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

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2018 - UNAUDITED

| | Unaudited 30.9.2018 RM'000 | 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 680,456 | 717,086 | 742,492 |
| Prepaid land lease payments | 31,250 | 32,000 | 33,000 |
| Investment properties | 16,104 | 16,385 | 16,759 |
| Investment in associates | - | 293 | 50,517 |
| Other investments | 510 | 733 | 15,369 |
| Intangible assets | 45,446 | 50,060 | 56,214 |
| Biological assets | 60,233 | 53,758 | 44,868 |
| | 833,999 | 870,315 | 959,219 |
| **Current assets** | | | |
| Prepaid land lease payments | 1,000 | 1,000 | 1,000 |
| Inventories | 134,145 | 111,601 | 147,994 |
| Biological assets | 691 | 672 | 790 |
| Trade receivables | 36,079 | 53,180 | 92,572 |
| Other receivables | 20,030 | 27,071 | 53,958 |
| Tax recoverable | 6,889 | 5,007 | 6,674 |
| Cash and bank balances | 393,236 | 423,544 | 368,047 |
| | 592,070 | 622,075 | 671,035 |
| **Total assets** | 1,426,069 | 1,492,390 | 1,630,254 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 - UNAUDITED (CONT'D)

| | Unaudited 30.9.2018 RM'000 | 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 309,346 | 309,346 | 240,672 |
| Share premium | - | - | 68,674 |
| Treasury shares | (8,156) | (8,156) | (8,156) |
| Other reserves | 5,532 | 5,815 | 6,466 |
| Retained earnings | 723,744 | 656,713 | 858,647 |
| **Equity attributable to owners of the Company** | 1,030,466 | 963,718 | 1,166,303 |
| Non-controlling interests | (15,304) | (13,136) | (9,080) |
| **Total equity** | 1,015,162 | 950,582 | 1,157,223 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 1,860 | 1,960 | 2,210 |
| Long term borrowings | 123,805 | 127,329 | 122,623 |
| Deferred tax liabilities | 71,208 | 71,195 | 69,912 |
| | 196,873 | 200,484 | 194,745 |
| **Current liabilities** | | | |
| Retirement benefit obligations | 328 | 328 | 181 |
| Short term borrowings | 125,277 | 134,454 | 146,952 |
| Trade payables | 69,772 | 165,924 | 106,233 |
| Other payables | 18,080 | 38,310 | 23,262 |
| Current tax payable | 577 | 2,308 | 1,658 |
| | 214,034 | 341,324 | 278,286 |
| **Total liabilities** | 410,907 | 541,808 | 473,031 |
| **Total equity and liabilities** | 1,426,069 | 1,492,390 | 1,630,254 |

Note: The consolidated statements of financial position as at 31 December 2017, and as at the beginning of the financial year ended 31 December 2016 were audited. The statements have been restated arising from the adoption of MFRS as described in Notes 3(a) and 23 to the Interim Financial Statements. The restated consolidated statements of financial position have yet to be audited.

**The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 SEPTEMBER 2018 - UNAUDITED**

| | Current quarter Three months ended 30 September | | Cumulative quarter Nine months ended 30 September | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 (Restated) | 2018 RM'000 | 2017 RM'000 (Restated) |
| **Continuing Operations** | | | | |
| Revenue | 213,174 | 186,254 | 603,223 | 567,809 |
| Cost of sales | (193,502) | (166,434) | (560,614) | (494,951) |
| Gross profit | 19,672 | 19,820 | 42,609 | 72,858 |
| Other income | 9,861 | 5,360 | 143,521 | 16,503 |
| Selling and distribution expenses | (12,528) | (14,404) | (38,695) | (43,532) |
| Administrative and other expenses | (7,341) | (10,143) | (66,192) | (31,539) |
| Operating profit | 9,664 | 633 | 81,243 | 14,290 |
| Finance costs | (3,102) | (3,282) | (8,176) | (8,320) |
| Profit/(Loss) before tax | 6,562 | (2,649) | 73,067 | 5,970 |
| Income tax expense | (624) | (1,252) | (3,070) | (5,941) |
| Profit/(Loss) for the period from continuing operations | 5,938 | (3,901) | 69,997 | 29 |
| **Discontinued Operation** | | | | |
| Loss for the period from discontinued operation | - | (17,427) | (359) | (39,158) |
| **Profit/(Loss) for the period** | 5,938 | (21,328) | 69,638 | (39,129) |
| **Other comprehensive income/(loss)** | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Gain/(Loss) on available-for-sale financial assets | | | | |
| - Gain/(Loss) on fair value changes | 63 | (89) | (220) | 80 |
| - Transfer to profit or loss upon disposal | - | - | (1) | (189) |
| Foreign currency translation | 673 | (41) | (62) | (14) |
| **Other comprehensive income/(loss), net of tax** | 736 | (130) | (283) | (123) |
| **Total comprehensive income/(loss) for the period** | 6,674 | (21,458) | 69,355 | (39,252) |
| **Profit/(Loss) attributable to:** | | | | |
| Owners of the Company | 6,661 | (19,977) | 71,806 | (36,103) |
| Non-controlling interests | (723) | (1,351) | (2,168) | (3,026) |
| **Profit/(Loss) for the period** | 5,938 | (21,328) | 69,638 | (39,129) |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the Company | 7,397 | (20,107) | 71,523 | (36,226) |
| Non-controlling interests | (723) | (1,351) | (2,168) | (3,026) |
| **Total comprehensive income/(loss) for the period** | 6,674 | (21,458) | 69,355 | (39,252) |
| **Earnings/(Loss) per share attributable to owners of the Company:** | | | | |
| Basic | 1.40 | (4.18) | 15.04 | (7.56) |
| **Earnings/(Loss) per share from continuing operations attributable to owners of the Company:** | | | | |
| Basic | 1.40 | (0.53) | 15.12 | 0.64 |
| **Loss per share from discontinued operation attributable to owners of the Company:** | | | | |
| Basic | - | (3.65) | (0.08) | (8.20) |

Note: The comparatives have been restated following the adoption of MFRS as described in Notes 3(a) and 23 to the Interim Financial Statements.

**The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.**

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | Distributable | Non-distributable | | | |
| | Total equity RM'000 | 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 30 September 2018** | | | | | | | | | | |
| **At 1 January 2018, as previously stated** | 1,176,955 | 1,169,035 | 309,346 | - | (8,156) | 862,030 | 5,815 | 5,919 | (104) | 7,920 |
| Effects of transition to MFRS (Note 3(a)) | (226,373) | (205,317) | - | - | - | (205,317) | - | - | - | (21,056) |
| **At 1 January 2018, as restated** | 950,582 | 963,718 | 309,346 | - | (8,156) | 656,713 | 5,815 | 5,919 | (104) | (13,136) |
| Total comprehensive income | 69,355 | 71,523 | - | - | - | 71,806 | (283) | (62) | (221) | (2,168) |
| **Transaction with owners** | | | | | | | | | | |
| Dividends on ordinary shares | (4,775) | (4,775) | - | - | - | (4,775) | - | - | - | - |
| **At 30 September 2018** | 1,015,162 | 1,030,466 | 309,346 | - | (8,156) | 723,744 | 5,532 | 5,857 | (325) | (15,304) |
| **Quarter ended 30 September 2017** | | | | | | | | | | |
| **At 1 January 2017, as previously stated** | 1,376,317 | 1,367,212 | 240,672 | 68,674 | (8,156) | 1,059,556 | 6,466 | 6,576 | (110) | 9,105 |
| Effects of transition to MFRS (Note 3(a)) | (219,094) | (200,909) | - | - | - | (200,909) | - | - | - | (18,185) |
| **At 1 January 2017, as restated** | 1,157,223 | 1,166,303 | 240,672 | 68,674 | (8,156) | 858,647 | 6,466 | 6,576 | (110) | (9,080) |
| Total comprehensive loss | (39,252) | (36,226) | - | - | - | (36,103) | (123) | (14) | (109) | (3,026) |
| **Transaction with owners** | | | | | | | | | | |
| Dividends on ordinary shares | (9,549) | (9,549) | - | - | - | (9,549) | - | - | - | - |
| **Other equity movement** | | | | | | | | | | |
| Transfer pursuant to Companies Act 2016 * | - | - | 68,674 | (68,674) | - | - | - | - | - | - |
| **At 30 September 2017, as restated** | 1,108,422 | 1,120,528 | 309,346 | - | (8,156) | 812,995 | 6,343 | 6,562 | (219) | (12,106) |

Note
* Upon the commencement of the Companies Act 2016 ("CA2016") on 31 January 2017, the amount standing to the credit of the Company's share premium becomes part of the Company's share capital pursuant to Section 618(2) of the CA2016. The Group may use the credit amount of the share premium within twenty-four months upon the commencement of Section 74 of the CA2016.

**The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.**

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED**

| | 30.9.2018<br>RM'000 | 30.9.2017<br>RM'000<br>(Restated) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax from continuing operations | 73,067 | 5,970 |
| Loss before tax from discontinued operation | (359) | (38,432) |
| | 72,708 | (32,462) |
| **Adjustments for:** | | |
| Accretion of interest on Redeemable Convertible Preference Shares ("RCPS") | - | (957) |
| Allowance for impairment loss on receivables | - | 10,000 |
| Allowance for impairment loss on receivables no longer required | - | (1,200) |
| Amortisation | 5,364 | 5,364 |
| Bad debts written off | 35,273 | - |
| Depreciation | 41,632 | 37,279 |
| Dividend income | (19) | (11) |
| Fair value gain on valuation of biological assets | (6,802) | (2,010) |
| Gain on disposal of available-for-sale financial assets | - | (217) |
| Loss on disposal of property, plant and equipment | 1,032 | 1,997 |
| Gain on deconsolidation of a subsidiary | (120,234) | - |
| Interest expense | 8,408 | 9,573 |
| Interest income | (9,369) | (8,306) |
| Inventories written down | 13 | 14 |
| Inventories written off | 26 | 29 |
| Property, plant and equipment written off | 239 | 144 |
| Retirement benefit obligations | 123 | 127 |
| Share of results of associates | 2 | 15,418 |
| Unrealised loss on foreign exchange | 59 | 352 |
| **Operating profit before working capital changes** | 28,455 | 35,134 |
| **Changes in working capital :** | | |
| Net (increase)/decrease in current assets | (2,557) | 26,247 |
| Net (decrease)/increase in current liabilities | (26,940) | 30,913 |
| Cash (used in)/generated from operations | (1,042) | 92,294 |
| Income taxes paid, net of tax refund | (6,152) | (7,869) |
| Interest paid | (8,408) | (9,573) |
| Interest received | 9,369 | 8,306 |
| Payment of retirement benefit | (223) | (188) |
| **Net cash (used in)/from operating activities** | (6,456) | 82,970 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Decrease in fixed deposits pledged to licensed financial institutions | 64 | 64 |
| Purchase of property, plant and equipment | (6,582) | (21,650) |
| Proceeds from disposal of available-for-sale financial assets | - | 1,013 |
| Proceeds from disposal of property, plant and equipment | 984 | 1,827 |
| Net dividend received from investment securities | 19 | 11 |
| Net cash outflow from deconsolidation of a subsidiary | (337) | - |
| **Net cash used in investing activities** | (5,852) | (18,735) |

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED (CONT'D)

| | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividend paid to owners of the Company | (4,775) | (9,549) |
| Drawdown of term loans | 7,157 | 57,287 |
| Drawdown of trade financing facilities | 27,727 | 25,348 |
| Repayment of hire purchases | (888) | (1,592) |
| Repayment of term loans | (19,806) | (48,340) |
| Repayment of trade financing facilities | (31,346) | (40,705) |
| **Net cash used in financing activities** | (21,931) | (17,551) |
| Net (decrease)/increase in cash and cash equivalents | (34,239) | 46,684 |
| Effects of exchange rate changes | (32) | (61) |
| **Net cash and cash equivalents at the beginning of the period** | 421,931 | 344,570 |
| **Net cash and cash equivalents at the end of the period** | 387,660 | 391,193 |

For the purpose of statements of cash flows, net cash and cash equivalents include the following:-

| | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) |
|---|---|---|
| Cash and bank balances | 393,236 | 404,424 |
| Less: Bank overdrafts | (5,576) | (13,231) |
| Cash and cash equivalents | 387,660 | 391,193 |

**The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.**

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – 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 November 2018.

## 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").

Save and disclosed as below, the interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. 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 2017.

## 3. Significant accounting policies

The significant accounting policies and methods of computation adopted by the Group for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and Issues Committee Interpretations ("IC Interpretations") effective for financial year beginning 1 January 2018.

### (a) Changes in accounting policies

On 1 January 2018, the Group adopted the relevant and applicable new and revised MFRSs mandatory for annual financial periods beginning on or after 1 January 2018 as follows:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| MFRS 9 Financial Instruments | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to MFRS 2 Classification and Measurement of Share-based Payments Transactions | 1 January 2018 |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

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

**(a) Changes in accounting policies (cont'd)**

On 1 January 2018, the Group adopted the relevant and applicable new and revised MFRSs mandatory for annual financial periods beginning on or after 1 January 2018 as follows (cont'd):

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 140 Transfers of Investment Property | 1 January 2018 |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to MFRSs Annual Improvements to MFRSs 2014 – 2016 | 1 January 2018 |

The application of the new/revised MFRSs, Amendments to MFRSs and IC Interpretation did not result in any material financial impact to the Group, except for the below changes:

**First time adoption of MFRS**

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ending 31 December 2018. MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2017 (which is also the date of transition), the Group has consistently applied the same accounting policies throughout all years, presented as if these policies had always been in effect and has adjusted the amounts previously reported in financial statements prepared in accordance with Financial Reporting Standards ("FRS"). An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows are as set out in Note 23 to the Interim Financial Statements. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS.

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

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

**(a) Changes in accounting policies (cont'd)**

The application of the new/revised MFRSs, Amendments to MFRSs and IC Interpretation did not result in any material financial impact to the Group, except for the below changes (cont'd):

**First time adoption of MFRS (cont'd)**

*MFRS 141 Agriculture and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants*

In the past, the Group adopted the capital maintenance model on its bearer plants (previously termed as biological assets made up of oil palm plantation development expenditure) whereby the expenditure on new planting (also termed as plantation development expenditure) incurred from the stage of land clearing up to the stage of maturity was capitalised as biological assets at cost and was not amortised. Replanting of same crops expenditure was charged to the profit or loss in the financial year in which the expenditure was incurred.

Upon the adoption of the MFRS, bearer plants (both new planting and replanting) will be accounted for in the same way as self-constructed items of property, plant and equipment. Expenditure on new planting and replanting of bearer plants are capitalised at cost and depreciated on a straight-line basis over the economic useful lives of 25 years for its oil palm trees. The bearer plants will be classified as property, plant and equipment. The bearer plants will be assessed for indicator of impairment, and if indication exists, an impairment test will be performed in accordance with MFRS 136 – Impairment of Assets.

The biological assets of the Group comprise of fresh fruit bunch ("FFB") prior to harvest and trees in planted forest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB and tree logs felled.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

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

**(a) Changes in accounting policies (cont'd)**

The application of the new/revised MFRSs, Amendments to MFRSs and IC Interpretation did not result in any material financial impact to the Group, except for the below changes (cont'd):

**First time adoption of MFRS (cont'd)**

*MFRS 141 Agriculture and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants (cont'd)*

The adoption of MFRS has been applied retrospectively and has resulted in:

- the reclassification of bearer plants from biological assets to property, plant and equipment;

- the capitalisation and subsequent depreciation of bearer plants; and

- the valuation of FFB prior to harvest and trees in planted forest at fair value less cost to sell.

The effects of the adoption of above MFRS on the comparative figures and the reconciliations of the Group's financial statements at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are set out in Note 23 to the Interim Financial Statements.

**(b) Standards issued but not yet effective**

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 9 Prepayments Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

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

**(b) Standards issued but not yet effective (cont'd)**

The Group has not adopted the following new and revised MFRSs applicable to the Group that have been issued but not yet effective (cont'd):

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRSs Annual Improvements to MFRSs 2015 – 2017 Cycle | 1 January 2019 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | # |

# Effective date deferred to a date to be announced by MASB.

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 changes in estimates that have had a material effect in the current financial quarter.

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

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

On 9 August 2018, the Company announced that its wholly-owned subsidiary, Loytape Industries Sdn Bhd had on the same day, incorporated a wholly-owned subsidiary, known as Loytape Marketing Sdn Bhd ("LMSB"). LMSB was incorporated as a private company limited by shares, under the Companies Act 2016, with a paid-up capital of RM2.00 comprising 2 ordinary shares at the issued price of RM1.00 each. The principal activities of LMSB is to carry on the business of marketing and sales of adhesive and gummed tapes, tape related accessories and other packaging materials.

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

## 6. Segmental information

| | **9 months ended 30.9.2018** | | **9 months ended 30.9.2017** | |
|---|---|---|---|---|
| | **Revenue RM'000** | **Profit/(Loss) before tax RM'000** | **Revenue RM'000 (Restated)** | **Profit/(Loss) before tax RM'000 (Restated)** |
| Continuing Operations: | | | | |
| Timber | 487,143 | 4,967 | 478,286 | 16,005 |
| Plantation | 62,593 | (20,244) | 34,458 | (16,339) |
| Manufacturing | 30,480 | 4,066 | 30,685 | 4,372 |
| Trading | 21,587 | 1,372 | 22,790 | 1,614 |
| Others | 1,420 | 82,906 | 1,590 | 318 |
| Total continuing operations | 603,223 | 73,067 | 567,809 | 5,970 |
| Discontinued Operation: | | | | |
| Oil and gas | - | (359) | 24,509 | (38,432) |
| **Total** | **603,223** | **72,708** | **592,318** | **(32,462)** |

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

| | | |
|---|---|---|
| Timber | : | the extraction and sales of timber, manufacture and sales of plywood, veneer and sawn timber and tree planting. |
| Plantation | : | cultivation of oil palm, production and sales of crude palm oil and palm kernel (“CPO & PK”). |
| Oil and Gas | : | provision of Offshore Service Vessels (“OSV”) to the oil majors in Malaysia and the regions, specifically Accommodation Work Boats (“AWB”), a segment within the OSV sector. |
| Manufacturing | : | manufacture and sales of adhesive and gummed tapes. |
| Trading | : | the trading of tapes, foil, papers and electrostatic discharge products. |
| Others | : | rental income, interest income and net gain on deconsolidation of a subsidiary. |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 – unaudited

## 7. Seasonality of operations

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

## 8. Profit/(Loss) before tax

| | Current quarter 3 months ended | | Cumulative quarter 9 months ended | |
|---|---|---|---|---|
| | **30.9.2018** | **30.9.2017** | **30.9.2018** | **30.9.2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| | | **(Restated)** | | **(Restated)** |
| **Profit/(Loss) before tax for the period is arrived at after charging:** | | | | |
| Amortisation | 1,788 | 1,788 | 5,364 | 5,364 |
| Allowance for impairment loss on receivables | - | 10,000 | - | 10,000 |
| Bad debts written off | - | - | 35,273 | - |
| Depreciation | 13,738 | 13,040 | 41,632 | 37,279 |
| Interest expense | 3,102 | 3,712 | 8,408 | 9,573 |
| Inventories written down | - | 5 | 13 | 14 |
| Inventories written off | 10 | 20 | 26 | 29 |
| Loss on foreign exchange | | | | |
| - Unrealised | 49 | - | 59 | 352 |
| - Realised | - | 108 | - | 65 |
| Loss on disposal of property, plant and equipment | - | 598 | 1,032 | 1,997 |
| Property, plant and equipment written off | 8 | 27 | 239 | 144 |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
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## 8. Profit/(Loss) before tax (cont'd)

| | Current quarter 3 months ended | | Cumulative quarter 9 months ended | |
|---|---|---|---|---|
| | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) |
| **and crediting:** | | | | |
| Accretion of interest on RCPS | - | 326 | - | 957 |
| Allowance for impairment loss on receivables no longer required | - | - | - | 1,200 |
| Fair value gain on valuation of biological assets | 3,169 | 755 | 6,802 | 2,010 |
| Gain on deconsolidation of a subsidiary | - | - | 120,234 | - |
| Gain on disposal of available-for-sale financial assets | - | - | - | 217 |
| Gain on disposal of property, plant and equipment | 126 | - | - | - |
| Gain on foreign exchange | | | | |
| - Unrealised | - | 37 | - | - |
| - Realised | 171 | - | 62 | - |
| Hire of machinery | 352 | 158 | 653 | 474 |
| Interest income | 3,208 | 2,995 | 9,369 | 8,306 |
| Reversal of impairment loss on inventories | 2 | - | - | - |

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## 9. Income tax expense

| | Current quarter 3 months ended | | Cumulative quarter 9 months ended | |
|---|---|---|---|---|
| | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) | 30.9.2018 RM'000 | 30.9.2017 RM'000 (Restated) |
| Taxation based on results for the period: | | | | |
| Current income tax | | | | |
| - Malaysian income tax | 1,675 | 1,145 | 3,974 | 5,709 |
| - Foreign tax | 71 | 85 | 233 | 271 |
| | 1,746 | 1,230 | 4,207 | 5,980 |
| (Over)/Under provision in respect of previous years | | | | |
| - Malaysian income tax | (1,150) | 5 | (1,150) | 5 |
| - Foreign tax | - | - | - | (78) |
| | 596 | 1,235 | 3,057 | 5,907 |
| Deferred income tax | | | | |
| - Original and reversal of temporary differences | 28 | 17 | 13 | 31 |
| - Under provision in respect of previous years | - | - | - | 3 |
| | 28 | 17 | 13 | 34 |
| Total | 624 | 1,252 | 3,070 | 5,941 |
| Income tax attributable to: | | | | |
| - Continuing operations | 624 | 1,252 | 3,070 | 5,941 |

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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## 10. Earnings/(Loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the financial period net of tax, attributable to owners of the parent by weighted average number of ordinary shares outstanding during the financial 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 3 months ended** | | **Cumulative quarter 9 months ended** | |
|---|---|---|---|---|
| | **30.9.2018** | **30.9.2017 (Restated)** | **30.9.2018** | **30.9.2017 (Restated)** |
| Profit/(Loss) attributable to the owners of the Company (RM'000) | 6,661 | (19,977) | 71,806 | (36,103) |
| Profit/(Loss) attributable to the owners of the Company (RM'000) | 6,661 | (19,977) | 71,806 | (36,103) |
| Add: Loss from discontinued operation attributable to the owners of the Company | - | 17,427 | 359 | 39,158 |
| Profit/(Loss) from continuing operations attributable to the owners of the Company | 6,661 | (2,550) | 72,165 | 3,055 |
| Weighted average number of ordinary shares in issue ('000) | 477,474 | 477,474 | 477,474 | 477,474 |
| Dilutive potential ordinary shares | - | - | - | - |
| Adjusted weighted average number of ordinary shares in issue ('000) | 477,474 | 477,474 | 477,474 | 477,474 |
| Basic earnings/(loss) per share (sen) | 1.40 | (4.18) | 15.04 | (7.56) |
| Diluted earnings/(loss) per share (sen) | 1.40 | (4.18) | 15.04 | (7.56) |

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## 10. Earnings/(Loss) per share (cont'd)

| | Current quarter 3 months ended | | Cumulative quarter 9 months ended | |
|---|---|---|---|---|
| | 30.9.2018 | 30.9.2017 (Restated) | 30.9.2018 | 30.9.2017 (Restated) |
| Basic earnings/(loss) per share (sen) attributable to: | | | | |
| - Continuing operations | 1.40 | (0.53) | 15.12 | 0.64 |
| - Discontinued operation | - | (3.65) | (0.08) | (8.20) |
| | 1.40 | (4.18) | 15.04 | (7.56) |
| Diluted earnings/(loss) per share (sen) attributable to: | | | | |
| - Continuing operations | 1.40 | (0.53) | 15.12 | 0.64 |
| - Discontinued operation | - | (3.65) | (0.08) | (8.20) |
| | 1.40 | (4.18) | 15.04 | (7.56) |

## 11. Property, plant and equipment

During the nine months ended 30 September 2018, the Group acquired assets with a total cost of RM7,017,000 (30 September 2017: RM22,158,000).

Assets with carrying amount of RM2,016,000 (30 September 2017: RM3,824,000) were disposed of by the Group during the 9 months ended 30 September 2018, resulting in a loss on disposal of RM1,032,000 (30 September 2017: RM1,997,000).

## 12. Intangible assets

| | Goodwill RM'000 | Timber rights RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2017/31 December 2017/30 September 2018 | 33,593 | 111,584 | 145,177 |
| **Accumulated amortisation and impairment** | | | |
| At 1 January 2017 | 9,404 | 79,559 | 88,963 |
| Amortisation | - | 6,154 | 6,154 |
| At 31 December 2017 | 9,404 | 85,713 | 95,117 |
| Amortisation | - | 4,614 | 4,614 |
| At 30 September 2018 | 9,404 | 90,327 | 99,731 |
| **Net carrying amount** | | | |
| At 30 September 2018 | 24,189 | 21,257 | 45,446 |
| At 31 December 2017 | 24,189 | 25,871 | 50,060 |
| At 1 January 2017 | 24,189 | 32,025 | 56,214 |

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

**(a) Impairment testing of goodwill**

**Allocation of goodwill**

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGU") as follows:

| | | Goodwill | |
|---|---|---|---|
| | **30.9.2018** | **31.12.2017** | **1.1.2017** |
| | **RM'000** | **RM'000** | **RM'000** |
| Timber division | 22,873 | 22,873 | 22,873 |
| Trading division | 1,308 | 1,308 | 1,308 |
| Manufacturing division | 8 | 8 | 8 |
| | 24,189 | 24,189 | 24,189 |

The recoverable amount of goodwill is 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 and expected to be granted.

The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

**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. Terminal growth rates**

The forecasted growth are based on industry research and past historical trend.

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## 13. Cash and bank balances

| | 30.9.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|---|---|---|
| Cash on hand and at banks | 176,689 | 109,270 | 118,535 |
| Short term deposits with licensed financial institutions | 216,547 | 314,274 | 249,512 |
| Cash and bank balances | 393,236 | 423,544 | 368,047 |

## 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.

| | Date of valuation | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Assets measured at fair value** | | | | | |
| Available-for-sale financial assets | | | | | |
| - Quoted investments | 30 September 2018 | 410 | - | - | 410 |
| | 31 December 2017 | 633 | - | - | 633 |
| | 1 January 2017 | 1,226 | - | - | 1,226 |

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.

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

The Company did not issue any ordinary shares during the current quarter ended 30 September 2018.

The number of shares bought back and retained as treasury shares amounted to 3,871,000 shares as at 30 September 2018.

**16. Interest bearing loans and borrowings**

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

| | 30.9.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|---|---|---|
| Short term borrowings | | | |
| - Secured | 28,577 | 64,754 | 106,952 |
| - Unsecured | 96,700 | 69,700 | 40,000 |
| | 125,277 | 134,454 | 146,952 |
| Long term borrowings | | | |
| - Secured | 123,805 | 127,329 | 122,623 |
| Total | 249,082 | 261,783 | 269,575 |

**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 30 September 2018 (30 September 2017: RM Nil).

**19. Commitments**

Capital expenditure as at the reporting date are as follows:

| | 30.9.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|---|---|---|
| **Capital expenditure** | | | |
| Approved and contracted for: | | | |
| Property, plant and equipment | 105 | 990 | 21,236 |

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## 20. Contingencies

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

There were no contingent assets as at 30 September 2018, 31 December 2017 and 1 January 2017.

## 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 30 September 2018 and 30 September 2017.

| | | Transaction value | |
|---|---|---|---|
| | | **30.9.2018** | **30.9.2017** |
| | **Note** | **RM'000** | **RM'000** |
| Sawn timber sales: | | | |
| W T K Realty Sdn. Bhd. | # | 23 | 261 |
| W T K Service & Warehousing Sdn. Bhd. | ^ | 323 | 79 |
| | | 346 | 340 |
| Contract fee received: | | | |
| W T K Realty Sdn. Bhd. | # | 71 | 51 |
| Purchase of logs: | | | |
| Harbour-View Realty Sdn. Bhd. | ^ | 7,285 | 7,661 |
| Ocarina Development Sdn. Bhd. | # | 10,028 | 13,666 |
| | | 17,313 | 21,327 |
| Lighterage and freight: | | | |
| Master Ace Territory Sdn. Bhd. | # | 362 | 1,113 |
| Ocarina Development Sdn. Bhd. | # | 1,582 | 1,682 |
| W T K Realty Sdn. Bhd. | # | 3,771 | 7,414 |
| Harbour-View Realty Sdn. Bhd. | ^ | 96 | 49 |
| | | 5,811 | 10,258 |
| Purchase of spare parts: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 16,827 | 19,608 |

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

The following table provides information on the transactions which have been entered into with related parties during the nine months ended 30 September 2018 and 30 September 2017. (cont'd)

| | | Transaction value | |
|---|---|---|---|
| | | **30.9.2018** | **30.9.2017** |
| | **Note** | **RM'000** | **RM'000** |
| Purchase of frozen food and sundry goods: | | | |
| Sing Chew Coldstorage Sdn. Bhd. | ^ | 5,367 | 5,874 |
| Purchase of hardware, fuel, oil and lubricants: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 13,211 | 16,997 |
| Purchase of fertilizer: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 6,491 | 7,034 |
| Contract fees paid in relation to logging operations: | | | |
| Ann Yun Logistics Sdn. Bhd. | * | 2,430 | 2,430 |
| United Agencies Sdn. Bhd. | ^ | 6,681 | 5,721 |
| W T K Realty Sdn. Bhd. | # | 110 | 124 |
| | | 9,221 | 8,275 |
| Sales of fresh fruit bunches: | | | |
| Delta-Pelita Sebakong Sdn. Bhd. | # | 7,915 | 10,492 |
| Harvard Master Sdn. Bhd. | # | 5,415 | 9,410 |
| Southwind Plantation Sdn. Bhd. | # | 1,687 | 2,468 |
| WTK Oil Mill Sdn Bhd | # | - | 72 |
| | | 15,017 | 22,442 |
| Purchase of fresh fruit bunches: | | | |
| Utahol Sdn. Bhd. | # | 11,269 | 3,655 |
| W T K Realty Sdn. Bhd. | # | 42 | 229 |
| | | 11,311 | 3,884 |

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

The following table provides information on the transactions which have been entered into with related parties during the nine months ended 30 September 2018 and 30 September 2017. (cont'd)

| | Note | Transaction value 30.9.2018 RM'000 | Transaction value 30.9.2017 RM'000 |
|---|---|---|---|
| Hiring of machinery paid: | | | |
| B.H.B Sdn. Bhd. | # | 16 | - |
| Harbour-View Realty Sdn. Bhd. | ^ | 102 | - |
| Southwind Plantation Sdn. Bhd. | # | 18 | - |
| Tab Timbers (Sarawak) Sdn. Bhd. | ^ | 71 | - |
| Utahol Sdn. Bhd. | # | 17 | - |
| W T K Realty Sdn. Bhd. | # | 195 | - |
| | | 419 | - |
| Hiring of machinery received: | | | |
| B.H.B Sdn. Bhd. | # | 27 | - |
| Harbour-View Realty Sdn. Bhd. | ^ | 39 | - |
| Imbok Enterprise Sdn. Bhd. | # | 54 | - |
| United Agencies Sdn. Bhd. | ^ | 167 | - |
| Utahol Sdn. Bhd. | # | 27 | - |
| WTK Reforestation Sdn. Bhd. | # | 36 | - |
| | | 350 | - |
| Office rental paid: | | | |
| W T K Realty Sdn. Bhd. | # | 185 | - |
| Management fees and support system paid: | | | |
| WTK Management Services Sdn. Bhd. | # | 3,532 | - |

^ *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.*

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

The outstanding balances arising from related party transactions as at 30 September 2018, 31 December 2017 and 1 January 2017 were as follows:

| | 30.9.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|---|---|---|
| Total outstanding balances due from/(to) related parties included in: | | | |
| Trade receivables (net of allowance for impairment) | 3,971 | 1,848 | 3,045 |
| Other receivables (net of allowance for impairment) | 1,386 | 1,284 | 3,877 |
| Trade payables | (19,644) | (26,321) | (23,622) |
| Other payables | (1,125) | (2,125) | (3,403) |

## 22. Events after the reporting period

There are no events after the quarter ended 30 September 2018 which could materially affect the Group.

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## 23 Comparative figures

The Group’s financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary:

(i) Reconciliation of statements of financial position as at 1 January 2017

| | FRS as at 1.1.2017 RM'000 | Effect of transition to MFRS RM'000 | MFRS as at 1.1.2017 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 616,336 | 126,156 | 742,492 |
| Prepaid land lease payments | 33,000 | - | 33,000 |
| Investment properties | 16,759 | - | 16,759 |
| Investment in associates | 50,517 | - | 50,517 |
| Other investments | 15,369 | - | 15,369 |
| Intangible assets | 56,214 | - | 56,214 |
| Biological assets | 390,908 | (346,040) | 44,868 |
| | 1,179,103 | (219,884) | 959,219 |
| **Current assets** | | | |
| Prepaid land lease payments | 1,000 | - | 1,000 |
| Inventories | 147,994 | - | 147,994 |
| Biological assets | - | 790 | 790 |
| Trade receivables | 92,572 | - | 92,572 |
| Other receivables | 53,958 | - | 53,958 |
| Tax recoverable | 6,674 | - | 6,674 |
| Cash and bank balances | 368,047 | - | 368,047 |
| | 670,245 | 790 | 671,035 |
| **Total assets** | 1,849,348 | (219,094) | 1,630,254 |
| **Equity** | | | |
| Share capital | 240,672 | - | 240,672 |
| Share premium | 68,674 | - | 68,674 |
| Treasury shares | (8,156) | - | (8,156) |
| Other reserves | 6,466 | - | 6,466 |
| Retained earnings | 1,059,556 | (200,909) | 858,647 |
| **Equity attributable to owners of the Company** | 1,367,212 | (200,909) | 1,166,303 |
| Non-controlling interests | 9,105 | (18,185) | (9,080) |
| **Total equity** | 1,376,317 | (219,094) | 1,157,223 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 2,210 | - | 2,210 |
| Long term borrowings | 122,623 | - | 122,623 |
| Deferred tax liabilities | 69,912 | - | 69,912 |
| | 194,745 | - | 194,745 |
| **Current liabilities** | | | |
| Retirement benefit obligations | 181 | - | 181 |
| Short term borrowings | 146,952 | - | 146,952 |
| Trade payables | 106,233 | - | 106,233 |
| Other payables | 23,262 | - | 23,262 |
| Current tax payable | 1,658 | - | 1,658 |
| | 278,286 | - | 278,286 |
| **Total liabilities** | 473,031 | - | 473,031 |
| **Total equity and liabilities** | 1,849,348 | (219,094) | 1,630,254 |

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**23 Comparative figures (cont'd)**

The Group's financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary (cont'd):

(ii) Reconciliation of statements of financial position as at 31 December 2017

| | FRS as at 31.12.2017 RM'000 | Effect of transition to MFRS RM'000 | MFRS as at 31.12.2017 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 595,830 | 121,256 | 717,086 |
| Prepaid land lease payments | 32,000 | - | 32,000 |
| Investment properties | 16,385 | - | 16,385 |
| Investment in associates | 293 | - | 293 |
| Other investments | 733 | - | 733 |
| Intangible assets | 50,060 | - | 50,060 |
| Biological assets | 402,059 | (348,301) | 53,758 |
| | 1,097,360 | (227,045) | 870,315 |
| **Current assets** | | | |
| Prepaid land lease payments | 1,000 | - | 1,000 |
| Inventories | 111,601 | - | 111,601 |
| Biological assets | - | 672 | 672 |
| Trade receivables | 53,180 | - | 53,180 |
| Other receivables | 27,071 | - | 27,071 |
| Tax recoverable | 5,007 | - | 5,007 |
| Cash and bank balances | 423,544 | - | 423,544 |
| | 621,403 | 672 | 622,075 |
| **Total assets** | 1,718,763 | (226,373) | 1,492,390 |
| **Equity** | | | |
| Share capital | 309,346 | - | 309,346 |
| Treasury shares | (8,156) | - | (8,156) |
| Other reserves | 5,815 | - | 5,815 |
| Retained earnings | 862,030 | (205,317) | 656,713 |
| **Equity attributable to owners of the Company** | 1,169,035 | (205,317) | 963,718 |
| Non-controlling interests | 7,920 | (21,056) | (13,136) |
| **Total equity** | 1,176,955 | (226,373) | 950,582 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 1,960 | - | 1,960 |
| Long term borrowings | 127,329 | - | 127,329 |
| Deferred tax liabilities | 71,195 | - | 71,195 |
| | 200,484 | - | 200,484 |
| **Current liabilities** | | | |
| Retirement benefit obligations | 328 | - | 328 |
| Short term borrowings | 134,454 | - | 134,454 |
| Trade payables | 165,924 | - | 165,924 |
| Other payables | 38,310 | - | 38,310 |
| Current tax payable | 2,308 | - | 2,308 |
| | 341,324 | - | 341,324 |
| **Total liabilities** | 541,808 | - | 541,808 |
| **Total equity and liabilities** | 1,718,763 | (226,373) | 1,492,390 |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
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**23 Comparative figures (cont'd)**

The Group's financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary (cont'd):

(iii) Reconciliation of statements of profit or loss and other comprehensive income for the 3 months ended 30 September 2017

| | FRS as at 30.9.2017 (3 months) RM'000 | Effect of transition to MFRS RM'000 | Adjusted to discontinued operation RM'000 | MFRS as at 30.9.2017 (3 months) RM'000 |
|---|---|---|---|---|
| **Continuing Operations** | | | | |
| Revenue | 198,353 | - | (12,099) | 186,254 |
| Cost of sales | (175,196) | (2,960) | 11,722 | (166,434) |
| Gross profit | 23,157 | (2,960) | (377) | 19,820 |
| Other income | 4,930 | 755 | (325) | 5,360 |
| Selling and distribution expenses | (14,404) | - | - | (14,404) |
| Administrative and other expenses | (20,162) | (902) | 10,921 | (10,143) |
| Operating (loss)/profit | (6,479) | (3,107) | 10,219 | 633 |
| Finance costs | (3,186) | (526) | 430 | (3,282) |
| Share of results of associates | (6,052) | - | 6,052 | - |
| Loss before tax | (15,717) | (3,633) | 16,701 | (2,649) |
| Income tax expense | (1,978) | - | 726 | (1,252) |
| Loss for the period from continuing operations | (17,695) | (3,633) | 17,427 | (3,901) |
| **Discontinued Operation** | | | | |
| Loss for the period from discontinued operation | - | - | (17,427) | (17,427) |
| **Loss for the period** | (17,695) | (3,633) | - | (21,328) |
| **Other comprehensive loss** | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Loss on available-for-sale financial assets | | | | |
| - Loss on fair value changes | (89) | - | - | (89) |
| Foreign currency translation | (41) | - | - | (41) |
| **Other comprehensive loss, net of tax** | (130) | - | - | (130) |
| **Total comprehensive loss for the period** | (17,825) | (3,633) | - | (21,458) |
| **Loss attributable to:** | | | | |
| Owners of the Company | (17,207) | (2,770) | - | (19,977) |
| Non-controlling interests | (488) | (863) | - | (1,351) |
| **Loss for the period** | (17,695) | (3,633) | - | (21,328) |
| **Total comprehensive loss attributable to:** | | | | |
| Owners of the Company | (17,337) | (2,770) | - | (20,107) |
| Non-controlling interests | (488) | (863) | - | (1,351) |
| **Total comprehensive loss for the period** | (17,825) | (3,633) | - | (21,458) |
| **Loss per share attributable to owners of the Company:** | | | | |
| Basic | (3.60) | | | (4.18) |
| **Loss per share from continuing operations attributable to owners of the Company:** | | | | |
| Basic | (3.60) | | | (0.53) |
| **Earnings/(Loss) per share from discontinued operation attributable to owners of the Company:** | | | | |
| Basic | - | | | (3.65) |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the nine months ended 30 September 2018 - unaudited

**23 Comparative figures (cont'd)**

The Group's financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary (cont'd):

(iv) Reconciliation of statements of profit or loss and other comprehensive income for the 9 months ended 30 September 2017

| | FRS as at 30.9.2017 (9 months) RM'000 | Effect of transition to MFRS RM'000 | Adjusted to discontinued operation RM'000 | MFRS as at 30.9.2017 (9 months) RM'000 |
|---|---|---|---|---|
| **Continuing Operations** | | | | |
| Revenue | 592,318 | - | (24,509) | 567,809 |
| Cost of sales | (522,735) | (7,643) | 35,427 | (494,951) |
| Gross profit | 69,583 | (7,643) | 10,918 | 72,858 |
| Other income | 15,410 | 2,010 | (917) | 16,503 |
| Selling and distribution expenses | (43,532) | - | - | (43,532) |
| Administrative and other expenses | (39,692) | (3,607) | 11,760 | (31,539) |
| Operating profit | 1,769 | (9,240) | 21,761 | 14,290 |
| Finance costs | (8,404) | (1,169) | 1,253 | (8,320) |
| Share of results of associates | (15,418) | - | 15,418 | - |
| Loss/(Profit) before tax | (22,053) | (10,409) | 38,432 | 5,970 |
| Income tax expense | (6,667) | - | 726 | (5,941) |
| Loss/(Profit) for the period from continuing operations | (28,720) | (10,409) | 39,158 | 29 |
| **Discontinued Operation** | | | | |
| Loss for the period from discontinued operation | - | - | (39,158) | (39,158) |
| **Loss for the period** | (28,720) | (10,409) | - | (39,129) |
| **Other comprehensive loss** | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Loss on available-for-sale financial assets | | | | |
| - Gain on fair value changes | 80 | - | - | 80 |
| - Transfer to profit or loss upon disposal | (189) | - | - | (189) |
| Foreign currency translation | (14) | - | - | (14) |
| **Other comprehensive loss, net of tax** | (123) | - | - | (123) |
| **Total comprehensive loss for the period** | (28,843) | (10,409) | - | (39,252) |
| **Loss attributable to:** | | | | |
| Owners of the Company | (27,420) | (8,683) | - | (36,103) |
| Non-controlling interests | (1,300) | (1,726) | - | (3,026) |
| **Loss for the period** | (28,720) | (10,409) | - | (39,129) |
| **Total comprehensive loss attributable to:** | | | | |
| Owners of the Company | (27,543) | (8,683) | - | (36,226) |
| Non-controlling interests | (1,300) | (1,726) | - | (3,026) |
| **Total comprehensive loss for the period** | (28,843) | (10,409) | - | (39,252) |
| **Loss per share attributable to owners of the Company:** | | | | |
| Basic | (5.74) | | | (7.56) |
| **(Loss)/Earnings per share from continuing operations attributable to owners of the Company:** | | | | |
| Basic | (5.74) | | | 0.64 |
| **Earnings/(Loss) per share from discontinued operation attributable to owners of the Company:** | | | | |
| Basic | - | | | (8.20) |

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**23 Comparative figures (cont'd)**

The Group's financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary (cont'd):

(v) Reconciliation of statements of cash flows for the 9 months ended 30 September 2017

| | FRS as at 30.9.2017 (9 months) RM'000 | Effect of transition to MFRS RM'000 | FRS as at 30.9.2017 (9 months) RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax from continuing operations | 16,379 | (10,409) | 5,970 |
| Loss before tax from discontinued operation | (38,432) | - | (38,432) |
| | (22,053) | (10,409) | (32,462) |
| **Adjustments for:** | | | |
| Accretion of interest on RCPS | (957) | - | (957) |
| Allowance for impairment loss on receivables | 10,000 | - | 10,000 |
| Allowance for impairment loss on receivables no longer required | (1,200) | - | (1,200) |
| Amortisation | 5,364 | - | 5,364 |
| Depreciation | 31,545 | 5,734 | 37,279 |
| Dividend income | (11) | - | (11) |
| Fair value gain on valuation of biological assets | - | (2,010) | (2,010) |
| Gain on disposal of available-for-sale financial assets | (217) | - | (217) |
| Loss on disposal of property, plant and equipment | 1,997 | - | 1,997 |
| Interest expense | 8,404 | 1,169 | 9,573 |
| Interest income | (8,306) | - | (8,306) |
| Inventories written down | 14 | - | 14 |
| Inventories written off | 29 | - | 29 |
| Property, plant and equipment written off | 144 | - | 144 |
| Retirement benefit obligations | 127 | - | 127 |
| Share of results of associates | 15,418 | - | 15,418 |
| Unrealised loss on foreign exchange | 352 | - | 352 |
| **Operating profit before working capital changes** | 40,650 | (5,516) | 35,134 |
| **Changes in working capital :** | | | |
| Net decrease in current assets | 26,247 | - | 26,247 |
| Net increase in current liabilities | 30,913 | - | 30,913 |
| Cash generated from operations | 97,810 | (5,516) | 92,294 |
| Income taxes paid, net of tax refund | (7,869) | - | (7,869) |
| Interest paid | (10,491) | 918 | (9,573) |
| Interest received | 8,306 | - | 8,306 |
| Payment of retirement benefit | (188) | - | (188) |
| **Net cash from operating activities** | 87,568 | (4,598) | 82,970 |

Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
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**23 Comparative figures (cont'd)**

The Group's financial statements has been restated as due to the effects of the adoption of MFRS as disclosed in Note 3(a) to the Interim Financial Statements and the discontinued operation of a subsidiary (cont'd):

(v) Reconciliation of statements of cash flows for the 9 months ended 30 September 2017 (cont'd)

| | FRS as at 30.9.2017 (9 months) RM'000 | Effect of transition to MFRS RM'000 | FRS as at 30.9.2017 (9 months) RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease in fixed deposits pledged to licensed financial institutions | 64 | - | 64 |
| Addition of biological assets | (5,160) | 5,160 | - |
| Purchase of property, plant and equipment | (21,088) | (562) | (21,650) |
| Proceeds from disposal of available-for-sale financial assets | 1,013 | - | 1,013 |
| Proceeds from disposal of property, plant and equipment | 1,827 | - | 1,827 |
| Net dividend received from investment securities | 11 | - | 11 |
| **Net cash used in investing activities** | (23,333) | 4,598 | (18,735) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid to owners of the Company | (9,549) | - | (9,549) |
| Drawdown of term loans | 57,287 | - | 57,287 |
| Drawdown of trade financing facilities | 25,348 | - | 25,348 |
| Repayment of finance leases | (1,592) | - | (1,592) |
| Repayment of term loans | (48,340) | - | (48,340) |
| Repayment of trade financing facilities | (40,705) | - | (40,705) |
| **Net cash used in financing activities** | (17,551) | - | (17,551) |
| Net increase in cash and cash equivalents | 46,684 | - | 46,684 |
| Effects of exchange rate changes | (61) | - | (61) |
| **Net cash and cash equivalents at the beginning of the period** | 344,570 | - | 344,570 |
| **Net cash and cash equivalents at the end of the period** | 391,193 | - | 391,193 |
| For the purpose of statements of cash flows, net cash and cash equivalents include the following:- | | | |
| Cash and bank balances | 404,424 | - | 404,424 |
| Less: Bank overdrafts | (13,231) | - | (13,231) |
| Cash and cash equivalents | 391,193 | - | 391,193 |

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**24. Performance review**

For the current quarter ("3Q2018"), the Group's revenue from its continuing operations was RM213.2 million as compared to RM186.3 million in the preceding year corresponding quarter ("3Q2017"), representing an increase of RM26.9 million or 14.4%. The higher revenue reported was contributed by increased sales by timber division of RM19.7 million, plantation division of RM4.4 million and manufacturing & trading division of RM2.8 million.

As a result, the Group recorded a profit before tax of RM6.6 million from its continuing operations as opposed to a loss before tax of RM2.6 million in 3Q2017. The improved performance was mainly attributed to the timber division as a result of higher sales recorded during the current quarter.

For the Group's discontinued operation of the oil & gas division, there were no financial results for the current quarter following its deconsolidation from the Group's accounts in 1Q2018, as compared to a loss before tax of RM16.7 million recorded in 3Q2017.

Accordingly, the Group reported a profit before tax of RM6.6 million from its continuing and discontinued operations for the current quarter as compared to a loss before tax of RM19.3 million in 3Q2017.

**Quarter 3, 2018**

**<u>Continuing Operations</u>**

**Timber**

<u>3Q2018 compared with 3Q2017</u>

For the current quarter, the timber division recorded a revenue of RM171.0 million, representing an increase of RM19.7 million or 13.0%, as compared to RM151.3 million in 3Q2017. The higher revenue was mainly attributed to higher sales recorded by the log and plywood segments by RM11.8 million and RM7.9 million, respectively.

The higher revenue recorded by the log segment was mainly attributed to increase in revenue generated from logs sold locally by RM24.1 million, as fine-weather conditions facilitated the increase in logs production to meet the local market demand. However, the increase in local sales of logs was partially offset by the decrease in export sales revenue of logs by RM12.3 million as the effect from the depreciation of the Indian Rupee ("INR") against the United States Dollar ("USD") has resulted in the escalation of prices of logs imported into India prompting some buyers to temporarily delay some of their shipments during the quarter. Consequently, the segment recorded a profit before tax of RM0.7 million (3Q2017: RM0.4 million) despite higher sales revenue was recorded as round logs sold locally fetch a lower margin as compared to export grade logs. Additionally, the Group had recognised a gain of RM1.4 million during the current quarter (3Q2017: costs impact of RM0.8 million) from the adoption of MFRS 141 as explained in Note 3(a) to the Interim Financial Statements.

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

**Quarter 3, 2018 (cont'd)**

**Continuing Operations (cont'd)**

**Timber (cont'd)**

3Q2018 compared with 3Q2017 (cont'd)

For the plywood segment, sales revenue for the quarter under review was higher by RM7.9 million mainly due to the increase in average selling prices of plywood by 19.4%, as compared to 3Q2017. This has enabled the plywood segment to record an increase in its profit before tax by RM6.5 million, from RM2.2 million achieved in 3Q2017 to RM8.7 million in the current quarter.

Accordingly, the division recorded a higher profit before tax of RM10.8 million in the current quarter (3Q2017: RM1.8 million).

Current year to date ("9M2018") compared with preceding year to date ("9M2017")

For 9M2018, the division registered a revenue of RM487.1 million, an increase of RM8.8 million or 1.8% as compared to RM478.3 million recorded 9M2017. The higher revenue was mainly attributed to increased sales revenue from the log segment by RM18.7 million, but was partially offset by lower contribution from the plywood segment by RM9.8 million.

For the log segment, revenue derived from local sales increased by RM53.1 million during 9M2018 as demand remained strong, but was partially offset by reduction in export sales revenue by RM34.4 million as buyers from India temporarily delayed some of their shipments due to strengthening of USD against INR. Despite registering a higher sales revenue, the segment recorded a loss before tax of RM6.3 million in 9M2018, as compared to a profit before tax of RM2.6 million in 9M2017. This was mainly due to lower margins derived from logs sold locally as compared to export grade logs. Additionally, the Group had recognised a gain of RM0.9 million during 9M2018 (9M2017: cost impact of RM2.9 million) from the adoption of MFRS 141 as explained in Note 3(a) to the Interim Financial Statements.

For the plywood segment, lower sales revenue was recorded mainly due to drop in sales volume of 11.4% arising from fewer new orders received in order to clear the backlog orders during the preceding two quarters. Consequently, the plywood segment recorded a lower profit before tax of RM10.3 million in 9M2018, representing a reduction of RM6.0 million from RM16.3 million recorded in 9M2017.

Accordingly, the timber division recorded a lower profit before tax of RM5.0 million in 9M2018 as compared to RM16.0 million in 9M2017.

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

**Quarter 3, 2018 (cont'd)**

**Continuing Operations (cont'd)**

**Plantation**

3Q2018 compared with 3Q2017

Plantation division recorded a revenue of RM22.2 million in 3Q2018 as compared to RM17.8 million in 3Q2017, representing an increase of RM4.4 million or 24.7%, mainly attributed to higher sales from its palm oil mill by RM5.0 million, but was partially offset by decline in fresh fruit bunch ("FFB") sales of RM0.5 million.

The higher revenue recorded by the oil mill was achieved on the back of 93.7% increase in the sales volume of crude palm oil ("CPO") during the quarter under review as compared to when the mill was first commissioned in the preceding year corresponding quarter. This brought to a profit before tax of RM1.2 million from a loss before tax of RM0.5 million in 3Q2017.

Despite the sales volume of FFB grew by 23.2%, its revenue declined by RM0.5 million mainly due to 23.1% drop in the average selling price. As a result, its loss before tax for the quarter widened to RM4.8 million (3Q2017: RM2.9 million). Additionally, the Group had recognised the costs impact of RM2.6 million during the current quarter (3Q2017: RM2.8 million) from the adoption of MFRS 141 and 116 as explained in Note 3(a) to the Interim Financial Statements.

Overall, the division's loss before tax in 3Q2018 narrowed by RM0.1 million or 1.6% to RM6.1 million, from RM6.2 million in 3Q2017.

9M2018 compared with 9M2017

For 9M2018, the division reported a surge in revenue by RM28.1 million or 81.7% to RM62.6 million as compared to RM34.5 million in 9M2017. This was attributed to cumulative 9 months sales recorded by its palm oil mill, as compared to only 3 months cumulative sales in 9M2017 when the mill was first commissioned in July 2017. Accordingly, the palm oil mill recorded a profit before tax of RM3.8 million in 9M2018 from a loss before tax of RM0.5 million in 9M2017.

In line with the weakening FFB selling price by 23.2% coupled with increasing operation costs, the estate operations' loss before tax widened to RM16.0 million during 9M2018 as compared to RM8.4 million in 9M2017. Additionally, the Group had recognised the costs impact of RM8.0 million during 9M2018 (9M2017: RM7.5 million) from the adoption of MFRS 141 and 116 as explained in Note 3(a) to the Interim Financial Statements.

Overall, the division's loss before tax widened by RM3.9 million or 24% to RM20.2 million as compared to RM16.3 million in 9M2017.

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

**Quarter 3, 2018 (cont'd)**

**Continuing Operations (cont'd)**

**Manufacturing and Trading**

3Q2018 compared with 3Q2017

The division recorded a revenue of RM19.4 million in 3Q2018, representing an increase of RM2.8 million or 16.9%, when compared to RM16.6 million in 3Q2017. This was mainly due to higher local sales arising from stock-up activities by dealers during the period between 1 June 2018 and 31 August 2018 where the Goods and Services Tax ("GST") rate was set at zero percent ("zero rate GST period"), and prior to the implementation of Sales and Services Tax ("SST") effective 1 September 2018. Accordingly, a higher profit before tax of RM2.5 million was registered when compared to RM1.6 million in the preceding year corresponding quarter, representing an increase of RM0.9 million or 56.3%.

9M2018 compared with 9M2017

For 9M2018, the division registered a revenue of RM52.1 million as compared to RM53.5 million in 9M2017, representing a decrease of RM1.4 million or 2.6%. This was mainly due to reduction in export sales revenue of RM2.7 million, but partially compensated by improved local sales contribution of RM1.3 million. Lower export sales for 9M2018 was mainly due to lower demand of masking tapes from Australia, Thailand and Hong Kong, coupled with the strengthening of Ringgit Malaysia ("RM") against USD, which was at 8.5% premium as compared to 9M2017. Additionally, the lower export sales revenue was further compounded by a 4.8% exchange rate depreciation of Singapore Dollar ("SGD") against RM from its Singapore subsidiary. The increase in local sales was mainly due to stock-up activities by dealers during the zero rate GST period, and prior to the implementation of SST effective 1 September 2018. Accordingly, a lower profit before tax of RM5.4 million was registered when compared to RM6.0 million in 9M2017, representing a decrease of RM0.6 million or 10.0%, in tandem with lower sales, compressed margin from stronger RM against USD and exchange rate depreciation of SGD against RM from its Singapore subsidiary.

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

**Quarter 3, 2018 (cont'd)**

**Continuing Operations (cont'd)**

**Others**

3Q2018 compared with 3Q2017

There were no material changes to the revenue in respect of the current quarter when compared with 3Q2017. However, the division registered a loss before tax of RM0.6 million as compared to a profit before tax of RM0.2 million in 3Q2017 mainly due to finance charges on revolving credit facilities of RM0.4 million and the absence of other income of RM0.3 million in 3Q2018 arising from gain on disposal of quoted shares and accretion of interest on redeemable convertible preference shares.

9M2018 compared with 9M2017

For 9M2018, there were no material changes to the revenue when compared to 9M2017. However, the division registered a higher profit before tax of RM82.9 million as compared to RM0.3 million in 9M2017. This was mainly due to the deconsolidation of a wholly-owned subsidiary, Alanya Marine Ventures Sdn Bhd ("AMV") from the oil and gas division in the first quarter of 2018, subsequent to the winding-up order, as well as the appointment of liquidator on 22 February 2018. Included in 9M2018's profit before tax was a gain on deconsolidation amounting to RM120.3 million, partially offset by the write off of the impairment loss in respect of amount due from AMV of RM35.3 million and finance charges on revolving credit facilities of RM1.0 million.

**Discontinued Operation**

**Oil and Gas**

3Q2018 compared with 3Q2017

The wholly-owned subsidiary, AMV, which was the main unit of the Group's oil and gas division was deconsolidated in the first quarter of 2018, following the order from the High Court of Malaya in Kuala Lumpur for AMV to be wound-up and a liquidator was appointed for AMV on 22 February 2018. Accordingly, there was no financial result for the current quarter as compared to a loss before tax of RM16.7 million from its revenue of RM12.1 million in 3Q2017.

9M2018 compared with 9M2017

For 9M2018, there was no revenue recorded as compared to RM24.5 million in 9M2017 due to the deconsolidation of AMV in the first quarter of 2018. The division's loss before tax stood at RM0.4 million in 9M2018 as compared to RM38.4 million in 9M2017. Its 9M2018's loss before tax was mainly due to unrealised loss on foreign exchange and finance charges on revolving credit facilities prior to the court winding-up order and deconsolidation of AMV.

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

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

**Quarter 3, 2018**

**<u>Continuing Operations</u>**

**Timber**

The division recorded a revenue of RM171.0 million in the current quarter as compared to RM166.4 million in 2Q2018, representing an increase of RM4.6 million or 2.8%. The higher revenue was mainly attributed to higher sales recorded by its plywood segment by RM5.2 million, but was partially offset by marginal reduction in logs sales by RM0.6 million.

For log segment, the lower revenue recorded was mainly attributed to decrease in export sales revenue by RM8.9 million as the depreciation of the INR against the USD prompted buyers from India to temporarily delay some of their shipments. On the other hand, revenue from logs sold locally increased by RM8.3 million over the preceding quarter supported by steady demand. Despite recording a marginal reduction in sales revenue, the segment's profit before tax improved by RM1.4 million, from a loss before tax of RM0.7 million recorded in the preceding quarter to a profit before tax of RM0.7 million in the current quarter, mainly due to a 35.6% surge in logs production volume resulting in lower unit costs of sales. Additionally, the Group had recognised a gain of RM1.4 million during the current quarter (2Q2018: RM1.0 million) from the adoption of MFRS 141 as explained in Note 3(a) to the Interim Financial Statements.

Revenue for plywood segment increased by RM5.2 million mainly due to higher average selling prices of plywood. This has enabled the segment to record a higher profit before tax by RM1.0 million, from RM7.6 million in the preceding quarter to RM8.6 million in the current quarter.

Accordingly, the division recorded a profit before tax of RM10.8 million in the current quarter (2Q2018: RM7.9 million).

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## 25. Comment on material change in profit before taxation

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

**Quarter 3, 2018**

**Continuing Operations**

**Plantation**

Plantation division's revenue for 3Q2018 fell marginally by RM0.9 million or 4% to RM22.2 million from RM23.1 million in 2Q2018, mainly due to lower sales revenue from palm oil mill operations by RM1.9 million which had been partially offset by RM0.9 million increase in FFB sales.

For the current quarter under review, the higher sales revenue from estate operations was attributed to a 20.8% increase in FFB sales volume in the peak crop production season. Consequently, the estate operations reported a lower loss before tax at RM4.8 million in 3Q2018 (2Q2018: RM5.6 million). Additionally, the Group had recognised the costs impact of RM2.6 million during the current quarter (2Q2018: RM2.6 million) from the adoption of MFRS 141 and 116 as explained in Note 3(a) to the Interim Financial Statements.

For palm oil mill operations, sales revenue fell by RM1.8 million or 12.2% to RM13.0 million from RM14.8 million in 2Q2018, mainly due to decrease in CPO sale volume by 9.8% which has been caused by on-going delay in unloading of CPO to refinery terminals during the current peak crop season. As a result, palm oil mill operations recorded a lower profit before tax of RM1.2 million, a decrease of RM0.5 million from RM1.7 million recorded in 2Q2018.

Accordingly, the division reported a lower loss before tax of RM6.1 million, a reduction of RM0.4 million from a loss before tax of RM6.5 million reported in the preceding quarter.

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

**Material Changes for the Quarter Reported on as Compared with the Preceding Quarter (cont'd)**

**Quarter 3, 2018 (cont'd)**

**<u>Continuing Operations (cont'd)</u>**

**Manufacturing and Trading**

Revenue for the manufacturing and trading division recorded an increase of RM2.6 million or 15.5% to RM19.4 million as compared to RM16.8 million in 2Q2018. The improved revenue was contributed by the increase in both local and export sales by RM1.6 million and RM1.0 million, respectively. The increase in local sales was mainly due to stock-up activities by dealers during the zero rate GST period, and prior to the implementation of SST effective 1 September 2018, whilst, higher export sales for the current quarter was mainly due to increased demand of masking tapes. Accordingly, a higher profit before tax of RM2.5 million was recorded for 3Q2018, representing an increase of RM0.8 million or 47.1% when compared to RM1.7 million in 2Q2018.

**Others**

There were no material changes to the revenue in respect of the current quarter when compared with 2Q2018. However, the division recorded a lower loss before tax of RM0.5 million in the current quarter as compared to RM0.9 million in 2Q2018. The lower loss before tax in the current quarter was mainly due to the absence of incidental expenses incurred in connection with annual general meeting.

**<u>Discontinued Operation</u>**

**Oil and Gas**

There was no financial result for the current and preceding quarter following the deconsolidation of AMV in the first quarter of 2018.

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**26. Commentary on prospects**

The on-going trade tension between the world's major economies, i.e. United States of America and its trade partners, and tightening monetary policy have led to volatility in the equity and foreign exchange markets. This has increased the uncertainty in the growth prospects of global economy. Prolonged uncertainties may also dampen growth of economies in the region. In light of the current economic events and the weakening of the commodity prices, the Group will remain cautious of the prospect of the Group's business activities.

**Timber**

Demand for logs from the Group's main export market, India, is expected to remain soft, mainly due to broadly lower INR against the USD and buyers adopting a wait and see approach. However, the Group foresees a slight recovery of logs demand underpinned by lower prices after the Deepavali holiday season as importers are expected to replenish their logs inventory. The Group maintains a cautious outlook for logs export market over the short term.

Plywood segment sales is expected to face competition from Japanese domestic plywood supply as well as imported plywood from Indonesia. As a result, the plywood market is experiencing the downward pressure of selling price. Given this scenario, the Group's emphasis on product quality of its premium floor-base plywood products in meeting Japanese consumers' expectation and requirements will enable the Group to differentiate itself from its competitions. This augurs well for the plywood segment as the Group expects such product differentiation will be an added advantage to secure the continuing flow of orders for its premium floor-base plywood products from Japan.

**Plantation**

The Group's FFB production for the year-to-date increased by 22.8% as compared to the previous year corresponding period, and production would continue to improve as our palms age profile are gradually moving up higher yield production cycle. However, performance of the plantation division remains challenging in view of the prevailing low CPO prices and high CPO stock level. With the full year production of CPO and PK in 2018, the performance of the palm oil mill is expected to remain satisfactory.

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

**Manufacturing and Trading**

For the Group's manufacturing and trading division, the challenges continue to be stiff competition from export markets and increased substitute or alternative products. The implementation of SST with effect from 1 September 2018 is expected to normalise consumers spending and slow down the domestic demand, following the stock-up activities by dealers during the zero rate GST period. This may be further compounded by the declining value of the RM which will raise the cost of imported raw materials, leading to increased production costs for domestic businesses.

In the face of the challenging economic conditions, the Group is determined to continuously implement appropriate measures to maintain its competitiveness in both the domestic and overseas market. This includes continual product innovation and differentiation apart from focusing on its core competency on product quality and branding. Given the impact of SST on the profitability of the division, the Group will look into revising its selling prices gradually to counter the effect of the increase in production costs. Additionally, the Group will continuously review its product mix and to improve production efficiency to achieve lower production costs so as to deliver quality and competitively priced products to its customers.

At the same time, the Group will continue to expand its efforts to broaden its market reach and customer base, especially overseas markets.

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

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

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

Please refer to the commentary on Note 27 to the Interim Financial Statements.

**29. Profit forecast or profit guarantee**

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

**30. Corporate proposal**

There is no corporate proposal announced.

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**31. Changes in material litigation**

There was no material litigation against the Group.

**32. Dividend payable**

Please refer to Note 18 to the Interim Financial Statements for details.

**33. Disclosure on nature of outstanding derivatives**

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

**34. Rationale for entering into derivatives**

The Group did not enter into any derivatives during the current quarter ended 30 September 2018 or the previous financial period ended 30 September 2017.

**35. Risks and policies of derivatives**

The Group did not enter into any derivatives during the current quarter ended 30 September 2018 or the previous financial period ended 30 September 2017.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2018, 31 December 2017 and 1 January 2018.

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

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

BY ORDER OF THE BOARD

DAVID TING KAH SOON
TAN MEE LIAN
COMPANY SECRETARIES
KUALA LUMPUR
Date: 30 NOVEMBER 2018