

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For The Fourth Quarter Ended 31 March 2017

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the fourth quarter ended 31 March 2017

Index	page
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash flows	6
Notes to the interim financial statements	7 – 10
Additional information required by the Bursa Malaysia Securities Berhad	11 - 12
Authorisation for issue of the interim financial statements	12

Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		12 months ended	
		31/03/2017	31/03/2016	31/03/2017	31/03/2016
		RM'000	RM'000	RM'000	RM'000
Revenue	8	-	3,804	9,476	33,546
Cost of sales		-	(5,704)	(11,030)	(38,748)
Gross loss		-	(1,900)	(1,554)	(5,202)
Other income		48	174	355	314
Distribution costs		-	(25)	(80)	(217)
Other expenses		(576)	(2,340)	(8,589)	(3,944)
Administrative expenses		(1,611)	(2,100)	(7,255)	(8,368)
Loss from operations		(2,139)	(6,191)	(17,123)	(17,417)
Interest on fixed deposits		224	335	887	1,231
Loss before tax	9	(1,915)	(5,856)	(16,236)	(16,186)
Income tax expense	11	-	-	-	-
Loss for the period		(1,915)	(5,856)	(16,236)	(16,186)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive loss for the period		(1,915)	(5,856)	(16,236)	(16,186)
Loss attributable to owners of the Company		(1,915)	(5,856)	(16,236)	(16,186)
Total comprehensive loss attributable to owners of the Company		(1,915)	(5,856)	(16,236)	(16,186)
Loss per share attributable to owners of the Company:	12	Sen	Sen	Sen	Sen
- Basic/Diluted		(1.37)	(4.18)	(11.60)	(11.56)

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 fourth quarter ended 31 March 2017

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/03/2017 RM'000	AS AT 31/03/2016 RM'000
Non-current Assets			
Property, plant and equipment		18,865	20,073
Other investments	14	115	115
		<u>18,980</u>	<u>20,188</u>
Current Assets			
Inventories		-	9,454
Trade receivables		-	-
Other receivables		279	612
Prepayments		236	427
Other investments	14	646	27
Fixed deposits		26,000	35,600
Cash and bank balances		1,194	1,465
		<u>28,355</u>	<u>47,585</u>
Total Assets		<u>47,335</u>	<u>67,773</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		169,532	152,983
Share premium		-	16,549
Treasury shares		(9,387)	(9,387)
Accumulated losses		(115,308)	(99,072)
Other reserve		1,295	1,295
Total Equity		<u>46,132</u>	<u>62,368</u>
Non-current Liabilities			
Deferred tax liabilities		498	499
		<u>498</u>	<u>499</u>
Current Liabilities			
Trade payables		-	1,963
Other payables		705	2,943
		<u>705</u>	<u>4,906</u>
Total Liabilities		1,203	5,405
Total Equity and Liabilities		<u>47,335</u>	<u>67,773</u>
Net assets per share attributable to owners of the Company (RM)		0.33	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
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2015		152,983	16,549	(9,387)	1,295	(82,886)	78,554
Total comprehensive loss for the period		-	-	-	-	(16,186)	(16,186)
At 31 March 2016		152,983	16,549	(9,387)	1,295	(99,072)	62,368
At 1 April 2016		152,983	16,549	(9,387)	1,295	(99,072)	62,368
Total comprehensive loss for the period		-	-	-	-	(16,236)	(16,236)
Transfer to share capital	17	16,549	(16,549)	-	-	-	-
At 31 March 2017		169,532	-	(9,387)	1,295	(115,308)	46,132

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

	Note	12 months ended	
		31/03/2017 RM'000	31/03/2016 RM'000
Cash flows from operating activities			
Loss before tax		(16,236)	(16,186)
Adjustments for:			
Depreciation of property, plant and equipment		1,210	1,484
Dividend income		(20)	(55)
Equipment scrapped		1	3
Gain on disposal of short-term investment		-	(21)
Interest on fixed deposits		(887)	(1,231)
Impairment loss on other receivables		-	99
Gain on disposal of plant and equipment		(52)	(2)
Unrealised (gain)/loss on foreign exchange		(15)	(94)
Write-down of inventories		-	204
Operating loss before working capital changes		<u>(15,999)</u>	<u>(15,799)</u>
Decrease in inventories		9,454	3,725
Decrease/(Increase) in receivables		568	(75)
(Decrease)/increase in payables		<u>(4,201)</u>	<u>2,902</u>
Net cash flows used in operating activities		<u>(10,178)</u>	<u>(9,247)</u>
Cash flows from investing activities			
(Acquisition)/disposal of investment in money market fund		(619)	1,545
Dividend income		20	55
Interest on fixed deposits received		856	1,218
Proceeds from disposal of plant and equipment		52	2
Purchase of office equipment		<u>(2)</u>	<u>(35)</u>
Net cash flows from investing activities		<u>307</u>	<u>2,785</u>
Cash flows from financing activities			
Proceeds from borrowings		-	3,629
Repayment of borrowings		<u>-</u>	<u>(3,629)</u>
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(9,871)	(6,462)
Cash and cash equivalents at beginning of financial year		<u>37,065</u>	<u>43,527</u>
Cash and cash equivalents at end of financial year	15	<u>27,194</u>	<u>37,065</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 year ended 31 March 2017, 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 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.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial statements for the fourth quarter ended 31 March 2017

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 March 2017, 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*

	12 months ended 31 March 2017				Consolidated RM'000
	Timber processing RM'000	Investment holding RM'000	Others RM'000	Elimination/ adjustment RM'000	
Revenue					
External	9,476	-	-	-	9,476
Inter-segment	-	-	960	(960)	-
Total	9,476	-	960	(960)	9,476
Results					
Depreciation	1,204	-	6	-	1,210
Interest on fixed deposits	430	-	457	-	887
Other income	241	1	113	-	355
Segment loss	(13,657)	(1,683)	(896)	-	(16,236)

9) Loss before tax

Included in the loss before tax are the following items:

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	224	335	887	1,231
(b) Other income including investment income	48	158	355	283
(c) Interest expenses	-	-	-	-
(d) Depreciation and amortization	301	311	1,210	1,484
(e) Provision for and write off of receivables	-	99	-	99
(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	-	5	-	21
(h) Impairment of assets/other investments	-	-	-	-
(i) Foreign exchange gain/(loss)	(2)	(13)	15	(92)
(j) Gain or loss on derivatives	-	-	-	-
(k) Included in other expenses				
- Corporate proposals' expenses	197	2,071	1,153	3,362
- 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		12 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax	-	-	-	-

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

12) Loss per share

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
(a) Basic loss per share				
Loss attributable to owners of the Company (RM'000)	(1,915)	(5,856)	(16,236)	(16,186)
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)	(1.37)	(4.18)	(11.60)	(11.56)
(b) Diluted loss per share				
Loss attributable to owners of the Company (RM'000)	(1,915)	(5,856)	(16,236)	(16,186)
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)	(1.37)	(4.18)	(11.60)	(11.56)

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 2016 to 22 May 2017, the latest practicable date which is not earlier than 7 days from the issue of this interim financial statements.

14) Other investments

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Non-current		
Investment securities	115	115
Current		
Wholesale money market fund	646	27

15) Cash and Cash Equivalents

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Fixed deposits	26,000	35,600
Cash and bank balances	1,194	1,465
	<u>27,194</u>	<u>37,065</u>

16) Dividends

For the year 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).

17) Share premium account

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
At beginning of year	16,549	16,549
Transfer to share capital	(16,549)	-
At end of year	<u>-</u>	<u>16,549</u>

The New Companies Act 2016 (“New Act”), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company’s share capital pursuant to the transition provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

1. Performance review

For the current quarter ended 31 March 2017, the Group recorded:

- (i) no revenue as compared to the previous corresponding quarter revenue of RM3.80 million due to the cessation of the Group's plywood business in the second quarter of the current financial year; and
- (ii) a lower loss before tax of RM1.92 million for the current quarter as compared to loss before tax of RM5.86 million in the previous corresponding quarter mainly due to lower administrative and corporate proposals' expenses.

For the current year ended 31 March 2017, the Group recorded

- (i) a lower revenue of RM9.48 million as compared to the previous corresponding year of RM33.55 million due to the cessation of the Group's plywood business in the second quarter of the current financial year; and
- (ii) a loss before tax of RM16.24 million which was comparable to the loss before tax of RM16.19 million in the previous corresponding year. The loss before tax for the current financial year was mainly due to administrative and other expenses incurred.

2. Comments on material changes in profit before taxation

The Group loss before tax of RM1.92 million for the current quarter was lower as compared to the immediate preceding quarter loss before tax of RM2.76 million mainly due to lower administrative and corporate proposals' expenses.

3. Commentary on Prospects

Subject to obtaining all requisite approvals, the directors expect the Company's shareholders to commence participating in the proposed new core property development business upon the completion of the Company's corporate proposals in the quarter ending 30 September 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 22 May 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 March 2017 and 31 March 2016.

8. Changes in material litigation

The Group did not have any material litigation as at 22 May 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 year ended 31 March 2017 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 March 2017 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 31.03.2017 RM'000	As at 31.03.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(56,500)	(40,343)
- Unrealised	15	94
	(56,485)	(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	(115,308)	(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 26 May 2017.