or the previous financial year ended 31 March 2012.

**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 June 2012 and 31 March 2012.

**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 30.06.2012</b> <b>RM'000</b>	<b>As at 31.03.2012</b> <b>RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	(10,918)	(5,822)
- Unrealised	2,840	4,782
	(8,078)	(1,040)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(42,946)	(42,964)
Total Group accumulated losses as per consolidated accounts	(90,321)	(83,301)

**(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 24 August 2012.