

**TEKALA CORPORATION BERHAD**

(Company no. 357125-D)

(Incorporated in Malaysia)

**Unaudited Interim Financial Statements**

**For The Third Quarter Ended 31 December 2016**

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

Interim financial statements for the third quarter ended 31 December 2016

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**Condensed Consolidated Statement of Comprehensive Income**

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		9 months ended	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
		RM'000	RM'000	RM'000	RM'000
Revenue	8	-	14,737	9,476	29,742
Cost of sales		-	(14,676)	(11,030)	(33,044)
Gross loss		-	61	(1,554)	(3,302)
Other income		38	-	307	141
Distribution costs		-	(89)	(80)	(192)
Other expenses		(888)	(927)	(8,013)	(1,603)
Administrative expenses		(2,123)	(2,502)	(5,644)	(6,269)
Loss from operations		(2,973)	(3,457)	(14,984)	(11,225)
Interest on fixed deposits		210	304	663	896
Loss before tax	9	(2,763)	(3,153)	(14,321)	(10,329)
Income tax expense	11	-	-	-	-
Loss for the period		(2,763)	(3,153)	(14,321)	(10,329)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(2,763)	(3,153)	(14,321)	(10,329)
Loss attributable to owners of the Company		(2,763)	(3,153)	(14,321)	(10,329)
Total comprehensive loss attributable to owners of the Company		(2,763)	(3,153)	(14,321)	(10,329)
Loss per share attributable to owners of the Company:	12	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
- Basic/Diluted		(1.97)	(2.25)	(10.23)	(7.38)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2016 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 2016

**Condensed Consolidated Statement of Financial Position**

<b>ASSETS</b>	<b>Note</b>	<b>AS AT 31/12/2016 RM'000</b>	<b>AS AT 31/03/2016 RM'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		19,165	20,073
Other investments	14	115	115
		<u>19,280</u>	<u>20,188</u>
<b>Current Assets</b>			
Inventories		-	9,454
Trade receivables		122	-
Other receivables		128	612
Prepayments		71	427
Other investments	14	840	27
Fixed deposits		27,000	35,600
Cash and bank balances		1,617	1,465
		<u>29,778</u>	<u>47,585</u>
<b>Total Assets</b>		<u>49,058</u>	<u>67,773</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		152,983	152,983
Reserves		(95,549)	(81,228)
Treasury shares	7	(9,387)	(9,387)
<b>Total Equity</b>		<u>48,047</u>	<u>62,368</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		499	499
		<u>499</u>	<u>499</u>
<b>Current Liabilities</b>			
Trade payables		-	1,963
Other payables		512	2,943
		<u>512</u>	<u>4,906</u>
<b>Total Liabilities</b>		1,011	5,405
<b>Total Equity and Liabilities</b>		<u>49,058</u>	<u>67,773</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>		0.34	0.45

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2016 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2015</b>	152,983	16,549	(9,387)	1,295	(82,886)	78,554
Total comprehensive loss for the period	-	-	-	-	(10,329)	(10,329)
<b>At 31 December 2015</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>1,295</u>	<u>(93,215)</u>	<u>68,225</u>
<b>At 1 April 2016</b>	152,983	16,549	(9,387)	1,295	(99,072)	62,368
Total comprehensive loss for the period	-	-	-	-	(14,321)	(14,321)
<b>At 31 December 2016</b>	<u>152,983</u>	<u>16,549</u>	<u>(9,387)</u>	<u>1,295</u>	<u>(113,393)</u>	<u>48,047</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(14,321)	(10,329)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	909	1,173
Dividend income	-	(39)
Equipment scrapped	1	-
Gain on disposal of short-term investment	-	(16)
Interest on fixed deposits	(663)	(896)
Gain on disposal of plant and equipment	(52)	(2)
Unrealised (gain)/loss on foreign exchange	(17)	(108)
Operating loss before working capital changes	<u>(14,143)</u>	<u>(10,217)</u>
Decrease in inventories	9,454	4,815
Decrease/(Increase) in receivables	734	(1,105)
(Decrease)/increase in payables	(4,394)	896
Net cash flows used in operating activities	<u>(8,349)</u>	<u>(5,611)</u>
<b>Cash flows from investing activities</b>		
(Acquisition)/disposal of investment in money market fund	(813)	(454)
Dividend income	-	39
Interest on fixed deposits received	663	896
Proceeds from disposal of plant and equipment	52	2
Purchase of office equipment	(1)	(31)
Net cash flows (used in)/from investing activities	<u>(99)</u>	<u>452</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	3,629
Repayment of borrowings	-	(3,629)
Net cash flows from financing activities	<u>-</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	(8,448)	(5,159)
<b>Cash and cash equivalents at beginning of financial year</b>	<u>37,065</u>	<u>43,527</u>
<b>Cash and cash equivalents at end of financial period</b>	15 <u>28,617</u>	<u>38,368</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2016 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 2016, 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 2016. 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 2016.

### **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 2016.

### **3) Seasonality of operations**

The Group's operations were 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 2016, 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*

	<b>9 months ended 31 December 2016</b>				<b>Consolidated RM'000</b>
	<b>Timber processing RM'000</b>	<b>Investment holding RM'000</b>	<b>Others RM'000</b>	<b>Elimination/ adjustment RM'000</b>	
<b>Revenue</b>					
External	9,476	-	-	-	9,476
Inter-segment	-	-	810	(810)	-
Total	9,476	-	810	(810)	9,476
<b>Results</b>					
Depreciation	904	-	5	-	909
Interest on fixed deposits	321	-	342	-	663
Other income	232	1	74	-	307
Impairment loss on investment in a subsidiary	-	(29,072)	-	29,072	-
Segment loss	(12,598)	(30,348)	(447)	29,072	(14,321)

**9) Loss before tax**

Included in the 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>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Interest income	210	304	663	896
(b) Other income including investment income	38	-	307	141
(c) Interest expenses	-	-	-	-
(d) Depreciation and amortization	303	340	909	1,173
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories (included in other expenses)	-	-	2,694	-
(g) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-	-	16
(h) Impairment of assets/other investments	-	-	-	-
(i) Foreign exchange gain/(loss)	10	499	17	(79)
(j) Gain or loss on derivatives	-	-	-	-
(k) Included in other expenses				
- Corporate proposals' expenses	392	677	956	1,291
- Retrenchment expenses	-	-	3,560	-



**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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	-	-	-

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

**12) Loss per share**

	Individual Quarter		Financial Year-to-date	
	3 months ended		9 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>(a) Basic loss per share</b>				
Loss attributable to owners of the Company (RM'000)	(2,763)	(3,153)	(14,321)	(10,329)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	139,975	139,975	139,975	139,975
Basic loss per share (sen)	(1.97)	(2.25)	(10.23)	(7.38)

**(b) Diluted loss per share**

Loss attributable to owners of the Company (RM'000)	(2,763)	(3,153)	(14,321)	(10,329)
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 per share (sen)	(1.97)	(2.25)	(10.23)	(7.38)

The Company has no potential ordinary shares in issue as at the end of financial period 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 2016 to 21 February 2017, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

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**14) Other investments**

	As at 31.12.2016 RM'000	As at 31.03.2016 RM'000
<b>Non-current</b>		
Investment securities	115	115
<b>Current</b>		
Wholesale money market fund	840	27

**15) Cash and Cash Equivalents**

	As at 31.12.2016 RM'000	As at 31.03.2016 RM'000
Fixed deposits	27,000	35,600
Cash and bank balances	1,617	1,465
	<u>28,617</u>	<u>37,065</u>

**16) Dividends**

For the period ended 31 December 2016, the Directors do not recommend payment of dividend. (2016:Nil).

The total dividend for the current financial year is Nil (2016: Nil).

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

### **1. Performance review**

For the current quarter ended 31 December 2016, the Group did not record any revenue as compared to the previous corresponding quarter revenue of RM14.74 million due to the cessation of the Group's plywood business in the immediate preceding quarter. The Group recorded a lower loss before tax of RM2.76 million for the current quarter as compared to loss before tax of RM3.15 million in the previous corresponding quarter mainly due to lower administrative expenses.

For the current period ended 31 December 2016, the Group recorded a revenue of RM9.48 million as compared to the previous corresponding period of RM29.74 million and a loss before tax of RM14.32 million as compared to loss before tax of RM10.33 million in the previous corresponding period.

The lower revenue for the current period as compared to the previous corresponding period was mainly due to the cessation of the Group's plywood business and the higher loss before tax for the current period as compared to the previous corresponding period was mainly due to the retrenchment expenses and the write-down of inventories.

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

The Group loss before tax of RM2.76 million for the current quarter was lower as compared to the immediate preceding quarter loss before tax of RM7.04 million mainly due to the retrenchment expenses and the write-down of inventories in the immediate preceding quarter pertaining to the cessation of the Group's plywood business.

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

The Group has ceased its plywood business and subject to obtaining all requisite approvals, the directors currently expect the Company's corporate proposals to be completed in the second half of year 2017.

### **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 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial statements other than the corporate proposals approved by the Securities Commission Malaysia as announced on 24 October 2016.

### **7. Group borrowings and debt securities**

There were no Group borrowings and debt securities as at 31 December 2016 and 31 March 2016.

**8. Changes in material litigation**

The Group did not have any material litigation as at 21 February 2017, 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 16 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 2016 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 2016 or the previous financial year ended 31 March 2016.

**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 2016 and 31 March 2016.

**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 31.12.2016 RM'000	As at 31.03.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(54,586)	(40,343)
- Unrealised	16	94
	(54,570)	(40,249)
Total share of losses from associated company:		
- Realised	(39,297)	(39,297)
- Unrealised	-	-
	(39,297)	(39,297)
Less: Consolidation adjustments	(19,526)	(19,526)
Total Group accumulated losses as per consolidated accounts	(113,393)	(99,072)

**(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 February 2017.