

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Third Quarter Ended 31 December 2012

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the third quarter ended 31 December 2012

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2012	31/12/2011	31/12/2012	31/12/2011
		RM'000	RM'000	RM'000	RM'000
Revenue	8	32,688	45,101	76,029	92,245
Cost of sales		(28,060)	(37,293)	(72,340)	(71,452)
Gross profit		4,628	7,808	3,689	20,793
Other income		53	4,943	543	5,107
Distribution costs		(217)	(252)	(513)	(482)
Other expenses		(98)	213	(514)	(2,451)
Impairment losses		-	-	-	(67,442)
Administrative expenses		(2,514)	(3,225)	(7,542)	(8,513)
Profit/(loss) from operations		1,852	9,487	(4,337)	(52,988)
Interest on fixed deposits		8	39	35	372
Finance costs		(593)	(920)	(2,031)	(2,890)
Profit/(loss) before tax	9	1,267	8,606	(6,333)	(55,506)
Income tax expense	11	(11)	(8)	(40)	(83)
Profit/(loss) for the period		1,256	8,598	(6,373)	(55,589)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		1,256	8,598	(6,373)	(55,589)
Profit/(loss) attributable to:					
Owners of the Company		1,256	7,606	(6,373)	(33,313)
Non-controlling interests		-	992	-	(22,276)
		1,256	8,598	(6,373)	(55,589)
Total comprehensive income attributable to:					
Owners of the Company		1,256	7,606	(6,373)	(33,313)
Non-controlling interests		-	992	-	(22,276)
		1,256	8,598	(6,373)	(55,589)
Profit/(loss) per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		0.90	5.42	(4.55)	(23.70)

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 third quarter ended 31 December 2012

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/12/2012 RM'000	AS AT 31/03/2012 RM'000 (restated)	AS AT 01/04/2011 RM'000 (restated)
Non-current Assets				
Property, plant and equipment		106,300	115,247	180,078
Investment in an associate	14	-	-	-
Other investments		125	125	125
		<u>106,425</u>	<u>115,372</u>	<u>180,203</u>
Current Assets				
Inventories		19,124	20,671	18,973
Trade receivables		13,450	4,677	4,118
Other receivables		779	6,192	1,825
Prepayments		237	472	528
Tax refundable		341	202	808
Short-term investments		547	1,027	5,263
Fixed deposits		3,150	6,850	28,390
Cash and bank balances		3,219	2,665	846
		<u>40,847</u>	<u>42,756</u>	<u>60,751</u>
Total Assets		<u>147,272</u>	<u>158,128</u>	<u>240,954</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		152,983	152,983	152,983
Reserves		(48,776)	(42,403)	(4,474)
Treasury shares	7	(9,386)	(9,384)	(8,925)
		<u>94,821</u>	<u>101,196</u>	<u>139,584</u>
Non-controlling interests		-	-	36,619
Total Equity		<u>94,821</u>	<u>101,196</u>	<u>176,203</u>
Non-current Liability				
Borrowings	16	12,730	25,484	41,938
Deferred tax liabilities		499	499	499
		<u>13,229</u>	<u>25,983</u>	<u>42,437</u>
Current Liabilities				
Trade payables		6,988	2,833	3,445
Other payables		2,661	5,791	2,093
Borrowings	16	29,533	22,325	16,776
Income tax payable		40	-	-
		<u>39,222</u>	<u>30,949</u>	<u>22,314</u>
Total Liabilities		<u>52,451</u>	<u>56,932</u>	<u>64,751</u>
Total Equity and Liabilities		<u>147,272</u>	<u>158,128</u>	<u>240,954</u>
Net assets per share attributable to owners of the Company (RM)		0.68	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.

Condensed Consolidated Statement of Changes in Equity

< -----Attributable to owners of the Company----->								
<i>Non-distributable</i>								
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Accumulated Losses	Total	Non- controlling Interests	Total Equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2011	152,983	16,549	(8,925)	23,054	(44,077)	139,584	36,619	176,203
Total comprehensive income for the period	-	-	-	-	(33,313)	(33,313)	(22,276)	(55,589)
Purchase of treasury shares	-	-	(325)	-	-	(325)	-	(325)
Arising from acquisition of non-controlling interest				1,240		1,240	(14,343)	(13,103)
Dividend					(2,809)	(2,809)	-	(2,809)
At 31 December 2011	<u>152,983</u>	<u>16,549</u>	<u>(9,250)</u>	<u>24,294</u>	<u>(80,199)</u>	<u>104,377</u>	<u>-</u>	<u>104,377</u>
At 1 April 2012	152,983	16,549	(9,384)	24,349	(83,301)	101,196	-	101,196
Total comprehensive income for the period	-	-	-	-	(6,373)	(6,373)	-	(6,373)
Purchase of treasury shares 7	-	-	(2)	-	-	(2)	-	(2)
At 31 December 2012	<u>152,983</u>	<u>16,549</u>	<u>(9,386)</u>	<u>24,349</u>	<u>(89,674)</u>	<u>94,821</u>	<u>-</u>	<u>94,821</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

	9 months ended	
	31/12/2012	31/12/2011
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(6,333)	(55,506)
Adjustments for:		
Depreciation of property, plant and equipment	4,236	5,351
Dividend income	(28)	(17)
Equipment scrapped	1	3
Finance cost	2,031	2,890
Gain on disposal of property, plant and equipment	(247)	(21)
Gain on disposal of short-term investment	(8)	-
Interest on fixed deposits	(35)	(372)
Impairment loss on vessel	-	57,618
Impairment loss on receivables	-	9,824
Unrealised loss/(gain) on foreign exchange	(14)	2,401
Operating (loss)/profit before working capital changes	<u>(397)</u>	<u>22,171</u>
Decrease/(increase) in inventories	1,548	(3,685)
Increase in receivables	(3,180)	(24,225)
Increase in payables	4,936	6,356
Cash flows from operations	<u>2,907</u>	<u>617</u>
Income tax paid	(142)	(214)
Income tax refunded	3	42
Net cash flows from operating activities	<u>2,768</u>	<u>445</u>
Cash flows from investing activities		
Dividend income	28	17
Interest on fixed deposits received	35	372
Acquisition of non-controlling interest	(3,938)	(5,000)
Proceeds from disposal of property, plant and equipment	5,000	22
Purchase of property, plant and equipment	(44)	(77)
Net cash flows from/(used in) investing activities	<u>1,081</u>	<u>(4,666)</u>
Cash flows from financing activities		
Dividend paid	-	(2,809)
Finance cost	(2,031)	(2,890)
Proceeds from borrowings	16,034	-
Purchase of treasury shares	(2)	(325)
Repayment of borrowings	(25,547)	(12,582)
Net cash flows used in financing activities	<u>(11,546)</u>	<u>(18,606)</u>
Net decrease in cash and cash equivalents	<u>(7,697)</u>	<u>(22,827)</u>
Cash and cash equivalents at beginning of financial period	<u>10,542</u>	<u>34,499</u>
Cash and cash equivalents at end of financial period	<u>15 2,845</u>	<u>11,672</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 31 December 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 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 (31 December 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

	FRS as at 1 April 2011	Effect of transition to MFRS	MFRS as at 1 April 2011
	RM'000	RM'000	RM'000
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 31 December 2011

	FRS as at 31 Dec 2011	Effect of transition to MFRS	MFRS as at 31 Dec 2011
	RM'000	RM'000	RM'000
Share capital	152,983	-	152,983
Share premium	16,549	-	16,549
Treasury shares	(9,250)	-	(9,250)
Accumulated losses	(80,424)	225	(80,199)
Foreign currency translation reserve	225	(225)	-
Asset revaluation reserve	23,054	-	23,054
Other reserve	1,240	-	1,240
Total equity	<u>104,377</u>	<u>-</u>	<u>104,377</u>

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

	FRS as at 31 March 2012 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31 March 2012 RM'000
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 31 December 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.

8) Segment information
Business Segments
9 months ended 31 December 2012

	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination/ adjustment RM'000	Consolidated RM'000
Revenue						
External	63,922	12,107	-	-	-	76,029
Inter-segment	-	-	19,208	1,415	(20,623)	-
Total	63,922	12,107	19,208	1,415	(20,623)	76,029
Results						
Depreciation	1,697	2,327	-	242	(30)	4,236
Interest on fixed deposits	25	-	-	10	-	35
Finance costs	-	2,031	-	-	-	2,031
Segment profit/(loss)	(7,168)	1,294	(272)	(217)	30	(6,333)

9) Profit/(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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	8	39	35	372
(b) Other income including investment income	53	4,943	296	5,107
(c) Interest expenses	593	920	2,031	2,890
(d) Depreciation and amortization	1,340	1,121	4,236	5,351
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	8	-	8	-
(h) Gain or loss on disposal of property, plant and equipment	-	-	247	20
(i) Impairment of assets – vessel	-	-	-	57,618
(j) Impairment of assets - receivables	-	-	-	9,824
(k) Foreign exchange gain/(loss)	(282)	45	(283)	(2,249)
(l) Gain or loss on derivatives	-	-	-	-
(m) Exceptional items	-	-	-	-

10) Events after the reporting period

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

11) Income tax expense

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Current income tax	11	8	40	83
	11	8	40	83

The Group's effective tax rate for the current quarter and period differed from the statutory income tax rate in Malaysia principally due to losses of subsidiaries which cannot be set off against taxable profits of other subsidiaries within the Group.

12) Earnings/(Loss) per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
(a) Basic earnings/(loss) per share				
Profit/(loss) attributable to owners of the Company (RM'000)	1,256	7,606	(6,373)	(33,313)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	140,405	139,976	140,562
Basic earnings/(loss) per share (sen)	0.90	5.42	(4.55)	(23.70)

(b) Diluted earnings/(loss) per share

Profit/(loss) attributable to owners of the Company (RM'000)	1,256	7,606	(6,373)	(33,313)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	139,975	140,405	139,976	140,562
Diluted earnings/(loss) per share (sen)	0.90	5.42	(4.55)	(23.70)

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) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2012 to 22 February 2013, 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 31.12.2012 RM'000	As at 31.03.2012 RM'000	As at 01.04.2011 RM'000
Short-term investments	547	1,027	5,263
Fixed deposits	3,150	6,850	28,390
Cash and bank balances	3,219	2,665	846
Bank overdraft	(4,071)	-	-
	2,845	10,542	34,499

16) Group Borrowings and Debt Securities

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

	As at 31.12.2012 RM'000	As at 31.03.2012 RM'000	As at 01.04.2011 RM'000
Short term borrowings			
Secured:			
Bankers' acceptance	1,900	1,731	-
Term loans	23,562	20,594	16,776
Bank overdraft	4,071	-	-
	29,533	22,325	16,776
Long term borrowings			
Secured:			
Term loans	12,730	25,484	41,938
	42,263	47,809	58,714

Borrowings denominated in foreign currency as at 31 December 2012:

	USD'000	RM'000 Equivalent
United States Dollars	11,836	36,292

17) Dividends

The Directors do not recommend payment of dividend for the period ended 31 December 2012. (2012:Nil).

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

18) Related party transactions

Sale of corporate office building for a total cash consideration of RM5.0 million to Wah Mie Realty Sdn Bhd, a company in which certain directors of the Company are also directors as announced on 11 September 2012.

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

1. Performance review

For the current quarter ended 31 December 2012, the Group recorded a lower revenue of RM32.69 million as compared to the previous corresponding quarter of RM45.10 million and lower profit before tax of RM1.27 million as compared to profit before tax of RM8.61 million in the previous corresponding quarter.

The lower performance for the current quarter as compared to previous corresponding quarter was mainly due to lower plywood sales and lower chartering income.

For the current period ended 31 December 2012, the Group recorded a lower revenue of RM76.03 million as compared to the previous corresponding period of RM92.25 million and a lower loss before tax of RM6.33 million as compared to loss before tax of RM55.51 million in the previous corresponding period.

The better performance for the current period under review as compared to the previous corresponding period was mainly due to impairment losses of vessel and receivables incurred in the previous corresponding period of the subsidiary engaged in vessel chartering.

2. Comments on material changes in profit before taxation

The Group recorded a profit before tax of RM1.27 million for the current quarter as compared to the immediate preceding quarter loss before tax of RM0.58 million mainly due to higher contribution from vessel chartering for the current quarter under review.

3. Commentary on Prospects

The Directors expect the cash flows and operating environment of the Group to remain challenging.

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 February 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 16 to the interim financial statements.

8. Changes in material litigation

The Group did not have any material litigation as at 22 February 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 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. 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 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 31 December 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:

	As at 31.12.2012 RM'000	As at 31.03.2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(11,140)	(5,822)
- Unrealised	3,374	4,782
	(7,766)	(1,040)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(42,611)	(42,964)
Total Group accumulated losses as per consolidated accounts	(89,674)	(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 27 February 2013.