

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Unaudited RM'000	Unaudited RM'000 (restated)	Unaudited RM'000 (restated)
	31.3.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	697,742	700,962	706,734
Prepaid land lease payments	42,397	42,674	43,781
Investment properties	35,208	35,266	29,827
Investment in associate	8,465	8,966	9,359
Investment in jointly controlled entity	1,894	2,078	2,741
Investment securities	1,903	3,849	4,183
Intangible assets	98,581	98,671	99,039
Biological assets	204,405	192,910	144,159
Forest Management Unit Development Expenditure	14,714	13,360	9,297
Deferred tax assets	58,905	58,905	36,807
	<u>1,164,214</u>	<u>1,157,641</u>	<u>1,085,927</u>
Current assets			
Inventories	194,206	228,091	172,334
Trade receivables	92,704	90,412	107,575
Other receivables	51,520	34,086	32,852
Tax recoverable	12,964	12,398	11,574
Cash and bank balances	214,397	223,919	234,348
	<u>565,791</u>	<u>588,906</u>	<u>558,683</u>
TOTAL ASSETS	<u>1,730,005</u>	<u>1,746,547</u>	<u>1,644,610</u>

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

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2012 (cont'd)

	Unaudited RM'000	Unaudited RM'000 (restated)	Unaudited RM'000 (restated)
	31.3.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Retirement benefit obligations	344	351	78
Short term borrowings	210,356	238,569	250,452
Trade payables	50,972	47,710	40,744
Other payables	16,022	19,332	19,844
Land premium payable	433	1,520	1,087
Current tax payable	2,957	2,674	1,526
	281,084	310,156	313,731
Net current assets	284,707	278,750	244,952
Non-current liabilities			
Retirement benefit obligations	1,540	1,540	2,071
Long term borrowings	94,154	90,464	67,338
Deferred tax liabilities	138,129	138,115	114,758
Land premium payable	866	1,299	2,819
	234,689	231,418	186,986
Total liabilities	515,773	541,574	500,717
Net assets	1,214,232	1,204,973	1,143,893
Equity attributable to owners of the parent			
Share capital	219,007	219,007	219,007
Share premium	45,708	45,708	45,708
Treasury shares	(7,712)	(7,570)	(7,502)
Other reserves	1,033	1,057	503
Retained earnings	940,662	931,358	870,178
	1,198,698	1,189,560	1,127,894
Non-controlling interests	15,534	15,413	15,999
Total equity	1,214,232	1,204,973	1,143,893
TOTAL EQUITY AND LIABILITIES	1,730,005	1,746,547	1,644,610

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

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2012**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER UNAUDITED 31.3.2012	PRECEDING YEAR CORRESPONDING QUARTER UNAUDITED (RESTATED) 31.3.2011	CURRENT YEAR TO DATE UNAUDITED 31.3.2012	PRECEDING YEAR CORRESPONDING PERIOD UNAUDITED (RESTATED) 31.3.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	203,553	156,768	203,553	156,768
Cost of sales	<u>(171,223)</u>	<u>(122,268)</u>	<u>(171,223)</u>	<u>(122,268)</u>
Gross Profit	32,330	34,500	32,330	34,500
Other income	1,874	1,836	1,874	1,836
Other item of expenses				
Selling and distribution expenses	(13,314)	(10,816)	(13,314)	(10,816)
Administrative expenses	<u>(6,868)</u>	<u>(6,638)</u>	<u>(6,868)</u>	<u>(6,638)</u>
Operating profit	14,022	18,882	14,022	18,882
Finance costs	(2,221)	(2,540)	(2,221)	(2,540)
Share of (loss)/profit of an associate	(592)	168	(592)	168
Share of loss of a jointly controlled entity	<u>(184)</u>	<u>(29)</u>	<u>(184)</u>	<u>(29)</u>
Profit before tax	11,025	16,481	11,025	16,481
Income tax expenses	<u>(1,600)</u>	<u>(3,712)</u>	<u>(1,600)</u>	<u>(3,712)</u>
Profit for the period	<u>9,425</u>	<u>12,769</u>	<u>9,425</u>	<u>12,769</u>
Other comprehensive income				
Net gain on available-for-sale financial assets				
- Gain on fair value changes	238	366	238	366
- Transfer to profit or loss upon disposal	(377)	(83)	(377)	(83)
Foreign currency translation	24	94	24	94
Share of other comprehensive income of an associate	91	-	91	-
Other comprehensive (loss)/income, net of tax	<u>(24)</u>	<u>377</u>	<u>(24)</u>	<u>377</u>
Total comprehensive income for the period	<u>9,401</u>	<u>13,146</u>	<u>9,401</u>	<u>13,146</u>
Profit attributable to:				
Owners of the parent	9,304	12,570	9,304	12,570
Non-controlling interests	121	199	121	199
Profit for the period	<u>9,425</u>	<u>12,769</u>	<u>9,425</u>	<u>12,769</u>
Total comprehensive income attributable to:				
Owners of the parent	9,280	12,947	9,280	12,947
Non-controlling interests	121	199	121	199
Total comprehensive income for the period	<u>9,401</u>	<u>13,146</u>	<u>9,401</u>	<u>13,146</u>
Earnings per share attributable to owners of the parent:				
Basic, for profit for the period (sen)	<u>2.14</u>	<u>2.89</u>	<u>2.14</u>	<u>2.89</u>

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

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2012**

Note	←——— Attributable to Owners of the Parent ———→						Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	←——— Non-Distributable ———→		Other Reserves RM'000	Distributable Retained Earnings RM'000			
			Treasury Shares RM'000	Translation Reserves RM'000					
Quarter ended 31 March 2012									
Balance as at 1 January 2012 (restated)	219,007	45,708	(7,570)	685	372	931,358	1,189,560	15,413	1,204,973
Total comprehensive income for the period	-	-	-	24	(48)	9,304	9,280	121	9,401
<i>Transactions with owners</i>									
Repurchase of treasury shares	-	-	(142)	-	-	-	(142)	-	(142)
Balance as at 31 March 2012	219,007	45,708	(7,712)	709	324	940,662	1,198,698	15,534	1,214,232

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

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	←——— Attributable to Owners of the Parent ———→						Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Non-Distributable		Distributable				
		Treasury Shares RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Earnings RM'000				
Quarter ended 31 March 2011									
Balance as at 1 January 2011 (restated)	219,007	45,708	(7,502)	-	503	870,178	1,127,894	15,999	1,143,893
Total comprehensive income for the period	-	-	-	94	283	12,570	12,947	199	13,146
<i>Transactions with owners</i>									
Addition of investment in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	1,750	1,750
Repurchase of treasury shares	-	-	(12)	-	-	-	(12)	-	(12)
Balance as at 31 March 2011	219,007	45,708	(7,514)	94	786	882,748	1,140,829	17,948	1,158,777

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

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2012

	(UNAUDITED) CURRENT YEAR TO DATE 31.3.2012	(UNAUDITED) PRECEDING CORRESPONDING YEAR TO DATE 31.3.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,025	16,481
Adjustments for non cash flow items:		
Adjustment for:		
- Share of results of an associate	592	(168)
- Share of results of a jointly controlled entity	184	29
Amortisation	1,267	1,267
Depreciation	8,104	8,212
Dividend income	(56)	(39)
Gain on disposal of investments	(377)	(83)
Loss on disposal of property, plant and equipment	26	3
Interest income	(543)	(107)
Interest expense	2,221	2,540
Other non-cash items	368	294
Operating profit before working capital changes	22,811	28,429
Changes in working capital :		
Net increase in current assets	13,790	6,414
Net increase in current liabilities	(481)	(3,568)
Payment of retirement benefit	(7)	(152)
Interest paid	(1,987)	(2,260)
Interest received	543	65
Taxation paid	(1,871)	(1,083)
Net cash generated from operating activities	32,798	27,845

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2012 (cont'd)

	CURRENT YEAR TO DATE 31.3.2012	PRECEDING CORRESPONDING YEAR TO DATE 31.3.2011
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	-	(11,301)
Additional investment by non-controlling interests	-	1,750
Biological assets expenditure	(10,487)	(11,717)
Forest Management Unit Development Expenditure	(1,059)	(881)
Interest received	-	42
Land premium paid	(1,087)	(1,087)
Proceeds from disposal of property, plant & equipment	218	352
Proceeds from disposal of investment securities	2,185	249
Purchase of investment securities	-	(345)
Purchase of property, plant & equipment	(5,749)	(6,644)
Timber rights paid	(900)	(802)
Net dividend received from associate	-	189
Net dividend received from investment securities	56	31
Net cash used in investing activities	<u>(16,823)</u>	<u>(30,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	4,000	2,000
Drawdown of trade financing facilities	125,069	203,811
Interest paid	(234)	(280)
Repayment of hire purchase	(808)	(1,416)
Repayment of term loans	(4,343)	(1,087)
Repayment of trade financing facilities	(150,394)	(211,525)
Repurchase of treasury shares	(142)	(12)
Net cash used in financing activities	<u>(26,852)</u>	<u>(8,509)</u>
Net decrease in cash and cash equivalents	(10,877)	(10,828)
Effects of exchange rate changes	31	64
Net cash and cash equivalents at the beginning of the year	184,660	207,709
Net cash and cash equivalents at the end of the year	<u>173,814</u>	<u>196,945</u>
For Cashflow purposes, net cash and cash equivalents include the following:-		
Cash and bank balances	214,397	231,288
Less: Bank overdraft	(40,583)	(34,343)
Cash and cash equivalents	<u>173,814</u>	<u>196,945</u>

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

W T K HOLDINGS BERHAD (10141-M)
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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 May 2012.

2. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

The condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”). These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by International Accounting Standards Board. For period up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at Lot No. 25(AB), 25th Floor, UBN Tower, No. 10, Jalan P. Ramlee, 50250 Kuala Lumpur.

The condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note 3 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

W T K HOLDINGS BERHAD (10141-M)
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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

3. Significant accounting policies and applications of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statement are consistent with those of the audited year financial statements for the year ended 31 December 2011 except as discussed below:

a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisition prior to the date of transition,

- i) the classification of former business combinations under FRS is maintained;
- ii) there is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- iii) the carrying amount of goodwill recognised under FRS is not adjusted.

b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

3. Significant accounting policies and applications of MFRS 1 (cont'd)

b) Property, plant and equipment (cont'd)

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amount of its freehold land, leasehold land and certain plant and machinery at date of transition as its deemed cost. The surplus arising from the revaluations amounted to RM54,116,000. Deferred tax of RM15,509,000 arising from the surplus of revaluations has been provided for at the date of transition. The resulting adjustments of RM38,607,000 after the provision for deferred taxation was credited to retained earnings.

In the previous year, the Group measured its investment properties at cost. At the date of transition to MFRS, the Group elected to regard the revalued amount of its building at date of transition as its deemed cost. The surplus arising from the revaluation of RM14,608,000 was credited to retained earnings.

c) Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM472,000 (31 March 2011 : RM566,000; 31 December 2011: RM1,157,000) were adjusted against retained earnings.

d) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided on Page 11 to Page 15.

e) Early adoption of MFRS 141 - Agriculture

The Group has early adopted MFRS 141- Agriculture which becomes operative for annual financial statements beginning on or after 1 January 2013. The early adoption of the standard has no impact on the current quarter as the Group's agriculture activities is at its infancy stage. The carrying amount of the Biological Assets in the Statement of Financial Position approximates fair value.

W T K HOLDINGS BERHAD (10141-M)
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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three-month period ended 31 March 2012

3 Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 1-Jan-11 RM'000	Effect of transition to MFRS RM'000	MFRS as at 1-Jan-11 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	652,618	54,116	706,734
Prepaid land lease payments	43,781	-	43,781
Investment properties	15,219	14,608	29,827
Investment in associate	9,359	-	9,359
Investment in jointly controlled entity	2,741	-	2,741
Investment securities	4,183	-	4,183
Intangible assets	99,039	-	99,039
Biological assets	144,159	-	144,159
Forest Management Unit Development Expenditure	9,297	-	9,297
Deferred tax assets	36,807	-	36,807
	<u>1,017,203</u>	<u>68,724</u>	<u>1,085,927</u>
Current assets			
Inventories	172,334	-	172,334
Trade receivables	107,575	-	107,575
Other receivables	32,852	-	32,852
Tax recoverable	11,574	-	11,574
Cash and bank balances	234,348	-	234,348
	<u>558,683</u>	<u>-</u>	<u>558,683</u>
TOTAL ASSETS	<u>1,575,886</u>	<u>68,724</u>	<u>1,644,610</u>
EQUITY AND LIABILITIES			
Current liabilities			
Retirement benefit obligations	78	-	78
Short term borrowings	250,452	-	250,452
Trade payables	40,744	-	40,744
Other payables	19,844	-	19,844
Land premium payable	1,087	-	1,087
Current tax payable	1,526	-	1,526
	<u>313,731</u>	<u>-</u>	<u>313,731</u>
Net current assets	<u>244,952</u>	<u>-</u>	<u>244,952</u>
Non-current liabilities			
Retirement benefit obligations	2,071	-	2,071
Long term borrowings	67,338	-	67,338
Deferred tax liabilities	99,249	15,509	114,758
Land premium payable	2,819	-	2,819
	<u>171,477</u>	<u>15,509</u>	<u>186,986</u>
Total liabilities	<u>485,208</u>	<u>15,509</u>	<u>500,717</u>
Net assets	<u>1,090,678</u>	<u>53,215</u>	<u>1,143,893</u>
Equity attributable to owners of the parent			
Share capital	219,007	-	219,007
Share premium	45,708	-	45,708
Treasury shares	(7,502)	-	(7,502)
Other reserves	975	(472)	503
Retained earnings	825,237	44,941	870,178
	<u>1,083,425</u>	<u>44,469</u>	<u>1,127,894</u>
Non-controlling interests	<u>7,253</u>	<u>8,746</u>	<u>15,999</u>
Total equity	<u>1,090,678</u>	<u>53,215</u>	<u>1,143,893</u>
TOTAL EQUITY AND LIABILITIES	<u>1,575,886</u>	<u>68,724</u>	<u>1,644,610</u>

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three-month period ended 31 March 2012

3 Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of equity as at 31 March 2011

ASSETS	FRS as at 31.3.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.3.2011 RM'000
Non-current assets			
Property, plant and equipment	661,408	53,750	715,158
Prepaid land lease payments	43,504	-	43,504
Investment properties	15,170	14,608	29,778
Investment in associate	9,338	-	9,338
Investment in jointly controlled entity	2,712	-	2,712
Investment securities	4,642	-	4,642
Intangible assets	98,851	-	98,851
Biological assets	156,861	264	157,125
Forest Management Unit Development Expenditure	10,490	-	10,490
Deferred tax assets	36,757	-	36,757
	<u>1,039,733</u>	<u>68,622</u>	<u>1,108,355</u>
Current assets			
Inventories	182,303	-	182,303
Trade receivables	89,831	-	89,831
Other receivables	33,970	-	33,970
Tax recoverable	9,956	-	9,956
Cash and bank balances	231,288	-	231,288
	<u>547,348</u>	<u>-</u>	<u>547,348</u>
TOTAL ASSETS	<u>1,587,081</u>	<u>68,622</u>	<u>1,655,703</u>
EQUITY AND LIABILITIES			
Current liabilities			
Retirement benefit obligations	78	-	78
Short term borrowings	248,889	-	248,889
Trade payables	38,325	-	38,325
Other payables	18,782	-	18,782
Land premium payable	1,520	-	1,520
Current tax payable	2,105	-	2,105
	<u>309,699</u>	<u>-</u>	<u>309,699</u>
Net current assets	<u>237,649</u>	<u>-</u>	<u>237,649</u>
Non-current liabilities			
Retirement benefit obligations	1,970	-	1,970
Long term borrowings	68,832	-	68,832
Deferred tax liabilities	99,625	15,501	115,126
Land premium payable	1,299	-	1,299
	<u>171,726</u>	<u>15,501</u>	<u>187,227</u>
Total liabilities	<u>481,425</u>	<u>15,501</u>	<u>496,926</u>
Net assets	<u>1,105,656</u>	<u>53,121</u>	<u>1,158,777</u>
Equity attributable to owners of the parent			
Share capital	219,007	-	219,007
Share premium	45,708	-	45,708
Treasury shares	(7,514)	-	(7,514)
Other reserves	1,352	(472)	880
Retained earnings	837,901	44,847	882,748
	<u>1,096,454</u>	<u>44,375</u>	<u>1,140,829</u>
Non-controlling interests	<u>9,202</u>	<u>8,746</u>	<u>17,948</u>
Total equity	<u>1,105,656</u>	<u>53,121</u>	<u>1,158,777</u>
TOTAL EQUITY AND LIABILITIES	<u>1,587,081</u>	<u>68,622</u>	<u>1,655,703</u>

W T K HOLDINGS BERHAD (10141-M)
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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three-month period ended 31 March 2012

3 Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of equity as at 31 December 2011

ASSETS	FRS as at 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.12.2011 RM'000
Non-current assets			
Property, plant and equipment	649,956	51,006	700,962
Prepaid land lease payments	42,674	-	42,674
Investment properties	17,353	17,913	35,266
Investment in associate	8,966	-	8,966
Investment in jointly controlled entity	2,078	-	2,078
Investment securities	3,849	-	3,849
Intangible assets	98,671	-	98,671
Biological assets	191,855	1,055	192,910
Forest Management Unit Development Expenditure	13,360	-	13,360
Deferred tax assets	58,905	-	58,905
	<u>1,087,667</u>	<u>69,974</u>	<u>1,157,641</u>
Current assets			
Inventories	228,091	-	228,091
Trade receivables	90,412	-	90,412
Other receivables	34,086	-	34,086
Tax recoverable	12,398	-	12,398
Cash and bank balances	223,919	-	223,919
	<u>588,906</u>	<u>-</u>	<u>588,906</u>
TOTAL ASSETS	<u>1,676,573</u>	<u>69,974</u>	<u>1,746,547</u>
EQUITY AND LIABILITIES			
Current liabilities			
Retirement benefit obligations	351	-	351
Short term borrowings	238,569	-	238,569
Trade payables	47,710	-	47,710
Other payables	19,332	-	19,332
Land premium payable	1,520	-	1,520
Current tax payable	2,674	-	2,674
	<u>310,156</u>	<u>-</u>	<u>310,156</u>
Net current assets	<u>278,750</u>	<u>-</u>	<u>278,750</u>
Non-current liabilities			
Retirement benefit obligations	1,540	-	1,540
Long term borrowings	90,464	-	90,464
Deferred tax liabilities	122,638	15,477	138,115
Land premium payable	1,299	-	1,299
	<u>215,941</u>	<u>15,477</u>	<u>231,418</u>
Total liabilities	<u>526,097</u>	<u>15,477</u>	<u>541,574</u>
Net assets	<u>1,150,476</u>	<u>54,497</u>	<u>1,204,973</u>
Equity attributable to owners of the parent			
Share capital	219,007	-	219,007
Share premium	45,708	-	45,708
Treasury shares	(7,570)	-	(7,570)
Other reserves	1,529	(472)	1,057
Retained earnings	884,553	46,805	931,358
	<u>1,143,227</u>	<u>46,333</u>	<u>1,189,560</u>
Non-controlling interests	<u>7,249</u>	<u>8,164</u>	<u>15,413</u>
Total equity	<u>1,150,476</u>	<u>54,497</u>	<u>1,204,973</u>
TOTAL EQUITY AND LIABILITIES	<u>1,676,573</u>	<u>69,974</u>	<u>1,746,547</u>

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three-month period ended 31 March 2012

3 Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of total comprehensive income for the period ended 31 March 2011

	FRS as at 31.3.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.3.2011 RM'000
Revenue	156,768	-	156,768
Cost of sales	(122,166)	(102)	(122,268)
Gross profit	34,602	(102)	34,500
Other income	1,836	-	1,836
Other items of expenses			-
Selling and distribution expenses	(10,816)	-	(10,816)
Administrative expenses	(6,638)	-	(6,638)
Finance costs	(2,540)	-	(2,540)
Share of result of an associate	168	-	168
Share of result of a jointly controlled entity	(29)	-	(29)
Profit before tax	16,583	(102)	16,481
Income tax expenses	(3,720)	8	(3,712)
Profit for the period	12,863	(94)	12,769
Other comprehensive income			
Net gain on available-for-sale financial assets			
- Gain on fair value changes	366	-	366
- Transfer to profit or loss upon disposal	(83)	-	(83)
Foreign currency translation	94	-	94
Other comprehensive income for the period, net of tax	377	-	377
Total comprehensive income for the period	13,240	(94)	13,146
Profit attributable to:			
Owners of the parent	12,664	(94)	12,570
Non-controlling interests	199	-	199
Profit for the period	12,863	(94)	12,769
Total comprehensive income attributable to:			
Owners of the parent	13,041	(94)	12,947
Non-controlling interests	199	-	199
Total comprehensive income for the period	13,240	(94)	13,146

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three-month period ended 31 March 2012

3 Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of total comprehensive income for the year ended 31 December 2011

	FRS as at 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.12.2011 RM'000
Revenue	686,144	-	686,144
Cost of sales	(536,377)	(409)	(536,786)
Gross profit	149,767	(409)	149,358
Other income	9,232	-	9,232
Other items of expenses			-
Selling and distribution expenses	(43,857)	-	(43,857)
Administrative expenses	(25,417)	-	(25,417)
Finance costs	(10,689)	-	(10,689)
Share of result of an associate	(69)	-	(69)
Share of result of a jointly controlled entity	(263)	-	(263)
Profit before tax	78,704	(409)	78,295
Income tax expenses	(9,583)	32	(9,551)
Profit for the year	69,121	(377)	68,744
Other comprehensive income			
Net gain on available-for-sale financial assets			
- Gain on fair value changes	256	-	256
- Transfer to profit or loss upon disposal	(252)	-	(252)
Foreign currency translation	685	-	685
Share of other comprehensive income of an associate	(135)	-	(135)
Other comprehensive income for the year, net of tax	554	-	554
Total comprehensive income for the year	69,675	(377)	69,298
Profit attributable to:			
Owners of the parent	68,636	(377)	68,259
Non-controlling interests	485	-	485
Profit for the year	69,121	(377)	68,744
Total comprehensive income attributable to:			
Owners of the parent	69,190	(377)	68,813
Non-controlling interests	485	-	485
Total comprehensive income for the year	69,675	(377)	69,298

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

4. Changes in estimates

The Group revised the residual values of certain property, plant and equipment with effect from 1 January 2012. The revision were accounted for as a change in accounting estimates and as a result, the depreciation charges for the current quarter ended 31 March 2012 have been increased by RM102,000.

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

5. Changes in composition of the Group

There were no other changes in the composition of the Group during the current quarter under review.

6. Segmental information

	3 months ended		3 months ended	
	31.3.2012		31.3.2011	
	Revenue	Profit/(loss)	Revenue	Profit
	RM'000	before tax	RM'000	before tax
	RM'000	RM'000	RM'000	RM'000
Timber	165,533	8,412	121,115	12,863
Non-Timber				
Manufacturing	26,066	1,640	22,752	1,842
Trading	11,208	1,314	12,199	1,575
Others	746	(341)	702	201
	38,020	2,613	35,653	3,618
Total	203,553	11,025	156,768	16,481

The Group is organised into business units based on their products and services, and has four reportable operating segments as follows:-

Timber	:	the extraction and sale of timber, manufacture and sale of plywood, veneer and sawn timber.
Manufacturing	:	conversion of aluminium foils, flexible packaging, metallized and electrostatic discharge products, manufacture and sale of adhesive and gummed tapes.
Trading	:	the trading of tapes, foil, papers and electrostatic discharge products.
Others	:	investment income, rental of properties and car park operations .

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

6. Segmental information (cont'd)

There have been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

7. Seasonality of operations

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

8. Profit before tax

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the period is arrived at after charging:				
Amortisation	1,267	1,267	1,267	1,267
Depreciation	8,104	8,212	8,104	8,212
Impairment loss on receivables	218	209	218	209
Bad debts written off	341	-	341	-
Interest expense	2,221	2,540	2,221	2,540
Inventories written off	-	5	-	5
Loss on foreign exchange loss	153	112	153	112
Loss on disposal of property plant and equipment	26	3	26	3
and crediting:				
Gain on foreign exchange	5	29	5	29
Gain on disposal of quoted investments	377	83	377	83
Hire of machinery	92	452	92	452
Reversal of allowance for impairment in receivables	185	-	185	-
Interest income	543	107	543	107

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
Current taxation				
- Malaysian income tax	1,430	3,159	1,430	3,159
- Foreign tax	148	135	148	135
	1,578	3,294	1,578	3,294
Deferred taxation				
	22	418	22	418
	1,600	3,712	1,600	3,712

Income tax expense is recognised in each quarter based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group's effective tax rate for the current quarter and the corresponding quarter ended 31 March 2011 was lower than the statutory tax rate principally due to utilization of carried forward reinvestment allowances claims, unabsorbed capital allowances and double deduction incentives granted to certain subsidiaries.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

10. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for period net of tax, attributable to owners of the parent by weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. There are no shares in issuance which have a dilutive effect to the earnings per share of the Group.

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
Profit attributable to the owners of the Company (RM'000)	9,304	12,570	9,304	12,570
Weighted average number of ordinary shares in issue ('000)	434,649	434,739	434,649	434,739
Dilutive potential ordinary shares	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	434,649	434,739	434,649	434,739
Basic EPS (sen)	2.14	2.89	2.14	2.89
Diluted EPS (sen)	2.14	2.89	2.14	2.89

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

11. Property, plant and equipment

During the current quarter ended 31 March 2012, the Group acquired assets at a cost of RM5,749,000 (31 March 2011 : RM6,644,000) excluding property, plant and equipment acquired through business combinations.

Assets with a carrying amount of RM244,000 were disposed of by the Group during the 3 months ended 31 March 2012, (31 March 2011: RM355,000), resulting in a loss on disposal of RM26,000 (31 March 2011: RM3,000) recognised and included in administrative expenses in the statement of comprehensive income.

12. Intangible assets

	Goodwill RM'000	Timber rights RM'000	Total RM'000
Cost			
At 1 January 2011	33,728	106,861	140,589
Addition	-	3,603	3,603
At 31 December 2011 / 1 January 2012	<u>33,728</u>	<u>110,464</u>	<u>144,192</u>
Addition	-	900	900
At 31 March 2012	<u>33,728</u>	<u>111,364</u>	<u>145,092</u>
Accumulated amortisation and impairment			
At 1 January 2011	5,506	36,044	41,550
Amortisation	-	3,971	3,971
At 31 December 2011 / 1 January 2012	<u>5,506</u>	<u>40,015</u>	<u>45,521</u>
Amortisation	-	990	990
At 31 March 2012	<u>5,506</u>	<u>41,005</u>	<u>46,511</u>
Net carrying amount			
At 1 January 2011	<u>28,222</u>	<u>70,817</u>	<u>99,039</u>
At 1 December 2011	<u>28,222</u>	<u>70,449</u>	<u>98,671</u>
At 31 March 2012	<u>28,222</u>	<u>70,359</u>	<u>98,581</u>

a) Impairment loss recognised on goodwill

Management has carried out a review of the recoverable amount of its goodwill during the current quarter ended 31 March 2012 and no impairment loss was required as the recoverable amounts were in excess of the carrying amounts of the goodwill.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

12. Intangible assets (cont'd)

b) Impairment tests for goodwill and timber rights

Allocation of goodwill and timber rights

Goodwill and logs purchase rights had been allocated to the Group's CGUs identified according to the cash generating units in the respective business segment as follows:

	Goodwill	Timber	Total
	RM'000	rights	RM'000
	RM'000	RM'000	RM'000
At 31 March 2012			
Timber division	24,598	70,359	94,957
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>70,359</u>	<u>98,581</u>
At 31 December 2011			
Timber division	24,598	70,449	95,047
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>70,449</u>	<u>98,671</u>
At 1 January 2011			
Timber division	24,598	70,817	95,415
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>70,817</u>	<u>99,039</u>

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

12. Intangible assets (cont'd)

b) Impairment tests for goodwill and timber rights (cont'd)

The recoverable amount of goodwill and timber rights are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five year period and/or over the period of the rights granted. The following are the key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill and timber rights:

i. Budgeted gross margin

The basis used to determine the values assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

ii. Discount rates

The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units.

iii. Raw materials price

The basis used to determine the value assigned to the raw materials price is the forecast price indices during the budget year for countries where raw materials are sourced.

13. Inventories

During the current quarter ended 31 March 2012, there were no inventories written off. For the quarter ended 31 March 2011, the Group recognised a write-off of inventories of RM5,000. This expense was included in the cost of sales in the statement of comprehensive income.

14. Cash and cash equivalents

	31.3.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Cash on hand and at bank	197,824	210,128	221,364
Short term deposits with licensed financial institutions	16,573	13,791	12,984
Cash and bank balances	<u>214,397</u>	<u>223,919</u>	<u>234,348</u>

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

15. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at reporting date, the Group held the following financial assets that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 March 2012				
Financial investment available-for-sale				
Quoted investments	1,703	-	-	1,703
Unquoted investments	-	-	200	200
	1,703	-	200	1,903
At 31 December 2011				
Financial investment available-for-sale				
Quoted investments	3,649	-	-	3,649
Unquoted investments	-	-	200	200
	3,649	-	200	3,849
At 1 January 2011				
Financial investment available-for-sale				
Quoted investments	3,983	-	-	3,983
Unquoted investments	-	-	200	200
	3,983	-	200	4,183

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

15. Fair value hierarchy (cont'd)

No transfer between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial assets that subsequently resulted in a different classification of that asset.

16. Share capital, share premium and treasury shares

The Company did not issue any ordinary shares during the current quarter ended 31 March 2012.

During the current quarter ended 31 March 2012, the Company repurchased 100,000 of its issued ordinary shares from the open market at an average price of RM1.42 per share. The total consideration paid for the repurchase including transaction costs was RM142,284.89 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

17. Interest bearing loans and borrowings

The Group's interest bearing loans and borrowings are as follows:

	31.3.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Short term borrowings			
Secured	98,622	110,539	108,762
Unsecured	111,734	128,030	141,690
	210,356	238,569	250,452
Long term borrowings			
Secured	93,778	90,088	66,962
Unsecured	376	376	376
	94,154	90,464	67,338
Total	304,510	329,033	317,790

18. Provisions for costs of restructuring

The Group did not engaged in any restructuring exercise, hence there were no provisions for costs of restructuring.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

19. Dividends

No interim ordinary dividend has been declared for the current quarter ended 31 March 2012. (31 March 2011: RM Nil)

20. Commitments

There are no material capital commitments in the current quarter ended 31 March 2012.

21. Contingencies

There were no material changes since the date of the last annual financial statements.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

22. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three month period ended 31 March 2012 and 31 March 2011 as well as the balances with the related parties as at 31 March 2012 and 31 March 2011:

		Amounts receivable/ (payable) as at		Amounts receivable/ (payable) as at	
	Note	31.3.2012 RM'000	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2011 RM'000
Sawn timber sales:					
W. T. K. Trading Sdn. Bhd.	#	-	-	2	-
Contract fee received:					
Harbour-View Realty Sdn. Bhd.	^	-	-	330	-
Hung Ling Sawmill Sdn Bhd	^	256	-	-	-
W T K Realty Sdn. Bhd.	#	272	-	355	-
Ocarina Development Sdn. Bhd.	#	-	-	12	-
Elite Honour Sdn. Bhd.	#	-	-	180	-
		528	-	877	-
Road toll received:					
Elite Honour Sdn. Bhd.	#	407	301	418	289
Purchase of logs:					
Harbour-View Realty Sdn. Bhd.	^	1,738	995	2,646	314
Protection Gloves Sdn. Bhd.	^	2,317	(314)	2,448	20
Faedah Mulia Sdn. Bhd.	#	1,929	890	3,951	60
Sabal Sawmill Sdn. Bhd.	^	377	874	402	-
Harvard Rank Sdn. Bhd.	#	5,063	1,482	5,717	2,493
Sunrise Megaway Sdn. Bhd.	#	1,644	1,215	3,043	38
Ocarina Development Sdn. Bhd.	#	3,547	340	-	-
K N Wong (M) Sdn. Bhd.	#	818	83	-	-
		17,433	5,565	18,207	2,925

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

22. Related party transactions (cont'd)

		Amounts receivable/ (payable) as at		Amounts receivable/ (payable) as at	
	Note	31.3.2012 RM'000	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2011 RM'000
Literage and freight:					
W T K Realty Sdn. Bhd.	#	1,808	-	1,227	1,081
Ocarina Development Sdn. Bhd.	#	290	(278)	532	(50)
Syarikat Kalulong Sdn. Bhd.	#	100	(8)	88	(73)
Master Ace Territory Sdn. Bhd.	^	479	(957)	315	(193)
		<u>2,677</u>	<u>(1,243)</u>	<u>2,162</u>	<u>765</u>
Purchase of spare parts:					
W. T. K. Enterprises Sdn. Bhd.	#	2,266	21	2,698	369
Purchase of frozen food:					
Sing Chew Coldstorage Sdn. Bhd.	^	398	(262)	279	(282)
Purchase of hardware and lubricants:					
W.T.K Trading Sdn Bhd	#	4,482	(1,685)	5,046	(682)
Purchase of fertilizer:					
TSC Service & Warehousing Sdn. Bhd.	^	-	-	93	(136)
Contract fees paid in relation to logging operations:					
Harbour-View Realty Sdn. Bhd.	^	-	-	1,176	(636)
Hung Ling Sawmill Sdn. Bhd.	^	1,261	(831)	320	(2)
W T K Realty Sdn. Bhd.	#	948	(15)	971	(431)
United Agencies Sdn. Bhd.	^	1,303	(511)	693	-
Ann Yun Logistics Sdn. Bhd.	*	810	(119)	815	(8)
W T K Realty Builder Sdn. Bhd.	#	194	-	109	-
		<u>4,516</u>	<u>(1,476)</u>	<u>4,084</u>	<u>(1,077)</u>

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

22. Related party transactions (cont'd)

- ^ The directors and/or major shareholders of W T K Holdings Berhad are directors and/or major shareholders of these companies*
- # The directors and/or major shareholders of W T K Holdings Berhad are directors and/or major shareholders of these companies, whilst family members are also directors and/or major shareholders of these companies*
- * The family members of a director and major shareholder of W T K Holdings Berhad, are directors and major shareholder of this company.*

23. Events after the reporting period

There are no events after the quarter ended 31 March 2012 which could materially affect the Group.

24. Performance review

For the quarter under review, the Group's turnover was RM203.5 million as compared to RM156.7 million in the 1Q2011, representing an increase of RM46.7 million (29.8%). However, the Group's pre-tax profits decreased by 33.3% to RM11.0 million as compared to 1Q2011 of RM16.5 million. This is mainly attributed to the timber division.

Quarter 1, 2012

Timber

For the current quarter, the Group's timber division registered a turnover of RM165.5 million, representing an increase of 36.7% or RM44.4 million as compared with RM121.1 million in the 1Q2011 due to increase in both sales volume of round logs and plywood by approximately 17.3% and 32.5% respectively. 1Q2012 experienced a much better weather condition as compared to 1Q2011. 1Q2011 production volume was hampered by adverse weather condition experienced in Sarawak which also resulted in increase in average selling prices of logs. Average selling prices in 1Q2012 has eased by approximately 12% compared to 1Q2011.

Although revenue improved year-on-year, net profits dropped by 34.9% or RM4.5 million from RM12.9 million in 1Q2011 to RM8.4 million in 1Q2012. Other than the easing of average selling prices, cost of production has also increased by approximately 8.0%. The main cost component that caused the increase in cost of production were costs directly related to rise in oil prices, mainly; fuel, transportation, glue costs, repair and maintenance. The Group's key export markets for round logs were India (83%), China (8%) and the remaining 9% to Asian countries. The Group's key plywood markets for the quarter in review were Japan (83%), Taiwan (12%) and China (5%).

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

24. Performance review (cont'd)

Non- timber

Manufacturing and trading

The non-timber division recorded a turnover of RM37.2 million in 1Q2012 as compared with RM34.9 million registered in 1Q2011, representing an increase of 6.6% or RM2.3 million. The increase of RM2.3 million was mainly due to continued increase in demand of foil products from overseas markets.

The division under review registered a profit before tax of RM2.9 million in the 1Q2012, when compared to RM3.4 million achieved in the 1Q2011 which was lower by RM0.5 million. The decrease in profit before tax was mainly due to decline in domestic markets of tape products.

Others

The higher rental revenue in 1Q2012 generated a higher return when compared to 1Q2011. However, the share of loss in an associate resulted a decrease in the profit before tax by RM542,000.

25. Comment on material change in profit before taxation

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

Quarter 1, 2012

Timber

The timber division's turnover for 1Q2012 was RM165.5 million as compared to RM173.3 million in 4Q2011, representing a decrease of 4.5% or RM7.8 million, with pre-tax profits of RM8.5 million, a 50.6% drop in profits compared to 4Q2011 of RM17.4 million pre-tax profits. This is mainly due to the drop in sales of round logs by approximately 14.0% arising from the slow-down in orders from India and increase in cost of production for the division caused by the recent increase in oil prices.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

25. Comment on material change in profit before taxation (cont'd)

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

Non- timber

Manufacturing and trading

The turnover for the non-timber division registered a marginal increase of 2.1% in the 1Q2012, (RM37.3 million) when compared to the preceding quarter ended 4Q2011 (RM36.5 million). The marginal increase of 2.12% is mainly due to seasonal fluctuation experienced in the first quarter of 2012.

The profit before tax registered in the 1Q2012 (RM2.95 million) was lower by RM0.04 million when compared to 4Q2011 (RM2.99 million) which was mainly attributed to decline in profit margins of tapes products in domestic markets.

Others

The lower rental revenue in 1Q2012 as compared to 4Q2011 resulted a lower return. The share of loss in an associate in 1Q2012 further compounded the decrease of profit before tax by RM303,000.

26. Commentary on prospects

Quarter 1, 2012

Timber

Japan's GDP grew by nearly 4.1% in the first quarter of 2012 compared to same quarter last year due to rebuilding of the tsunami hit northeast of Japan, increased private spending and improvement in exports. The economy grew 1.0 % in the first quarter 2012, just above forecast of 0.9 %. A 0.2% contraction in the economy reported for the fourth quarter 2011 was revised up to flat which underlined expectations that growth would slow down during the rest of the year, partly due to global uncertainty because of the Europe's debt crisis.

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

26. Commentary on prospects (cont'd)

Timber

India continues to be a dominant buyer of the Group's round logs. Its 2012 growth is estimated to be 6.9 percent whilst 2013 is estimated to be 7.3 percent. In the recent years, the country's growing economy has created disposable income for wood products purchases. Its infrastructure requirements have also created demand for tropical hardwood products in which their domestic supply is unable to meet its demand for tropical timber. The Group, with its strong and long standing ties with its Indian buyers, expects to grow its round logs market share and dominance in India as the country continues to grow its economy.

Although there have been signs of progress in Italy and Spain, the outlook for Greece remains uncertain, with key issues surrounding additional bailout funds and a write-down of the nation's debt still unresolved. The IMF expects the 17-nation region to suffer a mild recession this year as governments cutback take a toll on growth which may have a contagion effect on the world's major economies.

In light of the current events, the Group will remain cautious of the prospect of the timber industry despite the improved sentiment in its key market, i.e. Japan and India. The Group will monitor closely the situation in Europe as a pro-longed uncertainty in its debt turmoil is expected to slow down the world's major economies and as such, would result in lower demand for timber products. The Group has taken steps to cut-down its production volume in anticipation of a short-term lower orders for its timber products and will continue to maintain the quality of its premium plywood products, especially its floor base plywood and maintain a formidable presence in the industry.

Non-timber Manufacturing and Trading

The performance of non-timber division continued to show positive results in the 1Q2012. This was mainly driven by improvement in overseas demand despite the soaring material costs. The global and regional economic outlook will continue to be challenging in 2012.

Given the continuing Euro-Zone tensions, worries on Spain and Greek exit from the Euro and the slowing of US economy as well as possible slowdown of China, the Group has remained cautious and adopted several measures to maintain its competitiveness to protect its market share in both domestic and overseas markets.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

27. Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets.

The Group did not announce or disclose any revenue or profit estimate, forecast, projection or internal target in a public document.

28. Statements by directors on achievability of revenue or profit estimate, forecast, projection or internal targets.

Please refer to the commentary of Note 27.

29. Profit forecast or profit guarantee

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

30. Corporate proposals

There are no other outstanding proposals that have been announced but pending completion.

There was a claim made by W T K Holdings Berhad against Yayasan Islam Negeri Kedah (YINK) arising from the proposed joint-venture with YINK. The Company's legal advisor has on 24th May, 2011 served on the Defendant's solicitor for payment and the outcome is still pending as at the date of this report.

31. Changes in material litigation

There was no material litigation against the Group.

32. Dividend payable

Please refer to Note 19 for details.

33. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

34. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 March 2012 or the previous financial year ended 31 December 2011.

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

35. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2012 or the previous financial year ended 31 December 2011.

36. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss as at 31 March 2012 and 31 December 2011.

37. Breakdown of realised and unrealised profit or losses

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits of W T K Holdings Berhad and its subsidiaries:		
- Realised	1,103,679	1,094,809
- Unrealised	(75,374)	(76,748)
	1,028,305	1,018,061
 Total share of retained profits from associated companies:		
- Realised	6,788	7,380
- Unrealised	(8)	(8)
 Total share of retained profits from jointly controlled entities:		
- Realised	68	252
	1,035,153	1,025,685
Less: Consolidation adjustments	(94,491)	(94,327)
Total Group retained profits as per consolidated accounts	940,662	931,358

W T K HOLDINGS BERHAD (10141-M)
(Incorporated in Malaysia)

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three - month period ended 31 March 2012

38. Auditors report on the preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

BY ORDER OF THE BOARD

NG KAM MAY
COMPANY SECRETARY
KUALA LUMPUR
Date: 28 MAY 2012