

W T K HOLDINGS BERHAD (10141-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019 - UNAUDITED

	30.6.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	681,367	715,128
Prepaid land lease payments	30,500	31,000
Investment properties	15,824	16,010
Other investments	623	439
Intangible assets	40,830	43,906
Biological assets	65,499	63,303
	<u>834,643</u>	<u>869,786</u>
Current assets		
Prepaid land lease payments	1,000	1,000
Biological assets	482	396
Inventories	194,017	130,148
Trade receivables	36,077	59,126
Other receivables	19,050	26,971
Tax recoverable	3,733	5,426
Cash and bank balances	348,374	384,226
	<u>602,733</u>	<u>607,293</u>
Total assets	<u>1,437,376</u>	<u>1,477,079</u>
Equity		
Share capital	309,346	309,346
Treasury shares	(8,156)	(8,156)
Other reserves	5,534	5,476
Retained earnings	770,777	797,849
Equity attributable to owners of the Company	<u>1,077,501</u>	<u>1,104,515</u>
Non-controlling interests	(9,191)	(6,885)
Total equity	<u>1,068,310</u>	<u>1,097,630</u>
Non-current liabilities		
Deferred tax liabilities	43,171	43,175
Retirement benefit obligations	2,077	1,918
Loans and borrowings	118,238	119,483
	<u>163,486</u>	<u>164,576</u>
Current liabilities		
Retirement benefit obligations	181	181
Loans and borrowings	104,482	118,526
Trade payables	72,770	72,544
Other payables	24,075	20,954
Income tax payable	4,072	2,668
	<u>205,580</u>	<u>214,873</u>
Total liabilities	<u>369,066</u>	<u>379,449</u>
Total equity and liabilities	<u>1,437,376</u>	<u>1,477,079</u>

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)
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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 30 June 2019 RM'000	2018 RM'000	Six months ended 30 June 2019 RM'000	2018 RM'000 (Restated)
Continuing Operations				
Revenue	142,719	206,820	322,166	390,049
Cost of sales	(139,599)	(186,783)	(302,598)	(367,112)
Gross profit	<u>3,120</u>	<u>20,037</u>	<u>19,568</u>	<u>22,937</u>
Other income	4,474	8,513	10,305	13,427
Selling and distribution expenses	(9,519)	(13,367)	(19,926)	(26,167)
Administrative and other expenses	<u>(11,290)</u>	<u>(10,279)</u>	<u>(23,710)</u>	<u>(23,578)</u>
Operating (loss)/profit	(13,215)	4,904	(13,763)	(13,381)
Finance costs	<u>(2,589)</u>	<u>(2,747)</u>	<u>(5,009)</u>	<u>(5,074)</u>
(Loss)/Profit before tax	(15,804)	2,157	(18,772)	(18,455)
Income tax expense	<u>(1,021)</u>	<u>(1,637)</u>	<u>(3,260)</u>	<u>(2,446)</u>
(Loss)/Profit for the period from continuing operations	(16,825)	520	(22,032)	(20,901)
Discontinued Operation				
Profit for the period from discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,601</u>
(Loss)/Profit for the period	<u>(16,825)</u>	<u>520</u>	<u>(22,032)</u>	<u>63,700</u>
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	<u>517</u>	<u>114</u>	<u>(126)</u>	<u>(735)</u>
Items 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")	44	(215)	184	(283)
Remeasurement loss on retirement benefit obligations	<u>-</u>	<u>-</u>	<u>(184)</u>	<u>-</u>
	<u>44</u>	<u>(215)</u>	<u>-</u>	<u>(283)</u>
Other comprehensive income/(loss), net of tax	<u>561</u>	<u>(101)</u>	<u>(126)</u>	<u>(1,018)</u>
Total comprehensive (loss)/income for the period	<u>(16,264)</u>	<u>419</u>	<u>(22,158)</u>	<u>62,682</u>
(Loss)/Profit attributable to:				
Owners of the Company	(15,881)	1,210	(19,726)	65,145
Non-controlling interests	<u>(944)</u>	<u>(690)</u>	<u>(2,306)</u>	<u>(1,445)</u>
(Loss)/Profit for the period	<u>(16,825)</u>	<u>520</u>	<u>(22,032)</u>	<u>63,700</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(15,320)	1,109	(19,852)	64,127
Non-controlling interests	<u>(944)</u>	<u>(690)</u>	<u>(2,306)</u>	<u>(1,445)</u>
Total comprehensive (loss)/income for the period	<u>(16,264)</u>	<u>419</u>	<u>(22,158)</u>	<u>62,682</u>
(Loss)/Earnings per share attributable to owners of the Company (sen per share):				
Basic	<u>(3.33)</u>	<u>0.25</u>	<u>(4.13)</u>	<u>13.64</u>
(Loss)/Earnings per share from continuing operations attributable to owners of the Company (sen per share):				
Basic	<u>(3.33)</u>	<u>0.25</u>	<u>(4.13)</u>	<u>(4.07)</u>
Earnings per share from discontinued operation attributable to owners of the Company (sen per share):				
Basic	<u>-</u>	<u>-</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 CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019 - UNAUDITED**

	30.6.2019	30.6.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(18,772)	(18,455)
Profit before tax from discontinued operation	-	84,601
	<u>(18,772)</u>	<u>66,146</u>
Adjustments for:		
Amortisation	3,576	3,576
Bad debts written off	2	35,273
Depreciation	32,820	27,894
Loss on disposal of property, plant and equipment	2,205	1,158
Net gain arising from changes in fair value of biological assets	(1,456)	(3,633)
Gain on deconsolidation of a subsidiary	-	(120,234)
Interest expense	5,009	5,306
Interest income	(5,915)	(6,161)
Inventories written down	6	15
Inventories written off	10	16
Property, plant and equipment written off	16	231
Retirement benefit obligations	90	82
Share of results of associates	-	2
Unrealised (gain)/loss on foreign exchange	(25)	10
Operating profit before working capital changes	<u>17,566</u>	<u>9,681</u>
Changes in working capital :		
Net (increase)/decrease in current assets	(32,832)	23,601
Net decrease in current liabilities	(3,836)	(34,828)
Cash used in operations	<u>(19,102)</u>	<u>(1,546)</u>
Income taxes paid, net of tax refund	(170)	(2,116)
Interest paid	(5,009)	(5,306)
Interest received	5,915	6,161
Payment of retirement benefits	(115)	(63)
Net cash used in operating activities	<u>(18,481)</u>	<u>(2,870)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of biological assets	(826)	-
Decrease in fixed deposits pledged to licensed financial institutions	-	64
Purchase of property, plant and equipment	(2,851)	(4,695)
Proceeds from disposal of property, plant and equipment	1,867	586
Net cash outflow from deconsolidation of a subsidiary	-	(337)
Net cash used in investing activities	<u>(1,810)</u>	<u>(4,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	223	7,796
Drawdown of trade financing facilities	33,585	17,727
Repayment of hire purchases	(496)	(725)
Repayment of term loans	(11,580)	(12,813)
Repayment of trade financing facilities	(37,733)	(37,539)
Net cash used in financing activities	<u>(16,001)</u>	<u>(25,554)</u>
Net decrease in cash and cash equivalents	(36,292)	(32,806)
Effects of exchange rate changes	(264)	(334)
Net cash and cash equivalents at the beginning of the period/year	<u>382,847</u>	<u>421,931</u>
Net cash and cash equivalents at the end of the period/year	<u><u>346,291</u></u>	<u><u>388,791</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	348,374	391,696
Less: Bank overdrafts	(2,083)	(2,905)
Cash and cash equivalents	<u><u>346,291</u></u>	<u><u>388,791</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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Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 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 27 August 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 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
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019

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Description	Effective for annual periods beginning on or after
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.

4. Changes in estimates

There were no changes in estimates that have had a material effect in the six months ended 30 June 2019.

5. Changes in composition of the Group

There were no changes in the composition of the Group during the six months ended 30 June 2019.

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6. Segmental information

	6 months ended 30.6.2019		6 months ended 30.6.2018	
	Revenue RM'000	(Loss)/Profit before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
<u>Continuing Operations:</u>				
Timber	258,026	(1,244)	316,106	(5,788)
Plantation	30,274	(18,167)	40,373	(14,125)
Manufacturing	13,479	1,798	18,716	1,965
Trading	19,802	474	13,942	959
Others	585	(1,633)	912	(1,466)
Total continuing operations	<u>322,166</u>	<u>(18,772)</u>	<u>390,049</u>	<u>(18,455)</u>
<u>Discontinued Operation:</u>				
Oil and gas	-	-	-	84,601
Total	<u>322,166</u>	<u>(18,772)</u>	<u>390,049</u>	<u>66,146</u>

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”).
Manufacturing	:	manufacture and sales of adhesive and gummed tapes.
Trading	:	the trading of tapes, foil, papers and electrostatic discharge products.
Others	:	rental income and interest income.
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.

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7. Seasonality of operations

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

8. (Loss)/Profit before tax

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax for the period is arrived				
at after charging:				
Amortisation	1,788	1,788	3,576	3,576
Bad debts written off	2	-	2	35,273
Depreciation	17,047	13,837	32,820	27,894
Interest expense	2,589	1,891	5,009	5,306
Inventories written down	2	10	6	15
Inventories written off	5	4	10	16
Loss on foreign exchange				
- Unrealised	-	-	-	10
- Realised	-	-	55	109
Loss on disposal of property, plant and equipment	1,097	89	2,205	1,158
Property, plant and equipment written off	16	44	16	231
and crediting:				
Bad debts recovered	1	-	1	-
Gain on deconsolidation of a subsidiary	-	-	-	120,234
Gain on foreign exchange				
- Unrealised	25	189	25	-
- Realised	63	106	27	-
Hire of machinery	136	214	340	301
Interest income	3,090	2,557	5,915	6,161
Net gain arising from changes in fair value of biological assets	150	3,131	1,456	3,633

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9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	751	1,561	2,853	2,299
- Foreign tax	29	83	121	162
	780	1,644	2,974	2,461
<u>Under provision in respect of previous years</u>				
- Malaysian income tax	239	-	291	-
	1,019	1,644	3,265	2,461
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	2	(7)	(5)	(15)
	1,021	1,637	3,260	2,446

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.

10. (Loss)/Earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit 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.

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
(Loss)/Profit attributable to the owners of the Company (RM'000)	(15,881)	1,210	(19,726)	65,145
(Loss)/Profit attributable to the owners of the Company (RM'000)	(15,881)	1,210	(19,726)	65,145
Less: Profit from discontinued operation attributable to the owners of the Company	-	-	-	(84,601)
(Loss)/Profit from continuing operations attributable to the owners of the Company	(15,881)	1,210	(19,726)	(19,456)

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	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Weighted average number of ordinary shares in issue ('000)	477,474	477,474	477,474	477,474
Basic EPS (sen)	(3.33)	0.25	(4.13)	13.64
Basic (loss)/earnings per share (sen) attributable to:				
- Continuing operations	(3.33)	0.25	(4.13)	(4.07)
- Discontinued operation	-	-	-	17.71
	(3.33)	0.25	(4.13)	13.64

The basic and diluted earnings per share are the same as at the end of the reporting periods.

11. Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired assets with a total cost of RM2,851,000 (30 June 2018: RM4,903,000).

Assets with carrying amount of RM4,072,000 (30 June 2018: RM1,744,000) were disposed by the Group during the 6 months ended 30 June 2019, resulting in a loss on disposal of RM2,205,000 (30 June 2018: RM1,158,000).

12. Intangible assets

	Goodwill	Timber rights	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2019/30 June 2019	33,593	111,584	145,177
Accumulated amortisation and impairment			
At 1 January 2019	9,404	91,867	101,271
Amortisation	-	3,076	3,076
At 30 June 2019	9,404	94,943	104,347
Net carrying amount			
At 30 June 2019	24,189	16,641	40,830
At 1 January 2019	24,189	19,717	43,906

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(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	
	30.6.2019	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

	30.6.2019	31.12.2018
	RM'000	RM'000
Cash on hand and at banks	41,828	70,484
Short-term deposits with licensed financial institutions	306,546	313,742
Cash and bank balances	<u>348,374</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	30 June 2019	523	-	-	523
	31 December 2018	339	-	-	339
Biological assets					
- Oil palm fresh fruit bunches	30 June 2019	-	-	482	482
	31 December 2018	-	-	396	396
- Reforestation (Planted trees)	30 June 2019	-	-	65,499	65,499
	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 six months ended 30 June 2019.

The number of shares bought back and retained as treasury shares amounted to 3,871,000 shares as at 30 June 2019.

16. Interest bearing loans and borrowings

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

	30.6.2019	31.12.2018
	RM'000	RM'000
Short term borrowings		
- Secured	12,482	88,526
- Unsecured	92,000	30,000
	<u>104,482</u>	<u>118,526</u>
Long term borrowings		
- Secured	118,238	119,483
Total	<u>222,720</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

	30.6.2019	31.12.2018	Date of
	RM'000	RM'000	payment
Recognised during the financial year:			
- Final single-tier dividend of 1.00 sen net per share in respect of year ended 31 December 2017	-	4,775	6 August 2018
- Final single-tier dividend of 1.50 sen net per share in respect of year ended 31 December 2018	7,162	-	22 July 2019
	<u>7,162</u>	<u>-</u>	

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 30 June 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 six months ended 30 June 2019 and 30 June 2018.

	Note	Transaction value	
		30.6.2019 RM'000	30.6.2018 RM'000
Sawn timber sales:			
W T K Realty Sdn. Bhd.	#	2	23
W T K Service & Warehousing Sdn. Bhd.	^	-	208
		2	231
Contract fee received:			
W T K Realty Sdn. Bhd.	#	10	54
		10	54
Purchase of logs:			
Harbour-View Realty Sdn. Bhd.	^	-	4,105
Ocarina Development Sdn. Bhd.	#	18,556	5,595
		18,556	9,700
Lighterage and freight:			
Master Ace Territory Sdn. Bhd. (In Liquidation)	#	-	362
Ocarina Development Sdn. Bhd.	#	1,043	1,154
W T K Realty Sdn. Bhd.	#	2,319	2,977
Harbour-View Realty Sdn. Bhd.	^	36	71
		3,398	4,564
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	7,624	11,276
		7,624	11,276
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd.	^	3,716	3,416
		3,716	3,416
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	6,032	8,660
		6,032	8,660
Purchase of fertilizer:			
WTK Service & Warehousing Sdn. Bhd.	^	5,328	4,059
		5,328	4,059

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	Note	Transaction value	
		30.6.2019 RM'000	30.6.2018 RM'000
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	1,500	1,620
United Agencies Sdn. Bhd.	^	2,945	3,539
W T K Realty Sdn. Bhd.	#	67	110
		4,512	5,269
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	3,854	4,711
Harvard Master Sdn. Bhd.	#	3,239	3,799
Southwind Plantation Sdn. Bhd.	#	675	798
		7,768	9,308
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	4,389	7,426
W T K Realty Sdn. Bhd.	#	-	42
		4,389	7,468
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	13	-
Harbour-View Realty Sdn. Bhd.	^	10	-
Southwind Plantation Sdn. Bhd.	#	12	-
Tab Timbers (Sarawak) Sdn. Bhd.	^	57	-
Utahol Sdn. Bhd.	#	-	-
W T K Realty Sdn. Bhd.	#	48	-
		140	-
Hiring of machinery received:			
Imbok Enterprise Sdn. Bhd.	#	36	-
United Agencies Sdn. Bhd.	^	111	-
Utahol Sdn. Bhd.	#	18	-
		165	-
Office rental paid:			
W T K Realty Sdn. Bhd.	#	108	-
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	3,523	-

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- ^ *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.*

The outstanding balances arising from related party transactions as at 30 June 2019 and 31 December 2018 were as follows:

	30.6.2019	31.12.2018
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	4,402	3,377
Other receivables (net of allowance for impairment)	1,822	4,140
Trade payables	(32,182)	(26,001)
Other payables	(1,196)	(2,218)
	<u>(1,196)</u>	<u>(2,218)</u>

21. Events after the reporting period

There are no events after the financial period ended 30 June 2019 which could materially affect the Group.

22. Comparative figures

The comparative condensed consolidated statements of profit or loss and other comprehensive income have been restated to show the discontinued operation separately from continuing operations.

Period ended 30 June 2018 (6 months)

	Previously stated	Restated
	RM'000	RM'000
Other income	133,660	13,427
Administrative and other expenses	(58,851)	(23,578)
Profit/(Loss) for the period from continuing operations	<u>64,059</u>	<u>(20,901)</u>
(Loss)/Profit for the period from discontinued operation	<u>(359)</u>	<u>84,601</u>

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23. Performance review

	Current quarter				Cumulative quarter			
	30.6.2019	30.6.2018	Variance		30.6.2019	30.6.2018	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
<u>Continuing Operations:</u>								
Timber	111,736	166,373	(54,637)	-32.8%	258,026	316,106	(58,080)	-18.4%
Plantation	15,789	23,139	(7,350)	-31.8%	30,274	40,373	(10,099)	-25.0%
Manufacturing	5,040	9,664	(4,624)	-47.8%	13,479	18,716	(5,237)	-28.0%
Trading	9,848	7,170	2,678	37.4%	19,802	13,942	5,860	42.0%
Others	306	474	(168)	-35.4%	585	912	(327)	-35.9%
Total continuing operations	142,719	206,820	(64,101)	-31.0%	322,166	390,049	(67,883)	-17.4%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	-	-	-
Total	142,719	206,820	(64,101)	-31.0%	322,166	390,049	(67,883)	-17.4%
(Loss)/Profit before tax								
<u>Continuing Operations:</u>								
Timber	(7,415)	7,914	(15,329)	-193.7%	(1,244)	(5,788)	4,544	-78.5%
Plantation	(8,048)	(6,500)	(1,548)	23.8%	(18,167)	(14,125)	(4,042)	28.6%
Manufacturing	493	1,197	(704)	-58.8%	1,798	1,965	(167)	-8.5%
Trading	(189)	489	(678)	-138.7%	474	959	(485)	-50.6%
Others	(645)	(943)	298	-31.6%	(1,633)	(1,466)	(167)	11.4%
Total continuing operations	(15,804)	2,157	(17,961)	-832.7%	(18,772)	(18,455)	(317)	1.7%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	84,601	(84,601)	-100.0%
Total	(15,804)	2,157	(17,961)	-832.7%	(18,772)	66,146	(84,918)	-128.4%

For the quarter (“2Q2019”) under review, the Group’s revenue was RM142.7 million, a decrease of RM64.1 million or 31.0% as compared to the preceding year corresponding quarter (“2Q2018”) of RM206.8 million. As a result, the Group recorded a loss before tax of RM15.8 million in 2Q2019 as opposed to 2Q2018’s profit before tax of RM2.2 million. This was mainly attributed to the timber segment recording a loss before tax in 2Q2019 as opposed to a profit before tax in 2Q2018.

For the six months ended 30 June 2019 (“6M2019”), the Group’s revenue was RM322.2 million, a decrease of RM67.8 million or 17.4% as compared to the preceding year corresponding period (“6M2018”) of RM390.0 million, with a loss before tax of RM18.8 million as compared to 6M2018’s loss before tax of RM18.5 million (excluding the one-off gain of RM84.6 million on deconsolidation of discontinued operation).

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Performance of respective segments for the financial quarter/period ended 30 June 2019 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

Timber

For 2Q2019, the lower revenue was mainly attributed to lower sales volume of plywood to our main market, Japan as a result of price competition from Indonesia plywood exporters and from Japanese domestic plywood supply at lesser costs. This was coupled with decrease in production of logs in the current quarter as a result of dry weather in 2Q2019 which affected the river transportation of logs from log ponds. Consequently, the segment recorded a loss before tax in 2Q2019 as opposed to a profit before tax in 2Q2018.

For 6M2019, the lower revenue was attributed to decreased sales revenue from the plywood segment despite higher sales contribution from the log segment. Lower sales revenue for plywood to our main market, Japan was mainly due to price competition from Indonesia plywood exporters and from Japanese domestic plywood supply at lesser costs, despite an upward revision to the selling prices of plywood by 11.6%. Accordingly, the timber segment recorded a lower loss before tax in 6M2019 as compared to 6M2018 as a result of improved sales revenue of the log segment due to higher sales volume accompanied by marginal increase in average selling prices of logs.

Plantation

For 2Q2019 and 6M2019 under review, the lower revenue recorded was attributed to the drop in average selling prices of crude palm oil (“CPO”) and palm kernel (“PK”). Consequently, the segment’s loss before tax in 2Q2019 and 6M2019 widened when compared with 2Q2018 and 6M2018, respectively.

Manufacturing and Trading

For 2Q2019, the decrease in revenue was mainly attributed to lower sales volume as a result of the timing of sales order. Accordingly, a lower profit before tax was registered when compared to 2Q2018, in tandem with decrease in sales volume and one-off retirement gratuity payment.

For 6M2019, the higher revenue was contributed by higher export sales despite a decrease in its local sales as compared to 6M2018. Despite a marginal increase in sales, the segment registered a lower profit before tax when compared to 6M2018, mainly due to one-off retirement gratuity payment.

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Others

For 2Q2019 and 6M2019, the segment's revenue, which derived from rental and interest income, dropped mainly due to lower interest income received from short-term deposits due to less placements as compared to 2Q2018 and 6M2018. The segment registered a lower loss before tax in 2Q2019 as compared to 2Q2018 mainly due to lower finance charges on banking facilities as a result of lower utilisation of banking facilities. Whilst, a higher loss before tax for the 6M2019 as compared to 6M2018 was mainly due to recognition of incidental expenses arise from the disposal of a former subsidiary in 1Q2019.

24. Comment on material change in profit before taxation

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

	Current quarter		Variance	
	30.6.2019 RM'000	31.3.2019 RM'000	RM	%
Revenue				
Timber	111,736	146,290	(34,554)	-23.6%
Plantation	15,789	14,485	1,304	9.0%
Manufacturing	5,040	8,439	(3,399)	-40.3%
Trading	9,848	9,954	(106)	-1.1%
Others	306	279	27	9.7%
Total	<u>142,719</u>	<u>179,447</u>	(36,728)	-20.5%
(Loss)/Profit before tax				
Timber	(7,415)	6,171	(13,586)	-220.2%
Plantation	(8,048)	(10,119)	2,071	-20.5%
Manufacturing	493	1,305	(812)	-62.2%
Trading	(189)	663	(852)	-128.5%
Others	(645)	(988)	343	-34.7%
Total	<u>(15,804)</u>	<u>(2,968)</u>	(12,836)	432.5%

For 2Q2019 under review, the Group's revenue was RM142.7 million, a decrease of RM36.7 million or 20.5% as compared to the preceding quarter ("1Q2019") of RM179.4 million. As a result, the Group's loss before tax widened to RM15.8 million in 2Q2019 as compared to 1Q2019's loss before tax of RM3.0 million. This was mainly attributed to the timber segment recording a loss before tax in 2Q2019 as opposed to a profit before tax in 1Q2019.

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Timber

The segment recorded a lower sales revenue and loss before tax attributed to decrease in production due to festive season in June and also prolonged dry weather which affected the transportation logs by river during the current quarter.

Plantation

Plantation segment registered a higher revenue and lower loss before tax mainly due to the increase in CPO sales volume by 16.5%.

Manufacturing and Trading

The segment recorded a lower revenue and profit before tax as compared with preceding quarter. The slow performance was attributed to fewer shipments as a result of the timing of sales order and shorter operating hours due to long Hari Raya holidays in the month of June.

25. Commentary on prospects

The on-going trade tension between USA and China and Brexit concerns has resulted in moderation of both global and Malaysian economic growth and the Group's business segments are impacted by the continued inter-regional trade uncertainties as well as volatility in forex and commodities pricing.

Timber

The Group maintains a cautious outlook for log segment as the demand is expected to remain soft, as global economic environment has deteriorated due to on-going trade tension between USA and China. Whilst for the plywood segment, it continues to face competition from Japanese domestic plywood supply as their domestic plywood are able to substitute the general-purpose plywood at lesser costs. Additionally, plywood imported into Japanese market is experiencing downward pressure on the selling price and reduced volume due to price competition from Indonesia plywood exporters. Nevertheless, the Group will enhance the competitiveness of the timber products through continuous processes improvement, cost rationalisation and operations alignment with best practice initiatives, i.e. Sarawak Timber Legality Verification System and Forest Management Certification.

Plantation

CPO prices in first half of 2019 were under pressure partly due to the ample supply of other edible oils in the market, weak market sentiment as well as the on-going trade tension between USA and China. The Group is anticipated to deliver a better result as more crop is moving into mature period. Furthermore, CPO prices is expected to improve in second half of 2019 with the anticipation of global palm oil inventory to gradually decline with higher exports and higher consumption of palm oil products from 2019 onwards following reports that drier-than expected weather in major planting countries will crimp supply of the world's edible oils.

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Manufacturing and Trading

The manufacturing and trading segment are expected to remain challenging given the current global economy downturn. The Group is cautiously optimistic that the overall demand for adhesive and gummed tapes remains intact and sustained, and will continue to focus on market developments, product innovations and enhancing production efficiencies to deliver a positive result.

In spite of the Group's healthy balance sheets and strong cash position, the Board of Directors remained cautious of the prospect of the Group's business activities in the near future and committed to improve the operating efficiency of the Group to prevail over the challenging business environment.

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

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

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

Please refer to the commentary on Note 26 to the Interim Financial Statements.

28. Profit forecast or profit guarantee

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

29. Corporate proposal

There is no corporate proposal announced.

30. Changes in material litigation

There was no material litigation against the Group.

31. Dividend payable

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

32. Disclosure on nature of outstanding derivatives

There were no outstanding derivatives as at 30 June 2019 and 31 December 2018.

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33. Rationale for entering into derivatives

The Group did not enter into any derivatives during the current quarter ended 30 June 2019 or the previous financial period ended 30 June 2018.

34. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 30 June 2019 or the previous financial period ended 30 June 2018.

35. 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 June 2019 and 31 December 2018.

36. 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

TAN MEE LIAN
COMPANY SECRETARY
KUALA LUMPUR
Date: 27 AUGUST 2019