

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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30.6.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	703,726	712,970
Prepaid land lease payments	41,013	41,567
Investment properties	34,921	35,035
Investment in an associate	-	7,766
Investment in a jointly controlled entity	1,568	1,552
Investment securities	909	1,332
Intangible assets	93,851	95,831
Biological assets	273,836	245,098
	<u>1,149,824</u>	<u>1,141,151</u>
<b>Current assets</b>		
Inventories	140,978	159,284
Trade receivables	104,934	89,161
Other receivables	54,687	54,334
Tax recoverable	9,564	11,259
Cash and bank balances	266,795	237,010
	<u>576,958</u>	<u>551,048</u>
<b>TOTAL ASSETS</b>	<u><b>1,726,782</b></u>	<u><b>1,692,199</b></u>

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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013 (Cont'd)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30.6.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Retirement benefit obligations	46	110
Short term borrowings	167,473	148,681
Trade payables	50,842	70,039
Other payables	16,925	20,485
Land premium payable	435	433
Current tax payable	4,063	2,656
	<u>239,784</u>	<u>242,404</u>
<b>Net current assets</b>	<u>337,174</u>	<u>308,644</u>
<b>Non-current liabilities</b>		
Retirement benefit obligations	2,367	1,837
Long term borrowings	146,111	130,145
Deferred tax liabilities	81,300	81,507
Land premium payable	352	747
	<u>230,130</u>	<u>214,236</u>
<b>Total liabilities</b>	<u>469,914</u>	<u>456,640</u>
<b>Net assets</b>	<u>1,256,868</u>	<u>1,235,559</u>
<b>Equity attributable to owners of the Company</b>		
Share capital	219,007	219,007
Share premium	45,708	45,708
Treasury shares	(8,071)	(8,062)
Other reserves	1,422	1,411
Retained earnings	983,272	962,176
	<u>1,241,338</u>	<u>1,220,240</u>
<b>Non-controlling interests</b>	15,530	15,319
<b>Total equity</b>	<u>1,256,868</u>	<u>1,235,559</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,726,782</u>	<u>1,692,199</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2013 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 30 June 2013 RM'000	2012 RM'000	Six months ended 30 June 2013 RM'000	2012 RM'000
Revenue	184,078	170,184	357,857	373,737
Cost of sales	<u>(148,767)</u>	<u>(140,751)</u>	<u>(290,272)</u>	<u>(311,974)</u>
<b>Gross Profit</b>	35,311	29,433	67,585	61,763
Other income	2,267	2,686	4,736	4,560
<b>Other item of expenses</b>				
Selling and distribution expenses	(13,341)	(12,319)	(26,298)	(25,633)
Administrative expenses	<u>(7,591)</u>	<u>(5,882)</u>	<u>(14,927)</u>	<u>(12,750)</u>
Operating profit	16,646	13,918	31,096	27,940
Finance costs	(1,609)	(2,282)	(3,146)	(4,503)
Share of results of an associate	(84)	(208)	(302)	(800)
Share of results of a jointly controlled entity	<u>9</u>	<u>(177)</u>	<u>16</u>	<u>(361)</u>
<b>Profit before tax</b>	14,962	11,251	27,664	22,276
Income tax expenses	<u>(3,140)</u>	<u>(2,665)</u>	<u>(6,184)</u>	<u>(4,265)</u>
<b>Profit for the period</b>	<u>11,822</u>	<u>8,586</u>	<u>21,480</u>	<u>18,011</u>
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on available-for-sale financial assets				
- Gain on fair value changes	34	(8)	82	230
- Transfer to profit or loss upon disposal	(162)	-	(194)	(377)
Foreign currency translation	(355)	588	123	612
Share of other comprehensive income of an associate	<u>-</u>	<u>44</u>	<u>-</u>	<u>135</u>
Other comprehensive income, net of tax	<u>(483)</u>	<u>624</u>	<u>11</u>	<u>600</u>
<b>Total comprehensive income for the period</b>	<u>11,339</u>	<u>9,210</u>	<u>21,491</u>	<u>18,611</u>
<b>Profit attributable to:</b>				
Owners of the Company	11,668	8,516	21,096	17,820
Non-controlling interests	154	70	384	191
<b>Profit for the period</b>	<u>11,822</u>	<u>8,586</u>	<u>21,480</u>	<u>18,011</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	11,185	9,140	21,107	18,420
Non-controlling interests	154	70	384	191
<b>Total comprehensive income for the period</b>	<u>11,339</u>	<u>9,210</u>	<u>21,491</u>	<u>18,611</u>
<b>Earnings per share attributable to owners of the Company:</b>				
Basic, for profit for the period (sen)	<u>2.69</u>	<u>1.96</u>	<u>4.86</u>	<u>4.10</u>

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2013 - UNAUDITED**

	← Attributable to owners of the Company →							← Non-distributable →		Non-controlling interests RM'000
	Total equity RM'000	Total equity attributable to the owners of the Company RM'000	← Non-distributable →		Distributable		Total other reserves RM'000	← Non-distributable →		
Share capital RM'000			Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Foreign currency translation reserve RM'000		Fair value adjustment reserve RM'000		
<b>Quarter ended 30 June 2013</b>										
<b>At 1 January 2013</b>	1,235,559	1,220,240	219,007	45,708	(8,062)	962,176	1,411	1,299	112	15,319
Total comprehensive income	21,491	21,107	-	-	-	21,096	11	123	(112)	384
<b>Transactions with owners</b>										
Dividends paid to non-controlling interests	(173)	-	-	-	-	-	-	-	-	(173)
Repurchase of treasury shares	(9)	(9)	-	-	(9)	-	-	-	-	-
<b>At 30 June 2013</b>	<b>1,256,868</b>	<b>1,241,338</b>	<b>219,007</b>	<b>45,708</b>	<b>(8,071)</b>	<b>983,272</b>	<b>1,422</b>	<b>1,422</b>	<b>-</b>	<b>15,530</b>
<b>Quarter ended 30 June 2012</b>										
<b>At 1 January 2012</b>	1,204,973	1,189,560	219,007	45,708	(7,570)	931,358	1,057	685	372	15,413
Total comprehensive income	18,611	18,420	-	-	-	17,820	600	612	(12)	191
<b>Transactions with owners</b>										
Dividends paid to non-controlling interests	(133)	-	-	-	-	-	-	-	-	(133)
Repurchase of treasury shares	(142)	(142)	-	-	(142)	-	-	-	-	-
<b>At 30 June 2012</b>	<b>1,223,309</b>	<b>1,207,838</b>	<b>219,007</b>	<b>45,708</b>	<b>(7,712)</b>	<b>949,178</b>	<b>1,657</b>	<b>1,297</b>	<b>360</b>	<b>15,471</b>

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**W T K HOLDINGS BERHAD (10141-M)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2013 - UNAUDITED**

	<b>30.6.2013</b>	<b>30.6.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	27,664	22,276
Adjustment for:		
- Share of results of an associate	302	800
- Share of results of a jointly controlled entity	(16)	361
Allowance for impairment	280	159
Amortisation	2,534	2,534
Bad debts written off	639	341
Depreciation	17,394	16,334
Dividend income	(39)	(252)
Loss on disposal of an associate	319	-
Gain on disposal of investment securities	(204)	(377)
Gain on disposal of property, plant and equipment	(27)	(59)
Interest income	(1,936)	(880)
Interest expense	3,091	4,503
Property, plant and equipment written off	299	-
Retirement benefit obligations	633	100
Reversal of impairment losses on receivables	(170)	(185)
Unrealised gain on foreign exchange	(42)	(70)
Other non-cash items	3	18
	50,724	45,603
Operating profit before working capital changes		
Changes in working capital :		
Net decrease in current assets	1,470	21,098
Net (decrease)/increase in current liabilities	(22,761)	15,515
Cash generated from operations	29,433	82,216
Payment of retirement benefit	(167)	(97)
Interest paid	(2,723)	(1,322)
Interest received	1,936	798
Taxation paid	(3,294)	(4,495)
Net cash generated from operating activities	25,185	77,100

**W T K HOLDINGS BERHAD (10141-M)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2013 - UNAUDITED (Cont'd)**

	<b>30.6.2013</b>	<b>30.6.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Biological assets expenditure	(26,406)	(22,065)
Interest received	-	82
Land premium paid	(393)	(1,684)
Proceeds from disposal of an associate	7,145	-
Proceeds from disposal of property, plant and equipment	330	688
Proceeds from disposal of investment securities	653	2,184
Purchase of investment properties	(7)	-
Purchase of investment securities	(138)	(247)
Purchase of property, plant and equipment	(9,127)	(14,424)
Timber rights paid	-	(1,120)
Net dividend received from an associate	-	47
Net dividend received from investment securities	39	252
	<u>(27,904)</u>	<u>(36,287)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(173)	(133)
Drawdown of term loans	18,493	12,000
Drawdown of trade financing facilities	197,661	358,524
Interest paid	(368)	(3,181)
Repayment of hire purchases	(2,129)	(1,514)
Repayment of term loans	(2,200)	(5,239)
Repayment of trade financing facilities	(180,010)	(382,820)
Repurchase of treasury shares	(9)	(142)
	<u>31,265</u>	<u>(22,505)</u>
Net cash generated from/(used in) financing activities		
Net increase in cash and cash equivalents	28,546	18,308
Effects of exchange rate changes	125	418
Net cash and cash equivalents at the beginning of the year	218,481	184,660
Net cash and cash equivalents at the end of the period	<u>247,152</u>	<u>203,386</u>
For Cashflow purposes, net cash and cash equivalents include the following:-		
Cash and bank balances	266,795	224,409
Less: Bank overdraft	(19,643)	(21,023)
Cash and cash equivalents	<u>247,152</u>	<u>203,386</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**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 30 August 2013.

**2. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 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 2012. 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 2012.

**3. Significant accounting policies**

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new/revised Malaysian Financial Reporting Standards (“MFRSs”) below.

On 1 January 2013, the Group adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2013:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**3. Significant accounting policies (cont'd)**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2013
Amendments to MFRS 132 Financial Instruments	1 January 2013
Amendments to MFRS 134 Interim Financial Reporting	1 January 2013

The Group has not adopted the following revised MFRSs and Amendments to MFRSs applicable to the Group that have been issued but not yet effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group.

**4. Changes in estimates**

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



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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**5. Changes in composition of the Group**

There were no other changes in the composition of the Group during the current quarter under review except for the following:

The Company had on 15 April 2013 entered into a Share Sale Agreement with Kyowa Limited for the disposal of its entire shareholding of 1,258,000 ordinary shares of RM1.00 each, representing 29.88% equity interest in an associated company, Central Elastic Corporation Sdn. Berhad (13808-U) for a total cash consideration of RM7,145,440. This disposal resulted in a loss of RM319,000 for the Group.

**6. Segmental information**

	<b>6 months ended 30.6.2013</b>		<b>6 months ended 30.6.2012</b>	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
<b>Timber</b>	<b>277,370</b>	<b>15,703</b>	<b>295,910</b>	<b>16,144</b>
<b>Non-Timber</b>				
Manufacturing	54,475	10,949	53,011	5,115
Trading	24,378	2,664	23,346	2,816
Others	1,634	(1,652)	1,470	(1,799)
	<b>80,487</b>	<b>11,961</b>	<b>77,827</b>	<b>6,132</b>
<b>Total</b>	<b>357,857</b>	<b>27,664</b>	<b>373,737</b>	<b>22,276</b>

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 .

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**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**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2013</b>	<b>30.6.2012</b>	<b>30.6.2013</b>	<b>30.6.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the period is arrived at after charging:</b>				
Amortisation	1,267	1,267	2,534	2,534
Bad debts written off	637	-	639	341
Depreciation	8,712	8,230	17,394	16,334
Impairment loss on receivables	8	-	280	159
Interest expense	1,789	2,282	3,091	4,503
Inventories written off	3	18	3	18
Loss on disposal of an associate	319	-	319	-
Property plant and equipment written off	-	-	299	-
<b>and crediting:</b>				
Gain on foreign exchange	356	528	463	380
Gain on disposal of quoted investments	162	-	204	377
Gain on disposal of property, plant and equipment	42	85	27	59
Hire of machinery	186	214	356	306
Reversal of allowance for impairment in receivables	48	59	170	185
Interest income	1,060	337	1,936	880

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**9. Income tax expense**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2013</b>	<b>30.6.2012</b>	<b>30.6.2013</b>	<b>30.6.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation based on results for the period:				
Current taxation				
- Malaysian income tax	3,225	1,531	6,109	2,961
- Foreign tax	137	156	286	304
	<u>3,362</u>	<u>1,687</u>	<u>6,395</u>	<u>3,265</u>
Under/(Over) provision in prior years	11	31	(4)	31
	<u>3,373</u>	<u>1,718</u>	<u>6,391</u>	<u>3,296</u>
Deferred taxation				
- Current year	(233)	947	(207)	969
- Over provision in prior years	-	-	-	-
	<u>(233)</u>	<u>947</u>	<u>(207)</u>	<u>969</u>
	<u>3,140</u>	<u>2,665</u>	<u>6,184</u>	<u>4,265</u>

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.

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**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.

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2013</b>	<b>30.6.2012</b>	<b>30.6.2013</b>	<b>30.6.2012</b>
Profit attributable to the owners of the Company (RM'000)	11,668	8,516	21,096	17,820
Weighted average number of ordinary shares in issue ('000)	434,212	434,582	434,216	434,616
Dilutive potential ordinary shares	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	434,212	434,582	434,216	434,616
Basic EPS (sen)	2.69	1.96	4.86	4.10
Diluted EPS (sen)	2.69	1.96	4.86	4.10

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**11. Property, plant and equipment**

During the 6 months ended 30 June 2013, the Group acquired assets at a total cost of RM10,953,000 (30 June 2012: RM14,113,000) excluding property, plant and equipment acquired through business combinations.

Assets with a carrying amount of RM303,000 were disposed of by the Group during the 6 months ended 30 June 2013 (30 June 2012: RM629,000), resulting in a gain on disposal of RM27,000 (30 June 2012: gain on disposal of RM59,000).

**12. Intangible assets**

	<b>Goodwill</b>	<b>Timber</b>	<b>Total</b>
	<b>RM'000</b>	<b>rights</b>	<b>RM'000</b>
		<b>RM'000</b>	
<b>Cost</b>			
At 1 January 2013	33,728	111,584	145,312
Addition	-	-	-
At 30 June 2013	<u>33,728</u>	<u>111,584</u>	<u>145,312</u>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2013	5,506	43,975	49,481
Amortisation	-	1,980	1,980
At 30 June 2013	<u>5,506</u>	<u>45,955</u>	<u>51,461</u>
<b>Net carrying amount</b>			
At 30 June 2013	<u>28,222</u>	<u>65,629</u>	<u>93,851</u>
At 1 December 2012	<u>28,222</u>	<u>67,609</u>	<u>95,831</u>

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A  
For the six months ended 30 June 2013 – unaudited

**12. Intangible assets (cont'd)**

**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:

	<b>Goodwill</b>	<b>Timber</b>	<b>Total</b>
	<b>RM'000</b>	<b>rights</b>	<b>RM'000</b>
		<b>RM'000</b>	
<b>At 30 June 2013</b>			
Timber division	24,598	65,629	90,227
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>65,629</u>	<u>93,851</u>
<b>At 31 December 2012</b>			
Timber division	24,598	67,609	92,207
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>67,609</u>	<u>95,831</u>

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.

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**13. Cash and cash equivalents**

	<b>30.6.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash on hand and at bank	229,480	220,604
Short term deposits with licensed financial institutions	37,315	16,406
Cash and bank balances	266,795	237,010

**14. 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.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 30 June 2013</b>				
Financial investment available-for-sale				
Quoted investments	809	-	-	809
Unquoted investments	-	-	100	100
	809	-	100	909
<b>At 31 December 2012</b>				
Financial investment available-for-sale				
Quoted investments	1,132	-	-	1,132
Unquoted investments	-	-	200	200
	1132	-	200	1,332

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**14. 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.

**15. Share capital, share premium and treasury shares**

The Company did not issue any ordinary shares nor repurchase of its issued ordinary shares during the current quarter ended 30 June 2013.

The number of shares bought back and retained as treasury shares amounted to 3,801,000 shares as at 30 June 2013.

**16. Interest bearing loans and borrowings**

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

	<b>30.6.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Short term borrowings		
Secured	74,933	75,800
Unsecured	92,540	72,881
	<u>167,473</u>	<u>148,681</u>
Long term borrowings		
Secured	145,735	129,769
Unsecured	376	376
	<u>146,111</u>	<u>130,145</u>
Total	<u>313,584</u>	<u>278,826</u>

**17. Provisions for costs of restructuring**

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



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**18. Dividends**

A final dividend of 5.6% 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 RM9.118 million (2.10 sen net per share) in respect of the financial year ended 31 December 2012 was approved during the Annual General Meeting held on 28 June 2013. The said dividend was paid on 1 August 2013.

No interim dividend has been declared for the current quarter ended 30 June 2013 (30 June 2012: RM Nil).

**19. Commitments**

There were no material capital commitments in the current quarter ended 30 June 2013.

**20. Contingencies**

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

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**21. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the six months ended 30 June 2013 and 30 June 2012 as well as the balances with the related parties as at 30 June 2013 and 31 December 2012:

	Note	Transaction value		Balance outstanding	
		30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000
Sawn timber sales:					
W. T. K. Trading Sdn. Bhd.	#	-	-	-	-
Contract fee received:					
Harbour-View Realty Sdn. Bhd.	^	-	-	-	-
Hung Ling Sawmill Sdn Bhd	^	-	512	-	-
W T K Realty Sdn. Bhd.	#	-	544	-	-
Ocarina Development Sdn. Bhd.	#	-	-	-	-
Elite Honour Sdn. Bhd.	#	206	-	-	-
		206	1,056	-	-
Road toll received:					
Elite Honour Sdn. Bhd.	#	784	607	-	591
Purchase of logs:					
Harbour-View Realty Sdn. Bhd.	^	4,343	3,968	1,683	1,838
Protection Gloves Sdn. Bhd.	^	4,550	4,771	431	(74)
Faedah Mulia Sdn. Bhd.	#	4,633	4,854	(550)	91
Sabal Sawmill Sdn. Bhd.	^	850	873	215	241
Harvard Rank Sdn. Bhd.	#	9,252	8,007	(582)	692
Sunrise Megaway Sdn. Bhd.	#	8,723	2,675	(18)	2,151
Ocarina Development Sdn. Bhd.	#	2,881	7,231	(564)	(199)
K N Wong (M) Sdn. Bhd.	#	1,558	2,079	(519)	(102)
		36,790	34,458	96	4,638

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**21. Related party transactions (cont'd)**

	Note	Transaction value		Balance outstanding	
		30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000
Literage and freight:					
W T K Realty Sdn. Bhd.	#	2,468	3,068	(1,801)	(115)
Ocarina Development Sdn. Bhd.	#	871	622	(150)	170
Syarikat Kalulong Sdn. Bhd.	#	274	170	(16)	(187)
Master Ace Territory Sdn. Bhd.	#	665	857	(371)	(698)
		<u>4,278</u>	<u>4,717</u>	<u>(2,338)</u>	<u>(830)</u>
Purchase of spare parts:					
W. T. K. Enterprises Sdn. Bhd.	#	3,721	5,208	(509)	854
Purchase of frozen food:					
Sing Chew Coldstorage Sdn. Bhd.	^	765	819	(61)	(288)
Purchase of hardware and lubricants:					
W.T.K Trading Sdn. Bhd.	#	8,633	8,708	(513)	(586)
Purchase of fertilizer:					
Grofields Sdn. Bhd.	#	60	221	-	-
WTK Service & Warehousing Sdn. Bhd. (formerly known as TSC Service & Warehousing Sdn. Bhd.)	^	1,748	1,597	(2,327)	(661)
		<u>1,808</u>	<u>1,818</u>	<u>(2,327)</u>	<u>(661)</u>
Contract fees paid in relation to logging operations:					
Harbour-View Realty Sdn. Bhd.	^	-	-	-	(11)
Hung Ling Sawmill Sdn. Bhd.	^	-	1,534	-	(445)
W T K Realty Sdn. Bhd.	#	-	1,238	-	(391)
United Agencies Sdn. Bhd.	^	3,048	2,517	-	-
Ann Yun Logistics Sdn. Bhd.	*	1,619	1,620	(264)	(160)
W T K Realty Builder Sdn. Bhd.	#	1,271	374	(1,170)	(828)
		<u>5,938</u>	<u>7,283</u>	<u>(1,434)</u>	<u>(1,835)</u>

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**21. 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 director(s) and/or major shareholder(s) of W T K Holdings Berhad is/are director(s) and/or major shareholder(s) of these companies, whilst family member(s) is/are also director(s) and/or major shareholder(s) 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.*

**22. Events after the reporting period**

There are no events after the quarter ended 30 June 2013 which could materially affect the Group.

**23. Performance review**

For the quarter under review, the Group's revenue was RM184.1 million as compared to RM170.2 million in the 2Q2012, representing an increase of RM13.9 million (8.2%), with pre-tax profit of RM15.0 million which is 32.7% higher than 2Q2012 of RM11.3 million. This is due to the better performance for both timber and non-timber divisions.

**Quarter 2, 2013**

**Timber**

For the current quarter, the Group's timber division registered a revenue of RM146.4 million, representing an increase of 12.3% or RM16.0 million as compared with RM130.4 million in the 2Q2012. Its pre-tax profit stood at RM10.0 million in the current quarter, reflecting an increase of 29.9% or RM2.3 million when compared to RM7.7 million registered in the 2Q2012. This is mainly due to the improved sales of its plywood products following from a more upbeat economic condition in Japan.

On a year-to-date (YTD) basis, although the timber division registered a revenue of RM277.4 million, representing a decline of 6.3%, as compared to the previous corresponding period of RM295.9 million with pre-tax profit of RM15.7 million, a decrease of 2.5% compared to a pre-tax profit of RM16.1 million registered in the previous corresponding period, the division's performance showed a gradual recovery from its lack-lustre performance in the last twelve months. This is mainly driven by a more positive outlook of the Japanese economy and re-stocking from an already low stock level by major buyers of timber logs.

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**23. Performance review (cont'd)**

**Quarter 2, 2013 (cont'd)**

**Timber (cont'd)**

On a year-on-year (YOY) basis, average round log prices increased by 10.07% compared to prices registered in 2Q2012, whilst sales volume increased by 5.74%. The Group's key export markets for round logs were India (76%), Taiwan (11%), China (5%) and the remaining 8% exported to other Asean countries. As for the Group's plywood division, average selling prices increased by 4.38% whilst sales volume increased by 10.39% compared to 2Q2012. The Group's key plywood markets for the quarter under review were Japan (84%), Taiwan (12%) and China (4%).

The increase in selling price of its timber products is mainly due to low log production volume since end of last year which arose as a result of slower demand from India, its major export market. The dry weather condition experienced during second quarter 2013 has also hampered production volume.

**Non-timber**

**Manufacturing and trading**

The revenue for the 2Q2013 registered at RM36.8 million, a decline of RM2.3 million or 5.9% when compared to 2Q2012. The decline in revenue was mainly due to the reduced volume for foil products. Despite the decline in revenue, profit before tax increased by RM1.2 million, representing an increase of 26.7% when compared with the 2Q2012. The increase in profit before tax was attributed to the change of product mix that had a higher margin and effective cost management.

On a YTD basis, revenue registered at RM78.9 million, an increase of RM2.5 million or 3.3%, with an increase in profit before tax by RM5.7 million or 72.2%. The increase in revenue was mainly driven by a high growth in demand for its foil products and cellulose tapes from overseas market. The surge in profit before tax for YTD was contributed by the increase in revenue, economies of scales, effective cost management and change of product mix.

**Others**

There were no material changes to the revenue and profit before tax in respect of the current quarter when compared with 2Q2012.

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**24. Comment on material change in profit before taxation**

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

**Quarter 2, 2013**

**Timber**

The timber division recorded a revenue of RM146.4 million as compared to 1Q2013's revenue of RM130.9 million, with pre-tax profit of RM10.0 million whilst 1Q2013's pre-tax profit was RM5.7 million. It was mainly due to the increase in sales of round log and plywood of 8.2% and 14.2% respectively.

**Non-timber**

**Manufacturing and trading**

The revenue for the 2Q2013 was RM36.8 million, a decline of RM5.2 million or 12.4% when compared with the 1Q2013. This decline in revenue was mainly due to the reduced volume for flexible packaging and aluminum foil products.

Profit before tax was reported at RM5.7 million, indicating a decline of RM2.2 million or 27.8% when compared with the 1Q2013, the decline in profit before tax was mainly due to the decline in revenue.

**Others**

There were no material changes to the revenue and profit before tax in respect of the current quarter when compared with the 1Q2013.

**25. Commentary on prospects**

**Quarter 2, 2013**

**Timber**

Growth in Japan's real gross domestic product dipped to 0.6 percent in the second quarter from a downwardly revised 0.9 percent in the first quarter, with annual adjusted annual rate of growth of 2.6 percent as compared to forecast of 3.6 percent. Although its GDP did expand rather than contract for the third consecutive quarter, the rate of expansion was weaker than expected which scotched hopes that Japan's prime minister, Shinzo Abe's three-arrow strategy announced last year may be able to end the country's two decade struggle with deflation and sluggish growth.

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**25. Commentary on prospects (cont'd)**

**Quarter 2, 2013**

**Timber**

Japan latest consumer prices index rose to an annual rate of 0.7 percent in July, its highest level in 5 years due to rising energy price. Meanwhile industrial production grew 3.2 percent, below forecasts of 3.6 percent. Its housing starts growth accelerated at a faster-than-expected pace in July, but the annual growth in new construction orders slowed sharply.

Economic growth in India virtually halved in two years to five percent in the fiscal year ended in March 2013, the lowest level in a decade and most economists expects 2013/14 to be worse. India economy appears to be slowing to even lower levels as business confidence collapses under the weight of rapid rupee depreciation, rising energy costs and tightening financial conditions. The withdrawal of funds from emerging markets as investors re-adjust portfolios in anticipation of higher U.S. interest rates has also resulted the rupee to sink faster than most currencies because of its larger current account and fiscal deficits.

The unemployment rate in the eurozone countries continue to increase with recent data from Germany of higher than expected jobless numbers. German retail sales for July has also dropped month on month in real terms and with the latest increase in oil prices arising from the situation in Syria, economic recovery in eurozone is expected to be lacklustre.

With the mixed sentiment in Japan, the poor state of economies of India and eurozone countries and the state of affairs of Syria, the Group will remain cautious of the prospect of the timber industry. The Group will monitor closely the situation in these countries.

**Non-timber**

As the Group's non-timber manufacturing division enters in the second half of the year, it is expected to be challenging amid the market saturation. The division shall continue its approach to maintain its competitive advantage by streamlining its supply chain, focusing on its core products and strengthening branding to deliver product differentiation to customers.

**26. 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.

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

Please refer to the commentary of Note 26.

**28. Profit forecast or profit guarantee**

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

**29. Corporate proposals**

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

There is a claim made by W T K Holdings Berhad against Yayasan Islam Negeri Kedah (YINK) arising from the proposed joint-venture with YINK. WTK Holdings Berhad has obtained judgment against YINK arising from a dispute of a proposed joint-venture with YINK. In the meantime, the Company's legal advisor is presently taking steps to enforce the judgment against YINK.

**30. Changes in material litigation**

There was no material litigation against the Group.

**31. Dividend payable**

Please refer to Note 18 for details.

**32. Disclosure of nature of outstanding derivatives**

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

**33. Rationale for entering into derivatives**

The Group did not enter into any derivatives during current quarter ended 30 June 2013 or the previous financial year ended 31 December 2012.

**34. Risks and policies of derivatives**

The Group did not enter into any derivatives during the current quarter ended 30 June 2013 or the previous financial year ended 31 December 2012.



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**35. 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 30 June 2013 and 31 December 2012.

**36. Breakdown of realised and unrealised profit or losses**

	<b>As at 30.6.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
Total retained profits of W T K Holdings Berhad and its subsidiaries:		
- Realised	1,275,090	1,246,579
- Unrealised	(78,812)	(79,053)
	1,196,278	1,167,526
 Total share of retained profits from an associate company:		
- Realised	-	6,045
- Unrealised	-	(8)
 Total share of retained profits from a jointly controlled entity:		
- Realised	(258)	(274)
	1,196,020	1,173,289
Less: Consolidation adjustments	(212,748)	(211,113)
Total Group retained profits as per consolidated accounts	983,272	962,176

**37. Auditors report on the preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

BY ORDER OF THE BOARD

TAN MEE LIAN  
COMPANY SECRETARY  
KUALA LUMPUR  
Date: 30 AUGUST 2013