

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	699,346	712,970	714,322
Prepaid land lease payments	40,460	41,567	42,674
Investment properties	34,803	35,035	35,266
Investment in an associate	-	7,766	8,966
Investment in a jointly controlled entity	1,566	1,552	2,078
Investment securities	1,312	1,332	3,849
Intangible assets	91,870	95,831	98,671
Biological assets	293,865	245,098	192,910
Deferred tax assets	-	-	387
	<u>1,163,222</u>	<u>1,141,151</u>	<u>1,099,123</u>
Current assets			
Inventories	149,888	159,284	228,091
Trade receivables	97,642	89,161	90,412
Other receivables	50,190	54,334	34,086
Tax recoverable	8,472	11,259	12,398
Cash and bank balances	263,612	237,010	223,919
	<u>569,804</u>	<u>551,048</u>	<u>588,906</u>
TOTAL ASSETS	<u>1,733,026</u>	<u>1,692,199</u>	<u>1,688,029</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013 (Cont'd)

	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Retirement benefit obligations	47	110	351
Short term borrowings	141,858	148,681	238,569
Trade payables	55,056	70,039	47,710
Other payables	22,449	20,485	19,332
Land premium payable	435	433	1,520
Current tax payable	2,100	2,656	2,674
	<u>221,945</u>	<u>242,404</u>	<u>310,156</u>
Net current assets	<u>347,859</u>	<u>308,644</u>	<u>278,750</u>
Non-current liabilities			
Retirement benefit obligations	2,418	1,837	1,540
Long term borrowings	147,139	130,145	90,464
Deferred tax liabilities	78,331	81,507	79,597
Land premium payable	383	747	1,299
	<u>228,271</u>	<u>214,236</u>	<u>172,900</u>
Total liabilities	<u>450,216</u>	<u>456,640</u>	<u>483,056</u>
Net assets	<u>1,282,810</u>	<u>1,235,559</u>	<u>1,204,973</u>
Equity attributable to owners of the Company			
Share capital	219,007	219,007	219,007
Share premium	45,708	45,708	45,708
Treasury shares	(8,083)	(8,062)	(7,570)
Other reserves	2,136	1,411	1,057
Retained earnings	1,007,442	962,176	931,358
	<u>1,266,210</u>	<u>1,220,240</u>	<u>1,189,560</u>
Non-controlling interests	16,600	15,319	15,413
Total equity	<u>1,282,810</u>	<u>1,235,559</u>	<u>1,204,973</u>
TOTAL EQUITY AND LIABILITIES	<u>1,733,026</u>	<u>1,692,199</u>	<u>1,688,029</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 YEAR ENDED 31 DECEMBER 2013 - UNAUDITED

	Current quarter		Cumulative quarter	
	Three months ended 31 December		Twelve months ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	197,802	195,624	714,841	768,675
Cost of sales	(159,670)	(164,830)	(572,810)	(634,634)
Gross Profit	<u>38,132</u>	<u>30,794</u>	<u>142,031</u>	<u>134,041</u>
Other income	6,088	3,307	12,789	10,735
Other item of expenses				
Selling and distribution expenses	(14,509)	(14,616)	(52,047)	(54,668)
Administrative expenses	(12,376)	(6,775)	(34,557)	(25,584)
Operating profit	<u>17,335</u>	<u>12,710</u>	<u>68,216</u>	<u>64,524</u>
Finance costs	(1,468)	(1,367)	(6,312)	(8,242)
Share of results of an associate	-	(256)	(302)	(1,288)
Share of results of a jointly controlled entity	2	3	14	(526)
Profit before tax	<u>15,869</u>	<u>11,090</u>	<u>61,616</u>	<u>54,468</u>
Income tax expenses	3,411	(1,761)	(6,793)	(9,689)
Profit for the period/year	<u>19,280</u>	<u>9,329</u>	<u>54,823</u>	<u>44,779</u>
Other comprehensive income				
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	(91)	138	(15)	371
- Transfer to profit or loss upon disposal	-	(359)	(194)	(766)
Foreign currency translation	(267)	(61)	934	614
Share of other comprehensive income of an associate	-	-	-	135
Other comprehensive income, net of tax	<u>(358)</u>	<u>(282)</u>	<u>725</u>	<u>354</u>
Total comprehensive income for the period/year	<u>18,922</u>	<u>9,047</u>	<u>55,548</u>	<u>45,133</u>
Profit attributable to:				
Owners of the Company	19,348	9,611	54,384	44,670
Non-controlling interests	(68)	(282)	439	109
Profit for the period/year	<u>19,280</u>	<u>9,329</u>	<u>54,823</u>	<u>44,779</u>
Total comprehensive income attributable to:				
Owners of the Company	18,990	9,329	55,109	45,024
Non-controlling interests	(68)	(282)	439	109
Total comprehensive income for the period/year	<u>18,922</u>	<u>9,047</u>	<u>55,548</u>	<u>45,133</u>
Earnings per share attributable to owners of the Company:				
Basic, for profit for the period/year (sen)	<u>4.46</u>	<u>2.21</u>	<u>12.52</u>	<u>10.28</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 YEAR ENDED 31 DECEMBER 2013 - UNAUDITED**

	← Attributable to owners of the Company →									
	← Non-distributable →			Distributable						
	Total equity attributable to the owners of the Company RM'000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Non- controlling interests RM'000	
Year ended 31 December 2013										
At 1 January 2013	1,235,559	1,220,240	219,007	45,708	(8,062)	962,176	1,411	1,299	112	15,319
Total comprehensive income	55,548	55,109	-	-	-	54,384	725	934	(209)	439
Transactions with owners										
Addition of investment in a subsidiary by non-controlling interests	1,015	-	-	-	-	-	-	-	-	1,015
Dividends on ordinary shares	(9,118)	(9,118)	-	-	-	(9,118)	-	-	-	-
Dividends paid to non-controlling interests	(173)	-	-	-	-	-	-	-	-	(173)
Repurchase of treasury shares	(21)	(21)	-	-	(21)	-	-	-	-	-
At 31 December 2013	1,282,810	1,266,210	219,007	45,708	(8,083)	1,007,442	2,136	2,233	(97)	16,600
Year ended 31 December 2012										
At 1 January 2012	1,204,973	1,189,560	219,007	45,708	(7,570)	931,358	1,057	685	372	15,413
Total comprehensive income	45,133	45,024	-	-	-	44,670	354	614	(260)	109
Transactions with owners										
Dividends on ordinary shares	(13,852)	(13,852)	-	-	-	(13,852)	-	-	-	-
Dividends paid to non-controlling interests	(203)	-	-	-	-	-	-	-	-	(203)
Repurchase of treasury shares	(492)	(492)	-	-	(492)	-	-	-	-	-
At 31 December 2012	1,235,559	1,220,240	219,007	45,708	(8,062)	962,176	1,411	1,299	112	15,319

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 YEAR ENDED 31 DECEMBER 2013 - UNAUDITED

	31.12.2013	31.12.2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	61,616	54,468
Adjustment for:		
- Share of results of an associate	302	1,288
- Share of results of a jointly controlled entity	(14)	526
Allowance for impairment	5,137	162
Amortisation	5,068	5,067
Bad debts written off	762	989
Depreciation	34,910	32,950
Dividend income	(112)	(270)
Loss on disposal of an associate	319	-
Gain on disposal of investment securities	(204)	(766)
Gain on disposal of property, plant and equipment	(126)	(139)
Interest income	(3,883)	(3,983)
Interest expense	6,312	8,242
Property, plant and equipment written off	380	128
Retirement benefit obligations	722	200
Reversal of impairment losses on receivables	(280)	(245)
Unrealised gain on foreign exchange	(187)	(6)
Other non-cash items	41	24
	110,763	98,635
Operating profit before working capital changes		
Changes in working capital :		
Net (increase)/decrease in current assets	(414)	48,886
Net (decrease)/increase in current liabilities	(13,028)	21,839
Cash generated from operations	97,321	169,360
Payment of retirement benefit	(204)	(144)
Interest paid	(5,502)	(7,395)
Interest received	3,883	3,983
Taxation paid	(7,785)	(6,301)
Net cash generated from operating activities	87,713	159,503

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013 - UNAUDITED (Cont'd)

	31.12.2013 RM'000	31.12.2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of investment in a subsidiary by non-controlling interests	1,015	-
Biological assets expenditure	(44,220)	(47,983)
Land premium paid	(362)	-
Net dividend received from an associate	-	47
Net dividend received from investment securities	112	269
Proceeds from disposal of an associate	7,145	-
Proceeds from disposal of property, plant and equipment	1,398	291
Proceeds from disposal of investment securities	653	3,234
Purchase of investment properties	(8)	(7)
Purchase of investment securities	(641)	(343)
Purchase of property, plant and equipment	(24,468)	(27,592)
Timber rights paid	-	(1,120)
	<hr/>	<hr/>
Net cash used in investing activities	(59,376)	(73,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interests	(173)	(203)
Dividend paid to owners of the Company	(9,118)	(13,852)
Drawdown of term loans	28,213	41,705
Drawdown of trade financing facilities	346,046	566,028
Interest paid	(810)	(847)
Repayment of hire purchases	(4,532)	(3,185)
Repayment of term loans	(5,008)	(4,137)
Repayment of trade financing facilities	(365,533)	(637,901)
Repurchase of treasury shares	(21)	(492)
	<hr/>	<hr/>
Net cash used in financing activities	(10,936)	(52,884)
Net increase in cash and cash equivalents	17,401	33,415
Effects of exchange rate changes	735	406
Net cash and cash equivalents at the beginning of the year	218,481	184,660
	<hr/>	<hr/>
Net cash and cash equivalents at the end of the year	236,617	218,481
	<hr/>	<hr/>
For Cashflow purposes, net cash and cash equivalents include the following:-		
Cash and bank balances	263,612	237,010
Less: Bank overdraft	(26,995)	(18,529)
	<hr/>	<hr/>
Cash and cash equivalents	236,617	218,481
	<hr/>	<hr/>

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.

W T K HOLDINGS BERHAD (10141-M)
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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 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 28 February 2014.

2. Re-adoption of Financial Reporting Standards (“FRS”)

The interim financial statements are unaudited and have been prepared with the re-adoption of FRS Framework as further explained below and in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements for the year ended 31 December 2013 of the Group are prepared in accordance with FRS and FRS 1, First-time Adoption of the Financial Reporting Standards as the Group falls within the definition of Transitioning Entities which allows for the option to either apply the Malaysian Financial Reporting Standards (“MFRS”) Framework or FRS Framework. In the previous year, the financial statements of the Group were prepared in accordance with MFRS. During the current financial year, Malaysian Accounting Standards Board (“MASB”) issued an exposure draft ED/2013/8 on Agriculture: Bearer Plants wherein it is proposed to scope out bearer plants from IAS 41 Agriculture and include them under IAS 16 Property, Plant and Equipment to be measured at cost model or revaluation model. In the light of this pending proposal, the directors and management are of the view that FRS Framework is more applicable to the Group for the preparation of the financial statements for the year ended 31 December 2013.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 which were prepared under MFRS. 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 Group is required to prepare its opening FRS Statement of Financial Position as at 1 January 2012 (which is also the date of transition) and an explanation how the transition from MFRS to FRS has affected the Group’s financial position in accordance to FRS 1.

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 2013 – unaudited

3. Significant accounting policies (cont'd)

Except for certain differences, the requirements under FRS and MFRS are similar. 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 Financial Reporting Standards (“FRSs”) below.

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs (2012)	1 January 2013
Amendments to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards- Government loans	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guideline	1 January 2013

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 FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 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.

6. Segmental information

	12 months ended		12 months ended	
	31.12.2013		31.12.2012	
	Revenue	Profit/(loss)	Revenue	Profit/(loss)
	RM'000	before tax RM'000	RM'000	before tax RM'000
Timber	567,553	41,636	606,667	38,994
Non-Timber				
Manufacturing	93,659	16,216	110,502	13,268
Trading	50,132	5,406	48,551	5,652
Others	3,497	(1,642)	2,955	(3,446)
	147,288	19,980	162,008	15,474
Total	714,841	61,616	768,675	54,468

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 FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 2013 – unaudited

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		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the period is arrived at after charging:				
Amortisation	1,268	1,267	5,068	5,067
Bad debts written off	685	648	762	989
Depreciation	8,828	8,404	34,910	32,950
Impairment loss on receivables	2,981	-	5,137	162
Interest expense	1,468	1,367	6,312	8,242
Inventories written off	36	8	42	24
Loss on disposal of an associate	-	-	319	-
Property plant and equipment written off	81	83	380	128
and crediting:				
Gain on foreign exchange	586	432	1,340	884
Gain on disposal of quoted investments	-	359	204	766
Gain on disposal of property, plant and equipment	9	21	126	139
Hire of machinery	146	170	674	644
Reversal of allowance for impairment in receivables	148	41	280	245
Interest income	1,263	1,755	3,883	3,983

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 2013 – unaudited

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
Current taxation				
- Malaysian income tax	2,248	3,129	12,377	9,192
- Foreign tax	157	154	604	621
	2,405	3,283	12,981	9,813
Over provision in prior years	(2,984)	(2,917)	(3,010)	(2,419)
	(579)	366	9,971	7,394
Deferred taxation				
- Current year	257	(1,169)	(89)	(123)
- (Over) / Under provision in prior years	(1,191)	2,564	(1,191)	2,418
- Effect of changes in tax rate	(1,898)	-	(1,898)	-
	(2,832)	1,395	(3,178)	2,295
	(3,411)	1,761	6,793	9,689

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 FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 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.

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to the owners of the Company (RM'000)	19,348	9,611	54,384	44,670
Weighted average number of ordinary shares in issue ('000)	434,209	434,506	434,213	434,578
Dilutive potential ordinary shares	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	434,209	434,506	434,213	434,578
Basic EPS (sen)	4.46	2.21	12.52	10.28
Diluted EPS (sen)	4.46	2.21	12.52	10.28

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 2013 – unaudited

11. Property, plant and equipment

During the 12 months ended 31 December 2013, the Group acquired assets at a total cost of RM26,906,000 (31 December 2012: RM36,491,000) excluding property, plant and equipment acquired through business combinations.

Assets with a carrying amount of RM1,272,000 were disposed of by the Group during the 12 months ended 31 December 2013 (31 December 2012: RM152,000), resulting in a gain on disposal of RM126,000 (31 December 2012: gain on disposal of RM139,000).

12. Intangible assets

	Goodwill	Timber	Total
	RM'000	rights	RM'000
		RM'000	RM'000
Cost			
At 1 January 2013	33,728	111,584	145,312
Addition	-	-	-
At 31 December 2013	<u>33,728</u>	<u>111,584</u>	<u>145,312</u>
Accumulated amortisation and impairment			
At 1 January 2013	5,506	43,975	49,481
Amortisation	-	3,961	3,961
At 31 December 2013	<u>5,506</u>	<u>47,936</u>	<u>53,442</u>
Net carrying amount			
At 31 December 2013	<u>28,222</u>	<u>63,648</u>	<u>91,870</u>
At 31 December 2012	<u>28,222</u>	<u>67,609</u>	<u>95,831</u>

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 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:

	Goodwill	Timber	Total
	RM'000	rights	RM'000
		RM'000	
At 31 December 2013			
Timber division	24,598	63,648	88,246
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>63,648</u>	<u>91,870</u>
At 31 December 2012			
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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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the twelve months ended 31 December 2013 – unaudited

13. Cash and cash equivalents

	31.12.2013	31.12.2012
	RM'000	RM'000
Cash on hand and at bank	232,168	220,604
Short term deposits with licensed financial institutions	31,444	16,406
Cash and bank balances	263,612	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.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2013				
Financial investment available-for-sale				
Quoted investments	1,212	-	-	1,212
Unquoted investments	-	-	100	100
	1,212	-	100	1,312
At 31 December 2012				
Financial investment available-for-sale				
Quoted investments	1,132	-	-	1,132
Unquoted investments	-	-	200	200
	1,132	-	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 31 December 2013.

The number of shares bought back and retained as treasury shares amounted to 3,811,000 shares as at 31 December 2013.

16. Interest bearing loans and borrowings

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

	31.12.2013	31.12.2012
	RM'000	RM'000
Short term borrowings		
Secured	67,021	75,800
Unsecured	74,837	72,881
	<u>141,858</u>	<u>148,681</u>
Long term borrowings		
Secured	146,763	129,769
Unsecured	376	376
	<u>147,139</u>	<u>130,145</u>
Total	<u>288,997</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 paid on 1 August 2013.

At the forthcoming Annual General Meeting, a final single-tier dividend of 5.04% per share (31 December 2012: 5.6%) on 438,013,388 ordinary shares less shares bought back and held as treasury shares, amounting to a dividend payable of approximately RM10.931 million (2.52 sen net per share) in respect of the financial year ended 31 December 2013 will be proposed for shareholders' approval.

19. Commitments

There were no material capital commitments in the current quarter ended 31 December 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 nine months ended 31 December 2013 and 31 December 2012 as well as the balances with the related parties as at 31 December 2013 and 31 December 2012:

	Note	Transaction value		Balance outstanding	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 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.	#	264	367	-	-
		264	1,423	-	-
Road toll received:					
Elite Honour Sdn. Bhd.	#	1,336	1,486	46	591
Purchase of logs:					
Harbour-View Realty Sdn. Bhd.	^	8,792	7,577	(256)	1,838
Protection Gloves Sdn. Bhd.	^	9,968	9,209	(115)	(74)
Faedah Mulia Sdn. Bhd.	#	11,982	9,218	(312)	91
Sabal Sawmill Sdn. Bhd.	^	1,332	2,860	648	241
Harvard Rank Sdn. Bhd.	#	18,428	17,576	(1,511)	692
Sunrise Megaway Sdn. Bhd.	#	18,170	9,337	(259)	2,151
Ocarina Development Sdn. Bhd.	#	6,602	16,809	(420)	(199)
K N Wong (M) Sdn. Bhd.	#	1,560	4,304	(159)	(102)
		76,834	76,890	(2,384)	4,638

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21. Related party transactions (cont'd)

	Note	Transaction value		Balance outstanding	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Literage and freight:					
W T K Realty Sdn. Bhd.	#	5,479	6,447	(836)	(115)
Ocarina Development Sdn. Bhd.	#	1,825	1,516	(307)	170
Syarikat Kalulong Sdn. Bhd.	#	283	516	15	(187)
Master Ace Territory Sdn. Bhd.	#	1,154	1,732	(406)	(698)
		<u>8,741</u>	<u>10,211</u>	<u>(1,534)</u>	<u>(830)</u>
Purchase of spare parts:					
W. T. K. Enterprises Sdn. Bhd.	#	5,007	10,067	(238)	854
Purchase of frozen food:					
Sing Chew Coldstorage Sdn. Bhd.	^	1,597	1,711	(70)	(288)
Purchase of hardware and lubricants:					
W.T.K Trading Sdn. Bhd.	#	12,962	18,852	(2,815)	(586)
Purchase of fertilizer:					
Grofields Sdn. Bhd.	#	60	221	-	-
WTK Service & Warehousing Sdn. Bhd. (formerly known as TSC Service & Warehousing Sdn. Bhd.)	^	8,152	9,182	(113)	(661)
		<u>8,212</u>	<u>9,403</u>	<u>(113)</u>	<u>(661)</u>
Contract fees paid in relation to logging operations:					
Harbour-View Realty Sdn. Bhd.	^	-	140	(38)	(11)
Hung Ling Sawmill Sdn. Bhd.	^	-	2,344	(272)	(445)
W T K Realty Sdn. Bhd.	#	537	1,991	(170)	(391)
United Agencies Sdn. Bhd.	^	4,696	5,667	300	-
Ann Yun Logistics Sdn. Bhd.	*	3,239	3,240	(568)	(160)
W T K Realty Builder Sdn. Bhd.	#	1,874	1,648	(166)	(828)
		<u>10,346</u>	<u>15,030</u>	<u>(914)</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

Subsequent to the quarter ended 31 December 2013, the Company had on 18 February 2014 subscribed for additional 4,900,000 new ordinary shares of RM1.00 each issued by its wholly-owned subsidiary, Biogreen Success Sdn. Bhd. for a total consideration of RM4,900,000. The subscription has no significant effect on the financial position and the performance of the Group.

23. Performance review

For the quarter under review, the Group's revenue was RM197.8 million as compared to RM195.6 million in the 4Q2012, representing an increase of RM2.2 million (1.1%), with pre-tax profit of RM15.9 million which is 43.2% higher than 4Q2012 of RM11.1 million.

Quarter 4, 2013

Timber

For the current quarter, the Group's timber division registered a revenue of RM167.0 million, representing an increase of 7.7% or RM11.9 million as compared with RM155.1 million in the 4Q2012. Its pre-tax profit stood at RM14.3 million in the current quarter, reflecting an increase of 90.7% or RM6.8 million when compared to RM7.5 million registered in the 4Q2012. Despite the improved timber demand, sales volume was lower compared to 4Q 2012 due to the prolonged tight log supply condition in Sarawak which resulted in increase in average selling price. The weakening of Malaysian currency against the US currency has contributed significantly to the increase in pre-tax profit.

On a year-to-date (YTD) basis, the timber division registered a revenue of RM567.6 million, representing a decline of 6.4%, as compared to the previous corresponding period of RM606.7 million whilst pre-tax profit of RM41.6 million increased by 6.7% compared to a pre-tax profit of RM39.0 million registered in the previous corresponding period. This is due to the tight log supply situation in Sarawak despite improved demand.

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23. Performance review (cont'd)

Quarter 4, 2013 (cont'd)

Timber (cont'd)

On a year-on-year (YOY) basis, average round log prices increased by 13.6% compared to prices registered in 4Q2012, whilst sales volume decreased by 8.7%. The Group's key export markets for round logs were India (75%), Vietnam (11%) Taiwan (9%), and the remaining 5% exported to China. As for the Group's plywood division, average selling prices increased by 8.7% whilst sales volume decreased by 5.8% compared to 4Q2012. The drop in sales volume despite the improved average selling prices was a result of tight log supply situation in Sarawak. Plywood markets for the quarter under review were Japan (88%), Taiwan (10%) and other ASEAN countries (2%).

Non-timber

Manufacturing and trading

The revenue for the 4Q2013 registered at RM29.8 million, a decline of RM10.0 million or 25.1% when compared to 4Q2012. The decline in revenue was mainly due to the reduced volume for foil products as a result of change of product specification of a major customer. Profit before tax decreased by RM2.8 million, representing a decrease of 65.1% when compared with 4Q2012. The lower profit before tax was attributed by the lower revenue generated from foil products and higher production cost resulting from reduced volume.

Despite of the less favourable results arising from the reduced volume for foil products due to the change of product specification in the Q42013, on a YTD basis, the Group still registered a higher profit before tax of RM21.6 million, an increase of RM2.7 million or 14.3% on a lower revenue of RM143.8 million, a decrease of RM15.3 million or 9.6%. The better profit before tax was achieved from the increase in average gross profit margin resulting from concentrating on high premium products in the previous three quarters. The higher profit before tax was also attributed by the increase in selling prices and lower production cost of tape products arising from cheaper raw materials sourced in the previous three quarters.

Others

The profit before tax for the current quarter showed an improvement due to the higher interest income and lower share of loss arising from associated company when compared with 4Q2012.

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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 4, 2013

Timber

The timber division recorded a revenue of RM167.0 million as compared to 3Q2013's revenue of RM123.2 million, an increase of 35.6%, with pre-tax profit of RM14.3 million whilst 3Q2013's pre-tax profit was RM11.7 million, an increase of 22.2%. This is in line with the continued improvement in the demand for timber products.

Non-timber

Manufacturing and trading

The revenue for the 4Q2013 was RM29.8 million, a decline of RM5.3 million or 15.1% when compared with the 3Q2013. This decline in revenue was mainly due to the reduced volume for foil products as a result of change of product specification of a major customer.

Profit before tax was reported at RM1.5 million, indicating a decrease of RM5.0 million or 76.9% when compared with the 3Q2013. The decrease in profit before tax was mainly attributed by the reduced revenue of premium foil products which carried higher gross profit margin and the reduced volume has also resulted in higher production cost.

Others

The profit before tax for the current quarter showed an improvement due to the higher interest income and rental income.

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25. Commentary on prospects

Timber

Housing starts in Japan came in 18% more in December 2013, following an increase of 14.1% year on year. Construction orders in Japan increased 4.9% in December 2013 over the same month in the previous year. However, Japan's core machinery orders fell 15.7% in December, dropping for the first time in three months after a hefty gain the previous month. Orders for the period between January 2014 to March 2014 is expected to fall 2.9%, after the increase of 1.5% in October 2013 to December 2013, which was the third straight quarter of gains.

To sustain the growth momentum, the Japanese government announced that it would boost spending by about USD53.5 billion. This is also to cushion the impact of a hike in sales tax due in April 2014. Some 5.5 trillion yen will be used to promote reconstruction work in areas worst affected by the March 2011 earthquake and tsunami. A one-time cash handout of 10,000 yen will be extended to every member belonging to household that are currently exempt from residential taxes and an additional 5,000 yen each to pensioners over age 65. The government will also beef up tax breaks for citizens seeking housing loans to avoid last minute rush to buy property before the hike. Japan's Prime Minister Shinzo Abe expects these measures to add about 1% to GDP.

As for India, its GDP growth would likely remain "trapped" in the low range, with financial year 2014 growth forecast of 4.7% and financial year 2015 of 5.3%. The Indian rupee has staged a turnaround from its all time low level in August 2013 largely driven by a slew of emergency measures and the tightening of monetary policy. Despite a better performance in their currency, the rupee remains challenged by a weak external balance and capital account that is sensitive to broader risks appetite.

The US economy got off to a slow start in January 2014 as a result of financial turmoil in emerging markets and extreme winter weather that kept many shoppers at home. However, it is expected that growth would accelerate in the second quarter at a rate of 2.8% for the year. Whilst economists are positive on the US's improved fundamentals, financial troubles in emerging markets such as Turkey and Brazil are seen as risks to the US economic outlook.

The Eurozone economic outlook is slowly improving with even the likes of Greece showing signs that the worst is over. However, economic fundamentals are still fragile, with disparity in performance among nations, especially between Germany and France, the union's largest economies. Similar to the US, the economic conditions in the Eurozone has the potential to be negatively affected by developments in the financial conditions of emerging markets.

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25. Commentary on prospects (cont'd)

Timber (cont'd)

In light of the current economic events, the Group will remain cautious of the prospect of the timber industry. The Group is hopeful that buy orders for logs from its major consuming country, India and Japan's order for plywood will continue to flow through in the coming months.

Non-timber

Recent global economic recovery in the US, Europe and China indicates a good opportunity for the Group's non-timber division to prosper further. However, the availability of alternative substitute remains crucial and challenging for the Group's non-timber division in 2014. The Group's non-timber 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.

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.

Previously, 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. WTK Holdings Berhad has obtained judgment against YINK arising from a dispute of a proposed joint-venture with YINK. The claim has been settled amicably during the current quarter.

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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 31 December 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 31 December 2013 or the previous financial year ended 31 December 2012.

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 31 December 2013 and 31 December 2012.

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36. Breakdown of realised and unrealised profit or losses

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits of W T K Holdings Berhad and its subsidiaries:		
- Realised	1,299,454	1,246,579
- Unrealised	(75,674)	(79,053)
	1,223,780	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	(260)	(274)
	1,223,520	1,173,289
Less: Consolidation adjustments	(216,078)	(211,113)
Total Group retained profits as per consolidated accounts	1,007,442	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: 28 FEBRUARY 2014