

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	UNAUDITED AS AT 30-Jun-12 RM'000	AUDITED AS AT 31-Dec-11 RM'000 (Restated)	AUDITED AS AT 1-Jan-11 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	85,683	88,623	104,365
Intangible assets	11,062	11,062	11,062
Trade and other receivables	1,461	1,501	583
	98,206	101,186	116,010
Current assets			
Inventories	8,221	9,563	8,414
Trade and other receivables	7,425	12,942	10,520
Derivative assets	-	14	44
Current tax assets	16	918	1,170
Cash and cash equivalents	870	2,151	1,862
	16,532	25,588	22,010
TOTAL ASSETS	114,738	126,774	138,020
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	45,344	44,844	57,688
Share premium	1,085	-	-
Other reserves	7,118	7,646	7,594
Accumulated losses	B13 (38,255)	(30,255)	(44,313)
TOTAL EQUITY	15,292	22,235	20,969
LIABILITIES			
Non-current liabilities			
Trade and other payables	B8 38,685	39,735	33,552
Long term borrowings	B8 21,757	22,835	27,903
Deferred tax liabilities	6,917	7,063	7,355
	67,359	69,633	68,810
Current liabilities			
Trade and other payables	16,610	17,776	29,792
Derivative liabilities	37	46	1
Short term borrowings	B8 15,428	17,071	18,434
Current tax liabilities	12	13	14
	32,087	34,906	48,241
TOTAL LIABILITIES	99,446	104,539	117,051
TOTAL EQUITY AND LIABILITIES	114,738	126,774	138,020
Net Assets Per Share (RM)	0.0337	0.0496	0.0727

The condensed consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Jun-12 RM'000	Preceding Year Corresponding Quarter 30-Jun-11 RM'000 (Restated)	Current Year To date 30-Jun-12 RM'000	Preceding Year Corresponding Period 30-Jun-11 RM'000 (Restated)
Revenue		12,394	17,690	27,978	34,990
Cost of sales		(13,869)	(19,186)	(31,541)	(37,319)
Gross loss		<u>(1,475)</u>	<u>(1,496)</u>	<u>(3,563)</u>	<u>(2,329)</u>
Other operating income		273	1,558	525	2,949
Marketing expenses		(441)	(657)	(878)	(1,346)
Administrative expenses		(1,275)	(1,413)	(2,640)	(2,814)
Other operating expenses		(189)	(253)	(223)	(499)
Finance costs		<u>(682)</u>	<u>(1,325)</u>	<u>(1,367)</u>	<u>(2,847)</u>
Loss before tax		(3,789)	(3,586)	(8,146)	(6,886)
Taxation	B5	72	71	146	199
Loss for the period		<u><u>(3,717)</u></u>	<u><u>(3,515)</u></u>	<u><u>(8,000)</u></u>	<u><u>(6,687)</u></u>
Loss attributable to :					
Owners of the parent		(3,717)	(3,515)	(8,000)	(6,687)
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>(3,717)</u></u>	<u><u>(3,515)</u></u>	<u><u>(8,000)</u></u>	<u><u>(6,687)</u></u>
Loss per share	B12				
Basic (sen)		<u><u>(0.82)</u></u>	<u><u>(0.78)</u></u>	<u><u>(1.78)</u></u>	<u><u>(1.75)</u></u>
Diluted (sen)		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The condensed consolidated income statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Jun-12 RM'000	Preceding Year Corresponding Quarter 30-Jun-11 RM'000 (Restated)	Current Year To date 30-Jun-12 RM'000	Preceding Year Corresponding Period 30-Jun-11 RM'000 (Restated)
Loss for the period		(3,717)	(3,515)	(8,000)	(6,687)
Other comprehensive income:					
Foreign currency translations		7	42	7	53
Total comprehensive loss for the period	B6	<u>(3,710)</u>	<u>(3,473)</u>	<u>(7,993)</u>	<u>(6,634)</u>
Total comprehensive loss attributable to :					
Owners of the parent		(3,710)	(3,473)	(7,993)	(6,634)
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(3,710)</u>	<u>(3,473)</u>	<u>(7,993)</u>	<u>(6,634)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Share capital RM'000	Non-distributable		Accumulated losses RM'000	Total equity RM'000
		Share premium RM'000	Capital reserve RM'000		
<u>For the 6 months ended 30 June 2012</u>					
Balance as at 1 January 2012					
- as previously stated	44,844	-	-	(51,140)	22,082
- effects of the adoption of MFRSs	-	-	-	20,885	153
Balance as at 1 January 2012, as restated	44,844	-	-	(30,255)	22,235
Loss for the period	-	-	-	(8,000)	(8,000)
Foreign currency translation	-	-	-	-	7
Total comprehensive loss for the period	-	-	-	(8,000)	(7,993)
Transactions with owners					
Exercise of warrants	500	1,085	-	-	1,050
Total transactions with owners	500	1,085	-	-	1,050
Balance as at 30 June 2012	45,344	1,085	-	(38,255)	15,292
<u>For the 6 months ended 30 June 2011</u>					
Balance as at 1 January 2011					
- as previously stated	57,688	-	-	(69,155)	20,864
- effects of the adoption of MFRSs	-	-	-	24,842	105
Balance as at 1 January 2011, as restated	57,688	-	-	(44,313)	20,969
Loss for the period	-	-	-	(6,687)	(6,687)
Foreign currency translation	-	-	-	-	53
Total comprehensive loss for the period	-	-	-	(6,687)	(6,634)
Transactions with owners					
Par value reduction	(28,844)	-	28,844	-	-
Issuance of ordinary shares	16,000	-	-	-	16,000
Total transactions with owners	(12,844)	-	28,844	-	16,000
Balance as at 30 June 2011, as restated	44,844	-	28,844	(51,000)	30,335

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	6 months ended 30-Jun-12 RM'000	6 months ended 30-Jun-11 RM'000 (Restated)
Cash flows from operating activities		
Loss before tax	(8,146)	(6,886)
Adjustments for:		
Non-cash items	4,164	3,586
Finance costs	1,367	2,847
Interest income	(8)	(8)
Operating (loss)/profit before working capital changes	<u>(2,623)</u>	<u>(461)</u>
Changes in working capital:		
Net change in current assets	6,821	(868)
Net change in current liabilities	(3,113)	(1,703)
Cash generated from operations	<u>1,085</u>	<u>(3,032)</u>
Interest paid	(194)	(178)
Tax paid	(3)	(4)
Tax refunded	905	312
Net cash from operating activities	<u>1,793</u>	<u>(2,902)</u>
Cash flows from investing activities		
Advance from a related party	1,940	2,570
Interest received	8	8
Purchase of property, plant and equipment	(1,136)	(941)
Proceeds from disposal of property, plant and equipment	-	5,430
Net cash from investing activities	<u>812</u>	<u>7,067</u>
Cash flows from financing activities		
Fixed deposits	(7)	(7)
Interest paid	(1,167)	(1,334)
Proceeds from borrowings	-	585
Repayment of borrowings	(1,452)	(1,576)
Repayment of finance lease liabilities	(1,203)	(1,454)
Net cash used in financing activities	<u>(3,829)</u>	<u>(3,786)</u>
Net decrease in cash and cash equivalents	(1,224)	379
Effects of exchange rate changes on cash and cash equivalents	2	2
Cash and cash equivalents at beginning of the period	(1,881)	(2,319)
Cash and cash equivalents at end of the period	<u>(3,103)</u>	<u>(1,938)</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits placed with licensed banks	536	521
Cash and bank balances	334	1,056
Bank Overdrafts (included in short term borrowings in Note B8)	(3,437)	(2,994)
less: Deposits pledged with licensed banks	(536)	(521)
	<u>(3,103)</u>	<u>(1,938)</u>

The condensed consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134

A1. Basis of preparation of interim financial report

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') No. 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2011.

The same accounting policies and methods of computation as disclosed in the audited accounts for the year ended 31 December 2011 have been adopted in the preparation of the second quarter ended 30 June 2012 condensed financial statements except for adoption of the new MFRS framework.

The condensed financial statements for the period ended 31 March 2012, was the first interim financial report that the Group has prepared in accordance with MFRSs. The audited financial statements for the year ended 31 December 2011 were prepared under Financial Reporting Standards ("FRS").

The Group has applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in preparing the first MFRS framework interim financial report. In preparing this interim financial report, the Group's opening statement of financial position was prepared as at 1 January 2011 which is the Group's date of transition to MFRSs. Upon transition to MFRSs, the Group elected to apply the optional exemption to use the fair value of properties as deemed cost under MFRSs. The revaluation reserve as at 1 January 2011 was reclassified to retained earnings. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are set out as follows:

(a) Reconciliation of statement of financial position

As at 1 January 2011	As previously reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
Non-current assets			
Property, plant and equipment	104,224	141	104,365
Intangible assets	11,062		11,062
Trade and other receivables	583		583
	<u>115,869</u>		<u>116,010</u>
Current assets			
Inventories	8,414		8,414
Trade and other receivables	10,520		10,520
Derivative assets	44		44
Current tax assets	1,170		1,170
Cash and cash equivalents	1,862		1,862
	<u>22,010</u>		<u>22,010</u>
Total assets	<u>137,879</u>		<u>138,020</u>

WAWASAN TKH HOLDINGS BERHAD (540218-A)

Notes to the interim financial report for the second quarter ended 30 June 2012

The figures have not been audited

As at 1 January 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	57,688		57,688
Reserves	32,331	(24,737)	7,594
Accumulated losses	<u>(69,155)</u>	24,842	<u>(44,313)</u>
Total equity	<u>20,864</u>		<u>20,969</u>
Liabilities			
Non-current liabilities			
Trade and other payables	33,552		33,552
Borrowings	27,903		27,903
Deferred tax liabilities	<u>7,319</u>	36	<u>7,355</u>
	<u>68,774</u>		<u>68,810</u>
Current liabilities			
Trade and other payables	29,792		29,792
Derivative liabilities	1		1
Borrowings	18,434		18,434
Current tax liabilities	<u>14</u>		<u>14</u>
	<u>48,241</u>		<u>48,241</u>
Total liabilities	<u>117,015</u>		<u>117,051</u>
Total equity and liabilities	<u><u>137,879</u></u>		<u><u>138,020</u></u>
As at 31 December 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Non-current assets			
Property, plant and equipment	88,435	188	88,623
Intangible assets	11,062		11,062
Trade and other receivables	<u>1,501</u>		<u>1,501</u>
	<u>100,998</u>		<u>101,186</u>
Current assets			
Inventories	9,563		9,563
Trade and other receivables	12,942		12,942
Derivative assets	14		14
Current tax assets	918		918
Cash and cash equivalents	<u>2,151</u>		<u>2,151</u>
	<u>25,588</u>		<u>25,588</u>
Total assets	<u><u>126,586</u></u>		<u><u>126,774</u></u>

WAWASAN TKH HOLDINGS BERHAD (540218-A)
Notes to the interim financial report for the second quarter ended 30 June 2012
The figures have not been audited

As at 31 December 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	44,844		44,844
Reserves	28,378	(20,732)	7,646
Accumulated losses	<u>(51,140)</u>	20,885	<u>(30,255)</u>
Total equity	<u>22,082</u>		<u>22,235</u>
Liabilities			
Non-current liabilities			
Trade and other payables	39,735		39,735
Borrowings	22,835		22,835
Deferred tax liabilities	<u>7,028</u>	35	<u>7,063</u>
	<u>69,598</u>		<u>69,633</u>
Current liabilities			
Trade and other payables	17,776		17,776
Derivative liabilities	46		46
Borrowings	17,071		17,071
Current tax liabilities	<u>13</u>		<u>13</u>
	<u>34,906</u>		<u>34,906</u>
Total liabilities	<u>104,504</u>		<u>104,539</u>
Total equity and liabilities	<u><u>126,586</u></u>		<u><u>126,774</u></u>

(b) Reconciliation of income statement and statement of comprehensive income

Income Statement Second quarter ended 30 June 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Revenue	17,690		17,690
Cost of sales	<u>(19,184)</u>	(2)	<u>(19,186)</u>
Gross loss	(1,494)		(1,496)
Other operating income	1,558		1,558
Marketing expenses	(657)		(657)
Administrative expenses	(1,427)	14	(1,413)
Other operating expenses	(253)		(253)
Finance costs	<u>(1,325)</u>		<u>(1,325)</u>
Loss before tax	(3,598)		(3,586)
Taxation	<u>71</u>		<u>71</u>
Loss for the period	<u><u>(3,527)</u></u>		<u><u>(3,515)</u></u>

WAWASAN TKH HOLDINGS BERHAD (540218-A)

Notes to the interim financial report for the second quarter ended 30 June 2012

The figures have not been audited

Statement of Comprehensive Income Second quarter ended 30 June 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Loss for the period	(3,527)	12	(3,515)
Other comprehensive income:			
Foreign currency translations	42		42
Total comprehensive loss for the period	<u>(3,485)</u>		<u>(3,473)</u>

Income Statement 6 months ended 30 June 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Revenue	34,990		34,990
Cost of sales	<u>(37,313)</u>	(6)	<u>(37,319)</u>
Gross loss	(2,323)		(2,329)
Other operating income	2,949		2,949
Marketing expenses	(1,346)		(1,346)
Administrative expenses	(2,843)	29	(2,814)
Other operating expenses	(499)		(499)
Finance costs	<u>(2,847)</u>		<u>(2,847)</u>
Loss before tax	(6,909)		(6,886)
Taxation	<u>198</u>	1	<u>199</u>
Loss for the period	<u>(6,711)</u>		<u>(6,687)</u>

Statement of Comprehensive Income 6 months ended 30 June 2011	As previously reported RM'000	Effects of transition to MFRSs RM'000	As Restated RM'000
Loss for the period	(6,711)	24	(6,687)
Other comprehensive income:			
Foreign currency translations	53		53
Total comprehensive loss for the period	<u>(6,658)</u>		<u>(6,634)</u>

- (c) There are no material differences between the statement of cash flows presented under MFRS framework and the statement of cash flows presented under FRS framework.

A2. Audit report

The audited financial statements for the Group and the Company for the financial year ended 31 December 2011 were not subject to any qualification.

A3. Seasonal and cyclical factors

The businesses of the Group are affected by both seasonal and cyclical factors.

A4. Unusual and extraordinary items

There were no unusual items affecting the assets, liabilities, equity, net income or cash for the current quarter and financial period ended 30 June 2012.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial year that have a material effect on the current interim period.

A6. Issuance and repayment of debt and equity securities

On 24 April 2012, a major shareholder of the Company, namely Wawasan TKH Sdn. Bhd. (“WTKHSB”), exercised 5 million detachable warrants 2008/2013 (“Warrants”) at exercise price of RM0.21 per Warrant on the basis of one (1) new ordinary share for every one (1) Warrant exercised pursuant to the Deed Poll dated 24 July 2008.

Except for the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the second quarter ended 30 June 2012.

A7. Dividends paid

There was no dividend paid during the current quarter and financial period ended 30 June 2012.

A8. Operating Segments

6 months ended/ Year-to-date ended 30 June 2012	Investment holding RM'000	Manufacturing disposable foodwares RM'000	Mining RM'000	Total RM'000
Total revenue	307	21,685	6,293	28,285
Inter-segment revenue	(307)	-	-	(307)
Revenue from external customers	-	21,685	6,293	27,978
Segment loss before tax	(773)	(6,103)	(1,270)	(8,146)

WAWASAN TKH HOLDINGS BERHAD (540218-A)
Notes to the interim financial report for the second quarter ended 30 June 2012
The figures have not been audited

6 months ended/ Year-to-date ended 30 June 2011 (Restated)	Investment holding RM'000	Manufacturing disposable foodwares RM'000	Mining RM'000	Total RM'000
Total revenue	307	28,614	6,376	35,297
Inter-segment revenue	(307)	-	-	(307)
Revenue from external customers	-	28,614	6,376	34,990
Segment loss before tax	(2,350)	(3,668)	(868)	(6,886)
Total assets				
As at 30 June 2012	40	90,065	24,617	114,722
As at 31 December 2011	39	100,806	25,011	125,856

Reportable segments' assets are reconciled to total assets as follows:

	As at 30 June 2012 RM'000	Audited as at 31 December 2011 RM'000
Total assets per reportable segments	114,722	125,856
Tax recoverable	16	918
Total assets per statement of financial position	114,738	126,774

A9. Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward without any amendment from the audited financial statements for the year ended 31 December 2011.

A10. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the quarter and up to 9 August 2012.

A11. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date ended 30 June 2012 .

A12. Contingent liabilities

Contingent liabilities of the Company as at 9 August 2012 include the following:-

	RM'000
Corporate guarantees for credit facilities of subsidiaries	37,378

A13. Commitments

The capital commitments incurred by the Group as at 30 June 2012 include the following amount approved and contracted for:

	RM'000
Plant and equipment	936

A14. Related party transactions

Significant related party transactions entered into by the Group during the current quarter and financial year-to-date are as follows:

	6 months ended/ Year-to-date ended 30/6/2012 RM'000	6 months ended/ Year-to-date ended 30/6/2011 RM'000
Insurance brokerage commission	35	20
Flight tickets paid or payable	38	28
Sale of raw materials	-	112

The above transactions were with Clear Expertise Sdn Bhd, PST Travel Services Sdn Bhd and TKH Manufacturing Sdn Bhd respectively i.e. companies in which certain Directors of the Company have substantial financial interests.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Review of performance

The Group incurred a higher pretax loss of RM3.8 million for the current quarter vis-a-vis pretax loss of RM3.6 million in the preceding year corresponding second quarter, with lower revenue at RM12.4 million (by 30%) in the current quarter compared to RM17.7 million in the second quarter last year.

The Group's performance, mainly driven by the disposable foodwares manufacturing business, continues to operate in a difficult business environment with adverse effects of the prevalent volatile prices of petrochemical resin materials coupled with rising energy/fuel cost and interest rate. Sales decreased to RM9.5 million (by 34%) compared to RM14.4 million in the second quarter last year, with higher pretax loss of RM3.3 million vis-a-vis RM1.9 million pretax loss (which

included RM1.2 million gain on disposal of property) in preceding year corresponding second quarter. The market demand remained strong in the current quarter. Sales were constrained by reduced production output coupled with the restructuring of the sales strategy and focus (after the fire incidence which occurred in November 2011), thus affected gross margins. The division is also going through a renewal program for its machinery and moulds, which has resulted in an improving trend in productivity during the current quarter. The ongoing production mix, cost and productivity rationalization exercises have positive effects in mitigating escalation in petrochemical resin materials costs and other operating costs.

The kaolin mining business recorded lower sales of RM2.9 million (by 12%) compared to RM3.3 million in the preceding year corresponding second quarter, with lower pretax loss of RM0.2 million in the second quarter vis-a-vis pretax loss of RM0.6 million in the second quarter last year. Despite strong market demand in the current quarter, sales were constrained by reduced production output due to the starting-up of the new plant. Nevertheless, the trend for both production output and gross margin showed improvement, with the gross margin turning positive at the end of the second quarter.

The investment holding company incurred lower pretax loss of RM0.4 million with reduced finance cost for the second quarter compared to pretax loss of RM1.0 million in the preceding year corresponding second quarter.

B2. Variation of results against preceding quarter

The Group registered revenue of RM12.4 million and pretax loss of RM3.8 million for the current quarter compared to the revenue of RM15.6 million and pretax loss of RM4.4 million in the preceding quarter.

The disposable foodwares business recorded lower sales at RM9.5 million (by 22%) in the current quarter compared to RM12.2 million in the preceding quarter, with higher pretax loss at RM3.3 million in the current quarter compared to a pretax loss of RM2.8 million in the preceding quarter. The market demand remained strong in the current quarter. Sales were constrained by reduced production output and the ongoing restructuring of the sales strategy and product mix rationalization, hence affecting gross margins. The renewal program implemented for its machinery and moulds has resulted in improving productivity during the second quarter.

Meanwhile, the kaolin mining business achieved lower sales at RM2.9 million (by 15%) and pretax loss of RM 0.2 million, compared to the sales of RM3.4 million and pretax loss at RM1.1 million in last quarter. Despite strong market demand in the current quarter, sales were constrained by reduced production output due to the shifting of mining and initial processing to a new location.

B3. Current year prospects

The period ahead will remain challenging with the prevalent volatile raw materials prices and overheads (particularly fuel and energy costs), amidst the lingering uncertainties in the global economy and cautious domestic market sentiments. Notwithstanding these adversities, the Group will further focus on costs rationalization and manpower management, besides operating efficiency strategies to enhance its competitive edge.

The disposable foodwares division will continue to rationalize its product mix and operational costs, besides extending its product range and market reach towards improving gross margin. Meanwhile, the refined kaolin business is expected to be profitable by the last quarter of the year with increasing production volume and rationalization of its operational cost. The recent exercise of 5 million detachable warrants 2008/2013 at exercise price of RM0.21 per warrant has further confirmed commitment of Wawasan TKH Sdn Bhd, its major shareholder, to set a stronger footing for the Group. The Group will persist in pursuing initiatives to increase revenue and margins progressively towards recovery.

B4. Variance of actual and forecast profit

This is not applicable as there is no profit forecast or guarantee issued.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended 30/6/2012 RM`000	Preceding year corresponding quarter 30/6/2011 RM`000	Current year to date 30/6/2012 RM`000	Preceding year corresponding period 30/6/2011 RM`000
Current tax :				
Malaysian Tax	-	2	-	(53)
Deferred tax	(72)	(73)	(146)	(146)
	(72)	(71)	(146)	(199)

B6. Total comprehensive loss

Included in the total comprehensive loss for the second quarter and year to date are the following items:

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended 30/6/2012 RM'000	Preceding year corresponding quarter 30/6/2011 RM'000	Current year to date 30/6/2012 RM'000	Preceding year corresponding period 30/6/2011 RM'000
Other income including investment income				
- gain on derivatives	5	-	-	-
- insurance compensation	-	-	-	(1,305)
- interest income	(5)	(5)	(8)	(8)
- net foreign exchange gain	(206)	(290)	(380)	(337)
- Gain on disposal of properties	-	(1,215)	-	(1,215)
- others	(67)	(48)	(137)	(84)
Depreciation of property, plant and equipment	2,029	2,261	4,077	4,630
Impairment losses on:				
- receivables	30	30	60	60
Interest expense	682	1,325	1,367	2,847
Inventories written down	15	(60)	30	(45)
Loss on derivatives	5	40	5	74

Other than the above items which have been included in the total comprehensive loss, there were no write off of receivables or inventories, gain/loss on disposal of quoted or unquoted investments, impairment of assets and exceptional items for the current and financial period ended 30 June 2012.

B7. Status of corporate proposals

There is no corporate proposal announced which is pending completion as at 9 August 2012.

B8. Group borrowings

The Group's borrowings as at 30 June 2012 are as follows:

Short –term borrowings:-	RM'000	RM'000
Unsecured		4,809
Secured		<u>10,619</u>
	(a)	15,428
Long term borrowings :		
Secured		<u>21,757</u>
Total Borrowings		<u>37,185</u>
<u>Payables and accruals</u>		
Amount due to substantial shareholder, Wawasan TKH Sdn Bhd	(b)	
- current	1,966	
- non-current	<u>38,685</u>	<u>40,651</u>
Total group's borrowings		<u>77,836</u>

- (a) Included in the short term borrowings are bank overdrafts outstanding at RM3.437 million.
- (b) These advances from Wawasan TKH Sdn Bhd bore interest at rates ranging from 7.80% to 8.10% per annum in the previous year. Except for an advance amounting to RM0.9 million which bears interest at 8.10% per annum, there were no interest charged on the advances of RM30.16 million for the current quarter and financial period ended 30 June 2012 as Wawasan TKH Sdn Bhd has consented to waiver of interest.

B9. Derivative financial instruments

- (a) As at 30 June 2012, the Group entered into forward foreign exchange contracts to hedge trade receivables. The forward foreign exchange contracts entered into by the Group are as follows:

Currency	Contract/ Notional value (RM'000)	Loss compared to fair value (RM'000)	Maturing
United States Dollar	2,031	(35)	less than 1 year
Singapore Dollar	<u>250</u>	<u>(2)</u>	less than 1 year

Credit risk

There is minimal credit risk as the contracts were entered into with reputable financial institutions.

Cash requirements

The Group will fund the cash requirements of the derivative from its net cash flow from operating activities when the payments fall due.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
Notes to the interim financial report for the second quarter ended 30 June 2012
The figures have not been audited

(b) Fair value changes of derivative instruments

The gains/(losses) arising from fair value changes of derivative instruments for current quarter and financial year-to-date ended 30 June 2012 are as follows:

Type	Current quarter ended 30/6/2012 (RM'000)	Current year-to-date ended 30/6/2012 (RM'000)	Basis of fair value measurement	Reasons for Gains/(Losses)
Forward foreign exchange contracts	(10)	(5)	The difference between the contracted rates and the market forward rates.	The exchange rates have moved unfavourably from the last measurement date.

B10. Changes in material litigation

The Company is not aware of any proceedings against the Company or its subsidiaries that is pending or threatened or of any fact likely to give rise to any proceedings, which might materially and/or adversely affect the position or business of the Company or any of its subsidiaries as at 9 August 2012.

B11. Dividend

No dividend was proposed or declared during the current quarter and the financial period ended 30 June 2012.

B12. Loss per share

The basic loss per ordinary share for the financial period has been calculated based on the consolidated loss after tax divided by the weighted average number of ordinary shares outstanding during the period.

	3 months ended 30 June 2012	Year-to-date ended 30 June 2012
Net loss attributed to equity holders (RM'000)	(3,717)	(8,000)
Weighted average number of shares ('000)	451,405	449,921
Basic loss per share (sen)	(0.82)	(1.78)

The diluted loss per ordinary share is not presented as the effect of the assumed conversion of warrants outstanding would be anti dilutive.

B13. Realised and unrealised profits/ losses disclosure

The accumulated losses as at the end of the reporting period are analysed as follows:

	As at 30 June 2012 RM'000	As at 31 December 2011 RM'000 (Restated)
Total accumulated losses of the Company and its subsidiaries		
Realised	(44,190)	(36,239)
Unrealised	53	102
	<hr/>	<hr/>
	(44,137)	(36,137)
Less: Consolidation adjustments	5,882	5,882
Total group accumulated losses per consolidated accounts	<hr/>	<hr/>
	(38,255)	(30,255)