

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	UNAUDITED AS AT 30-Jun-13 RM'000	AUDITED AS AT 31-Dec-12 RM'000
Note		
ASSETS		
Non-current assets		
Property, plant and equipment	82,206	84,524
Intangible assets	11,062	11,062
Trade and other receivables	1,378	1,419
	<u>94,646</u>	<u>97,005</u>
Current assets		
Inventories	11,262	9,039
Trade and other receivables	6,815	7,716
Current tax assets	19	18
Cash and cash equivalents	948	750
	<u>19,044</u>	<u>17,523</u>
TOTAL ASSETS	<u>113,690</u>	<u>114,528</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	46,444	46,444
Share premium	3,472	3,472
Other reserves	5,939	5,939
Accumulated losses	B13 (43,087)	(40,499)
TOTAL EQUITY	<u>12,768</u>	<u>15,356</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	B8 37,874	38,996
Long term borrowings	B8 24,645	25,644
Deferred tax liabilities	6,624	6,770
	<u>69,143</u>	<u>71,410</u>
Current liabilities		
Trade and other payables	16,241	13,917
Derivative liabilities	69	23
Short term borrowings	B8 15,457	13,810
Current tax liabilities	12	12
	<u>31,779</u>	<u>27,762</u>
TOTAL LIABILITIES	<u>100,922</u>	<u>99,172</u>
TOTAL EQUITY AND LIABILITIES	<u>113,690</u>	<u>114,528</u>
Net Assets Per Share (RM)	0.0275	0.0331

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Jun-13 RM'000	Preceding Year Corresponding Quarter 30-Jun-12 RM'000	Current Year To date 30-Jun-13 RM'000	Preceding Year Corresponding Period 30-Jun-12 RM'000
Revenue		13,069	12,394	26,343	27,978
Cost of sales		(13,971)	(13,869)	(27,379)	(31,541)
Gross loss		<u>(902)</u>	<u>(1,475)</u>	<u>(1,036)</u>	<u>(3,563)</u>
Other operating income		2,115	273	2,648	525
Marketing expenses		(365)	(441)	(757)	(878)
Administrative expenses		(935)	(1,275)	(1,812)	(2,640)
Other operating expenses		(84)	(189)	(135)	(223)
Finance costs		<u>(817)</u>	<u>(682)</u>	<u>(1,642)</u>	<u>(1,367)</u>
Loss before tax		(988)	(3,789)	(2,734)	(8,146)
Taxation	B5	73	72	146	146
Loss for the period		<u><u>(915)</u></u>	<u><u>(3,717)</u></u>	<u><u>(2,588)</u></u>	<u><u>(8,000)</u></u>
Loss attributable to :					
Owners of the parent		(915)	(3,717)	(2,588)	(8,000)
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>(915)</u></u>	<u><u>(3,717)</u></u>	<u><u>(2,588)</u></u>	<u><u>(8,000)</u></u>
Loss per share	B12				
Basic (sen)		<u><u>(0.20)</u></u>	<u><u>(0.82)</u></u>	<u><u>(0.56)</u></u>	<u><u>(1.78)</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 audited financial statements for the year ended 31 December 2012 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 2013

	Note	Individual Quarter		Cumulative Quarter	
		Current Year	Preceding	Current Year	Preceding
		Quarter	Year	Todate	Year
		30-Jun-13	Corresponding	30-Jun-13	Corresponding
		Quarter	Quarter	Period	Period
		30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12
		RM'000	RM'000	RM'000	RM'000
Loss for the period		(915)	(3,717)	(2,588)	(8,000)
Other comprehensive income/(loss):					
Foreign currency translations		1	7	-	7
Total comprehensive loss for the period	B6	<u>(914)</u>	<u>(3,710)</u>	<u>(2,588)</u>	<u>(7,993)</u>
Total comprehensive loss attributable to :					
Owners of the parent		(914)	(3,710)	(2,588)	(7,993)
Non-controlling interests		-	-	-	-
		<u>(914)</u>	<u>(3,710)</u>	<u>(2,588)</u>	<u>(7,993)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	← Non-distributable →				Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	
<u>For the 6 months ended 30 June 2013</u>					
Balance as at 1 January 2013	46,444	3,472	5,939	(40,499)	15,356
Loss for the period	-	-	-	(2,588)	(2,588)
Foreign currency translations	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(2,588)	(2,588)
Balance as at 30 June 2013	46,444	3,472	5,939	(43,087)	12,768
<u>For the 6 months ended 30 June 2012</u>					
Balance as at 1 January 2012					
- as previously stated	44,844	-	28,378	(51,140)	22,082
- effects of the adoption of MFRSs	-	-	(20,732)	20,885	153
Balance as at 1 January 2012, as restated	44,844	-	7,646	(30,255)	22,235
Loss for the period	-	-	-	(8,000)	(8,000)
Foreign currency translations	-	-	7	-	7
Total comprehensive loss for the period	-	-	7	(8,000)	(7,993)
Transactions with owners					
Exercise of warrants	500	1,085	(535)	-	1,050
Total transactions with owners	500	1,085	(535)	-	1,050
Balance as at 30 June 2012, as restated	45,344	1,085	7,118	(38,255)	15,292

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	6 months ended 30-Jun-13 RM'000	6 months ended 30-Jun-12 RM'000
Cash flows from operating activities		
Loss before tax	(2,734)	(8,146)
Adjustments for:		
Non-cash items	2,787	4,164
Finance costs	1,642	1,367
Interest income	(11)	(8)
Operating profit/(loss) before working capital changes	<u>1,684</u>	<u>(2,623)</u>
Changes in working capital:		
Net change in current assets	(1,370)	6,821
Net change in current liabilities	<u>2,367</u>	<u>(3,113)</u>
Cash generated from operations	2,681	1,085
Interest paid	(225)	(194)
Tax paid	(2)	(3)
Tax refunded	0	905
Net cash from operating activities	<u>2,454</u>	<u>1,793</u>
Cash flows from investing activities		
Advances from a related party	186	1,940
Interest received	11	8
Purchase of property, plant and equipment	(1,961)	(1,136)
Proceeds from disposal of property, plant and equipment	<u>277</u>	<u>-</u>
Net cash from investing activities	<u>(1,487)</u>	<u>812</u>
Cash flows from financing activities		
Fixed deposits	(11)	(7)
Interest paid	(1,417)	(1,167)
Drawdown/(Repayment) of borrowings	326	(1,452)
Drawdown/(Repayment) of finance lease liabilities	77	(1,203)
Net cash used in financing activities	<u>(1,025)</u>	<u>(3,829)</u>
Net decrease in cash and cash equivalents	(58)	(1,224)
Effects of exchange rate changes on cash and cash equivalents	-	2
Cash and cash equivalents at beginning of the period	(3,392)	(1,881)
Cash and cash equivalents at end of the period	<u>(3,450)</u>	<u>(3,103)</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits placed with licensed banks	555	536
Cash and bank balances	393	334
Bank overdrafts (included in short term borrowings in Note B8)	(3,843)	(3,437)
less: Deposits pledged with licensed banks	(555)	(536)
	<u>(3,450)</u>	<u>(3,103)</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2012.

The same accounting policies and methods of computation as disclosed in the audited accounts for the year ended 31 December 2012 have been adopted in the preparation of the second quarter ended 30 June 2013 condensed financial statements except for adoption of the following new and revised MFRS, IC Interpretations and Amendments to MFRS and IC Interpretations which are effective for financial periods beginning on or after 1 January 2013 :-

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (revised)
- MFRS 127 Separate Financial Statements
- MFRS 128 Investment in Associates and Joint Ventures
- Amendments to MFRS 1 Government Loans
- Amendments to MFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities
- Amendments to MRFS 10 Consolidated Financial Statements
- Amendments to MFRS 11 Joint Arrangements
- Amendments to MFRS 12 Disclosure of Interest in Other Entities
- Amendments to MRFS 101 Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRSs Annual Improvements 2009 – 2011 Cycle
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Mandatory Effective date of MFRS 9 and Transition Disclosures MFRS 9 Financial Instruments

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

A2. Audit report

The audited financial statements for the Group and the Company for the financial year ended 31 December 2012 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 year second quarter and financial period ended 30 June 2013.

A5. Changes in estimates

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

A6. Issuance and repayment of debt and equity securities

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the second quarter ended 30 June 2013.

A7. Dividends paid

There was no dividend paid during the current year second quarter and financial period ended 30 June 2013.

A8. Operating Segments

6 months ended/Year-to-date ended 30 June 2013	Investment holding RM'000	Manufacturing disposable foodwares RM'000	Mining RM'000	Total RM'000
Total revenue	187	21,421	4,922	26,530
Inter-segment revenue	(187)	-	-	(187)
Revenue from external customers	-	21,421	4,922	26,343
Segment profit/(loss) before tax	1,298	(3,424)	(608)	(2,734)

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)

Total assets				
As at 30 June 2013	37	87,957	25,677	113,671
As at 31 December 2012	41	89,816	24,653	114,510

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

	As at 30 June 2013 RM'000	Audited as at 31 December 2012 RM'000
Total assets per reportable segments	113,671	114,510
Tax recoverable	19	18
Total assets per statement of financial position	113,690	114,528

A9. Valuation of property, plant and equipment

This is not applicable as the Group did not revalue its property, plant and equipment for the current year second quarter ended 30 June 2013.

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 8 August 2013.

A11. Changes in composition of the Group

There were no changes in the composition of the Group for the current year second quarter and financial period ended 30 June 2013.

A12. Contingent liabilities

Contingent liabilities of the Company as at 8 August 2013 include the following:-

	RM'000
Corporate guarantees for credit facilities of subsidiaries	40,332

A13. Commitments

The capital commitments incurred by the Group as at 30 June 2013 include the following amount approved and contracted for:

	RM'000
Plant and equipment	870

A14. Related party transactions

Significant related party transactions entered into by the Group during the financial period are as follows:

	6 months ended/ Year-to-date ended 30/6/2013 RM'000	6 months ended/ Year-to-date ended 30/6/2012 RM'000
Insurance brokerage commission	23	35
Flight tickets paid or payable	27	38

The above transactions were with Clear Expertise Sdn. Bhd. and PST Travel Services 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 lower pretax loss of RM0.988 million for the current year second quarter compared to pretax loss of RM3.789 million in the preceding year corresponding quarter, with higher revenue at RM13.069 million (by 5%) in the current year second quarter compared to RM12.394 million in the second quarter last year.

Disposable foodwares manufacturing division continues to be the main contributor to the performance of the Group. Sales increased to RM10.682 million (by 12%) compared to RM9.528 million in the second quarter last year. Pretax loss of RM2.002 million recorded in the current year second quarter is a significant improvement compared to the RM3.278 million pretax loss of the preceding year corresponding second quarter. Market demand generally still remains strong despite the ongoing Euro zone debt crisis and global economic uncertainty. The continuous effort in cost rationalization exercise and renewal program for its machinery and moulds resulted in lower operating cost and higher productivity for the business in the current year second quarter.

The kaolin mining business recorded lower sales of RM2.387 million (by 17%) compared to RM2.866 million in the preceding year corresponding second quarter, with higher pretax loss of RM0.383 million in the current year second quarter compared to pretax loss of RM0.155 million in the second quarter last year. The deterioration in the results was mainly attributable to a temporary disruption in the production activities due to an unexpected breakdown of production equipment. Notwithstanding the above, subsequent upgrade of its production facilities and continuous effort of cost rationalization are expected to improve its productivity.

The investment holding company recorded pretax profit of RM1.397 million in the current year second quarter compared to pretax loss of RM0.356 million in the preceding year corresponding second quarter mainly due to the positive effects of the cost rationalization exercise and also a waiver by Wawasan TKH Sdn. Bhd., a major shareholder of the Company, of the principal amount due by RM1.500 million in the current year second quarter.

B2. Variation of results against preceding quarter

The Group registered revenue of RM13.069 million and pretax loss of RM0.988 million for the current year second quarter compared to the revenue of RM13.274 million and pretax loss of RM1.746 million in the preceding quarter.

The disposable foodwares business generated slightly lower sales of RM10.682 million (by 1%) in the current year second quarter compared to RM10.739 million in the preceding quarter, with pretax loss of RM2.002 million in the current year second quarter compared to a pretax loss of RM1.421 million in the preceding quarter. The higher pretax loss is attributable to a write off of inventory amounting to RM396,000 and a higher raw materials cost in the current year second quarter.

On the other hand, the kaolin mining business recorded lower sales of RM2.387 million (by 6%) and a higher pretax loss of RM 0.383 million, compared to the sales of RM2.535 million and pretax loss at RM0.226 million in the preceding quarter. The lower sales and higher pretax loss are attributable to a temporary disruption of production process arising from an unexpected breakdown of production equipment. Subsequent upgrade of its production facilities and sustained cost rationalization exercise are expected to enhance its operation and productivity.

The investment holding company recorded pretax profit of RM1.397 million compared to pretax loss of RM0.099 million in the preceding quarter due to a waiver by Wawasan TKH Sdn. Bhd., a major shareholder of the Company, of the principal amount due by RM1.500 million in the current year second quarter.

B3. Current year prospects

Moving forward, the prolonged uncertainties of the global economic environment and rising raw materials prices and energy costs are factors that could affect the future performance of the Group. Nonetheless, the Group will continue to take the necessary prudent measures to improve the productivity and operation efficiency and also enhancement of strategic marketing effort to increase its market share and product margin.

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 quarter ended 30/6/2013 RM'000	Preceding year corresponding quarter ended 30/6/2012 RM'000	Current year-to- date ended 30/6/2013 RM'000	Preceding year corresponding period ended 30/6/2012 RM'000
Current Tax	-	-	-	-
Deferred tax	(73)	(72)	(146)	(146)
	<u>(73)</u>	<u>(72)</u>	<u>(146)</u>	<u>(146)</u>

B6. Total comprehensive loss

Included in the total comprehensive loss for the current year second quarter and preceding year corresponding quarter are the following items:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/6/2013 RM`000	Preceding year corresponding quarter 30/6/2012 RM`000	Current year to date 30/6/2013 RM`000	Preceding year corresponding period 30/6/2012 RM`000
Other income including investment income				
- gain on derivatives	-	(5)	-	-
- interest income	(8)	(5)	(11)	(8)
- net foreign exchange gain	(86)	(206)	(218)	(380)
- waiver of debts	(1,500)	-	(1,500)	-
- Others	(202)	(67)	(240)	(137)
Depreciation of property, plant and equipment	2,156	2,029	4,257	4,077
Impairment losses on:				
- receivables	30	30	60	60
Interest expense	817	682	1,642	1,367
Inventories written down	15	15	30	30
Loss on derivatives	36	5	46	5

Other than the above items which have been included in the total comprehensive loss, there were no write off of receivables, gain/loss on disposal of quoted or unquoted investments, impairment of assets and exceptional items for the current quarter and period ended 30 June 2013.

B7. Status of corporate proposals

There is no corporate proposal announced which is pending completion as at 8 August 2013.

B8. Group borrowings

The Group's borrowings as at 30 June 2013 are as follows:

Short –term borrowings:-	RM'000	RM'000
Unsecured		4,434
Secured		11,023
	(a)	<u>15,457</u>
Long term borrowings :		
Secured		24,645
Total Borrowings		<u>40,102</u>
<u>Payables and accruals</u>		
Amount due to substantial shareholder, Wawasan TKH Sdn Bhd	(b)	
- current	12	
- non-current	<u>37,874</u>	<u>37,886</u>
Total Group's borrowings		<u>77,988</u>

- (a) Included in the short term borrowings are bank overdrafts outstanding at RM3.843 million which are secured.
- (b) The advances from Wawasan TKH Sdn. Bhd. bore interest at 8.10% per annum. Included in the outstanding amount is the accumulated interest charged of RM4.90 million. Except for an advance amounting to RM4.98 million which bears interest, there was no interest charged on the advances of RM28.01 million for the current year second quarter ended 30 June 2013 as Wawasan TKH Sdn. Bhd. had waived the interest thereon.

B9. Derivative financial instruments

- (a) As at 30 June 2013, the Group entered into forward currency contracts to hedge trade receivables. The forward currency contracts entered into by the Group are as follows:

Currency	Contract/ Notional Amount (RM'000)	Derivative Assets/ (Liabilities) (RM'000)	Maturing
United States Dollar	<u>1,948</u>	<u>(69)</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.

(b) Fair value changes of derivative instruments

The gains/(losses) arising from fair value changes of derivative instruments for current year second quarter and financial period ended 30 June 2013 are as follows:

Type	Current quarter ended 30/6/2013 (RM'000)	Current year-to-date ended 30/6/2013 (RM'000)	Basis of fair value measurement	Reasons for Gains/(Losses)
Forward currency contracts	(36)	(46)	The difference between the contracted rates and the market forward rates.	The exchange rates have moved unfavorably 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 8 August 2013.

B11. Dividend

No dividend was proposed or declared during the current year second quarter ended 30 June 2013.

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.

	6 months ended 30 June 2013	Year-to-date ended 30 June 2013
Loss attributable to equity holders (RM'000)	(915)	(2,588)
Weighted average number of ordinary shares in issue ('000)	464,438	464,438
Basic loss per share (sen)	(0.20)	(0.56)

The diluted loss per ordinary share is not presented as the effect of the assumed conversion of warrants outstanding will be anti dilutive and the Company has no other dilutive potential ordinary share in issue as at end of the reporting period.

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 2013 RM'000	As at 31 December 2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(53,623)	(51,132)
- Unrealised (loss)/gain	(46)	51
	<hr/>	<hr/>
	(53,669)	(51,081)
Less: Consolidation adjustments	10,582	10,582
Total Group accumulated losses as per consolidated accounts	<hr/>	<hr/>
	(43,087)	(40,499)