Notes

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. 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 2009.

2. Changes in Accounting Policies

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2009, except that the Group has adopted the new / revised standards mandatory for annual periods beginning on or after 1 January 2010 that have an impact on the Group, detailed below:

FRSs, Amendments to FRSs and Interpretations

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs	Improvements to FRSs (2009)

2. Changes in Accounting Policies (Cont'd)

FRSs, Amendments to FRSs and Interpretations (Cont'd)

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR *i*-3	Presentation of Financial Statements of Islamic Financial Institutions

Other than disclosed below, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and the presentation of the financial results of the Group.

a) FRS 8: Operating Segment

FRS 8 requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

b) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

2. Changes in Accounting Policies (Cont'd)

c) FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure regarding components of the Group's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial assets include cash and short-term deposits, loans and receivables and AFS investments.

i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate ("EIR") method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

2. Changes in Accounting Policies (Cont'd)

c) FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures (Cont'd)

ii) AFS investments

Prior to 1 January 2010, AFS financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at the lower of cost and market value, determined on an aggregate basis. Under FRS 139, AFS financial asset is measured at fair value initially and subsequently with amortisation of premium with accretion of discount and other accrual of income recognised in income statement and with unrealized gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired, at which time the cumulative loss is recognised in the income statement and removed from the AFS reserve.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities include trade and other payables and are carried at amortised cost.

Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

	As at 1 January 2010 RM'000
Decrease in trade receivables	1,561
Decrease in other receivables	234
Decrease in other investments	131
	1,926
Decrease in AFS reserve	(131)
Decrease in retained earnings	1,795

In addition, these changes in the accounting policies have the effect of increasing the profit before tax for the quarter under review by RM0.14 million and for the period under review by RM1.04 million.

2. Changes in Accounting Policies (Cont'd)

d) Amendments to FRSs 'Improvements to FRSs (2009)'

Amendments to FRS 117: Leases requires entities with unexpired land leases to reassess the classification of such land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

Balance Sheet

	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
At 31 December 2009			
Property, plant and equipment	601,053	91,875	692,928
Prepaid lease payments	91,875	(91,875)	-

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

4. Comments about Seasonal or Cyclical Factors

There were no recurrent or cyclical events that would affect the Group's operations.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter under review.

7. Issuances and Repayments of Debt and Equity Securities, Share Buy-Backs, Share Cancellations, Shares Held as Treasury Shares and Resale of Treasury Shares

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter.

As at 31 December 2010, the number of shares bought back and retained as treasury shares amounted to 3,271,000 shares.

8. Dividends

At the forthcoming Annual General Meeting, a final dividend, of 6% gross per share less 25% Malaysian Income Tax on 438,013,388 ordinary shares less shares bought back and held as treasury shares, amounting to a dividend payable of RM9.782 million in respect of the financial year ended 31 December 2010 will be proposed for shareholders' approval. [2009: A final dividend of 6% gross per share less 25% Malaysian Income Tax amounting to RM9.782 million].

The financial statements for the current financial quarter do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2011.

9. Segmental Reporting for the Period Ended 31 December 2010

	Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Timber	607,966	33,507
Manufacturing	77,151	(185)
Trading	46,607	4,673
Others	2,983	246
	734,707	38,241

10. Valuations of Property, Plant and Equipment

There has been no valuation undertaken for the Group's property, plant and equipment since the last annual financil statements.

11. Material Subsequent Events

There were no material events subsequent to the current financial period ended 31 December 2010 other than that disclosed in Note 22.

12. Changes in Composition of the Group

During the quarter under review, the Group had applied to the Companies Commission Malaysia to de-register the following dormant subsidiaries which are pending Gazette:

1. Flexitronics Packaging Corporation Sdn Bhd (500283-D); and
2. General Gomma (M) Sdn Bhd (38696-P).

On 13 December 2010, the Group has also commenced members' voluntary winding-up on GAW Marketing Sdn Bhd (36382-P), a dormant wholly owned subsidiary which is still in progress.

13. Contingent Liabilities

As at the date of this announcement, there were no material changes in the contingent liabilities since the last annual balance sheet as at 31 December 2009.

14. Capital Commitments

	Current Year To-Date 31-12-2010 RM'000	Preceding Year 31-12-2009 RM'000
Approved and contracted for		
Property, plant and equipment	-	1,000
	-	1,000

15. Review of Results

For the quarter under review, the Group's turnover was RM181.2 million as compared to RM158.9 million in the 4Q2009, representing an increase of RM22.3 million (14.0%). The Group's pre-tax profit was RM14.1 million as compared to RM3.3 million in the 4Q2009, representing an increase of RM10.8 million (327.3%). This is mainly attributed to the timber division.

Quarter 4, 2010

Timber

For the current quarter, the Group's timber division registered a turnover of RM149.6 million, representing an increase of 16.0% or RM20.6 million as compared with RM129.0 million in the 4Q2009. Its pre-tax profit stood at RM13.4 million in the current quarter, reflecting an increase of 226.83% or RM9.3 million when compared to RM4.1 million registered in the 4Q2009. This is mainly due to the economic recovery in major economies world-wide coupled with log shortages experienced in Sarawak during the second half of 2010.

On a year-to-date (YTD) basis, the timber division registered a turnover of RM607.9 million, representing an increase of 37.9%, as compared to the previous corresponding period of RM440.9 million. The division recorded pre-tax profit of RM33.5 million compared to a pre-tax loss of RM3.6 million registered in the previous corresponding period. Timber prices bottomed-out first half of 2009 and from thereon showed a gradual improvement with significant improvement in the second half of 2010. The abnormal wet weather condition experienced in the third quarter 2010 has also contributed to the increase in timber prices.

On a year-on-year (YOY) basis, average round log prices increased 37.5% compared to prices registered in 4Q2009, whilst sales volume decreased by 23.06%. The decrease in sales volume was due to the bad weather condition which started during the second half of 2010. On a YTD basis, average round log prices increased 18.1% whilst volume increased by 19.4%. The Group's key export markets for round logs were India (76%), China (11%), Japan (7%), and the remaining 6% exported to other Asean countries.

As for the Group's plywood division, sales volume for the quarter in review increased by 26.0% compared to 4Q2009 whilst average selling prices increased by 14.7%. On a YTD basis, average plywood prices were higher by 15.7%, whilst sales volume increased by 38.6%. The Group's key plywood markets for the quarter in review were Japan (91%) and Taiwan (9%).

15. Review of Results (Continued)

Quarter 4, 2010 (Continued)

Non-Timber Manufacturing and Trading

The non-timber manufacturing and trading division recorded a turnover of RM30.9 million for the quarter under review when compared to 4Q2009's turnover of RM30.1 million, an increase of RM0.8 million. It recorded a pre-tax profit of RM1.3 million as compared to pre-tax loss of RM0.7 million registered in 4Q2009. The increase in both turnover and pre-tax profit were mainly due to improvement in overseas demand and a more favourable product mix.

On a year-to date basis (YTD), the division registered a turnover of RM123.8 million as compared to RM111.7 million in the previous corresponding period. The division recorded YTD pre-tax profit of RM4.5 million as compared to 2009's pre-tax loss of RM0.1 million. The increase in both YTD turnover and pre-tax profit were mainly due to improvement in overseas demand and a more favourable product mix.

16. Material Changes for the Quarter Reported on as Compared with the Preceding Quarter

Quarter 4, 2010

The material changes for the quarter reported on as compared with the preceding quarter arose from the non-timber manufacturing and trading division which recorded a turnover of RM30.9 million as compared to 3Q2010's turnover of RM32.0 million. However, it registered a higher pre-tax profit of RM1.3 million when compared to 3Q2010's pre-tax profit of RM0.3 million mainly attributable to an RM1.5 million allowance made for diminution in value of an overseas investment by the Group's foil division in the preceding quarter.

There were no material changes from the timber division. The division recorded a turnover of RM149.6 million when compared to 3Q2010's turnover of RM152.0 million, with pre-tax profits of RM13.4 million and RM14.7 million respectively.

17. Current Year Prospects

Quarter 4, 2010

Timber

As in the third quarter 2010, the fourth quarter 2010 continued to show improvement in selling prices for timber products with low production volume caused by the bad weather condition in Sarawak. The sector's major importing countries especially Japan, continued to show growth in the fourth quarter. Its housing starts increased by 3.1% from that of 2009, with December 2010 housing numbers stronger than expected. Year-on-year, housing starts rose by 7.5%. The country's core machinery orders in December were also up from November 2010. Based on the wood demand projections for 2011 released at the Japan Foreign Timber General Supply and Demand Liaison Conference, wood demand in 2011 is expected to increase by 3.2%. Capital expenditure momentum is also expected to continue in 2011 as Japanese corporations continue to maintain and upgrade its facilities to stay competitive internationally. The continued government measures to support home-buyers are expected to provide support to housing starts in 2011. Accordingly, timber prices are expected to stay firm in the following few months.

The geopolitical tension in the Middle East has resulted in the rise of oil prices causing the increase in cost of production; mainly fuel, transportation and glue costs. These costs are expected to continue to increase in the coming months as oil prices escalate, causing pressure on the profit margins. The continued strengthening of the Malaysian Ringgit would continue to affect the Group's performance as majority of its revenue is denominated in US Dollar whilst costs are denominated in Ringgit.

Despite the above-mentioned challenges, the group will endeavor to maintain its profit margins and will continue to monitor the tight log supply to its plywood mills to ensure its supply of plywood to its buyers is not materially delayed. The Group will also remain cautious of the prospect of the timber industry given the recent pressure on oil prices as this may hamper the economic recoveries in the world major economies.

Non-Timber Manufacturing and Trading

The performance of non-timber division recovered and improved in Year 2010 despite the rising operational costs and weaker global trade conditions coupled with the continued appreciation of Malaysian Ringgit against US Dollar for the export markets.

Year 2011 is expected to be even more challenging and foresee the inflationary pressures in the Asian region, sharp rising raw material and crude oil prices as a result of the current political unrest in the Middle East and North African regions which could derail the ongoing global economic recovery and hurt economic growth.

In light of the business outlook, the group will strive to maintain our competitive advantage by streamlining our supply chain, focusing on our core products and strengthening branding, provide quality assurance and service to deliver differentiation to customers.

18. Profit Forecast or Profit Guarantee

The Company has not provided any profit forecast or profit guarantee.

19. Taxation

	Current Quarter 31-12-2010 RM'000	Current Year To-Date 31-12-2010 RM'000
Taxation based on results for the period:		
Current	1,962	6,209
Deferred taxation	(1,095)	1,533
	867	7,742

The Group's lower effective tax rate in the quarter under review was due to the utilization of reinvestment allowances claims, unabsorbed capital allowances and double deduction incentives granted to certain subsidiaries.

20. Sale of Unquoted Investments and/ or Properties

There was no sale of unquoted investments/properties for the current quarter and the financial period under review.

21. Purchase/Disposal of Quoted Securities

a) Disposal of quoted securities

	Current Quarter 31-12-2010 RM'000	Current Year To-Date 31-12-2010 RM'000
Total proceeds from disposals	-	1,965
Profit on disposals	-	196

b) Total purchases of quoted securities

	Current Quarter 31-12-2010 RM'000	Current Year To-Date 31-12-2010 RM'000
Total costs of purchases	24	345

c) The Group's total investments in quoted securities as at 31 December 2010:-

	As at 31.12.2010 RM'000
At cost	4,325
At book value	3,981
At market value	3,981

22. Status of Corporate Proposals and Developments

There are no other outstanding proposals that have been announced but pending completion, except for the following:

(a) Joint Venture with Yayasan Islam Negeri Kedah (YINK)

In the Company's on-going litigation, YINK had applied to strike out the Company's claim against it, claiming that it does not owe the Company anything. YINK's application was dismissed by the High Court and is currently pending appeal to the Court of Appeal. The Company's appeal to the Court of Appeal against the dismissal of its summary judgment application by the High Court is also currently pending. The trial of the main suit has concluded in the High Court on 1 December 2010. The High Court will deliver its decision on 15 March 2011.

23. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 December 2010 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings	103,605	140,620	244,225
Long-term borrowings	72,119	376	72,495
	175,724	140,996	316,720

24. Fair Value Changes of Financial Liabilities

There were no gains / (losses) arising from fair value changes in financial liabilities of the Group in the current financial period under review.

25. Off Balance Sheet Financial Instruments

The Group has no other financial instruments with off balance sheet risks as at the date of this announcement.

26. Realised and Unrealised Profits/Losses Disclosure

	As at 30.9.2010 RM'000	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
Total retained profits of WTK Holdings Berhad and its subsidiaries:			
- Realised	920,565	934,725	
- Unrealised	(62,872)	(61,843)	
	857,693	872,882	
Total share of profits from associated companies:			
- Realised	7,818	7,774	
- Unrealised	(120)	(120)	
Total share of retained profits from jointly controlled entities:			
- Realised	513	501	
- Unrealised	26	9	
	865,930	881,046	
Less: Consolidation adjustments	(54,211)	(56,050)	
Total Group retained profits as per consolidated accounts	811,719	824,996	N/A

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.

27. Material Litigation

There is no material litigation against the Group as at the date of this announcement.

28. Earnings per Share (EPS)

Basic earnings per Share

The calculation of basic earnings per share for the cumulative period is based on the profit attributable to ordinary equity holders of the parent amounting to RM30.805 million and the weighted average numbers of ordinary shares outstanding during the period of 434,751,138 shares after taking into the effects of share buy back of the Group.

Diluted (loss) / earnings per Share

The Group does not have any financial instruments or other contracts that may entitle its holder to ordinary shares that would give rise to the dilution in its basic (loss) / earnings per share.

BY ORDER OF THE BOARD

CORAL HONG KIM HEONG (MAICSA 7019696)
COMPANY SECRETARY
Date: 28 February 2011