

**W T K HOLDINGS BERHAD (10141-M)**

*(Incorporated in Malaysia)*

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

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

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

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Non-current assets</b>		
Property, plant and equipment	655,158	715,128
Right-of-use assets	7,114	-
Prepaid land lease payments	30,000	31,000
Investment properties	15,637	16,010
Other investments	514	439
Intangible assets	18,119	43,906
Biological assets	58,916	63,303
	<u>785,458</u>	<u>869,786</u>
<b>Current assets</b>		
Prepaid land lease payments	1,000	1,000
Biological assets	929	396
Inventories	116,992	130,148
Trade receivables	43,538	59,126
Other receivables	14,798	26,971
Tax recoverable	1,597	5,426
Cash and bank balances	383,197	384,226
	<u>562,051</u>	<u>607,293</u>
<b>Total assets</b>	<u>1,347,509</u>	<u>1,477,079</u>
<b>Equity</b>		
Share capital	309,346	309,346
Treasury shares	(8,156)	(8,156)
Other reserves	5,293	5,476
Retained earnings	679,456	797,849
<b>Equity attributable to owners of the Company</b>	<u>985,939</u>	<u>1,104,515</u>
Non-controlling interests	(9,838)	(6,885)
<b>Total equity</b>	<u>976,101</u>	<u>1,097,630</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	58,666	43,175
Lease liabilities	6,640	-
Retirement benefit obligations	1,754	1,918
Loans and borrowings	102,929	119,483
	<u>169,989</u>	<u>164,576</u>
<b>Current liabilities</b>		
Retirement benefit obligations	319	181
Lease liabilities	583	-
Loans and borrowings	136,067	118,526
Trade payables	48,048	72,544
Other payables	14,397	20,954
Income tax payable	2,005	2,668
	<u>201,419</u>	<u>214,873</u>
<b>Total liabilities</b>	<u>371,408</u>	<u>379,449</u>
<b>Total equity and liabilities</b>	<u>1,347,509</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 31 DECEMBER 2019 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 31 December		Twelve months ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Revenue	137,069	212,964	590,735	816,187
Cost of sales	<u>(150,480)</u>	<u>(175,488)</u>	<u>(585,353)</u>	<u>(736,102)</u>
Gross profit	(13,411)	37,476	5,382	80,085
Other income	4,281	5,567	18,628	28,855
Selling and distribution expenses	(11,643)	(15,434)	(39,742)	(54,129)
Administrative and other expenses	<u>(33,541)</u>	<u>(15,123)</u>	<u>(66,725)</u>	<u>(46,042)</u>
Operating (loss)/profit	(54,314)	12,486	(82,457)	8,769
Finance costs	<u>(3,020)</u>	<u>(2,351)</u>	<u>(10,623)</u>	<u>(10,527)</u>
(Loss)/Profit before tax	(57,334)	10,135	(93,080)	(1,758)
Income tax expense	<u>(16,970)</u>	<u>(1,259)</u>	<u>(20,919)</u>	<u>(4,329)</u>
(Loss)/Profit for the period from continuing operations	(74,304)	8,876	(113,999)	(6,087)
<b>Discontinued Operation</b>				
Profit for the period from discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,601</u>
<b>(Loss)/Profit for the period</b>	<u>(74,304)</u>	<u>8,876</u>	<u>(113,999)</u>	<u>78,514</u>
<b>Other comprehensive income/(loss)</b>				
<b>Item that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation	<u>180</u>	<u>17</u>	<u>(258)</u>	<u>(45)</u>
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
(Loss)/Gain on fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	-	(73)	74	(294)
Remeasurement loss on retirement benefit obligations	<u>-</u>	<u>-</u>	<u>(184)</u>	<u>-</u>
	-	(73)	(110)	(294)
<b>Other comprehensive income/(loss), net of tax</b>	<u>180</u>	<u>(56)</u>	<u>(368)</u>	<u>(339)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(74,124)</u>	<u>8,820</u>	<u>(114,367)</u>	<u>78,175</u>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(74,114)	9,392	(111,046)	81,198
Non-controlling interests	<u>(190)</u>	<u>(516)</u>	<u>(2,953)</u>	<u>(2,684)</u>
<b>(Loss)/Profit for the period</b>	<u>(74,304)</u>	<u>8,876</u>	<u>(113,999)</u>	<u>78,514</u>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(73,934)	9,336	(111,414)	80,859
Non-controlling interests	<u>(190)</u>	<u>(516)</u>	<u>(2,953)</u>	<u>(2,684)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(74,124)</u>	<u>8,820</u>	<u>(114,367)</u>	<u>78,175</u>
<b>(Loss)/Earnings per share attributable to owners of the Company (sen per share):</b>				
Basic	<u>(15.52)</u>	<u>1.96</u>	<u>(23.26)</u>	<u>17.00</u>
<b>(Loss)/Earnings per share from continuing operations attributable to owners of the Company (sen per share):</b>				
Basic	<u>(15.52)</u>	<u>1.96</u>	<u>(23.26)</u>	<u>(0.72)</u>
<b>Earnings per share from discontinued operation attributable to owners of the Company (sen per share):</b>				
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 31 DECEMBER 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		
<b>Quarter ended 31 December 2019</b>									
<b>At 1 January 2019</b>	1,097,630	1,104,515	309,346	(8,156)	797,849	5,476	5,874	(398)	(6,885)
Total comprehensive loss	(114,367)	(111,414)	-	-	(111,231)	(183)	(257)	74	(2,953)
<b>Transaction with owners</b>									
Dividends on ordinary shares	(7,162)	(7,162)	-	-	(7,162)	-	-	-	-
<b>At 31 December 2019</b>	976,101	985,939	309,346	(8,156)	679,456	5,293	5,617	(324)	(9,838)
<b>Quarter ended 31 December 2018</b>									
<b>At 1 January 2018</b>	1,024,230	1,028,431	309,346	(8,156)	721,426	5,815	5,919	(104)	(4,201)
Total comprehensive income	78,175	80,859	-	-	81,198	(339)	(45)	(294)	(2,684)
<b>Transaction with owners</b>									
Dividends on ordinary shares	(4,775)	(4,775)	-	-	(4,775)	-	-	-	-
<b>At 31 December 2018</b>	1,097,630	1,104,515	309,346	(8,156)	797,849	5,476	5,874	(398)	(6,885)

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.

**W T K HOLDINGS BERHAD (10141-M)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2019 - UNAUDITED**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax from continuing operations	(93,080)	(1,758)
Profit before tax from discontinued operation	-	84,601
	<u>(93,080)</u>	<u>82,843</u>
<b>Adjustments for:</b>		
Allowance for impairment loss on receivables	-	36
Amortisation	7,154	7,154
Bad debts written off	3	35,273
Depreciation	64,175	58,392
Dividend income	(9)	(19)
Loss on disposal of property, plant and equipment	2,904	4,412
Net gain arising from changes in fair value of biological assets	(1,711)	(7,860)
Gain on deconsolidation of a subsidiary	-	(117,085)
Impairment loss on goodwill	19,633	-
Interest expense	10,515	10,759
Interest income	(10,277)	(12,224)
Inventories written down	-	83
Inventories written off	69	41
Property, plant and equipment written off	23	285
Retirement benefit obligations	184	165
Reversal of impairment loss on receivables	-	(49)
Share of results of associates	-	(31)
Unrealised (gain)/loss on foreign exchange	(55)	137
<b>Operating profit before working capital changes</b>	<u>(472)</u>	<u>62,312</u>
<b>Changes in working capital :</b>		
Net decrease/(increase) in current assets	42,151	(28,488)
Net decrease in current liabilities	(31,066)	(24,669)
Cash used in operations	<u>10,613</u>	<u>9,155</u>
Income taxes paid, net of tax refund	(2,282)	(8,296)
Interest paid	(10,515)	(11,135)
Interest received	9,037	12,224
Payment of retirement benefits	(393)	(354)
<b>Net cash from in operating activities</b>	<u>6,460</u>	<u>1,594</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition of biological assets	5,565	(1,717)
Purchase of property, plant and equipment	(11,974)	(11,164)
Proceeds from disposal of property, plant and equipment	5,283	1,417
Net dividend received from investment securities	9	19
Net cash outflow from deconsolidation of a subsidiary	-	(338)
<b>Net cash used in investing activities</b>	<u>(1,117)</u>	<u>(11,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to owners of the Company	(7,162)	(4,775)
Drawdown of term loans	445	8,019
Drawdown of trade financing facilities	60,273	92,136
Repayment of hire purchases	(928)	(1,231)
Repayment of term loans	(15,131)	(28,502)
Repayment of trade financing facilities	(44,616)	(94,560)
<b>Net cash used in financing activities</b>	<u>(7,119)</u>	<u>(28,913)</u>
Net decrease in cash and cash equivalents	(1,776)	(39,102)
Effects of exchange rate changes	(196)	(46)
<b>Net cash and cash equivalents at the beginning of the period/year</b>	<u>382,847</u>	<u>421,995</u>
<b>Net cash and cash equivalents at the end of the period/year</b>	<u><u>380,875</u></u>	<u><u>382,847</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	383,197	384,226
Less: Bank overdrafts	(2,322)	(1,379)
Cash and cash equivalents	<u><u>380,875</u></u>	<u><u>382,847</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 twelve months ended 31 December 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 26 February 2020.

**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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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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<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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, except as discussed below:

**MFRS 16 Leases**

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The impacts arising from the adoption of MFRS 16 are as below:

	Increase RM'000
Impact to the Group financial statements	
<b>Assets</b>	
Right-of-use assets	<u>7,924</u>
<b>Liabilities</b>	
Lease liabilities	<u><u>7,924</u></u>

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**(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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 twelve months ended 31 December 2019.

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

There were no changes in the composition of the Group during the twelve months ended 31 December 2019.



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Notes to the condensed consolidated interim financial statements  
For the twelve months ended 31 December 2019 – unaudited

**6. Segmental information**

	12 months ended 31.12.2019		12 months ended 31.12.2018	
	Revenue RM'000	(Loss)/Profit before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
<u>Continuing Operations:</u>				
Timber	453,501	(67,397)	667,911	20,848
Plantation	69,317	(29,086)	78,675	(26,649)
Manufacturing	25,983	2,854	36,059	4,520
Trading	40,774	2,634	31,837	1,859
Others	1,160	(2,085)	1,705	(2,336)
Total continuing operations	<u>590,735</u>	<u>(93,080)</u>	<u>816,187</u>	<u>(1,758)</u>
<u>Discontinued Operation:</u>				
Oil and gas	-	-	-	84,601
<b>Total</b>	<b><u>590,735</u></b>	<b><u>(93,080)</u></b>	<b><u>816,187</u></b>	<b><u>82,843</u></b>

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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Notes to the condensed consolidated interim financial statements  
For the twelve months ended 31 December 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**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Loss)/Profit before tax for the period is arrived at after charging / (crediting):</b>				
Amortisation	1,790	1,790	7,154	7,154
Goodwill impaired	19,633	-	19,633	-
Bad debts written off	1	-	3	35,273
Depreciation	16,960	16,760	64,175	58,392
Impairment loss on receivables	-	36	-	36
Interest expense	2,912	2,351	10,515	10,759
Inventories (written back)/written down	-	70	-	83
Inventories written off	57	10	69	36
Loss /(gain) on foreign exchange - Realised	11	2	-	2
Loss on foreign exchange - Unrealised	25	72	-	131
Loss on disposal of property, plant and equipment	(106)	3,535	2,904	4,567
Property, plant and equipment written off	7	46	23	285
Interest income	(1,598)	(2,857)	(10,277)	(12,224)

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For the twelve months ended 31 December 2019 – unaudited

**9. Income tax expense**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	2,890	5,578	6,245	9,552
- Foreign tax	167	(39)	404	194
	<u>3,057</u>	<u>5,539</u>	<u>6,649</u>	<u>9,746</u>
<u>(Over) /Under provision in respect of previous years</u>				
- Malaysian income tax	(1,528)	161	(1,219)	(989)
	<u>1,529</u>	<u>5,700</u>	<u>5,430</u>	<u>8,757</u>
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	17,717	(1,746)	17,765	(1,733)
- Over provision in respect of previous years	(2,276)	(2,695)	(2,276)	(2,695)
	<u>15,441</u>	<u>(4,441)</u>	<u>15,489</u>	<u>(4,428)</u>
Total income tax attributable to continuing operations	<u>16,970</u>	<u>1,259</u>	<u>20,919</u>	<u>4,329</u>

Income tax expense is recognised in each quarter based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

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**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.

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
(Loss)/Profit attributable to the owners of the Company (RM'000)	(74,114)	9,392	(111,046)	81,198
(Loss)/Profit attributable to the owners of the Company (RM'000)	(74,114)	9,392	(111,046)	81,198
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	(74,114)	9,392	(111,046)	(3,403)
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)	(15.52)	1.96	(23.26)	(0.72)
Basic (loss)/earnings per share (sen) attributable to:				
- Continuing operations	(15.52)	1.96	(23.26)	(0.72)
- Discontinued operation	-	-	-	17.72
	(15.52)	1.96	(23.26)	17.00

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 twelve months ended 31 December 2019, the Group acquired assets with a total cost of RM11,954,000 (31 December 2018: RM12,079,000).

Assets with carrying amount of RM8,187,000 (31 December 2018: RM5,829,000) were disposed by the Group during the 12 months ended 31 December 2019, resulting in a loss on disposal of RM2,904,000 (31 December 2018: RM4,412,000).

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**12. Intangible assets**

	<b>Goodwill RM'000</b>	<b>Timber rights RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2019/31 December 2019	33,593	111,584	145,177
<b>Accumulated amortisation and impairment</b>			
At 1 January 2019	9,404	91,867	101,271
Amortisation	-	6,154	6,154
Impairment	19,633	-	19,633
At 31 December 2019	29,037	98,021	127,058
<b>Net carrying amount</b>			
At 31 December 2019	4,556	13,563	18,119
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:

	<b>Goodwill</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Timber division	3,240	22,873
Trading division	1,308	1,308
Manufacturing division	8	8
	<u>4,556</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**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash on hand and at banks	102,115	70,484
Short-term deposits with licensed financial institutions	281,082	313,742
Cash and bank balances	<u>383,197</u>	<u>384,226</u>

**14. Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at reporting date, the Group held the following financial assets that are measured at fair value.

	<b>Date of valuation</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets measured at fair value</b>					
Financial assets at FVOCI					
- Quoted investments	31 December 2019	<u>414</u>	<u>-</u>	<u>-</u>	<u>414</u>
	31 December 2018	<u>339</u>	<u>-</u>	<u>-</u>	<u>339</u>
Biological assets					
- Oil palm fresh fruit bunches	31 December 2019	<u>-</u>	<u>-</u>	<u>929</u>	<u>929</u>
	31 December 2018	<u>-</u>	<u>-</u>	<u>396</u>	<u>396</u>
- Reforestation (Planted trees)	31 December 2019	<u>-</u>	<u>-</u>	<u>58,916</u>	<u>58,916</u>
	31 December 2018	<u>-</u>	<u>-</u>	<u>63,303</u>	<u>63,303</u>

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 twelve months ended 31 December 2019.

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

**16. Interest bearing loans and borrowings**

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

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Short term borrowings		
- Secured	37,067	88,526
- Unsecured	99,000	30,000
	<u>136,067</u>	<u>118,526</u>
Long term borrowings		
- Secured	102,929	119,483
Total	<u>238,996</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**

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Date of payment</b>
	<b>RM'000</b>	<b>RM'000</b>	
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	<u>7,162</u>	<u>-</u>	22 July 2019

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**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 December 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 twelve months ended 31 December 2019 and 31 December 2018.

	Note	31.12.2019 RM'000	31.12.2018 RM'000
Sawn timber sales:			
W T K Realty Sdn. Bhd.	#	2	23
W T K Service & Warehousing Sdn. Bhd.	^	-	362
		<u>2</u>	<u>385</u>
Contract fee received:			
W T K Realty Sdn. Bhd.	#	10	89
		<u>10</u>	<u>89</u>
Purchase of logs:			
Harbour-View Realty Sdn. Bhd.	^	-	7,815
Ocarina Development Sdn. Bhd.	#	32,759	18,079
		<u>32,759</u>	<u>25,894</u>
Lighterage and freight:			
Master Ace Territory Sdn. Bhd. (In Liquidation)	#	-	362
Ocarina Development Sdn. Bhd.	#	1,763	2,465
W T K Realty Sdn. Bhd.	#	4,196	6,804
Harbour-View Realty Sdn. Bhd.	^	52	142
		<u>6,011</u>	<u>9,773</u>
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	12,304	21,436
		<u>12,304</u>	<u>21,436</u>
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd.	^	6,314	7,433
		<u>6,314</u>	<u>7,433</u>
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	10,868	16,634
		<u>10,868</u>	<u>16,634</u>
Purchase of fertilizer:			
WTK Service & Warehousing Sdn. Bhd.	^	7,988	8,958
		<u>7,988</u>	<u>8,958</u>

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	Note	Transaction value	
		31.12.2019 RM'000	31.12.2018 RM'000
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	2,450	3,240
United Agencies Sdn. Bhd.	^	3,284	7,690
W T K Realty Sdn. Bhd.	#	67	260
		<u>5,801</u>	<u>11,190</u>
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	9,924	10,508
Harvard Master Sdn. Bhd.	#	8,134	7,277
Southwind Plantation Sdn. Bhd.	#	1,505	1,794
		<u>19,563</u>	<u>19,579</u>
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	10,183	14,467
Utahol (2008) Sdn. Bhd.		426	-
W T K Realty Sdn. Bhd.	#	-	42
		<u>10,609</u>	<u>14,509</u>
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	27	30
Harbour-View Realty Sdn. Bhd.	^	10	112
Southwind Plantation Sdn. Bhd.	#	24	24
Tab Timbers (Sarawak) Sdn. Bhd.	^	65	119
Utahol Sdn. Bhd.	#	-	17
W T K Realty Sdn. Bhd.	#	88	259
		<u>214</u>	<u>561</u>
Hiring of machinery received:			
B.H.B Sdn. Bhd.	#	-	36
Harbour-View Realty Sdn. Bhd.	^	-	45
Imbok Enterprise Sdn. Bhd.	#	72	72
United Agencies Sdn. Bhd.	^	145	222
Utahol Sdn. Bhd.	#	32	36
WTK Reforestation Sdn. Bhd.	#	-	48
		<u>249</u>	<u>459</u>
Office rental paid:			
W T K Realty Sdn. Bhd.	#	216	243
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	6,020	6,118

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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 31 December 2019 and 31 December 2018 were as follows:

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	2,585	3,377
Other receivables (net of allowance for impairment)	1,352	4,140
Trade payables	(25,105)	(26,001)
Other payables	(1,149)	(2,218)
	(1,149)	(2,218)

## 21. Events after the reporting period

On 22 January 2020, the Group announced that its wholly-owned subsidiary company, Biogreen Success Sdn. Bhd., had entered into a Sale and Purchase Agreement (“SPA”) with Lumiera Enterprise Sdn. Bhd. for the acquisition of a parcel of land with oil palm plantation thereon situated at Along Batang Baram, Baram containing an area of 4,698.2 hectares, more or less and described as Lot 2, Block 11, Teraja Land District, located within Miri Divisions, Sarawak together with its facilities, infrastructures, improvements, immovable assets excluding the movable assets for a cash consideration of RM85,000,000 subject to the terms and conditions as stipulated in the SPA. (“Proposed Acquisition”)

Further details of the Proposed Acquisition are set out in the announcement dated 22 January 2020.

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**22. Performance review**

	Current quarter				Cumulative quarter			
	31.12.2019	31.12.2018	Variance		31.12.2019	31.12.2018	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Revenue</b>								
<u>Continuing Operations:</u>								
Timber	99,491	180,768	(81,277)	-45.0%	453,501	667,911	(214,410)	-32.1%
Plantation	20,542	16,082	4,460	27.7%	69,317	78,675	(9,358)	-11.9%
Manufacturing	5,738	5,579	159	2.8%	25,983	36,059	(10,076)	-27.9%
Trading	11,049	10,250	799	7.8%	40,774	31,837	8,937	28.1%
Others	249	285	(36)	-12.6%	1,160	1,705	(545)	-32.0%
Total continuing operations	137,069	212,964	(75,895)	-35.6%	590,735	816,187	(225,452)	-27.6%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	-	-	-
Total	137,069	212,964	(75,895)	-35.6%	590,735	816,187	(225,452)	-27.6%
<b>(Loss)/Profit before tax</b>								
<u>Continuing Operations:</u>								
Timber	(52,013)	15,881	(67,894)	-427.5%	(67,397)	20,848	(88,245)	-423.3%
Plantation	(6,823)	(6,405)	(418)	6.5%	(29,086)	(26,649)	(2,437)	9.1%
Manufacturing	358	454	(96)	-21.1%	2,854	4,520	(1,666)	-36.9%
Trading	1,295	487	808	165.9%	2,634	1,859	775	41.7%
Others	(151)	(282)	131	-46.5%	(2,085)	(2,336)	251	-10.7%
Total continuing operations	(57,334)	10,135	(67,469)	-665.7%	(93,080)	(1,758)	(91,322)	5194.7%
<u>Discontinued Operation:</u>								
Oil and gas	-	-	-	-	-	84,601	(84,601)	-100.0%
Total	(57,334)	10,135	(67,469)	-665.7%	(93,080)	82,843	(175,923)	-212.4%

For the quarter (“4Q2019”) under review, the Group’s revenue was RM137.1 million, a decrease of RM75.9 million or 35.6% as compared to the preceding year corresponding quarter (“4Q2018”) of RM213.0 million. As a result, the Group recorded a loss before tax of RM57.3 million in 4Q2019 as opposed to 4Q2018’s profit before tax of RM10.1 million. This was mainly attributed to the timber segment recording a loss before tax in 4Q2019 as opposed to a profit before tax in 4Q2018.

For the twelve months ended 31 December 2019 (“12M2019”), the Group’s revenue was RM590.7 million, a decrease of RM225.5 million or 27.6% as compared to the preceding year corresponding period (“12M2018”) of RM816.2 million, with a loss before tax of RM93.1 million as compared to 12M2018’s loss before tax of RM1.8 million (excluding the one-off gain of RM84.6 million on deconsolidation of discontinued operation).

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Overall, the loss before tax of RM93.1 million for 12M2019 was mainly due to non-cash items such as changed in fair value of biological assets of RM4.4 million and also a one-off impairment of goodwill amounted to RM19.6 million. After taking into consideration the above non-cash items and also the depreciation of property, plant and equipment of RM64.2 million and amortization of intangible assets of RM7.1 million, the cash flows generated from the Group's operating activities are positive.

The performance of respective segments for the financial quarter/period ended 31 December 2019 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

**Timber**

The revenue for 4Q2019 and 12M2019 are RM99.5 million and RM453.5 million respectively, the lower revenue 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. In addition, the higher loss before tax of RM52.0 million and RM67.4 million for 4Q2019 and 12M2019 respectively were contributed by cost increase arising from policy and administrative requirements such as increase in premium and cess, as well as labour costs on top of existing high production cost. Also, the Group also made a one-off impairment of goodwill related to a timber subsidiary amounted to RM19.6 million during the quarter.

**Plantation**

For 12M2019 under review, the lower revenue of RM69.3 million as compared with RM78.7 million for 12M2018 recorded was attributed to the drop in average selling prices of crude palm oil ("CPO") and palm kernel ("PK") over the 12 months in year 2019. Consequently, the segment's loss before tax for 12M2019 widened to RM29.1 million when compared with loss before tax of RM26.7 million for 12M2018. For 4Q2019, higher revenue of RM20.5 million as compared with RM16.1 million in 4Q2018 was attributed by the rebound of CPO and PK prices during the quarter.

**Manufacturing and Trading**

The decrease in revenue from RM67.9 million for 12M2018 to RM66.8 million for 12M2019 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 has reduced their orders during the period under review. Accordingly, a lower profit before tax of RM5.5 million was registered for 12M2019 when compared to profit before tax of RM6.4 million for 12M2018, in tandem with decrease in sales volume. For 4Q2019, higher revenue of RM16.8 million as compared with RM15.8 million in 4Q2018 was mainly contributed by improved local sales during the quarter.

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**Others**

For 4Q2019 and 12M2019, the segment's revenue which derived from rental and interest income are RM0.3 million and RM1.2 million respectively. The lower revenue for 4Q2019 and 12M2019 are mainly due to lower interest income received from short-term deposits due to less placements as compared to 4Q2018 and 12M2018.

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

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

	Current quarter		Variance	
	31.12.2019 RM'000	30.9.2019 RM'000	RM	%
<b>Revenue</b>				
Timber	99,491	95,984	3,507	3.7%
Plantation	20,542	18,501	2,041	11.0%
Manufacturing	5,738	6,766	(1,028)	-15.2%
Trading	11,049	9,923	1,126	11.3%
Others	249	326	(77)	-23.6%
<b>Total</b>	<u>137,069</u>	<u>131,500</u>	5,569	4.2%
<b>(Loss)/Profit before tax</b>				
Timber	(52,013)	(14,140)	(37,873)	267.8%
Plantation	(6,823)	(4,096)	(2,727)	66.6%
Manufacturing	358	698	(340)	-48.7%
Trading	1,295	865	430	49.7%
Others	(151)	(302)	151	-50.0%
<b>Total</b>	<u>(57,334)</u>	<u>(16,975)</u>	(40,359)	237.8%

For 4Q2019 under review, the Group's revenue was RM137.1 million, an increase of RM5.6 million or 4.2% as compared to the preceding quarter ("3Q2019") of RM131.5 million. The Group's loss before tax widened to RM57.3 million in 4Q2019 as compared to 3Q2019's loss before tax of RM17.0 million. This was mainly attributed to the timber segment weaker performance during the quarter under review and also due to non-cash items such as changed in fair value of biological assets of RM4.4 million and one-off impairment of goodwill amounted to RM19.6 million.

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**Timber**

The segment recorded a higher sales revenue of RM99.5 million for 4Q2019 as compared with RM96.0 million for 3Q2019 due to stronger demand from the export sales of plywood to Japan due to post-typhoon reconstruction activities. Meanwhile, the higher loss before tax of RM52.0 million for 4Q2019 was attributed to weaker average selling price of timber products and also a one-off impairment of goodwill of RM19.7 million during the quarter.

**Plantation**

Plantation segment registered a higher revenue of RM20.5 million for 4Q2019 as compared with RM18.5 million for 3Q2019, mainly due to the increase in CPO sales volume and selling price during the quarter.

**Manufacturing and Trading**

For 4Q2019, the combined revenue and profit before tax for manufacturing and trading segments are consistent as compared with preceding quarter, 3Q2019.

**24. Commentary on prospects**

**Timber**

The outlook for the log business remains challenging as demand from the main export country, India, is expected to remain soft. In response to weak demand of log and requirements of Forest Management Certificate, the Group is revising the harvesting cycle and slowing down the logging operation. Since December 2019, the Group has received higher order of plywood from Japanese customers, especially the concrete forming panel and structural panel, due to a strong demand for reconstruction works after the recent devastating typhoon catastrophe in Japan.

However, the Group remain cautious of the outlook of timber segment as the timber industry continues to be severely affected by cost increase arising from policy and administrative requirements such as increase in premium and cess, as well as labour costs on top of existing high production cost.

**Plantation**

CPO price has recovered from its low level since November 2019 with the anticipation of tight global palm oil stocks due to expected implementation of new biodiesel mandates in Indonesia and Malaysia. However, the demand for CPO has slowed in recent months, with businesses in China shut because of a coronavirus (COVID-19) epidemic and India, the world largest consumers of edible oils, importing less following curbs on refined palm oil from Malaysia.

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Nevertheless, the Group anticipates higher contribution from the plantation segment in year 2020, as a result of higher CPO price as compared with year 2019 and also higher fruit production in year 2020.

**Manufacturing and Trading**

The manufacturing and trading segments are expected to continue facing competition from domestic and foreign competitors. The Group is cautiously optimistic that the overall demand for our premium adhesive and gummed tapes remains intact, and will continue to focus on market development through E-commerce platform to deliver a positive result.

The Group expects the operating environment to remain challenging going forward, with the US-China trade tension still sees no signs of ending and the full impact of coronavirus (COVID-19) likely to drag down already soft global economy. Nonetheless, we believe that our 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.

**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 December 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 December 2019 or the previous financial period ended 31 December 2018.

**33. Risks and policies of derivatives**

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

CHONG CHEW LO  
COMPANY SECRETARY  
KUALA LUMPUR  
Date: 26 February 2020