

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The First Quarter Ended 30 June 2013

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the first quarter ended 30 June 2013

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		3 months ended	
		30/06/2013	30/06/2012	30/06/2013	30/06/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	8	18,467	19,068	18,467	19,068
Cost of sales		(17,869)	(21,030)	(17,869)	(21,030)
Gross profit/(loss)		598	(1,962)	598	(1,962)
Other income		148	41	148	41
Distribution costs		(202)	(143)	(202)	(143)
Other expenses		(1,863)	(1,641)	(1,863)	(1,641)
Administrative expenses		(1,947)	(2,560)	(1,947)	(2,560)
Loss from operations		(3,266)	(6,265)	(3,266)	(6,265)
Interest on fixed deposits		5	19	5	19
Finance costs		(627)	(774)	(627)	(774)
Loss before tax	9	(3,888)	(7,020)	(3,888)	(7,020)
Income tax expense	11	-	-	-	-
Loss for the period		(3,888)	(7,020)	(3,888)	(7,020)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(3,888)	(7,020)	(3,888)	(7,020)
Loss attributable to owners of the Company		(3,888)	(7,020)	(3,888)	(7,020)
Total comprehensive income attributable to owners of the Company		(3,888)	(7,020)	(3,888)	(7,020)
Loss per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		(2.78)	(5.02)	(2.78)	(5.02)

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 first quarter ended 30 June 2013

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 30/06/2013 RM'000	AS AT 31/03/2013 RM'000
Non-current Assets			
Property, plant and equipment	17	103,808	105,010
Investment in an associate	14	-	-
Other investments		125	125
		<u>103,933</u>	<u>105,135</u>
Current Assets			
Inventories		23,167	17,447
Trade receivables		3,992	6,713
Other receivables		4,197	574
Prepayments		881	494
Tax refundable		151	151
Short-term investments		3,068	2,054
Fixed deposits		1,250	350
Cash and bank balances		8,025	3,825
		<u>44,731</u>	<u>31,608</u>
Total Assets		<u>148,664</u>	<u>136,743</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(59,732)	(55,844)
Treasury shares	7	(9,387)	(9,387)
Total Equity		<u>83,864</u>	<u>87,752</u>
Non-current Liabilities			
Borrowings	16	11,130	15,775
Deferred tax liabilities		499	499
		<u>11,629</u>	<u>16,274</u>
Current Liabilities			
Trade payables		8,110	5,019
Other payables	18	17,579	2,040
Borrowings	16	27,482	25,658
		<u>53,171</u>	<u>32,717</u>
Total Liabilities		64,800	48,991
Total Equity and Liabilities		<u>148,664</u>	<u>136,743</u>
Net assets per share attributable to owners of the Company (RM)		0.60	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
At 1 April 2012	152,983	16,549	(9,385)	24,349	(83,300)	101,196
Total comprehensive income for the period	-	-	-	-	(7,020)	(7,020)
Purchase of treasury shares	-	-	(2)	-	-	(2)
At 30 June 2012	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>24,349</u>	<u>(90,320)</u>	<u>94,174</u>
At 1 April 2013	152,983	16,549	(9,387)	1,295	(73,688)	87,752
Total comprehensive income for the period	-	-	-	-	(3,888)	(3,888)
At 30 June 2013	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>1,295</u>	<u>(77,576)</u>	<u>83,864</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

	3 months ended	
	30/06/2013	30/06/2012
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(3,888)	(7,020)
Adjustments for:		
Depreciation of property, plant and equipment	1,307	1,459
Dividend income	(8)	(6)
Equipment scrapped	-	1
Finance cost	627	774
Gain on disposal of property, plant and equipment	(26)	-
Interest on fixed deposits	(5)	(19)
Unrealised loss on foreign exchange	626	1,445
Operating loss before working capital changes	<u>(1,367)</u>	<u>(3,366)</u>
(Increase)/decrease in inventories	(5,720)	289
(Increase)/decrease in receivables	(1,337)	5,409
Increase in payables	3,332	2,735
Cash flows (used in)/from operations	<u>(5,092)</u>	<u>5,067</u>
Income tax paid	-	(57)
Income tax refunded	-	3
Net cash (used in)/flows from operating activities	<u>(5,092)</u>	<u>5,013</u>
Cash flows from investing activities		
Dividend income	8	6
Interest on fixed deposits received	5	19
Payment for acquisition of non-controlling interest	-	(3,938)
Proceeds from disposal of vessel	15,297	-
Proceeds from disposal of property, plant and equipment	26	-
Purchase of property, plant and equipment	(106)	(7)
Net cash flows from/(used in) investing activities	<u>15,230</u>	<u>(3,920)</u>
Cash flows from financing activities		
Finance cost	(627)	(774)
Proceeds from borrowings	4,529	4,945
Purchase of treasury shares	-	(2)
Repayment of borrowings	(7,926)	(9,526)
Net cash flows used in financing activities	<u>(4,024)</u>	<u>(5,357)</u>
Net increase/(decrease) in cash and cash equivalents	6,114	(4,264)
Cash and cash equivalents at beginning of financial period	6,229	10,542
Cash and cash equivalents at end of financial period	<u>12,343</u>	<u>6,278</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 June 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.

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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 June 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***3 months ended 30 June 2013**

	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	18,467	-	-	-	-	18,467
Inter-segment	-	-	-	270	(270)	-
Total	18,467	-	-	270	(270)	18,467
Results						
Depreciation	512	776	-	21	(2)	1,307
Interest on fixed deposits	3	-	-	2	-	5
Finance costs	185	442	-	-	-	627
Segment loss	(1,393)	(2,198)	(79)	(220)	2	(3,888)

9) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		3 months ended	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	5	19	5	19
(b) Other income including investment income	-	41	-	41
(c) Interest expenses	627	774	627	774
(d) Depreciation and amortization	1,307	1,459	1,307	1,459
(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	-	-	-	-
(i) Impairment of assets	-	-	-	-
(j) Foreign exchange (loss)/gain	(587)	(1,596)	(587)	(1,596)
(k) Gain or loss on derivatives	-	-	-	-
(l) Exceptional items	-	-	-	-

10) Events after the reporting period

On 15 August 2013, the Group's wholly owned subsidiary, Offshore Constructor (Labuan) Ltd completed the disposal of its vessel for a total cash consideration of USD29,275,000 and settled the loan redemption amount of USD7,149,335.

The disposal of the vessel after deducting expenses incidental to disposal resulted in a net gain taken up in the second quarter ending 30 September 2013 of approximately RM10.9 million.

11) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Current income tax	-	-	-	-
	-	-	-	-

12) Loss per share

	Individual Quarter 3 months ended		Financial Year-to-date 3 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
(a) Basic loss per share				
Loss attributable to owners of the Company (RM'000)	(3,888)	(7,020)	(3,888)	(7,020)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,978	139,975	139,978
Basic loss per share (sen)	(2.78)	(5.02)	(2.78)	(5.02)
(b) Diluted loss per share				
Loss attributable to owners of the Company (RM'000)	(3,888)	(7,020)	(3,888)	(7,020)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	139,975	139,978	139,975	139,978
Diluted loss per share (sen)	(2.78)	(5.02)	(2.78)	(5.02)

The Company has no potential ordinary shares in issue as at the end of financial year 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 2013 to 23 August 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

The associate has been fully impaired in prior years.

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15) Cash and Cash Equivalents

	As at 30.06.2013 RM'000	As at 31.03.2013 RM'000
Short-term investments	3,068	2,054
Fixed deposits	1,250	350
Cash and bank balances	8,025	3,825
	<u>12,343</u>	<u>6,229</u>

16) Group Borrowings and Debt Securities

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

	As at 30.06.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings		
Secured:		
Bankers' acceptance	990	-
Term loans	26,492	25,658
	<u>27,482</u>	<u>25,658</u>
Long term borrowings		
Secured:		
Term loans	11,130	15,775
	<u>38,612</u>	<u>41,433</u>

Borrowings denominated in foreign currency as at 30 June 2013:

	USD'000	RM'000 Equivalent
United States Dollars	9,163	29,072
		<u>29,072</u>

17) Property, plant and equipment

Included in property, plant and equipment is the net book value of the Group's vessel of RM78,877,889 as at 30 June 2013 (2013:RM79,653,653) which was disposed of as disclosed in note 10 to the interim financial statements.

18) Other payables

Included in other payables are amounts of RM15,296,820 (equivalent to USD4,840,000) received from the buyer pertaining to the disposal of vessel as disclosed in note 10 to the interim financial statements.

19) Dividends

For the period ended 30 June 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 and period ended 30 June 2013, the Group recorded a revenue of RM18.47 million which was comparable to the previous corresponding quarter and period of RM19.07 million and a lower loss before tax of RM3.89 million as compared to loss before tax of RM7.02 million in the previous corresponding quarter and period.

The lower loss before tax for the current quarter and period under review as compared to the previous corresponding quarter and period was mainly due to the lower losses from vessel chartering for the current quarter and period.

2. Comments on material changes in profit before taxation

The Group recorded a loss before tax of RM3.89 million for the current quarter as compared to the immediate preceding quarter loss before tax of RM7.09 million mainly due to lower losses from vessel chartering for the current quarter under review.

3. Commentary on Prospects

Barring any unforeseen circumstances and with the completion of the disposal of the Group's vessel as disclosed in note 10 to the interim financial statements, the Directors are optimistic that the Group's performance for the current financial year would stabilize and improve.

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 23 August 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 23 August 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 19 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 June 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 June 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 30.06.2013 RM'000	As at 31.03.2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(20,451)	(17,537)
- Unrealised	1,721	2,697
	(18,730)	(14,840)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(19,549)	(19,551)
Total Group accumulated losses as per consolidated accounts	(77,576)	(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 29 August 2013.