

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019 - UNAUDITED

	31.3.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	699,099	715,128
Prepaid land lease payments	30,750	31,000
Investment properties	15,917	16,010
Other investments	579	439
Intangible assets	42,368	43,906
Biological assets	65,233	63,303
	853,946	869,786
Current assets		
Prepaid land lease payments	1,000	1,000
Biological assets	259	396
Inventories	165,339	130,148
Trade receivables	38,792	59,126
Other receivables	23,770	26,971
Tax recoverable	4,447	5,426
Cash and bank balances	365,492	384,226
	599,099	607,293
Total assets	1,453,045	1,477,079

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019 - UNAUDITED (CONT'D)

	31.3.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
Equity		
Share capital	309,346	309,346
Treasury shares	(8,156)	(8,156)
Other reserves	4,973	5,476
Retained earnings	793,820	797,849
	1,099,983	1,104,515
Equity attributable to owners of the Company		
Non-controlling interests	(8,247)	(6,885)
	1,091,736	1,097,630
Non-current liabilities		
Deferred tax liabilities	43,168	43,175
Retirement benefit obligations	2,143	1,918
Loans and borrowings	119,315	119,483
	164,626	164,576
Current liabilities		
Retirement benefit obligations	181	181
Loans and borrowings	94,951	118,526
Trade payables	79,208	72,544
Other payables	19,284	20,954
Income tax payable	3,059	2,668
	196,683	214,873
Total liabilities	361,309	379,449
Total equity and liabilities	1,453,045	1,477,079

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 31 March		Three months ended 31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	179,447	181,615	179,447	181,615
Cost of sales	<u>(162,999)</u>	<u>(178,715)</u>	<u>(162,999)</u>	<u>(178,715)</u>
Gross profit	16,448	2,900	16,448	2,900
Other income	5,831	4,914	5,831	4,914
Selling and distribution expenses	(10,407)	(12,800)	(10,407)	(12,800)
Administrative and other expenses	<u>(12,420)</u>	<u>(13,299)</u>	<u>(12,420)</u>	<u>(13,299)</u>
Operating profit	(548)	(18,285)	(548)	(18,285)
Finance costs	<u>(2,420)</u>	<u>(2,327)</u>	<u>(2,420)</u>	<u>(2,327)</u>
Loss before tax	(2,968)	(20,612)	(2,968)	(20,612)
Income tax expense	<u>(2,239)</u>	<u>(809)</u>	<u>(2,239)</u>	<u>(809)</u>
Loss for the period from continuing operations	(5,207)	(21,421)	(5,207)	(21,421)
Discontinued Operation				
Profit for the period from discontinued operation	<u>-</u>	<u>84,601</u>	<u>-</u>	<u>84,601</u>
(Loss)/Profit for the period	<u>(5,207)</u>	<u>63,180</u>	<u>(5,207)</u>	<u>63,180</u>
Other comprehensive loss				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	<u>(643)</u>	<u>(849)</u>	<u>(643)</u>	<u>(849)</u>
Item that will not be reclassified subsequently to profit or loss:				
Gain/(Loss) on fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	140	(68)	140	(68)
Remeasurement loss on retirement benefit obligations	<u>(184)</u>	<u>-</u>	<u>(184)</u>	<u>-</u>
	<u>(44)</u>	<u>(68)</u>	<u>(44)</u>	<u>(68)</u>
Other comprehensive loss, net of tax	<u>(687)</u>	<u>(917)</u>	<u>(687)</u>	<u>(917)</u>
Total comprehensive (loss)/income for the period	<u>(5,894)</u>	<u>62,263</u>	<u>(5,894)</u>	<u>62,263</u>
(Loss)/Profit attributable to:				
Owners of the Company	(3,845)	63,935	(3,845)	63,935
Non-controlling interests	<u>(1,362)</u>	<u>(755)</u>	<u>(1,362)</u>	<u>(755)</u>
(Loss)/Profit for the period	<u>(5,207)</u>	<u>63,180</u>	<u>(5,207)</u>	<u>63,180</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(4,532)	63,018	(4,532)	63,018
Non-controlling interests	<u>(1,362)</u>	<u>(755)</u>	<u>(1,362)</u>	<u>(755)</u>
Total comprehensive (loss)/income for the period	<u>(5,894)</u>	<u>62,263</u>	<u>(5,894)</u>	<u>62,263</u>
(Loss)/Earnings per share attributable to owners of the Company:				
Basic	<u>(0.81)</u>	<u>13.39</u>	<u>(0.81)</u>	<u>13.39</u>
Loss per share from continuing operations attributable to owners of the Company:				
Basic	<u>(0.81)</u>	<u>(4.32)</u>	<u>(0.81)</u>	<u>(4.32)</u>
Earnings per share from discontinued operation attributable to owners of the Company:				
Basic	<u>-</u>	<u>17.71</u>	<u>-</u>	<u>17.71</u>

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019 - UNAUDITED**

	← Attributable to owners of the Company →								Non-controlling interests RM'000
	Total equity RM'000	Total equity attributable to the owners of the Company RM'000	← Non-distributable →		Distributable		Non-distributable		
Share capital 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		
Quarter ended 31 March 2019									
At 1 January 2019	1,097,630	1,104,515	309,346	(8,156)	797,849	5,476	5,874	(398)	(6,885)
Total comprehensive income	(5,894)	(4,532)	-	-	(4,029)	(503)	(643)	140	(1,362)
At 31 March 2019	1,091,736	1,099,983	309,346	(8,156)	793,820	4,973	5,231	(258)	(8,247)
Quarter ended 31 March 2018									
At 1 January 2018	950,582	963,718	309,346	(8,156)	656,713	5,815	5,919	(104)	(13,136)
Total comprehensive loss	62,263	63,018	-	-	63,935	(917)	(849)	(68)	(755)
At 31 March 2018	1,012,845	1,026,736	309,346	(8,156)	720,648	4,898	5,070	(172)	(13,891)

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019 - UNAUDITED

	31.3.2019	31.3.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(2,968)	(20,612)
Profit before tax from discontinued operation	-	84,601
	<u>(2,968)</u>	<u>63,989</u>
Adjustments for:		
Amortisation	1,788	1,788
Bad debts written off	-	35,273
Depreciation	15,773	14,057
Loss on disposal of property, plant and equipment	1,108	1,069
Net fair value gain on valuation of biological assets	(1,306)	(502)
Gain on deconsolidation of a subsidiary	-	(120,234)
Interest expense	2,420	3,415
Interest income	(2,825)	(3,604)
Inventories written down	4	5
Inventories written off	5	12
Property, plant and equipment written off	-	187
Retirement benefit obligations	41	41
Share of results of associates	-	2
Unrealised loss on foreign exchange	-	199
	<u>14,040</u>	<u>(4,303)</u>
Operating profit/(loss) before working capital changes	14,040	(4,303)
Changes in working capital :		
Net (increase)/decrease in current assets	(11,732)	14,256
Net increase/(decrease) in current liabilities	5,016	(14,474)
Cash generated from/(used in) operations	<u>7,324</u>	<u>(4,521)</u>
Income taxes paid, net of tax refund	(875)	(1,816)
Interest paid	(2,420)	(3,415)
Interest received	<u>2,825</u>	<u>3,604</u>
Net cash from/(used in) operating activities	<u>6,854</u>	<u>(6,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of biological assets	(487)	-
Decrease in fixed deposits pledged to licensed financial institutions	-	64
Purchase of property, plant and equipment	(1,968)	(2,271)
Proceeds from disposal of property, plant and equipment	1,108	147
Net cash outflow from deconsolidation of a subsidiary	<u>-</u>	<u>(337)</u>
Net cash used in investing activities	<u>(1,347)</u>	<u>(2,397)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019 - UNAUDITED (CONT'D)

	31.3.2019	31.3.2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	111	111
Drawdown of trade financing facilities	13,527	3,247
Repayment of hire purchases	(225)	(401)
Repayment of term loans	(7,946)	(5,470)
Repayment of trade financing facilities	(29,428)	(34,647)
Net cash used in financing activities	<u>(23,961)</u>	<u>(37,160)</u>
Net decrease in cash and cash equivalents	(18,454)	(45,705)
Effects of exchange rate changes	(507)	(404)
Net cash and cash equivalents at the beginning of the year	<u>382,847</u>	<u>421,931</u>
Net cash and cash equivalents at the end of the year	<u><u>363,886</u></u>	<u><u>375,822</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:-		
Cash and bank balances	365,492	378,089
Less: Bank overdrafts	<u>(1,606)</u>	<u>(2,267)</u>
Cash and cash equivalents	<u><u>363,886</u></u>	<u><u>375,822</u></u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Explanatory notes pursuant to MFRS 134 and Chapter 9, Appendix 9B, Part A
For the three months ended 31 March 2019 – 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 May 2019.

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 2018. 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 2018.

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 2018, 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 2019.

(a) Changes in accounting policies

On 1 January 2019, the Group adopted the relevant and applicable new and revised MFRSs mandatory for annual financial periods beginning on or after 1 January 2019 as follows:

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

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3. Significant accounting policies (cont'd)

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

On 1 January 2019, the Group adopted the relevant and applicable new and revised MFRSs mandatory for annual financial periods beginning on or after 1 January 2019 as follows (cont'd):

Description	Effective for annual periods beginning on or after
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
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRSs Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019

The adoption of the new/revised MFRSs, Amendments to MFRSs and IC Interpretation did not result in any material financial impact to the Group.

(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
MFRSs Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 Definition of Material	1 January 2020
Amendments to MFRS 108 Definition of Material	1 January 2020
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.

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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.

6. Segmental information

	3 months ended 31.3.2019		3 months ended 31.3.2018	
	Revenue RM'000	Profit/(Loss) before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
<u>Continuing Operations:</u>				
Timber	146,290	6,171	149,611	(13,702)
Plantation	14,485	(10,119)	15,742	(7,625)
Manufacturing	8,439	1,305	9,052	768
Trading	9,954	663	6,772	470
Others	279	(988)	438	(523)
Total continuing operations	<u>179,447</u>	<u>(2,968)</u>	<u>181,615</u>	<u>(20,612)</u>
<u>Discontinued Operation:</u>				
Oil and gas	-	-	-	84,601
Total	<u>179,447</u>	<u>(2,968)</u>	<u>181,615</u>	<u>63,989</u>

The Group is organised into business units based on their products and services, and has five 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”).
- Manufacturing : manufacture and sales of adhesive and gummed tapes.

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For the three months ended 31 March 2019 – unaudited

6. Segmental information (cont'd)

The Group is organised into business units based on their products and services, and has five reportable operating segments as follows (cont'd):

Trading	:	the trading of tapes, foil, papers and electrostatic discharge products.
Others	:	rental income and interest income.

7. Seasonality of operations

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

8. Loss before tax

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
Loss before tax for the period is arrived at after charging:				
Amortisation	1,788	1,788	1,788	1,788
Bad debts written off	-	35,273	-	35,273
Depreciation	15,773	14,057	15,773	14,057
Interest expense	2,420	3,415	2,420	3,415
Inventories written down	4	5	4	5
Inventories written off	5	12	5	12
Loss on foreign exchange				
- Unrealised	-	199	-	199
- Realised	91	215	91	215
Loss on disposal of property, plant and equipment	1,108	1,069	1,108	1,069
Property, plant and equipment written off	-	187	-	187

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8. Loss before tax (cont'd)

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
and crediting:				
Gain on deconsolidation of a subsidiary	-	120,234	-	120,234
Hire of machinery	204	87	204	87
Interest income	2,825	3,604	2,825	3,604
Net gain arising from changes in fair value of biological assets	1,306	502	1,306	502

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	2,102	738	2,102	738
- Foreign tax	92	79	92	79
	2,194	817	2,194	817
<u>Under provision in respect of previous years</u>				
- Malaysian income tax	52	-	52	-
	2,246	817	2,246	817
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	(7)	(8)	(7)	(8)
Total	2,239	809	2,239	809
Income tax attributable to:				
- Continuing operations	2,239	809	2,239	809

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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For the three months ended 31 March 2019 – unaudited

10. (Loss)/Earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit for the financial year 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		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
(Loss)/Profit attributable to the owners of the Company (RM'000)	(3,845)	63,935	(3,845)	63,935
(Loss)/Profit attributable to the owners of the Company (RM'000)	(3,845)	63,935	(3,845)	63,935
Less: Gain from discontinued operation attributable to the owners of the Company	-	(84,601)	-	(84,601)
Loss from continuing operations attributable to the owners of the Company	(3,845)	(20,666)	(3,845)	(20,666)
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 (loss)/earnings per share (sen)	(0.81)	13.39	(0.81)	13.39
Diluted (loss)/earnings per share (sen)	(0.81)	13.39	(0.81)	13.39

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For the three months ended 31 March 2019 – unaudited

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

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
Basic (loss)/earnings per share (sen)				
attributable to:				
- Continuing operations	(0.81)	(4.32)	(0.81)	(4.32)
- Discontinued operation	-	17.71	-	17.71
	<u>(0.81)</u>	<u>13.39</u>	<u>(0.81)</u>	<u>13.39</u>
Diluted (loss)/earnings per share (sen)				
attributable to:				
- Continuing operations	(0.81)	(4.32)	(0.81)	(4.32)
- Discontinued operation	-	17.71	-	17.71
	<u>(0.81)</u>	<u>13.39</u>	<u>(0.81)</u>	<u>13.39</u>

11. Property, plant and equipment

During the three months ended 31 March 2019, the Group acquired assets with a total cost of RM1,968,000 (31 March 2018: RM2,479,000).

Assets with carrying amount of RM2,216,000 (31 March 2018: RM1,216,000) were disposed by the Group during the 3 months ended 31 March 2019, resulting in a loss on disposal of RM1,108,000 (31 March 2018: RM1,069,000).

12. Intangible assets

	Goodwill	Timber rights	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2019/31 March 2019	<u>33,593</u>	<u>111,584</u>	<u>145,177</u>
Accumulated amortisation and impairment			
At 1 January 2019	9,404	91,867	101,271
Amortisation	-	1,538	1,538
At 31 March 2019	<u>9,404</u>	<u>93,405</u>	<u>102,809</u>
Net carrying amount			
At 31 March 2019	<u>24,189</u>	<u>18,179</u>	<u>42,368</u>
At 1 January 2019	<u>24,189</u>	<u>19,717</u>	<u>43,906</u>

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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	
	31.3.2019	31.12.2018
	RM'000	RM'000
Timber division	22,873	22,873
Trading division	1,308	1,308
Manufacturing division	8	8
	<u>24,189</u>	<u>24,189</u>

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. Terminal growth rates

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

ii. Discount rates

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

13. Cash and bank balances

	31.3.2019	31.12.2018
	RM'000	RM'000
Cash on hand and at banks	67,505	70,484
Short term deposits with licensed financial institutions	297,987	313,742
Cash and bank balances	<u>365,492</u>	<u>384,226</u>

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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					
Financial assets at FVOCI					
- Quoted investments	31 March 2019	479	-	-	479
	31 December 2018	339	-	-	339
Biological assets					
- Oil palm fresh fruit bunches	31 March 2019	-	-	259	259
	31 December 2018	-	-	396	396
- Reforestation (Planted trees)	31 March 2019	-	-	65,233	65,233
	31 December 2018	-	-	63,303	63,303

There have been no transfers between Level 1 to Level 3 during the current interim period and the comparative period.

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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 31 March 2019.

The number of shares bought back and retained as treasury shares amounted to 3,871,000 shares as at 31 March 2019.

16. Interest bearing loans and borrowings

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

	31.3.2019	31.12.2018
	RM'000	RM'000
Short term borrowings		
- Secured	15,951	88,526
- Unsecured	79,000	30,000
	<u>94,951</u>	<u>118,526</u>
Long term borrowings		
- Secured	119,315	119,483
Total	<u>214,266</u>	<u>238,009</u>

17. Provisions for costs of restructuring

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

18. Dividends

No interim dividend has been declared for the current quarter ended 31 March 2019 (31 March 2018: Nil).

19. 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 31 March 2019 and 31 December 2018.

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20. 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 2019 and 31 March 2018.

	Note	Transaction value	
		31.3.2019 RM'000	31.3.2018 RM'000
Sawn timber sales:			
W T K Realty Sdn. Bhd.	#	2	23
W T K Service & Warehousing Sdn. Bhd.	^	-	30
		2	53
Contract fee received:			
W T K Realty Sdn. Bhd.	#	10	31
		10	31
Purchase of logs:			
Harbour-View Realty Sdn. Bhd.	^	-	2,162
Ocarina Development Sdn. Bhd.	#	6,262	1,497
		6,262	3,659
Lighterage and freight:			
Master Ace Territory Sdn. Bhd. (In Liquidation)	#	-	142
Ocarina Development Sdn. Bhd.	#	506	370
W T K Realty Sdn. Bhd.	#	967	691
Harbour-View Realty Sdn. Bhd.	^	16	23
		1,489	1,226
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	4,118	5,262
		4,118	5,262

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20. Related party transactions (cont'd)

The following table provides information on the transactions which have been entered into with related parties during the three months ended 31 March 2019 and 31 March 2018. (cont'd)

	Note	Transaction value	
		31.3.2019 RM'000	31.3.2018 RM'000
Purchase of frozen food and sundry goods: Sing Chew Coldstorage Sdn. Bhd.	^	1,779	1,716
Purchase of hardware, fuel, oil and lubricants: WTK Service & Warehousing Sdn. Bhd.	^	2,920	4,265
Purchase of fertilizer: WTK Service & Warehousing Sdn. Bhd.	^	2,726	563
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	810	810
United Agencies Sdn. Bhd.	^	823	1,772
W T K Realty Sdn. Bhd.	#	67	-
		<u>1,700</u>	<u>2,582</u>
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	1,980	2,404
Harvard Master Sdn. Bhd.	#	1,592	1,807
Southwind Plantation Sdn. Bhd.	#	-	633
WTK Oil Mill Sdn Bhd	#	-	-
		<u>3,572</u>	<u>4,844</u>
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	2,433	4,085
W T K Realty Sdn. Bhd.	#	-	42
		<u>2,433</u>	<u>4,127</u>

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20. Related party transactions (cont'd)

The following table provides information on the transactions which have been entered into with related parties during the three months ended 31 March 2019 and 31 March 2018. (cont'd)

	Note	Transaction value	
		31.3.2019 RM'000	31.3.2018 RM'000
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	5	-
Southwind Plantation Sdn. Bhd.	#	4	-
Tab Timbers (Sarawak) Sdn. Bhd.	^	28	-
W T K Realty Sdn. Bhd.	#	24	-
		61	-
Hiring of machinery received:			
Imbok Enterprise Sdn. Bhd.	#	18	-
United Agencies Sdn. Bhd.	^	56	-
Utahol Sdn. Bhd.	#	9	-
		83	-
Office rental paid:			
W T K Realty Sdn. Bhd.	#	54	-
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	2,395	-

^ *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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20. Related party transactions (cont'd)

The outstanding balances arising from related party transactions as at 31 March 2019 and 31 December 2018 were as follows:

	31.3.2019	31.12.2018
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	3,763	3,377
Other receivables (net of allowance for impairment)	3,034	4,140
Trade payables	(28,860)	(26,001)
Other payables	(902)	(2,218)
	<u> </u>	<u> </u>

21. Events after the reporting period

There are no events after the quarter ended 31 March 2019 which could materially affect the Group.

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22. Performance review

For the quarter (“1Q2019”) under review, the Group’s revenue was RM179.4 million, a marginal decrease of RM2.2 million or 1.2% as compared to the preceding year corresponding quarter (“1Q2018”) of RM181.6 million, with a loss before tax of RM3.0 million as compared to 1Q2018’s loss before tax of RM20.6 million (excluding the one-off gain of RM84.6 million on deconsolidation of discontinued operation).

Accordingly, the Group’s loss before tax of RM3.0 million in 1Q2019 as compared to that of 1Q2018 of RM20.6 million, was a reduction of loss of RM17.6 million. This was mainly attributed to the timber division.

Quarter 1, 2019

Continuing Operations

Timber

1Q2019 compared with 1Q2018

For the current quarter, the timber division recorded a revenue of RM146.3 million, representing a decrease of RM3.3 million or 2.2%, as compared to RM149.6 million in 1Q2018. The lower revenue was mainly attributed to lower sales recorded by plywood segment of RM24.4 million, which was partially offset by the higher sales revenue of log segment by RM21.1 million.

For the plywood segment, the decrease in plywood sales revenue by RM24.4 million or 25.9% to RM69.7 million in 1Q2019 (1Q2018: RM94.1 million) was attributed to lower sales volume as a result of port congestion in Japan causing the buyers to delay their shipments. Despite registering lower sales revenue for 1Q2019, the segment was able to benefit from increase in its selling prices to record a profit before tax of RM2.2 million, as against a loss before tax of RM6.0 million in 1Q2018, which was caused by the hike in hill timber premium rate effective 1 July 2017.

For the log segment, the higher sales revenue recorded over 1Q2018 was contributed by the increase in both export and local sales by RM8.0 million and RM13.1 million, respectively. The improved sales revenue was contributed by higher sales volume for both the export and local markets accompanied by marginal increase in average selling prices of local logs. As a result, the log segment recorded an improved profit before tax of RM4.0 million in 1Q2019, as against a loss before tax of RM7.7 million in 1Q2018.

Accordingly, the division recorded a profit before tax of RM6.2 million during the current quarter, as compared to a loss before tax of RM13.7 million in 1Q2018.

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22. Performance review (cont'd)

Quarter 1, 2019 (cont'd)

Continuing Operations (cont'd)

Plantation

1Q2019 compared with 1Q2018

Plantation division registered a revenue of RM14.5 million in 1Q2019 as compared to RM15.7 million in 1Q2018, representing a decrease of RM1.2 million or 7.6%. The lower revenue recorded was attributed to the drop in sales revenue from oil palm estates and palm oil mill operations by RM1.0 million and RM0.2 million, respectively.

For estate operations, fresh fruit bunch (“FFB”) sales revenue decreased by RM1.0 million or 17.1%, from RM5.9 million in 1Q2018 to RM4.9 million in 1Q2019. This was mainly due to 21.8% drop in average selling price of FFB despite a 5.9% increase in FFB sales volume in comparison to 1Q2018. The effect from the lower average selling price has resulted in its loss before tax widened to RM10.2 million in 1Q2019 from RM8.5 million in 1Q2018.

As for the palm oil mill, higher FFBs production from the estates has enabled its palm oil mill to increase its crude palm oil (“CPO”) and palm kernel (“PK”) productions and resulted in 30.3% and 31.3% increase in CPO and PK sales volume, respectively. Despite higher sales volume, revenue from the sales of CPO & PK decreased by RM0.2 million or 2.0% to RM9.6 million in 1Q2019 when compared with RM9.8 million in 1Q2018 mainly due to lower average selling prices of both the CPO and PK of 20.5% and 43.2% respectively, in comparison to 1Q2018. Consequently, the mill recorded a lower profit before tax of RM0.1 million in 1Q2019 as compared to RM0.9 million in 1Q2018.

Overall, the division’s loss before tax in 1Q2019 widened to RM10.1 million from RM7.6 million in 1Q2018.

Manufacturing and Trading

1Q2019 compared with 1Q2018

The division recorded a revenue of RM18.4 million in 1Q2019 as compared to RM15.8 million in 1Q2018, representing an increase of RM2.6 million or 16.5%. This was mainly due to the increase in export sales driven by higher demand of water repellent masking tapes from China and United States of America (“USA”). Consequently, the division’s profit before tax increased from RM1.2 million to RM2.0 million, in tandem with higher sales and favourable foreign exchange rate.

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22. Performance review (cont'd)

Quarter 1, 2019 (cont'd)

Continuing Operations (cont'd)

Others

1Q2019 compared with 1Q2018

The segment's revenue, which derived from rental and interest income, reported at RM0.3 million in 1Q2019, representing a marginal decrease of RM0.1 million or 25.0% as compared to RM0.14 million in 1Q2018, mainly due to lower interest income received from short-term deposits.

Despite a marginal decrease in revenue, the segment registered a higher loss before tax of RM1.0 million in 1Q2019 as compared RM0.5 million in 1Q2018, representing an increase of RM0.5 million or 100.0%. The higher loss before tax in 1Q2019 was mainly due to settlement of additional taxes and penalties assessed and imposed on a former subsidiary for the years of assessment 2007 to 2014 of RM0.8 million, coupled with the absence of finance charges on revolving credit facilities of RM0.2 million incurred in 1Q2018.

23. Comment on material change in profit before taxation

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

Quarter 1, 2019

Continuing Operations

Timber

The division recorded a revenue of RM146.3 million in the current quarter as compared to RM181.1 million in 4Q2018, representing a decrease of RM34.8 million or 19.2%. The decrease was mainly attributed to lower sales revenue from plywood segment by RM48.3 million, but was partially compensated by RM13.5 million increase in sales revenue recorded from its log segment.

For the plywood segment, sales revenue decreased by RM48.3 million or 40.9% to RM69.7 million in 1Q2019 (4Q2018: RM118.0 million) due to the drop in both its sales volume and average selling prices by 36.4% and 7.1% respectively. The lower sales revenue was mainly due to port congestion in Japan causing buyers to delay their shipments. Consequently, the segment recorded a lower profit before tax at RM2.2 million in the current quarter, as compared to RM18.1 million in the preceding quarter.

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23. 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 1, 2019 (cont'd)

Continuing Operations (cont'd)

Timber (cont'd)

For log segment, higher sales revenue recorded was mainly attributed to increase in export log sales revenue by RM14.6 million, but was partially offset by the decrease in local sales revenue by RM1.1 million. Higher export sales revenue was mainly due to increase in sales volume as shipments delayed in 4Q2018 were subsequently delivered during the current quarter. Additionally, export sales revenue was further lifted by a 10.6% increase in average selling prices of export logs. For domestic log sales, lower revenue was recorded due to decrease in average selling price by 5.1% despite the sales volume increased by 3.2%. Accordingly, the segment recorded a profit before tax of RM4.0 million (4Q2018: loss before tax of RM2.2 million) as export sales of logs which command a price premium over logs sold locally were significantly higher during the quarter.

Overall, the timber division recorded a lower profit before tax of RM6.2 million in the current quarter, as compared to RM15.9 million in 4Q2018.

Plantation

Plantation division registered a revenue of RM14.5 million in 1Q2019 as compared to RM21.0 million in 4Q2018, representing a decrease of RM6.5 million or 31.0%. The lower revenue recorded was attributed to the drop in sales revenue from palm oil mill operations and oil palm estates by RM5.4 million and RM1.1 million, respectively.

For its palm oil mill operations, sales revenue decreased by RM5.4 million or 36.0% to RM9.6 million (4Q2018: RM15.0 million). This was attributed to the drop in CPO production by 23.3% as a result of lower FFB received during the current low crop season. As a result, the palm oil mill operations recorded a lower profit before tax of RM0.1 million, as compared to RM2.6 million in preceding quarter.

For estate operations, FFB sales revenue decreased by RM1.1 million or 18.3% to RM4.9 million (4Q2018: RM6.0 million) mainly attributed to 22.9% drop in FFB sales volume due to lower FFB production during the current low crop season. As a result, the loss before tax from estate operations was higher at RM10.2 million in 1Q2019 (4Q2018: RM 9.0 million).

Overall, the division's loss before tax in 1Q2019 widened to RM10.1 million from RM6.4 million in 4Q2018 mainly due to lower FFB production.

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23. 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 1, 2019 (cont'd)

Continuing Operations (cont'd)

Manufacturing and Trading

The division recorded a revenue of RM18.4 million in 1Q2019, representing an increase of RM2.6 million or 16.5%, when compared to RM15.8 million in 4Q2018. The surge in revenue was mainly contributed by higher sales from both local and export market by RM1.5 million and RM1.1 million, respectively. Higher local sales in 1Q2019 was mainly driven by higher demand for its cellulose tapes, whilst, higher export sales for the current quarter was mainly due to increased demand, in particular for water repellent masking tapes to fulfil orders from China and USA. Accordingly, the division registered a higher profit before tax of RM2.0 million in 1Q2019, representing an increase of RM1.0 million or 100.0% when compared to RM1.0 million in 4Q2018 in tandem with higher revenue.

Others

There were no material changes to the revenue in respect of the current quarter when compared with 4Q2018. However, the segment registered a higher loss before tax of RM1.0 million in 1Q2019 as compared RM0.3 million in 4Q2018 mainly due to settlement of additional taxes and penalties assessed and imposed on a former subsidiary for the years of assessment 2007 to 2014.

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24. Commentary on prospects

The ongoing US-China trade war has escalated the trade tension between the world's two largest economies, and the retaliatory tit-for-tat action to impose increasing tariffs will slow demand and raise uncertainty in the growth prospects of global economy. In light of the current economic events, the Group will remain cautious of the prospect of the Group's business activities.

Timber

Demand from the Group's key log export market, India, is expected to remain stable with a firm exchange rate for the Indian Rupee ("INR") against the USD and buoyant construction activities spurred by growth in its tourism and hospitality sectors. Given this, the demand outlook is positive for the Group's log export to India over the short term.

For the Group's plywood segment, shipments delay caused by port congestions is a temporary setback that are expected to ease in the short term. The Group is monitoring the situation closely and remains confident that demand for its floor-base plywood remains intact, owing to its solid position as a major supplier of quality, premium floor-base plywood for this market.

Plantation

The Group's plantation division is expected to achieve higher FFB production in view of the increasing mature palms hectareage coupled with higher age profile of palms, which will cushion some of the impact from low CPO prices. At the same time, the performance of its palm oil mill is expected to improve with the onset of increased FFB supply in second half of the year.

Manufacturing and Trading

For the Group's manufacturing and trading division, the business environment in which the Group operates is expected to be challenging. The demand will remain soft in view of the slow economic outlook and cautious consumer spending, as China and US impose more tit-for-tat tariffs in their ongoing trade dispute.

Given the challenging economic conditions, the Group continuously implements prudent measures to remain competitive and to expand its market share and profitability in overseas markets. The Group will also continue its efforts to explore new business opportunities by expanding its global reach and to preserve its position through the opening of new markets.

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24. Commentary on prospects (cont'd)

Manufacturing and Trading (cont'd)

At the same time, without compromising on product quality, the Group will continuously review its product mix, actively controlled costs through the sourcing of cheaper alternative materials and improved its operation efficiency to lower wastages so as to safeguard and enhance the profitability of the division.

Additionally, in an internal restructuring to capitalize on the location and network of the Group's trading arm in Singapore, the Group envisages a higher growth in the sales of its adhesive tape and other related trading items.

With these efforts in place, the Group remains cautiously optimistic of this division's prospects in 2019.

25. 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.

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

Please refer to the commentary on Note 25 to the Interim Financial Statements.

27. Profit forecast or profit guarantee

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

28. Corporate proposal

There is no corporate proposal announced.

29. Changes in material litigation

There was no material litigation against the Group.

30. Dividend payable

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

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31. Disclosure on nature of outstanding derivatives

There were no outstanding derivatives as at 31 March 2019 and 31 December 2018.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the current quarter ended 31 March 2019 or the previous financial period ended 31 March 2018.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 31 March 2019 or the previous financial period ended 31 March 2018.

34. 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 31 March 2019 and 31 December 2018.

35. Auditors report on the preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not qualified.

BY ORDER OF THE BOARD

DAVID TING KAH SOON
TAN MEE LIAN
COMPANY SECRETARIES
KUALA LUMPUR
Date: 30 MAY 2019