

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Third Quarter Ended 31 December 2014

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the third quarter ended 31 December 2014

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
		RM'000	RM'000	RM'000	RM'000
Revenue	8	15,263	25,846	43,658	68,820
Cost of sales		(16,114)	(24,286)	(46,789)	(64,548)
Gross (loss)/profit		(851)	1,560	(3,131)	4,272
Other income		34	58	280	11,474
Distribution costs		(113)	(202)	(361)	(611)
Other expenses		(283)	(74)	(641)	(1,806)
Administrative expenses		(2,428)	(2,854)	(6,259)	(6,659)
(Loss)/profit from operations		(3,641)	1,512	(10,112)	6,670
Interest on fixed deposits		313	395	962	552
Finance costs		-	(151)	-	(1,650)
(Loss)/profit before tax	9	(3,328)	(1,268)	(9,150)	5,572
Income tax expense	11	-	-	-	-
(Loss)/profit for the period		(3,328)	(1,268)	(9,150)	5,572
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(3,328)	(1,268)	(9,150)	5,572
(Loss)/profit attributable to owners of the Company		(3,328)	(1,268)	(9,150)	5,572
Total comprehensive income attributable to owners of the Company		(3,328)	(1,268)	(9,150)	5,572
(Loss)/profit per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		(2.38)	(0.91)	(6.54)	3.98

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 31/12/2014 RM'000	AS AT 31/03/2014 RM'000
Non-current Assets			
Property, plant and equipment		21,967	23,417
Investment in an associate	14	-	-
Other investments		125	125
		<u>22,092</u>	<u>23,542</u>
Current Assets			
Inventories		17,598	20,164
Trade receivables		4,805	3,252
Other receivables		233	279
Prepayments		212	501
Short-term investments		1,045	6,168
Fixed deposits		42,600	45,650
Cash and bank balances		992	1,166
		<u>67,485</u>	<u>77,180</u>
Total Assets		<u>89,577</u>	<u>100,722</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(61,304)	(52,154)
Treasury shares	7	(9,387)	(9,387)
Total Equity		<u>82,292</u>	<u>91,442</u>
Non-current Liabilities			
Deferred tax liabilities		499	499
		<u>499</u>	<u>499</u>
Current Liabilities			
Trade payables		1,828	3,702
Other payables		1,062	1,461
Borrowings	16	3,896	3,618
		<u>6,786</u>	<u>8,781</u>
Total Liabilities		7,285	9,280
Total Equity and Liabilities		<u>89,577</u>	<u>100,722</u>
Net assets per share attributable to owners of the Company (RM)		0.59	0.65

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2014 and the accompanying explanatory notes attached to the interim financial statements.

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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 2013	152,983	16,549	(9,387)	1,295	(73,688)	87,752
Total comprehensive income for the period	-	-	-	-	5,572	5,572
At 31 December 2013	152,983	16,549	(9,387)	1,295	(68,116)	93,324
At 1 April 2014	152,983	16,549	(9,387)	-	(68,703)	91,442
Total comprehensive income for the period	-	-	-	-	(9,150)	(9,150)
At 31 December 2014	152,983	16,549	(9,387)	-	(77,853)	82,292

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows

	9 months ended	
	31/12/2014	31/12/2013
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(9,150)	5,572
Adjustments for:		
Depreciation of property, plant and equipment	1,471	2,613
Dividend income	(69)	(70)
Equipment scrapped	2	-
Finance cost	-	1,650
Gain on disposal of property, plant and equipment(net)	-	(10,903)
Gain on disposal of short-term investment	(8)	(6)
Interest on fixed deposits	(962)	(552)
Unrealised (gain)/loss on foreign exchange	235	79
Operating loss before working capital changes	<u>(8,481)</u>	<u>(1,617)</u>
Decrease/(increase) in inventories	2,565	(1,420)
Increase in receivables	(1,210)	(2,389)
(Decrease)/increase in payables	(2,272)	1,839
Net cash flows used in operating activities	<u>(9,398)</u>	<u>(3,587)</u>
Cash flows from investing activities		
Dividend income	69	70
Interest on fixed deposits received	962	552
Proceeds from disposal of property, plant and equipment	-	89,522
Purchase of property, plant and equipment	(22)	(121)
Net cash flows from investing activities	<u>1,009</u>	<u>90,023</u>
Cash flows from financing activities		
Finance cost	-	(1,650)
Proceeds from borrowings	7,113	8,100
Repayment of borrowings	(7,071)	(38,312)
Net cash flows from/(used in) financing activities	<u>42</u>	<u>(31,862)</u>
Net (decrease)/increase in cash and cash equivalents	(8,347)	54,574
Cash and cash equivalents at beginning of financial year	<u>52,984</u>	<u>6,229</u>
Cash and cash equivalents at end of financial period	15 <u>44,637</u>	<u>60,803</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 2014, 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 2014. 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 2014.

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 2014.

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 31 December 2014, 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 2014				
	Timber processing	Investment holding	Others	Elimination/ adjustment	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	43,658	-	-	-	43,658
Inter-segment	-	-	810	(810)	-
Total	43,658	-	810	(810)	43,658
Results					
Depreciation	1,416	-	62	(7)	1,471
Interest on fixed deposits	546	-	416	-	962
Other income	181	-	99	-	280
Segment loss	(8,172)	(707)	(278)	7	(9,150)

9) Profit/(loss) before tax

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

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	313	395	962	552
(b) Other income including investment income	34	58	280	571
(c) Interest expenses	-	151	-	1,650
(d) Depreciation and amortization	475	517	1,471	2,613
(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	-
(h) Gain on disposal of property, plant and equipment	-	-	-	10,903
(i) Impairment of assets	-	-	-	-
(j) Foreign exchange gain/(loss)	(192)	192	(228)	(79)
(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 3 months ended		Financial Year-to-date 9 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Current income tax	-	-	-	-
	-	-	-	-

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

12) (Loss)/profit per share

	Individual Quarter 3 months ended		Financial Year-to-date 9 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
(a) Basic (loss)/profit per share				
(Loss)/profit attributable to owners of the Company (RM'000)	(3,328)	(1,268)	(9,150)	5,572
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,975	139,975	139,975
Basic (loss)/profit per share (sen)	(2.38)	(0.91)	(6.54)	3.98
(b) Diluted (loss)/profit per share				
(Loss)/profit attributable to owners of the Company (RM'000)	(3,328)	(1,268)	(9,150)	5,572
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)/profit per share (sen)	(2.38)	(0.91)	(6.54)	3.98

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

13) Contingencies

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2014 to 23 February 2015, 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.

15) Cash and Cash Equivalents

	As at 31.12.2014 RM'000	As at 31.03.2014 RM'000
Short-term investments	1,045	6,168
Fixed deposits	42,600	45,650
Cash and bank balances	992	1,166
	<u>44,637</u>	<u>52,984</u>

16) Group Borrowings and Debt Securities

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

	As at 31.12.2014 RM'000	As at 31.03.2014 RM'000
Short term borrowings		
Secured:		
Term loans	3,896	3,618
	<u>3,896</u>	<u>3,618</u>

Borrowings denominated in foreign currency as at
31 December 2014:

	USD'000	RM'000 Equivalent
United States Dollars	1,103	3,896

17) Dividends

For the period ended 31 December 2014, the Directors do not recommend payment of dividend. (2014:Nil).

The total dividend for the current financial year is Nil (2014: Nil).

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

1. Performance review

For the current quarter ended 31 December 2014, the Group recorded a revenue of RM15.26 million as compared to the previous corresponding quarter of RM25.85 million and a loss before tax of RM3.33 million as compared to loss before tax of RM1.27 million in the previous corresponding quarter.

For the current period ended 31 December 2014, the Group recorded a revenue of RM43.66 million as compared to the previous corresponding period of RM68.82 million and a loss before tax of RM9.15 million as compared to profit before tax of RM5.57 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 and higher production costs for the current quarter and period under review whereas the profit before tax in the previous corresponding period was mainly due to the gain on disposal of the Group's vessel in the previous corresponding period.

2. Comments on material changes in profit before taxation

The Group loss before tax of RM3.33 million for the current quarter was slightly lower as compared to the immediate preceding quarter loss before tax of RM3.89 million.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's plywood operating environment for the last quarter of 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 corporate proposals announced but not completed as at 23 February 2015, 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 February 2015, 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/(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 2014 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 2014 or the previous financial year ended 31 March 2014.

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 2014 and 31 March 2014.

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 31.12.2014 RM'000	As at 31.03.2014 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(20,082)	(11,221)
- Unrealised	(235)	61
	(20,317)	(11,160)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(18,239)	(18,246)
Total Group accumulated losses as per consolidated accounts	(77,853)	(68,703)

(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 2015.