

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)
 Stock name : WASEONG
 Financial Period Ended : 30 June 2014
 Quarter : 2

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 June 2013 Unaudited RM'000	Current Period To-date Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 Unaudited RM'000
Gross revenue	652,074	441,507	1,134,632	869,413
Cost of sales	(509,963)	(363,698)	(911,198)	(752,193)
Gross profit	142,111	77,809	223,434	117,220
Other operating income	8,953	7,059	18,503	21,245
Selling and distribution expenses	(7,787)	(6,628)	(15,712)	(14,215)
Administrative and general expenses	(61,680)	(60,532)	(108,228)	(101,222)
Other gains/(losses) - net	586	(582)	1,340	(2,385)
Finance costs	(5,081)	(4,536)	(10,075)	(9,378)
Share of results of associates and joint ventures	(79)	3,004	(2,568)	1,823
Profit before tax	77,023	15,594	106,694	13,088
Taxation	(22,845)	(5,379)	(31,525)	(9,263)
Net profit for the financial period	54,178	10,215	75,169	3,825
Net profit/(loss) attributable to:				
- Owners of the Company	40,088	8,970	60,697	7,417
- Non-controlling interests	14,090	1,245	14,472	(3,592)
	54,178	10,215	75,169	3,825

Earnings per share				
- Basic earnings per share (sen)	5.18	1.16	7.87	0.96
- Diluted earnings per share (sen)	5.18	1.16	7.87	0.96

(The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 June 2013 Unaudited RM'000	Current Period To-date Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 Unaudited RM'000
Net profit for the financial period	54,178	10,215	75,169	3,825
Other comprehensive (expenses)/income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Available-for-sale financial assets				
-Fair value (losses)/gains	(2)	4	(3)	10
-Transfer to profit or loss	-	(40)	-	(40)
Foreign currency translation differences for foreign operations	(6,156)	5,834	(10,828)	6,786
	(6,158)	5,798	(10,831)	6,756
Total comprehensive income for the financial period	48,020	16,013	64,338	10,581
Total comprehensive income/(expense) attributable to:				
- Owners of the Company	35,203	13,428	51,818	13,651
- Non-controlling interests	12,817	2,585	12,520	(3,070)
	48,020	16,013	64,338	10,581

(The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June 2014 Unaudited RM'000	As at 31 December 2013 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	746,911	744,637
Prepaid lease payments	187,285	178,190
Biological assets	18,926	17,738
Investment properties	10,968	11,165
Investment in associates	144,886	147,779
Investment in joint ventures	27,795	34,265
Available-for-sale financial assets	1,069	1,072
Derivative financial assets	3	32
Goodwill	112,969	114,633
Other intangible assets	34	46
Deferred tax assets	12,187	10,437
	<u>1,263,033</u>	<u>1,259,994</u>
Current Assets		
Inventories	226,014	205,187
Amounts due from customers on contracts	86,295	88,148
Trade and other receivables	700,237	503,256
Amounts owing by associates	13,180	7,372
Amounts owing by joint ventures	33,502	32,572
Tax recoverable	3,960	17,274
Derivative financial assets	502	73
Time deposits	144,124	176,792
Cash and bank balances	150,488	204,285
	<u>1,358,302</u>	<u>1,234,959</u>
Assets of disposal groups held for sale	<u>4,121</u>	<u>4,223</u>
TOTAL ASSETS	<u>2,625,456</u>	<u>2,499,176</u>
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	387,444	387,444
Share premium	160,246	160,246
Treasury shares	(3,180)	(8,893)
Exchange translation reserves	2,829	11,705
Available-for-sale reserve	13	16
Retained profits	468,528	432,991
Equity attributable to owners of the Company	<u>1,015,880</u>	<u>983,509</u>
Non-controlling interests	190,184	172,339
TOTAL EQUITY	<u>1,206,064</u>	<u>1,155,848</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	As at 30 June 2014 Unaudited RM'000	As at 31 December 2013 Audited RM'000
LIABILITIES		
Non-Current and Deferred Liabilities		
Term loans	136,708	182,118
Deferred tax liabilities	10,512	9,916
Trade and other payables	3,754	13,391
	<u>150,974</u>	<u>205,425</u>
Current Liabilities		
Amounts due to customers on contracts	70,828	67,896
Trade and other payables	433,561	397,652
Provision for warranties	9,393	8,236
Amounts owing to an associate	6	32
Amounts owing to joint ventures	4,873	4,990
Derivative financial liabilities	-	938
Term loans	83,053	84,485
Other bank borrowings	646,312	562,773
Dividend payable	-	1,961
Current tax liabilities	20,392	8,940
	<u>1,268,418</u>	<u>1,137,903</u>
TOTAL LIABILITIES	<u>1,419,392</u>	<u>1,343,328</u>
TOTAL EQUITY AND LIABILITIES	<u>2,625,456</u>	<u>2,499,176</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----							Non-controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	Total RM'000	RM'000	RM'000
At 1 January 2014	387,444	160,246	(8,893)	11,705	16	432,991	983,509	172,339	1,155,848
Net profit for the financial period	-	-	-	-	-	60,697	60,697	14,472	75,169
Other comprehensive expense for the financial period	-	-	-	(8,876)	(3)	-	(8,879)	(1,952)	(10,831)
Total comprehensive (expense)/income for the financial period	-	-	-	(8,876)	(3)	60,697	51,818	12,520	64,338
Shares purchased (including transaction costs)	-	-	(2,941)	-	-	-	(2,941)	-	(2,941)
Cash dividends paid to owners of the Company	-	-	-	-	-	(15,390)	(15,390)	-	(15,390)
Share dividends distributed to owners of the Company	-	-	8,654	-	-	(8,654)	-	-	-
Total contributions by and distributions to owners	-	-	5,713	-	-	(24,044)	(18,331)	-	(18,331)
Acquisition of shares in an existing subsidiary from non-controlling interest	-	-	-	-	-	(1,116)	(1,116)	(2,619)	(3,735)
Issuance of Redeemable Convertible Preference Shares to non-controlling interests in a subsidiary	-	-	-	-	-	-	-	8,005	8,005
Acquisition of new subsidiaries	-	-	-	-	-	-	-	(61)	(61)
Total changes in ownership interest in subsidiaries that did not result in a loss of control	-	-	-	-	-	(1,116)	(1,116)	5,325	4,209
Total transactions with owners	-	-	5,713	-	-	(25,160)	(19,447)	5,325	(14,122)
At 30 June 2014	387,444	160,246	(3,180)	2,829	13	468,528	1,015,880	190,184	1,206,064

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

These figures have not been audited

	----- Attributable to owners of the Company -----									
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Available- for-sale reserve RM'000	Warrants reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2013										
- as previously stated	387,444	160,254	(8,573)	(1,561)	54	25,786	426,892	990,296	99,607	1,089,903
- effects of adoption of MFRS 116	-	-	-	-	-	-	(5,217)	(5,217)	-	(5,217)
- as restated	387,444	160,254	(8,573)	(1,561)	54	25,786	421,675	985,079	99,607	1,084,686
Net profit/(loss) for the financial period	-	-	-	-	-	-	7,417	7,417	(3,592)	3,825
Other comprehensive income/(expense) for the financial period	-	-	-	6,264	(30)	-	-	6,234	522	6,756
Total comprehensive income/(expense) for the financial period	-	-	-	6,264	(30)	-	7,417	13,651	(3,070)	10,581
Transactions with owners:										
Shares purchased (including transaction costs)	-	-	(9,572)	-	-	-	-	(9,572)	-	(9,572)
Cash dividends payable to owners of the Company	-	-	-	-	-	-	(19,181)	(19,181)	-	(19,181)
Share dividends distributable to owners of the Company	-	-	12,308	-	-	-	(12,308)	-	-	-
Warrants exercised and expiry of unexercised warrants	-	(8)	-	-	-	(25,786)	25,786	(8)	-	(8)
Acquisition of a new subsidiary	-	-	-	-	-	-	-	-	70,919	70,919
Total contributions by and distributions to owners/ Total transactions with owners	-	(8)	2,736	-	-	(25,786)	(5,703)	(28,761)	70,919	42,158
At 30 June 2013	387,444	160,246	(5,837)	4,703	24	-	423,389	969,969	167,456	1,137,425

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period To-date Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	106,694	13,088
Adjustments for non-operating items:		
Depreciation and amortisation	35,258	24,929
Other non-cash items	14,390	4,836
Interest expense	10,075	9,378
Interest income	(3,175)	(2,827)
Operating profit before changes in working capital	163,242	49,404
Changes in working capital:		
Net changes in current assets	(233,442)	113,459
Net changes in current liabilities	27,163	616
Cash (used in)/generated from operations	(43,037)	163,479
Interest received	3,175	2,827
Interest paid	(10,075)	(9,378)
Tax paid	(8,214)	(16,543)
Net cash (used in)/generated from operating activities	(58,151)	140,385
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,072)	(56,396)
Prepaid lease payments	-	(2,794)
Purchase of investment properties	-	(96)
Purchase of biological assets	(2,103)	(2,613)
Proceeds from disposal of property, plant and equipment	98	408
Proceeds from disposal of available-for-sale financial assets	-	142
Dividend received from an associated company	880	577
Net cash inflow from acquisition of new subsidiaries	7	-
Subscription of shares in a joint venture	(490)	-
Acquisition of shares in new subsidiaries	-	(37,184)
Subscription of additional shares in an associated company	-	(33,178)
Net cash used in investing activities	(65,680)	(131,134)
Cash flows from financing activities		
Drawdown of other bank borrowings	473,742	296,421
Repayments of other bank borrowings	(377,331)	(233,070)
Repayment of term loans	(42,173)	(7,375)
Payment of hire purchase installment	-	(25)
Purchase of treasury shares	(2,941)	(9,572)
Exercise of warrants net of transaction cost	-	(8)
Cash receipts from subscription of Redeemable Convertible Preference Shares by non-controlling interests	8,005	-
Acquisition of additional equity interests of an existing subsidiary	(3,735)	-
Deferred payments made to non-controlling interest for the acquisition of additional shares in a subsidiary	(206)	(208)
Dividends paid to equity holders of the Company	(15,390)	(19,181)
Net cash generated from financing activities	39,971	26,982

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Current Period To-date Ended 30 June 2014 Unaudited RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 Unaudited RM'000
Net changes in cash and cash equivalents	(83,860)	36,233
Currency translation differences	(2,605)	2,130
Cash and cash equivalents at beginning of the financial period	381,077	313,709
Cash and cash equivalents at end of the financial period	<u>294,612</u>	<u>352,072</u>
Cash and cash equivalents at the end of the financial period comprise of the following:		
Time deposits	144,124	167,613
Cash and bank balances	<u>150,488</u>	<u>184,459</u>
	<u>294,612</u>	<u>352,072</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013)

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These figures have not been audited

NOTES TO INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial statements are in compliance with IAS 34 "Interim Financial Reporting".

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. These explanatory notes attached to the interim financial statements 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 financial year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2013, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2014:

Amendment to MFRS 132	Financial Instruments: Presentation
Amendments to MFRS 10, 12 and 127	Investment Entities

The adoption of the revised standards and amendments that are applicable from the financial year beginning on 1 January 2014 is not expected to result in any material impact on the financial position and results of the Group.

The following MFRS and Amendments to MFRS have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group:

Effective from financial year beginning on or after 1 January 2015

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2010 – 2012 Cycle

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2011 – 2013 Cycle

Effective from financial year beginning on or after 1 January 2016

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

Effective date to be announced by the MASB

MFRS 9	Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities
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The Group will undertake an assessment on the impact of the adoption of the Amendment to MFRS 9 on its results and financial position once the MASB has determined the effective date.

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2. Qualification of financial statements

The audited financial statements of the preceding financial year were not subject to any qualification.

3. Seasonal or cyclical factors

The Group's operation was not affected by seasonal or cyclical factors.

4. Unusual items

Save for the information disclosed in this financial report, there were no other material items affecting assets, liabilities, equity, net income, or cash flows for the financial period that were unusual due to their nature, size, or incidence.

5. Changes in estimates

There were no significant changes in estimates of amounts reported in prior interim periods that had a material effect in the current interim period.

6. Debt and equity securities

During the second quarter of 2014, the Company purchased 1,320,600 of its issued ordinary shares from the open market (period to-date: 1,613,200). The Company held a total of 1,757,167 treasury shares as at 30 June 2014. On 3 April 2014, 5,126,090 treasury shares were distributed as special single-tier share dividend to the shareholders on the basis of one (1) treasury share for every one hundred and fifty (150) existing Wah Seong Corporation Berhad ordinary shares of RM0.50 held at the entitlement date on 13 March 2014.

Apart from the above, there were no other issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial period ended 30 June 2014.

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7. Dividends

Proposed Dividend

The Directors declared a first interim dividend comprising:-

	Financial Year Ending 31 December 2014	Financial Year Ended 31 December 2013
Cash dividend per share	2.50 sen single tier	2.00 sen single tier
Date payable and to be credited/ paid and credited	2 October 2014	3 October 2013

The entitlement date of the first interim dividend is fixed on 12 September 2014.

Dividend paid

On 25 February 2014, the Directors declared a second interim dividend comprising:-

- (i) Single tier cash dividend of 2.00 sen per share; and
- (ii) Special single tier share dividend of 5,126,090 treasury shares distributed to the shareholders of Wah Seong Corporation Berhad ("WSC") on the basis of one (1) WSC share for every one hundred and fifty (150) existing WSC ordinary shares of RM0.50 each held at the entitlement date on 13 March 2014. Based on the closing share price of WSC shares of RM1.65 each as at 31 December 2013, the value of the share dividend per WSC share is equivalent to a gross cash dividend of 1.10 sen per share.

The second interim dividend was paid / credited into the entitled shareholders' securities accounts on 3 April 2014.

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8. Segment information

	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Plantation RM'000	Others RM'000	Total RM'000
RESULTS						
<u>Financial period ended 30 June 2014</u>						
Revenue	608,077	167,728	300,804	-	63,571	1,140,180
Less: Inter segment revenue	(4,856)	(42)	(650)	-	-	(5,548)
External revenue	603,221	167,686	300,154	-	63,571	1,134,632
Segment profits/(losses)	92,115	30,245	5,650	(8,209)	(4,581)	115,220
Share of results of associates						2,003
Unallocated expenses relating to financing activities						(5,772)
Unallocated corporate expenses						(4,757)
Profit before tax						106,694
TOTAL ASSETS						
<u>As at 30 June 2014</u>						
Segment assets*	1,511,532	288,613	294,692	170,299	118,896	2,384,032
Investment in associates	139,902	-	4,984	-	-	144,886
	1,651,434	288,613	299,676	170,299	118,896	2,528,918
Assets of disposal groups held for sale						4,121
Unallocated corporate assets						
- Deferred tax assets						12,187
- Tax recoverable						3,960
- Cash and cash equivalents						47,254
- Others						29,016
Total assets						2,625,456

* Segment assets are inclusive of the carrying amount of investment in joint ventures which amounted to RM27,795,000, primarily within the "Oil & Gas" and "Others" segment.

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Plantation</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION						
<u>Financial period ended 30 June 2014</u>						
Depreciation of:						
- Property, plant and equipment	25,034	1,784	1,938	3,065	1,726	33,547
- Investment properties	-	-	-	-	197	197
Amortisation of:						
- Prepaid lease payments	471	4	273	755	-	1,503
- Other intangible assets	-	11	-	-	-	11
Additions of:						
- Property, plant and equipment	56,745	1,210	426	1,227	4,464	64,072
- Biological assets	-	-	-	2,103	-	2,103
Interest income	(1,583)	(770)	(462)	(4)	(356)	(3,175)
Interest expense	6,673	256	1,360	-	1,786	10,075
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Plantation</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
RESULTS						
<u>Financial period ended 30 June 2013</u>						
Revenue	328,204	169,459	345,349	-	64,144	907,156
Less: Inter segment revenue	(36,977)	-	(766)	-	-	(37,743)
External revenue	<u>291,227</u>	<u>169,459</u>	<u>344,583</u>	<u>-</u>	<u>64,144</u>	<u>869,413</u>
Segment (losses)/profits	(10,012)	30,516	6,784	(8,180)	6,755	25,863
Share of results of associates						3,416
Unallocated expenses relating to financing activities						(5,910)
Unallocated corporate expenses						(10,281)
Profit before tax						<u>13,088</u>
TOTAL ASSETS (restated)						
<u>As at 30 June 2013</u>						
Segment assets*	1,212,730	275,953	303,007	152,578	74,666	2,018,934
Investment in associates	<u>139,736</u>	<u>-</u>	<u>4,934</u>	<u>-</u>	<u>-</u>	<u>144,670</u>
	1,352,466	275,953	307,941	152,578	74,666	2,163,604
Assets of disposal groups held for sale						4,052
Unallocated corporate assets:						
- Deferred tax assets						13,859
- Tax recoverable						30,259
- Cash and cash equivalents						57,478
- Others						29,628
Total assets						<u>2,298,880</u>

* Segment assets are inclusive of the carrying amount of investment in joint ventures which amounted to RM24,477,000, primarily within the "Oil & Gas" segment.

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Plantation</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION						
<u>Financial period ended 30 June 2013</u>						
Depreciation of:						
- Property, plant and equipment	16,801	1,900	1,831	2,071	880	23,483
- Investment properties	-	-	-	-	182	182
Amortisation of:						
- Prepaid lease payments	471	4	206	571	-	1,252
- Other intangible assets	1	11	-	-	-	12
Additions of:						
- Property, plant and equipment	49,778	1,296	251	4,847	224	56,396
- Biological assets	-	-	-	2,613	-	2,613
- Investment properties	-	-	-	-	96	96
Interest income	(988)	(321)	(470)	-	(1,049)	(2,827)
Interest expense	6,139	265	1,615	156	1,203	9,378

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9. Events subsequent to the balance sheet date

There were no material subsequent events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report.

10. Effects of changes in the composition of the Group during the current quarter

- (a) The Company had on 22 April 2013 and 25 April 2013 announced that PMT Industries Sdn Bhd ("**PMTI**"), a wholly owned subsidiary of the Company, had entered into a joint venture agreement ("**JV Agreement**") with Shinko Ind. Ltd. ("**SHINKO**") and that the subscription of 490,000 shares in the proposed JV Company by PMTI was expected to be completed within three (3) months from the date of the JV Agreement.

The joint venture between PMTI and SHINKO was completed on 18 April 2014 with the total subscription of 490,000 ordinary shares of RM1.00 each (PMTI) and 510,000 ordinary shares of RM1.00 each (SHINKO), representing 49% and 51% equity stake respectively in the enlarged issued and paid up share capital of the joint venture company.

- (b) On 14 May 2014, Triple Cash Sdn Bhd, a 79% owned subsidiary of the Company had entered into a Share Sale Agreement with Padu Genting Sdn Bhd ("**PGSB**"), to acquire 390,000 ordinary shares of RM1.00 each and 2,769,000 redeemable preference shares of RM0.10 each representing 39% equity interest in the issued and paid-up share capital of Sunrise Green Sdn Bhd ("**SGSB**") from PGSB, for a total consideration of RM3,735,030 ("**Acquisition of SGSB Shares**"). With the completion of the Acquisition of SGSB Shares, the total shareholding of TCSB in SGSB increased to 90%. Hence, SGSB became a 90% owned indirect subsidiary of the Company.

11. Status of corporate proposals

Except as disclosed below, there are no other corporate proposals announced but not completed as at 25 August 2014, being the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report.

- (a) Arabian-Yadong Coating Co. Ltd.

The Company had on 26 January 2011 and 31 January 2011 announced the proposed disposal of its indirect equity interest in Arabian-Yadong Coating Co. Ltd. The completion of the proposed disposal is awaiting full satisfaction of the conditions precedent in the said proposal.

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11. Status of corporate proposals (continued)

(b) Wasco Energy Ltd

The Company had on 24 June 2014 and 27 June 2014 via its Principal Adviser for a proposed acquisition, RHB Investment Bank Berhad announced that Wasco Energy Ltd ("**Wasco**"), a wholly-owned subsidiary of the Company had entered into a conditional share sale and purchase agreement with Armada Investment Holding Ltd ("**Armada**"), an 86% owned subsidiary of CIMB Private Equity Sdn Bhd for the acquisition of 49% equity interest held by Armada in Alam-PE Holdings (L) Inc ("**Alam-PE**") for a cash consideration of RM106,000,000 ("**the Proposed Acquisition**").

Alam-PE is presently held by two (2) shareholders, namely Armada and Alam Maritim (L) Inc ("**AMLI**"), a wholly-owned subsidiary of Alam Maritim Resources Berhad. Wasco had also on 24 June 2014, entered into a joint venture agreement with AMLI to regulate their relationship and understanding as shareholders of Alam-PE (to be effective upon the completion of the Proposed Acquisition) in respect of the management and operation of the business and affairs of Alam-PE on a jointly controlled entity basis and to govern their respective rights, duties and obligations and mutual covenants in relation thereof.

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

- (i) the shareholders of WSC at an extraordinary general meeting ("**EGM**") to be convened; and
- (ii) any other relevant authorities and/or parties, if required.

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Proposed Acquisition is expected to be completed in the third (3rd) quarter of 2014.

12. Capital commitments

Capital commitments not provided for in the interim report:

	As at 30 June 2014 RM'000
Approved and contracted for	51,313
Approved but not contracted for	100,501

13. Operating lease commitments

Total future minimum lease payments under operating leases are as follows:

	As at 30 June 2014 RM'000
Payable not later than one year	1,684
Payable later than one year and not later than five years	1,311

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Other information required by Bursa Malaysia Securities Berhad Main Market Listing Requirements

14. Review of performance of operating segments for the current quarter and financial period ended 30 June 2014

Oil & Gas Segment

The Oil & Gas Segment's external revenue for the second quarter and financial period ended 30 June 2014 were RM379.9 million and RM603.2 million respectively, compared with RM171.7 million and RM291.2 million in the corresponding periods in 2013. In the same periods, profit before taxation were RM69.9 million and RM92.1 million respectively, compared with RM5.1 million and a loss before taxation of RM10.0 million in the corresponding periods in 2013. These significant increases reflect the continuing execution of two major pipe coating projects in the second quarter.

Renewable Energy Segment

The Renewable Energy Segment's external revenue for the second quarter and financial period ended 30 June 2014 were RM84.6 million and RM167.7 million respectively compared with RM90.7 million and RM169.5 million in the corresponding periods in 2013. In the same periods, profit before taxation were RM14.8 million and RM30.2 million respectively compared with RM16.9 million and RM30.5 million in the corresponding periods in 2013. These marginal decreases were a direct result of slowdown in the oleo-chemical industries, resulting in lower number of projects being executed during the period under review.

Industrial Trading & Services Segment

The Industrial Trading & Services Segment's external revenue for the second quarter and financial period ended 30 June 2014 were RM156.5 million and RM300.2 million respectively compared with RM142.3 million and RM344.6 million in the corresponding periods in 2013. In the same periods, profit before taxation were RM3.3 million and RM5.7 million respectively, compared with a loss before taxation of RM2.7 million and a profit before taxation of RM6.8 million in the corresponding periods in 2013. The results reflect the impact of the new business model, which focuses on low volume high margin products. The decrease in profit for the six month period was mainly due to the recognition of excess of fair value of business acquired over cash consideration paid in the corresponding period in 2013.

Plantation

This segment is still at the development stage; hence, no revenue is being generated. Loss before taxation for the second quarter and financial period ended 30 June 2014 were RM4.3 million and RM8.2 million respectively, compared with RM5.2 million and RM8.2 million in the corresponding periods in 2013.

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15. Material changes in the profit before taxation for the current quarter as compared with the immediate preceding quarter

The Group recorded a profit before taxation of RM77.0 million compared with RM29.7 million in the previous quarter. This was a result of the increase in revenue recognized in the current quarter following the execution of the high value projects.

16. Current period prospects

The Group's current order book amounted to RM1.5 billion comprising RM1.1 billion for Oil & Gas Segment, RM282.5 million for Renewable Energy Segment and RM189.4 million for Industrial Trading & Services Segment. This is expected to have a positive impact on the performance of the Group for the financial year ending 31 December 2014.

17. Profit before tax

	Current Quarter Ended 30 June 2014 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2013 RM'000	Current Period To- date Ended 30 June 2014 RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 RM'000
Profit before tax is stated after charging/(crediting) the following items:				
Interest income	(1,420)	(1,279)	(3,175)	(2,827)
Depreciation and amortisation	18,744	12,530	35,258	24,929
Allowance for/(Reversal of) impairment loss on receivables	300	4,572	(790)	6,037
Provision/(Reversal) for and write-off of inventories - net	401	859	(38)	1,086
Net foreign exchange (gain)/loss	(1,286)	795	(467)	3,418
Impairment loss on property, plant and equipment	6,399	-	6,399	-
Negative goodwill arising from the acquisition of new subsidiaries	-	-	-	(3,525)

Save as disclosed above and in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

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18. Taxation

Taxation comprises the following:

	Current Quarter Ended 30 June 2014 RM'000	Period To-date Ended 30 June 2014 RM'000
Tax expense		
- Malaysian tax	20,907	27,758
- Foreign tax	1,938	3,767
	<u>22,845</u>	<u>31,525</u>

The effective tax rate of the Group varies from the statutory tax rate due to the following:

	Current Quarter Ended 30 June 2014 RM'000	Period To-date Ended 30 June 2014 RM'000
Profit before tax	<u>77,023</u>	<u>106,694</u>
Tax expense at the statutory tax rate – 25%	19,256	26,674
Effects arising from certain subsidiaries which are not subjected to tax or enjoy tax exemption incentives	(7,326)	(9,900)
Other tax adjustments	10,663	15,648
Under/(Over) provision in prior financial year	252	(897)
	<u>3,589</u>	<u>4,851</u>
Taxation	<u>22,845</u>	<u>31,525</u>

19. Profit forecast

The Group did not issue any profit forecast for the current quarter.

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20. Group's borrowings and debt securities

	Unsecured RM'000	Total RM'000
Short term borrowings		
Bankers' acceptances	149,088	149,088
Revolving credits	491,892	491,892
Trust receipts	5,332	5,332
Term loans	83,053	83,053
Sub-total	<u>729,365</u>	<u>729,365</u>
Long term borrowings		
Term loans	<u>136,708</u>	<u>136,708</u>
Total borrowings	<u>866,073</u>	<u>866,073</u>

The Group's borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	166,104
United States Dollar	687,074
Australian Dollar	<u>12,895</u>
	<u>866,073</u>

21. Fair value of financial instruments

The fair value gains and losses arising from fair value changes in financial assets and liabilities during the current quarter and financial period ended 30 June 2014 are as follows:

	Current Quarter Ended 30 June 2014 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2013 RM'000	Current Period To-date Ended 30 June 2014 RM'000	Preceding Year Corresponding Period To-date Ended 30 June 2013 RM'000
Balance as at				
-1 January	-	-	(811)	625
-1 April	(59)	(1,185)	-	-
Fair value gain/(loss) recognised in:				
- profit or loss	586	(655)	1,340	(2,458)
- other comprehensive income	(3)	(27)	(5)	(34)
Balance as at 30 June	<u>524</u>	<u>(1,867)</u>	<u>524</u>	<u>(1,867)</u>

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21. Fair value of financial instruments (continued)

	30 June 2014 RM'000	30 June 2013 RM'000
Represented by:		
Available-for-sale financial assets carried at fair value	19	29
Derivative financial assets	505	107
Derivative financial liabilities	-	(2,003)
	<u>524</u>	<u>(1,867)</u>

Fair value hierarchy

The table below summarises all financial instruments carried at fair value as at end of the financial period, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 Level 3: Inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>30 June 2014</u>				
<u>Financial assets</u>				
Available-for-sale financial assets	19	-	-	19
Derivative financial assets	-	505	-	505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Valuation techniques used to derive Level 2 fair values

The Level 2 fair values represent an estimated valuation derived from market quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions.

There were no changes in valuation techniques during the financial period.

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22. Material litigation

Save as disclosed below, there were no material litigations pending or changes to the status of material litigations since the last annual balance sheet date up to 19 November 2013:

On 17 December 2008, Socotherm S.p.A. ("Socotherm") commenced a Request for Arbitration against the Company and its indirect wholly-owned subsidiary, Wasco Coatings Limited ("WCL").

At the relevant time, Socotherm and WCL were shareholders of PPSC Industrial Holdings Sdn. Bhd. ("PPSCIH"), an investment holding company where Socotherm held 32.52% and WCL held 67.48% in the total paid-up capital of PPSCIH. PPSCIH in turn held 78.00% of the paid-up capital of Wasco Coatings Malaysia Sdn. Bhd. ("WCM") (formerly known as PPSC Industries Sdn. Bhd.), a company principally involved in the coating of pipes for the oil and gas industry. In October 2009, WCL acquired Socotherm's 32.52% interest in PPSCIH and currently, PPSCIH holds 70% of the paid-up capital of WCM.

Socotherm alleged that the transfer of 25,508,858 shares in PPSCIH ("PPSCIH Shares") from the Company to WCL, as part of an internal restructuring, is in breach of the Joint Venture Agreement dated 16 December 1991 ("JVA") and Supplemental Agreement dated 14 July 1997 ("SA") (collectively known as the "said Agreements") and that the Company and WCL have breached certain territorial limit provisions under the said Agreements. Socotherm is seeking for an order for damages to be assessed by the Arbitral Tribunal for the breach of the territorial limits provisions and the transfer of shares.

On 24 February 2009, WCM commenced a Request for Arbitration against Socotherm, which is consolidated as a counter-claim in the above-mentioned arbitration. WCM alleged that the Respondent has also breached certain territorial limit provisions under the said Agreements arising from its activities in the extended territories as defined in the SA which directly competes with WCM's activities in those territories, in particular Vietnam, India, Australia, Indonesia and China.

A partial award was received from the Arbitral Tribunal concerning only the issue of liability of the parties to the two arbitral proceedings to each other under the various claims and counterclaims. The Arbitral Tribunal inter alios held that:

- The Company and WCL were in breach of certain provisions on transfer of PPSCIH shares. However, Socotherm's claim for a re-transfer of the PPSCIH Shares for breach is dismissed.
- The Company and WCL are liable to Socotherm for breach of certain provisions in the JVA and the SA respectively that placed certain territorial limits under the JVA and the SA on the pipe-coating services that could be provided and on the sale of pipe-coating plants.
- WCM is liable to pay Socotherm a fee of 5% on the net profit on projects procured within the countries defined in the SA.
- Socotherm is liable to WCM for the breach of the territorial restrictions in the SA in respect of certain projects undertaken by Socotherm in Vietnam and China.
- WCM's claims against Socotherm for breach of the territorial restrictions in the SA in respect of certain projects undertaken by Socotherm in India, Indonesia and Australia were dismissed.
- Costs of the proceedings are reserved.

The consolidated arbitral proceedings have concluded and the Group is still awaiting the Arbitral Tribunal's decision. The Arbitral Tribunal has extended the time limit for rendering the Final Award to 30 September 2014.

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23. Earnings per share (EPS)

Basic and diluted earnings per share

The basic and diluted earnings per share have been computed based on net profit attributable to the owners of the Company for the current financial quarter/period divided by the weighted average number of ordinary shares of RM0.50 each in issue after adjusting for movements in treasury shares in the same financial quarter/period:

	Current Quarter Ended 30 June 2014	Preceding Year Corresponding Quarter Ended 30 June 2013	Current Period To-date Ended 30 June 2014	Preceding Year Corresponding Period To-date Ended 30 June 2013
Net profit attributable to the owners of the Company (RM'000)	<u>40,088</u>	<u>8,970</u>	<u>60,697</u>	<u>7,417</u>
Weighted average number of ordinary shares in issue after adjusting for movements in treasury shares (No. of Shares ('000))	<u>773,822</u>	<u>771,956</u>	<u>771,679</u>	<u>770,163</u>
Basic/diluted earnings per share (sen)	<u>5.18</u>	<u>1.16</u>	<u>7.87</u>	<u>0.96</u>

24. Contingent liabilities

There were no contingent liabilities arising since the last annual audited statement of financial position.

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25. Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	519,916	497,429
- Unrealised losses	(7,818)	(21,497)
Total share of retained profits from associates		
- Realised gains	8,771	7,554
- Unrealised gains	1,448	662
Total share of retained profits from joint ventures		
- Realised (losses)/gains	(4,075)	497
- Unrealised losses	(5)	(6)
	518,237	484,639
Consolidation adjustments	(49,709)	(51,648)
Total group retained profits as per consolidated financial statements	468,528	432,991

By Order of the Board

Woo Ying Pun
Company Secretary

Kuala Lumpur