

W T K HOLDINGS BERHAD (10141-M)

(Incorporated in Malaysia)

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

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

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

	30.9.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	668,036	715,128
Prepaid land lease payments	30,250	31,000
Investment properties	15,731	16,010
Other investments	508	439
Intangible assets	39,292	43,906
Biological assets	65,765	63,303
	<u>819,582</u>	<u>869,786</u>
Current assets		
Prepaid land lease payments	1,000	1,000
Biological assets	655	396
Inventories	175,630	130,148
Trade receivables	32,123	59,126
Other receivables	15,987	26,971
Tax recoverable	2,559	5,426
Cash and bank balances	348,989	384,226
	<u>576,943</u>	<u>607,293</u>
Total assets	<u>1,396,525</u>	<u>1,477,079</u>
Equity		
Share capital	309,346	309,346
Treasury shares	(8,156)	(8,156)
Other reserves	5,112	5,476
Retained earnings	753,570	797,849
Equity attributable to owners of the Company	<u>1,059,872</u>	<u>1,104,515</u>
Non-controlling interests	(9,648)	(6,885)
Total equity	<u>1,050,224</u>	<u>1,097,630</u>
Non-current liabilities		
Deferred tax liabilities	43,219	43,175
Retirement benefit obligations	1,908	1,918
Loans and borrowings	115,449	119,483
	<u>160,576</u>	<u>164,576</u>
Current liabilities		
Retirement benefit obligations	181	181
Loans and borrowings	111,146	118,526
Trade payables	55,832	72,544
Other payables	16,690	20,954
Income tax payable	1,876	2,668
	<u>185,725</u>	<u>214,873</u>
Total liabilities	<u>346,301</u>	<u>379,449</u>
Total equity and liabilities	<u>1,396,525</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)
(Incorporated in Malaysia)

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

	Current quarter		Cumulative quarter	
	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000 (Restated)
Continuing Operations				
Revenue	131,500	213,174	453,666	603,223
Cost of sales	<u>(132,275)</u>	<u>(193,502)</u>	<u>(434,873)</u>	<u>(560,614)</u>
Gross profit	(775)	19,672	18,793	42,609
Other income	4,042	9,861	14,347	23,288
Selling and distribution expenses	(8,173)	(12,528)	(28,099)	(38,695)
Administrative and other expenses	<u>(9,475)</u>	<u>(7,341)</u>	<u>(33,185)</u>	<u>(30,919)</u>
Operating (loss)/profit	(14,381)	9,664	(28,144)	(3,717)
Finance costs	<u>(2,594)</u>	<u>(3,102)</u>	<u>(7,603)</u>	<u>(8,176)</u>
(Loss)/Profit before tax	(16,975)	6,562	(35,747)	(11,893)
Income tax expense	<u>(689)</u>	<u>(624)</u>	<u>(3,949)</u>	<u>(3,070)</u>
(Loss)/Profit for the period from continuing operations	(17,664)	5,938	(39,696)	(14,963)
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>(17,664)</u>	<u>5,938</u>	<u>(39,696)</u>	<u>69,638</u>
Other comprehensive (loss)/income				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	<u>(312)</u>	<u>673</u>	<u>(438)</u>	<u>(62)</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")	(110)	62	74	(221)
Remeasurement loss on retirement benefit obligations	<u>-</u>	<u>-</u>	<u>(184)</u>	<u>-</u>
	<u>(110)</u>	<u>62</u>	<u>(110)</u>	<u>(221)</u>
Other comprehensive income/(loss), net of tax	<u>(422)</u>	<u>735</u>	<u>(548)</u>	<u>(283)</u>
Total comprehensive (loss)/income for the period	<u>(18,086)</u>	<u>6,673</u>	<u>(40,244)</u>	<u>69,355</u>
(Loss)/Profit attributable to:				
Owners of the Company	(17,207)	6,661	(36,933)	71,806
Non-controlling interests	<u>(457)</u>	<u>(723)</u>	<u>(2,763)</u>	<u>(2,168)</u>
(Loss)/Profit for the period	<u>(17,664)</u>	<u>5,938</u>	<u>(39,696)</u>	<u>69,638</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(17,629)	7,396	(37,481)	71,523
Non-controlling interests	<u>(457)</u>	<u>(723)</u>	<u>(2,763)</u>	<u>(2,168)</u>
Total comprehensive (loss)/income for the period	<u>(18,086)</u>	<u>6,673</u>	<u>(40,244)</u>	<u>69,355</u>
(Loss)/Earnings per share attributable to owners of the Company (sen per share):				
Basic	<u>(3.60)</u>	<u>1.40</u>	<u>(7.74)</u>	<u>15.04</u>
(Loss)/Earnings per share from continuing operations attributable to owners of the Company (sen per share):				
Basic	<u>(3.60)</u>	<u>1.40</u>	<u>(7.74)</u>	<u>(2.68)</u>
Earnings per share from discontinued operation attributable to owners of the Company (sen per share):				
Basic	<u>-</u>	<u>-</u>	<u>-</u>	<u>17.72</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.

W T K HOLDINGS BERHAD (10141-M)
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019 - 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	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 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 loss	(40,244)	(37,481)	-	-	(37,117)	(364)	(438)	74	(2,763)
Transaction with owners									
Dividends on ordinary shares	(7,162)	(7,162)	-	-	(7,162)	-	-	-	-
At 30 September 2019	1,050,224	1,059,872	309,346	(8,156)	753,570	5,112	5,436	(324)	(9,648)
Quarter ended 30 September 2018									
At 1 January 2018	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)

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 30 SEPTEMBER 2019 - UNAUDITED**

	30.9.2019	30.9.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(35,747)	(11,893)
Profit before tax from discontinued operation	-	84,601
	<u>(35,747)</u>	<u>72,708</u>
Adjustments for:		
Amortisation	5,364	5,364
Bad debts written off	2	35,273
Depreciation	47,215	41,632
Dividend income	(9)	(19)
Loss on disposal of property, plant and equipment	3,010	1,032
Net gain arising from changes in fair value of biological assets	(1,676)	(6,802)
Gain on deconsolidation of a subsidiary	-	(120,234)
Interest expense	7,603	8,408
Interest income	(8,679)	(9,369)
Inventories written down	-	13
Inventories written off	12	26
Property, plant and equipment written off	16	239
Retirement benefit obligations	137	123
Share of results of associates	-	2
Unrealised (gain)/loss on foreign exchange	(32)	59
Operating profit before working capital changes	<u>17,216</u>	<u>28,455</u>
Changes in working capital :		
Net (increase)/decrease in current assets	(7,497)	(2,557)
Net decrease in current liabilities	(20,972)	(26,940)
Cash used in operations	<u>(11,253)</u>	<u>(1,042)</u>
Income taxes paid, net of tax refund	(1,825)	(6,152)
Interest paid	(7,603)	(8,408)
Interest received	8,679	9,369
Payment of retirement benefits	(331)	(223)
Net cash used in operating activities	<u>(12,333)</u>	<u>(6,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of biological assets	(1,046)	-
Decrease in fixed deposits pledged to licensed financial institutions	-	64
Purchase of property, plant and equipment	(5,592)	(6,582)
Proceeds from disposal of property, plant and equipment	2,707	984
Net dividend received from investment securities	9	19
Net cash outflow from deconsolidation of a subsidiary	-	(337)
Net cash used in investing activities	<u>(3,922)</u>	<u>(5,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(7,162)	(4,775)
Drawdown of term loans	334	7,157
Drawdown of trade financing facilities	42,424	27,727
Repayment of hire purchases	(698)	(888)
Repayment of term loans	(13,213)	(19,806)
Repayment of trade financing facilities	(41,997)	(31,346)
Net cash used in financing activities	<u>(20,312)</u>	<u>(21,931)</u>
Net decrease in cash and cash equivalents	(36,567)	(34,239)
Effects of exchange rate changes	(407)	(32)
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>345,873</u></u>	<u><u>387,660</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	348,989	393,236
Less: Bank overdrafts	(3,116)	(5,576)
Cash and cash equivalents	<u><u>345,873</u></u>	<u><u>387,660</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 nine months ended 30 September 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 29 November 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 nine months ended 30 September 2019.

5. Changes in composition of the Group

There were no changes in the composition of the Group during the nine months ended 30 September 2019.

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6. Segmental information

	9 months ended 30.9.2019		9 months ended 30.9.2018	
	Revenue RM'000	(Loss)/Profit before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
<u>Continuing Operations:</u>				
Timber	354,010	(15,384)	487,143	4,967
Plantation	48,775	(22,263)	62,593	(20,244)
Manufacturing	20,245	2,496	30,480	4,066
Trading	29,725	1,339	21,587	1,372
Others	911	(1,935)	1,420	(2,054)
Total continuing operations	<u>453,666</u>	<u>(35,747)</u>	<u>603,223</u>	<u>(11,893)</u>
<u>Discontinued Operation:</u>				
Oil and gas	-	-	-	84,601
Total	<u>453,666</u>	<u>(35,747)</u>	<u>603,223</u>	<u>72,708</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 (Discontinued Operation)	:	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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For the nine months ended 30 September 2019 – unaudited

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		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax for the period is arrived at after charging / (crediting):				
Amortisation	1,788	1,788	5,364	5,364
Bad debts written off	-	-	2	35,273
Depreciation	14,395	13,738	47,215	41,632
Interest expense	2,594	3,102	7,603	8,408
Inventories (written back)/written down	(6)	-	-	13
Inventories written off	2	10	12	26
Gain on foreign exchange - Realised	(39)	(171)	(11)	(62)
Loss /(gain) on foreign exchange - Unrealised	-	49	(25)	59
Loss on disposal of property, plant and equipment	805	-	3,010	1,032
Property, plant and equipment written off	-	8	16	239
Gain on deconsolidation of a subsidiary	-	-	-	(120,234)
Hire of machinery	(129)	(352)	(469)	(653)
Interest income	(2,764)	(3,208)	(8,679)	(9,369)
Net gain arising from changes in fair value of biological assets	(220)	(3,169)	(1,676)	(6,802)

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For the nine months ended 30 September 2019 – unaudited

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	502	1,675	3,355	3,974
- Foreign tax	116	71	237	233
	618	1,746	3,592	4,207
<u>Under/(over) provision in respect of previous years</u>				
- Malaysian income tax	18	(1,150)	309	(1,150)
	636	596	3,901	3,057
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	53	28	48	13
Total income tax attributable to continuing operations	689	624	3,949	3,070

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. (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 30.9.2019	30.9.2018	9 months ended 30.9.2019	30.9.2018
(Loss)/Profit attributable to the owners of the Company (RM'000)	(17,207)	6,661	(36,933)	71,806
(Loss)/Profit attributable to the owners of the Company (RM'000)	(17,207)	6,661	(36,933)	71,806
Less: Profit from discontinued operations attributable to the owners of the Company	-	-	-	(84,601)
Profit from continuing operations attributable to the owners of the Company	(17,207)	6,661	(36,933)	(12,795)
Weighted average number of ordinary shares in issue ('000)	477,474	477,474	477,474	477,474
Dilutive potential ordinary shares	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	477,474	477,474	477,474	477,474
Basic EPS (sen)	(3.60)	1.40	(7.74)	(2.68)
Basic (loss)/earnings per share (sen) attributable to:				
- Continuing operations	(3.60)	1.40	(7.74)	(2.68)
- Discontinued operation	-	-	-	17.72
	(3.60)	1.40	(7.74)	15.04

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 nine months ended 30 September 2019, the Group acquired assets with a total cost of RM5,291,000 (30 September 2018: RM7,017,000).

Assets with carrying amount of RM5,717,000 (30 September 2018: RM2,016,000) were disposed by the Group during the 9 months ended 30 September 2019, resulting in a loss on disposal of RM3,010,000 (30 September 2018: RM1,032,000).

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12. Intangible assets

	Goodwill	Timber	Total
	RM'000	rights	RM'000
		RM'000	RM'000
Cost			
At 1 January 2019/30 September 2019	33,593	111,584	145,177
Accumulated amortisation and impairment			
At 1 January 2019	9,404	91,867	101,271
Amortisation	-	4,614	4,614
At 30 September 2019	9,404	96,481	105,885
Net carrying amount			
At 30 September 2019	24,189	15,103	39,292
At 1 January 2019	24,189	19,717	43,906

(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	
	30.9.2019	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.

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13. Cash and bank balances

	30.9.2019	31.12.2018
	RM'000	RM'000
Cash on hand and at banks	44,132	70,484
Short-term deposits with licensed financial institutions	304,857	313,742
Cash and bank balances	348,989	384,226

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 September 2019	378	-	-	378	
	31 December 2018	339	-	-	339	
Biological assets						
- Oil palm fresh fruit bunches	30 September 2019	-	-	655	655	
	31 December 2018	-	-	396	396	
- Reforestation (Planted trees)	30 September 2019	-	-	65,765	65,765	
	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 nine months ended 30 September 2019.

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

16. Interest bearing loans and borrowings

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

	30.9.2019	31.12.2018
	RM'000	RM'000
Short term borrowings		
- Secured	14,146	88,526
- Unsecured	97,000	30,000
	<u>111,146</u>	<u>118,526</u>
Long term borrowings		
- Secured	115,449	119,483
Total	<u>226,595</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

	30.9.2019	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 September 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 nine months ended 30 September 2019 and 30 September 2018.

	Note	Transaction value	
		30.9.2019 RM'000	30.9.2018 RM'000
Sawn timber sales:			
W T K Realty Sdn. Bhd.	#	2	23
W T K Service & Warehousing Sdn. Bhd.	^	-	323
		2	346
Contract fee received:			
W T K Realty Sdn. Bhd.	#	10	71
Purchase of logs:			
Harbour-View Realty Sdn. Bhd.	^	-	7,285
Ocarina Development Sdn. Bhd.	#	25,167	10,028
		25,167	17,313
Lighterage and freight:			
Master Ace Territory Sdn. Bhd. (In Liquidation)	#	-	362
Ocarina Development Sdn. Bhd.	#	1,365	1,582
W T K Realty Sdn. Bhd.	#	3,369	3,771
Harbour-View Realty Sdn. Bhd.	^	41	96
		4,775	5,811
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	10,444	16,827
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd.	^	5,232	5,367
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	8,728	13,211
Purchase of fertilizer:			
WTK Service & Warehousing Sdn. Bhd.	^	6,864	6,491

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	Note	Transaction value	
		30.9.2019 RM'000	30.9.2018 RM'000
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	1,950	2,430
United Agencies Sdn. Bhd.	^	3,284	6,681
W T K Realty Sdn. Bhd.	#	67	110
		5,301	9,221
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	6,727	7,915
Harvard Master Sdn. Bhd.	#	6,239	5,415
Southwind Plantation Sdn. Bhd.	#	959	1,687
		13,925	15,017
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	6,922	11,269
Utahol (2008) Sdn. Bhd.		211	-
W T K Realty Sdn. Bhd.	#	-	42
		7,133	11,311
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	20	16
Harbour-View Realty Sdn. Bhd.	^	10	102
Southwind Plantation Sdn. Bhd.	#	18	18
Tab Timbers (Sarawak) Sdn. Bhd.	^	61	71
Utahol Sdn. Bhd.	#	-	17
W T K Realty Sdn. Bhd.	#	61	195
		170	419
Hiring of machinery received:			
B.H.B Sdn. Bhd.	#	-	27
Harbour-View Realty Sdn. Bhd.	^	-	39
Imbok Enterprise Sdn. Bhd.	#	54	54
United Agencies Sdn. Bhd.	^	145	167
Utahol Sdn. Bhd.	#	27	27
WTK Reforestation Sdn. Bhd.	#	-	36
		226	350
Office rental paid:			
W T K Realty Sdn. Bhd.	#	162	185
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	4,783	3,532

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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 September 2019 and 31 December 2018 were as follows:

	30.9.2019	31.12.2018
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	6,236	3,377
Other receivables (net of allowance for impairment)	1,238	4,140
Trade payables	(27,986)	(26,001)
Other payables	(1,466)	(2,218)
	<u>(1,466)</u>	<u>(2,218)</u>

21. Events after the reporting period

There are no events after the financial period ended 30 September 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 September 2018 (9 months)

	Previously stated	Restated
	RM'000	RM'000
Other income	143,521	23,288
Administrative and other expenses	(66,192)	(30,919)
Profit/(Loss) for the period from continuing operations	<u>69,997</u>	<u>(14,963)</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			
	30.9.2019	30.9.2018	Variance		30.9.2019	30.9.2018	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
<u>Continuing Operations:</u>								
Timber	95,984	171,037	(75,053)	-43.9%	354,010	487,143	(133,133)	-27.3%
Plantation	18,501	22,220	(3,719)	-16.7%	48,775	62,593	(13,818)	-22.1%
Manufacturing	6,766	11,764	(4,998)	-42.5%	20,245	30,480	(10,235)	-33.6%
Trading	9,923	7,645	2,278	29.8%	29,725	21,587	8,138	37.7%
Others	326	508	(182)	-35.8%	911	1,420	(509)	-35.8%
Total continuing operations	131,500	213,174	(81,674)	-38.3%	453,666	603,223	(149,557)	-24.8%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	-	-	-
Total	131,500	213,174	(81,674)	-38.3%	453,666	603,223	(149,557)	-24.8%
(Loss)/Profit before tax								
<u>Continuing Operations:</u>								
Timber	(14,140)	10,755	(24,895)	-231.5%	(15,384)	4,967	(20,351)	-409.7%
Plantation	(4,096)	(6,119)	2,023	-33.1%	(22,263)	(20,244)	(2,019)	10.0%
Manufacturing	698	2,101	(1,403)	-66.8%	2,496	4,066	(1,570)	-38.6%
Trading	865	413	452	109.4%	1,339	1,372	(33)	-2.4%
Others	(302)	(588)	286	-48.6%	(1,935)	(2,054)	119	-5.8%
Total continuing operations	(16,975)	6,562	(23,537)	-358.7%	(35,747)	(11,893)	(23,854)	200.6%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	84,601	(84,601)	-100.0%
Total	(16,975)	6,562	(23,537)	-358.7%	(35,747)	72,708	(108,455)	-149.2%

For the quarter (“3Q2019”) under review, the Group’s revenue was RM131.5 million, a decrease of RM81.7 million or 38.0% as compared to the preceding year corresponding quarter (“3Q2018”) of RM213.2 million. As a result, the Group recorded a loss before tax of RM17.0 million in 3Q2019 as opposed to 3Q2018’s profit before tax of RM6.6 million. This was mainly attributed to the timber segment recording a loss before tax in 3Q2019 as opposed to a profit before tax in 3Q2018.

For the nine months ended 30 September 2019 (“9M2019”), the Group’s revenue was RM453.7 million, a decrease of RM149.6 million or 24.8% as compared to the preceding year corresponding period (“9M2018”) of RM603.2 million, with a loss before tax of RM35.7 million as compared to 9M2018’s loss before tax of RM11.9 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 September 2019 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

Timber

For 3Q2019 and 9M2019, the lower revenue and higher loss before tax were mainly attributed to weaker demand of timber products from both domestic and international markets. This is coupled with softening of timber products price as a result of continued inter-regional trade uncertainties.

For log business, the revenue of log has decreased by 32% as compared to 3Q2018 due to price competition. The log production costs are increasing in recent years, mainly due to the revision of timber royalties and increase of minimum monthly wages. Hence, the Sarawak's log producers are losing its competitiveness to other log producing countries. Meanwhile, the revenue of plywood business during the quarter has decreased by 47% as compared 3Q2018. The decrease in plywood revenue is contributed by price competition from Indonesia plywood exporters and also increased of domestic supply in the Group's largest plywood market, Japan.

Plantation

For 3Q2019 and 9M2019 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 3Q2019 and 9M2019 widened when compared with 3Q2018 and 9M2018, respectively.

Manufacturing and Trading

For 3Q2019 and 9M2019, the decrease in revenue was mainly attributed to lower export sales, where export market contributed to more than 70% of the segment revenue. The on-going trade tension between US and China has resulted in moderation of global economic growth and most foreign buyers have reduced their orders during the period under review. Accordingly, a lower profit before tax was registered when compared to 3Q2018 and 9M2018, in tandem with decrease in sales volume.

Others

For 3Q2019 and 9M2019, 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 3Q2018 and 9M2018.

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24. Comment on material change in profit before taxation

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

	Current quarter		Variance	
	30.9.2019 RM'000	30.6.2019 RM'000	RM	%
Revenue				
Timber	95,984	111,736	(15,752)	-14.1%
Plantation	18,501	15,789	2,712	17.2%
Manufacturing	6,766	5,040	1,726	34.2%
Trading	9,923	9,848	75	0.8%
Others	326	306	20	6.5%
Total	<u>131,500</u>	<u>142,719</u>	(11,219)	-7.9%
(Loss)/Profit before tax				
Timber	(14,140)	(7,415)	(6,725)	90.7%
Plantation	(4,096)	(8,048)	3,952	-49.1%
Manufacturing	698	493	205	41.6%
Trading	865	(189)	1,054	-557.7%
Others	(302)	(645)	343	-53.2%
Total	<u>(16,975)</u>	<u>(15,804)</u>	(1,171)	7.4%

For 3Q2019 under review, the Group's revenue was RM131.5 million, a decrease of RM11.2 million or 7.9% as compared to the preceding quarter ("2Q2019") of RM142.7 million. As a result, the Group's loss before tax widened to RM17.0 million in 3Q2019 as compared to 2Q2019's loss before tax of RM15.8 million. This was mainly attributed to the timber segment weaker performance during the quarter under review.

Timber

The segment recorded a lower sales revenue and higher loss before tax attributed to weaker demand of timber products during the quarter.

Plantation

Plantation segment registered a higher revenue and lower loss before tax mainly due to the increase in CPO sales volume and selling price during the quarter.

Manufacturing and Trading

The segment recorded a higher revenue and profit before tax as compared with preceding quarter. The improved performance was attributed to higher shipments and longer operating hours as compared with long Hari Raya holidays in 2Q2019.

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25. Commentary on prospects

Timber

Overall, the Group remained cautious of the outlook of timber segment as the cost of production has increased since the revision of minimum monthly wages and also the timber royalties. The Group is slowing down the production of log in response to weak demand of log. Also, with the move toward Forest Management Certification (FMC), the Group is revising the harvesting cycle of the logging operation and anticipating lower production of log in the coming periods.

The export sales of plywood into Japan market also remained competitive as a result of price competition from Indonesia and Japan manufacturers. However, the Group is anticipating increase demand of plywood products from Japan due to re-construction activities after the recent typhoon catastrophe. Also, to remain competitive in the plywood business, the Group is consolidating the existing plywood manufacturing facilities in order to achieve greater production efficiency.

Plantation

CPO price is improving in recent months with the anticipation of global palm oil stocks will decline next year. Dry weather and lower application of fertiliser to manage costs during the depressed CPO price environment from 2018 to mid-2019 will affect the production output of top producers from Malaysia and Indonesia in year 2020. Additionally, the expected implementation of new mandate for biodiesel in Indonesia and Malaysia is estimated to increase the CPO consumption in both countries. The Group is anticipating higher contribution from the plantation segment, as a result of stronger CPO prices and increasing mature crop in the coming years.

Manufacturing and Trading

The manufacturing and trading segments are expected to continue facing competition from domestic and foreign competitors. We generally compete with our competitors on market reputation, technical competence, quality control and customer services. The Group is cautiously optimistic that the overall demand for adhesive and gummed tapes remains intact, and will continue to focus on market and product development, and manufacturing process improvement to deliver a positive result.

The Group expects the operating environment to remain challenging going forward. Nonetheless, we believe that the Group would be able to stay competitive based on, amongst others, our track record in the businesses, our technical competence as supported by our experienced management, as well as our strong cash position.

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

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

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

Please refer to the commentary 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 September 2019 and 31 December 2018.

33. Rationale for entering into derivatives

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

34. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 30 September 2019 or the previous financial period ended 30 September 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 September 2019 and 31 December 2018.

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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

CHONG CHEW LO
COMPANY SECRETARY
KUALA LUMPUR
Date: 29 November 2019