

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Unaudited	Audited
	31.3.2014	31.12.2013
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	688,128	693,789
Prepaid land lease payments	40,183	40,460
Investment properties	34,937	34,803
Investment in a jointly controlled entity	1,573	1,566
Investment securities	1,542	1,312
Intangible assets	90,881	91,871
Biological assets	315,256	303,667
Deferred tax assets	1,910	1,910
	<u>1,174,410</u>	<u>1,169,378</u>
Current assets		
Inventories	145,101	149,828
Trade receivables	94,739	98,174
Other receivables	38,315	49,502
Tax recoverable	8,474	8,475
Cash and bank balances	308,457	260,631
	<u>595,086</u>	<u>566,610</u>
TOTAL ASSETS	<u>1,769,496</u>	<u>1,735,988</u>

W T K HOLDINGS BERHAD (10141-M)
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014 (Cont'd)

	Unaudited	Audited
	31.3.2014	31.12.2013
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Retirement benefit obligations	47	47
Short term borrowings	169,373	141,782
Trade payables	52,646	59,788
Other payables	19,793	22,775
Land premium payable	399	435
Current tax payable	2,212	2,112
	<u>244,470</u>	<u>226,939</u>
Net current assets	<u>350,616</u>	<u>339,671</u>
Non-current liabilities		
Retirement benefit obligations	2,470	2,418
Long term borrowings	147,612	147,213
Deferred tax liabilities	79,089	79,212
Land premium payable	-	383
	<u>229,171</u>	<u>229,226</u>
Total liabilities	<u>473,641</u>	<u>456,165</u>
Net assets	<u>1,295,855</u>	<u>1,279,823</u>
Equity attributable to owners of the Company		
Share capital	219,007	219,007
Share premium	45,708	45,708
Treasury shares	(8,097)	(8,084)
Other reserves	2,182	2,104
Retained earnings	1,020,546	1,004,668
	<u>1,279,346</u>	<u>1,263,403</u>
Non-controlling interests	16,509	16,420
Total equity	<u>1,295,855</u>	<u>1,279,823</u>
TOTAL EQUITY AND LIABILITIES	<u>1,769,496</u>	<u>1,735,988</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2014 - UNAUDITED

	Current quarter		Cumulative quarter	
	Three months ended 31 March		Three months ended 31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	169,585	173,779	169,585	173,779
Cost of sales	(136,730)	(141,505)	(136,730)	(141,505)
Gross Profit	<u>32,855</u>	<u>32,274</u>	<u>32,855</u>	<u>32,274</u>
Other income	7,237	2,469	7,237	2,469
Other item of expenses				
Selling and distribution expenses	(12,759)	(12,957)	(12,759)	(12,957)
Administrative expenses	(7,337)	(7,336)	(7,337)	(7,336)
Operating profit	<u>19,996</u>	<u>14,450</u>	<u>19,996</u>	<u>14,450</u>
Finance costs	(1,202)	(1,537)	(1,202)	(1,537)
Share of results of an associate	-	(218)	-	(218)
Share of results of a jointly controlled entity	7	7	7	7
Profit before tax	<u>18,801</u>	<u>12,702</u>	<u>18,801</u>	<u>12,702</u>
Income tax expenses	(2,834)	(3,044)	(2,834)	(3,044)
Profit for the period	<u>15,967</u>	<u>9,658</u>	<u>15,967</u>	<u>9,658</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	230	48	230	48
- Transfer to profit or loss upon disposal	-	(32)	-	(32)
Foreign currency translation	(152)	478	(152)	478
Other comprehensive income, net of tax	<u>78</u>	<u>494</u>	<u>78</u>	<u>494</u>
Total comprehensive income for the period	<u>16,045</u>	<u>10,152</u>	<u>16,045</u>	<u>10,152</u>
Profit attributable to:				
Owners of the Company	15,878	9,428	15,878	9,428
Non-controlling interests	89	230	89	230
Profit for the period	<u>15,967</u>	<u>9,658</u>	<u>15,967</u>	<u>9,658</u>
Total comprehensive income attributable to:				
Owners of the Company	15,956	9,922	15,956	9,922
Non-controlling interests	89	230	89	230
Total comprehensive income for the period	<u>16,045</u>	<u>10,152</u>	<u>16,045</u>	<u>10,152</u>
Earnings per share attributable to owners of the Company:				
Basic, for profit for the period (sen)	<u>3.66</u>	<u>2.17</u>	<u>3.66</u>	<u>2.17</u>

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014 - 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	
Quarter ended 31 March 2014										
At 1 January 2014	1,279,823	1,263,403	219,007	45,708	(8,084)	1,004,668	2,104	2,201	(97)	16,420
Total comprehensive income	16,045	15,956	-	-	-	15,878	78	(152)	230	89
Transactions with owners										
Repurchase of treasury shares	(13)	(13)	-	-	(13)	-	-	-	-	-
At 31 March 2014	1,295,855	1,279,346	219,007	45,708	(8,097)	1,020,546	2,182	2,049	133	16,509
Quarter ended 31 March 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	10,152	9,922	-	-	-	9,428	494	478	16	230
Transactions with owners										
Repurchase of treasury shares	(9)	(9)	-	-	(9)	-	-	-	-	-
At 31 March 2013	1,245,702	1,230,153	219,007	45,708	(8,071)	971,604	1,905	1,777	128	15,549

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2014 - UNAUDITED

	31.3.2014	31.3.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,801	12,702
Adjustment for:		
- Share of results of an associate	-	218
- Share of results of a jointly controlled entity	(7)	(7)
Allowance for impairment loss on receivables	24	272
Allowance for impairment loss on receivables no longer required	(4,385)	(122)
Amortisation	1,267	1,267
Bad debts written off	2	2
Depreciation	9,134	8,682
Dividend income	(30)	(39)
Gain on disposal of investment securities	-	(42)
(Gain)/Loss on disposal of property, plant and equipment	(21)	15
Interest income	(1,112)	(876)
Interest expense	1,202	1,302
Property, plant and equipment written off	-	299
Retirement benefit obligations	52	49
Unrealised gain on foreign exchange	20	5
Other non-cash items	42	-
	<hr/>	<hr/>
Operating profit before working capital changes	24,989	23,727
Changes in working capital :		
Net decrease/(increase) in current assets	23,646	(10,633)
Net decrease in current liabilities	(8,144)	(18,231)
Cash generated from operations	<hr/>	<hr/>
	40,491	(5,137)
Payment of retirement benefit	-	(115)
Interest paid	(1,026)	(1,119)
Interest received	1,112	876
Taxation paid	(2,854)	(1,390)
	<hr/>	<hr/>
Net cash generated from operating activities	<hr/>	<hr/>
	37,723	(6,885)

W T K HOLDINGS BERHAD (10141-M)
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2014 - UNAUDITED (Cont'd)

	31.3.2014	31.3.2013
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Biological assets expenditure	(10,410)	(12,525)
Land premium paid	(419)	(411)
Net dividend received from investment securities	30	39
Proceeds from disposal of property, plant and equipment	270	105
Proceeds from disposal of investment securities	-	191
Purchase of investment properties	(198)	(138)
Purchase of property, plant and equipment	(3,269)	(4,791)
	<hr/>	<hr/>
Net cash used in investing activities	(13,996)	(17,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	2,122	5,383
Drawdown of trade financing facilities	63,580	109,542
Interest paid	(176)	(183)
Repayment of hire purchases	(1,239)	(1,046)
Repayment of term loans	(1,407)	(850)
Repayment of trade financing facilities	(45,136)	(92,254)
Repurchase of treasury shares	(13)	(9)
	<hr/>	<hr/>
Net cash used in financing activities	17,731	20,583
Net increase/(decrease) in cash and cash equivalents	41,458	(3,832)
Effects of exchange rate changes	(140)	339
Net cash and cash equivalents at the beginning of the year	233,635	218,481
	<hr/>	<hr/>
Net cash and cash equivalents at the end of the period	<u>274,953</u>	<u>214,988</u>
For Cashflow purposes, net cash and cash equivalents include the following:-		
Cash and bank balances	308,457	244,332
Less: Bank overdraft	(33,504)	(29,344)
	<hr/>	<hr/>
Cash and cash equivalents	<u>274,953</u>	<u>214,988</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 three months ended 31 March 2014 – 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 27 May 2014.

2. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

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 2013 except for the adoption of the following new/revised Financial Reporting Standards (“FRSs”) below.

On 1 January 2014, the Group adopted the relevant and applicable new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2014 as follows:

Description	Effective for annual periods beginning on or after
Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 136 Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

3. Significant accounting policies (cont'd)

The Group has not adopted the following new and amended FRSs applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 2, FRS 3, FRS 8, FRS 116, FRS124 and FRS 138, Annual Improvements 2010-2012 Cycle	1 July 2014
Amendments to FRS 3, FRS 13, FRS 140, Annual Improvements 2011-2013 Cycle	1 July 2014
Amendments to FRS 119, Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	to be announced
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	to be announced
FRS 9 Financial Instruments (Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139)	to be announced

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.

5. Changes in composition of the Group

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

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

6. Segmental information

	3 months ended 31.3.2014		3 months ended 31.3.2013	
	Revenue RM'000	Profit before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Timber	132,965	12,761	130,947	5,694
Non-Timber				
Manufacturing	24,442	4,597	29,476	6,560
Trading	11,273	1,254	12,568	1,304
Others	905	189	788	(856)
	36,620	6,040	42,832	7,008
Total	169,585	18,801	173,779	12,702

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 sales of timber, manufacture and sales of plywood, veneer and sawn timber.
Manufacturing	:	conversion and sales of aluminium foils, flexible packaging, metallized and electrostatic discharge products, manufacture and sales 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.

7. Seasonality of operations

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

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

8. Profit before tax

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	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
Allowance for impairment loss on receivables	24	272	24	272
Bad debts written off	2	2	2	2
Depreciation	9,134	8,682	9,134	8,682
Interest expense	1,202	1,302	1,202	1,302
Inventories written off	42	-	42	-
Loss on disposal of property, plant and equipment	-	15	-	15
Property plant and equipment written off	-	299	-	299
and crediting:				
Allowance for impairment loss on receivables no longer required	4,385	122	4,385	122
Gain on foreign exchange	69	107	69	107
Gain on disposal of quoted investments	-	42	-	42
Gain on disposal of property, plant and equipment	21	-	21	-
Hire of machinery	131	170	131	170
Interest income	1,112	876	1,112	876

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
Current taxation				
- Malaysian income tax	2,810	2,884	2,810	2,884
- Foreign tax	123	149	123	149
	<u>2,933</u>	<u>3,033</u>	<u>2,933</u>	<u>3,033</u>
Under/(Over) provision in prior years	24	(15)	24	(15)
	<u>2,957</u>	<u>3,018</u>	<u>2,957</u>	<u>3,018</u>
Deferred taxation				
- Current year	(123)	26	(123)	26
- (Over) / Under provision in prior years	-	-	-	-
	<u>(123)</u>	<u>26</u>	<u>(123)</u>	<u>26</u>
	<u><u>2,834</u></u>	<u><u>3,044</u></u>	<u><u>2,834</u></u>	<u><u>3,044</u></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 FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – 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		3 months ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
Profit attributable to the owners of the Company (RM'000)	15,878	9,428	15,878	9,428
Weighted average number of ordinary shares in issue ('000)	434,199	434,219	434,199	434,219
Dilutive potential ordinary shares	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	434,199	434,219	434,199	434,219
Basic EPS (sen)	3.66	2.17	3.66	2.17
Diluted EPS (sen)	3.66	2.17	3.66	2.17

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

11. Property, plant and equipment

During the 3 months ended 31 March 2014, the Group acquired assets at a total cost of RM4,855,000 (31 March 2013: RM6,067,000) excluding property, plant and equipment acquired through business combinations.

Assets with a carrying amount of RM249,000 were disposed of by the Group during the 3 months ended 31 March 2014 (31 March 2013: RM120,000), resulting in a gain on disposal of RM21,000 (31 March 2013: loss on disposal of RM15,000).

12. Intangible assets

	Goodwill	Timber	Total
	RM'000	rights	RM'000
		RM'000	RM'000
Cost			
At 1 January 2014	33,728	111,584	145,312
Addition	-	-	-
At 31 March 2014	33,728	111,584	145,312
Accumulated amortisation and impairment			
At 1 January 2014	5,506	47,935	53,441
Amortisation	-	990	990
At 31 March 2014	5,506	48,925	54,431
Net carrying amount			
At 31 March 2014	28,222	62,659	90,881
At 31 December 2013	28,222	63,649	91,871

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – 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 March 2014			
Timber division	24,598	62,659	87,257
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>62,659</u>	<u>90,881</u>
At 31 December 2013			
Timber division	24,598	63,649	88,247
Trading division	3,616	-	3,616
Manufacturing division	8	-	8
	<u>28,222</u>	<u>63,649</u>	<u>91,871</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 during 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 three months ended 31 March 2014 – unaudited

13. Cash and cash equivalents

	31.3.2014	31.12.2013
	RM'000	RM'000
Cash on hand and at bank	280,734	160,142
Short term deposits with licensed financial institutions	<u>27,723</u>	<u>100,489</u>
Cash and bank balances	<u>308,457</u>	<u>260,631</u>

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 March 2014				
Financial investment available-for-sale				
Quoted investments	1,442	-	-	1,442
Unquoted investments	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
	<u>1,442</u>	<u>-</u>	<u>100</u>	<u>1,542</u>
At 31 December 2013				
Financial investment available-for-sale				
Quoted investments	1,212	-	-	1,212
Unquoted investments	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
	<u>1,212</u>	<u>-</u>	<u>100</u>	<u>1,312</u>

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

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 during the current quarter ended 31 March 2014.

During the current quarter ended 31 March 2014, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM1.32 per share. The total consideration paid for the repurchase including transaction costs was RM13,297 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.

The number of shares bought back and retained as treasury shares amounted to 3,821,000 shares as at 31 March 2014.

16. Interest bearing loans and borrowings

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

	31.3.2014	31.12.2013
	RM'000	RM'000
Short term borrowings		
Secured	70,627	68,679
Unsecured	98,746	73,103
	<u>169,373</u>	<u>141,782</u>
Long term borrowings		
Secured	147,236	146,837
Unsecured	376	376
	<u>147,612</u>	<u>147,213</u>
Total	<u>316,985</u>	<u>288,995</u>

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Explanatory notes pursuant to FRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2014 – unaudited

17. Provisions for costs of restructuring

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

18. Dividends

No interim dividend has been declared for the current quarter ended 31 March 2014 (31 March 2013: RM Nil).

19. Commitments

There were no material capital commitments in the current quarter ended 31 March 2014.

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 three months ended 31 March 2014 and 31 March 2013 as well as the balances with the related parties as at 31 March 2014 and 31 December 2013:

	Note	Transaction value		Balance outstanding	
		31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.12.2013 RM'000
Sawn timber sales:					
W. T. K. Trading Sdn. Bhd.	#	-	-	-	-
Contract fee received:					
Harbour-View Realty Sdn. Bhd.	^	-	-	-	-
Hung Ling Sawmill Sdn Bhd	^	-	-	-	-
W T K Realty Sdn. Bhd.	#	-	-	-	-
Ocarina Development Sdn. Bhd.	#	-	-	-	-
Elite Honour Sdn. Bhd.	#	-	144	-	-
		-	144	-	-
Road toll received:					
Elite Honour Sdn. Bhd.	#	214	440	-	46
Purchase of logs:					
Faedah Mulia Sdn. Bhd.	#	1,930	1,902	(145)	(312)
Harbour-View Realty Sdn. Bhd.	^	43	2,131	222	(256)
Harvard Rank Sdn. Bhd.	#	1,474	4,804	553	(1,511)
K N Wong (M) Sdn. Bhd.	#	-	627	(159)	(159)
Ocarina Development Sdn. Bhd.	#	4,075	2,734	(1,126)	(420)
Protection Gloves Sdn. Bhd.	^	967	1,430	1,169	(115)
Sabal Sawmill Sdn. Bhd.	^	280	536	278	648
Sunrise Megaway Sdn. Bhd.	#	1,449	4,394	(357)	(259)
		10,218	18,558	435	(2,384)

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21. Related party transactions (cont'd)

	Note	Transaction value		Balance outstanding	
		31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.12.2013 RM'000
Litrage and freight:					
Master Ace Territory Sdn. Bhd.	#	201	318	(149)	(406)
Ocarina Development Sdn. Bhd.	#	312	300	(472)	(307)
Syarikat Kalulong Sdn. Bhd.	#	-	135	-	15
W T K Realty Sdn. Bhd.	#	1,379	1,281	(1,747)	(836)
		<u>1,892</u>	<u>2,034</u>	<u>(2,368)</u>	<u>(1,534)</u>
Purchase of spare parts:					
W. T. K. Enterprises Sdn. Bhd.	#	38	2,197	(81)	(238)
WTK Service & Warehousing Sdn. Bhd. (formerly known as TSC Service & Warehousing Sdn. Bhd.)	^	771	-	(52)	-
		<u>38</u>	<u>2,197</u>	<u>(81)</u>	<u>(238)</u>
Purchase of frozen food:					
Sing Chew Coldstorage Sdn. Bhd.	^	433	410	(69)	(70)
Purchase of hardware and lubricants:					
W.T.K Trading Sdn. Bhd.	#	248	4,667	(283)	(2,815)
WTK Service & Warehousing Sdn. Bhd. (formerly known as TSC Service & Warehousing Sdn. Bhd.)	^	2,253	-	(548)	-
		<u>248</u>	<u>4,667</u>	<u>(283)</u>	<u>(2,815)</u>
Purchase of fertilizer:					
Grofields Sdn. Bhd.	#	-	-	-	-
WTK Service & Warehousing Sdn. Bhd. (formerly known as TSC Service & Warehousing Sdn. Bhd.)	^	973	1,625	(837)	(113)
		<u>973</u>	<u>1,625</u>	<u>(837)</u>	<u>(113)</u>
Contract fees paid in relation to logging operations:					
Ann Yun Logistics Sdn. Bhd.	*	808	809	(537)	(568)
Harbour-View Realty Sdn. Bhd.	^	312	-	(38)	(38)
Hung Ling Sawmill Sdn. Bhd.	^	552	-	(936)	(272)
United Agencies Sdn. Bhd.	^	2,766	1,223	75	300
W T K Realty Builder Sdn. Bhd.	#	-	401	-	(166)
W T K Realty Sdn. Bhd.	#	270	-	(165)	(170)
		<u>4,708</u>	<u>2,433</u>	<u>(1,601)</u>	<u>(914)</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 31 March 2014 which could materially affect the Group.

23. Performance review

For the quarter under review, the Group's revenue was RM169.6 million as compared to RM173.8 million in the 1Q2013, representing a decrease of RM4.2 million (2.4%), with pre-tax profit of RM18.8 million which is 48.0% higher than 1Q2013 of RM12.7 million.

Quarter 1, 2014

Timber

For the current quarter, the Group's timber division registered a revenue of RM133.0 million, representing an increase of 1.6% or RM2.1 million as compared with RM130.9 million in the 1Q2013. Its pre-tax profit stood at RM12.8 million in the current quarter, reflecting an increase of 124.6% or RM7.1 million when compared to RM5.7 million registered in the 1Q2013. The better performance was mainly attributed by the plywood division as a result of the spike in demand for new houses in Japan and prolonged tight log supply in Sarawak. In addition to that, the better exchange rate between RM and USD had also played a role to the better performance during the 1Q2014 when compared to 1Q2013.

On a year-on-year (YOY) basis, average round log prices increased by 9.9% compared to prices registered in 1Q2013, whilst sales volume decreased by 16.8%. The Group's key export markets for round logs were India (68%), China (10%), Taiwan (9%), Vietnam (8%), and the remaining 5% exported to other ASEAN countries. As for the Group's plywood division, average selling prices increased by 4.7% whilst sales volume decreased by 5.2% compared to 1Q2013. The drop in sales volume despite the improved average selling prices was a result of tight log supply situation in Sarawak. The major export markets for plywood for the quarter under review were Japan (81%) and Taiwan (19%).

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23. Performance review (cont'd)

Quarter 1, 2014 (cont'd)

Non-timber

Manufacturing and trading

The revenue for the 1Q2014 registered at RM35.7 million, a decline of RM6.3 million or 15.0% when compared to 1Q2013. The decline in revenue was mainly due to the reduced volume for foil products. Profit before tax decreased by RM2.0 million, representing a decrease of 25.3% when compared with the 1Q2013. The lower profit before tax was mainly attributed by the lower revenue generated from foil products and higher production cost resulting from reduced volume.

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 an associated company when compared with 1Q2013.

24. Comment on material change in profit before taxation

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

Quarter 1, 2014

Timber

The timber division recorded a revenue of RM133.0 million as compared to 4Q2013's revenue of RM166.7 million, a decrease of 20.2%. The lower revenue was mainly due to the unfavourable weather condition which hindered the river transportation of logs. Consequently, this has resulted in lower sales of timber products.

However, the timber division reported a higher pre-tax profit of RM12.8 million whilst 4Q2013's pre-tax profit was RM10.4 million, an increase of 23.1%. The higher pre-tax profit was mainly due to the better exchange rate and the recoverability of debts which had been previously impaired.

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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 1, 2014

Non-timber

Manufacturing and trading

The revenue for the 1Q2014 registered at RM35.7 million, an increase of RM5.9 million or 19.8% when compared to the Q42013. The increase in revenue was as a result of the re-stocking activities by the tobacco customers after the lower purchases in the Q4 2013 and the clearing balance of orders committed by a major customer.

Profit before tax was reported at RM5.9 million, indicating an increase of RM3.9 million or 195.0% when compared with the 4Q2013. The increase in profit before tax was mainly attributed by the increased revenue of premium foil products which carried higher gross profit margin and the increased volume has also resulted in lower 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

Total housing starts in Japan for 2013 were up by 11.0% to 980,025 units in anticipation of the rise of consumption tax from 5% to 8%. The first quarter housing starts in 2014 was 216,943 units representing a 3.5% increase as compared to the same quarter last year. However, the annual housing starts for 2014 has been revised to downward in view of anticipation of short-term slowdown during second quarter of 2014 and Japanese companies are curbing production to keep inventories low due to raising concern about demand after the increase of consumption tax. In order to sustain the growth momentum, the Japanese government has announced various incentives and stimulus package to ensure the positive economy impact from “Abenomics” will continue.

The Indian Rupee, despite staging a turnaround from its low level in August 2013 mainly driven by the tightening of monetary policy and some emergency measures, the rupee remains challenged by a weak external balance and capital account that is sensitive to broader risks appetite. The newly elected government is expected to implement certain measures to encourage foreign investments, minimize inflation and to stimulate the economy growth of the country.

In light of the current economic events, the Group will remain cautious of the prospect of the Group’s business activities. The Group will monitor closely the situation in these countries and shall continue to enhance the quality of its products and improve its market share.

Non-timber

For the Group’s non-timber division in 2014, incorporating alternative use or substitutes to keep up with the rapid change in trends of the packaging industry remains crucial. The Group will continue its approach to maintain its competitive advantage by streamlining its supply chain with a focus on its core products and to strengthen branding to deliver better value products to its customers.

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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.

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 March 2014 or the previous financial year ended 31 December 2013.

34. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 31 March 2014 or the previous financial year ended 31 December 2013.

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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 31 March 2014 and 31 December 2013.

36. Breakdown of realised and unrealised profit or losses

	As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of W T K Holdings Berhad and its subsidiaries:		
- Realised	1,310,986	1,294,424
- Unrealised	<u>(74,753)</u>	<u>(74,645)</u>
	1,236,233	1,219,779
Total share of retained profits from a jointly controlled entity:		
- Realised	<u>(253)</u>	<u>(260)</u>
	1,235,980	1,219,519
Less: Consolidation adjustments	<u>(215,434)</u>	<u>(214,851)</u>
Total Group retained profits as per consolidated accounts	<u>1,020,546</u>	<u>1,004,668</u>

37. Auditors report on the preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

BY ORDER OF THE BOARD

TAN MEE LIAN
COMPANY SECRETARY
KUALA LUMPUR
Date: 27 MAY 2014