

W T K HOLDINGS BERHAD

Registration Number: 197001000863 (10141-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

W T K HOLDINGS BERHAD (Registration Number: 197001000863 (10141-M))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2020 - UNAUDITED

	31.03.2020	31.12.2019
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	552,527	565,465
Investment properties	15,544	15,637
Right-of-use assets	126,970	127,832
Other investments	776	513
Intangible assets	16,581	18,119
Biological assets	59,472	58,916
	<u>771,870</u>	<u>786,482</u>
Current assets		
Biological assets	640	929
Inventories	98,129	117,284
Trade receivables	32,623	41,092
Other receivables	25,742	16,248
Tax recoverable	2,138	1,884
Cash and bank balances	371,025	383,160
	<u>530,297</u>	<u>560,597</u>
Total assets	<u>1,302,167</u>	<u>1,347,079</u>
Equity		
Share capital	309,346	309,346
Treasury shares	(8,156)	(8,156)
Other reserves	5,452	5,188
Retained earnings	659,367	679,237
Equity attributable to owners of the Company	<u>966,009</u>	<u>985,615</u>
Non-controlling interests	(10,213)	(9,838)
Total equity	<u>955,796</u>	<u>975,777</u>
Non-current liabilities		
Deferred tax liabilities	58,723	58,665
Lease liabilities	6,570	6,580
Retirement benefit obligations	1,797	1,754
Loans and borrowings	99,244	103,116
	<u>166,334</u>	<u>170,115</u>
Current liabilities		
Retirement benefit obligations	319	319
Lease liabilities	480	642
Loans and borrowings	122,061	133,746
Trade payables	41,626	48,813
Other payables	13,889	15,375
Income tax payable	1,662	2,292
	<u>180,037</u>	<u>201,187</u>
Total liabilities	<u>346,371</u>	<u>371,302</u>
Total equity and liabilities	<u>1,302,167</u>	<u>1,347,079</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

W T K HOLDINGS BERHAD (Registration Number: 197001000863 (10141-M))
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 31 March 2020 RM'000	2019 RM'000	Three months ended 31 March 2020 RM'000	2019 RM'000
Continuing Operations				
Revenue	108,337	179,447	108,337	179,447
Cost of sales	(109,104)	(162,999)	(109,104)	(162,999)
Gross (loss)/profit	(767)	16,448	(767)	16,448
Other income	3,631	5,831	3,631	5,831
Selling and distribution expenses	(8,224)	(10,407)	(8,224)	(10,407)
Administrative and other expenses	(11,689)	(12,420)	(11,689)	(12,420)
Operating loss	(17,049)	(548)	(17,049)	(548)
Finance costs	(2,570)	(2,420)	(2,570)	(2,420)
Loss before tax	(19,619)	(2,968)	(19,619)	(2,968)
Income tax expense	(626)	(2,239)	(626)	(2,239)
Loss for the period	(20,245)	(5,207)	(20,245)	(5,207)
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	6	(643)	6	(643)
Items that will not be reclassified subsequently to profit or loss:				
Gain on fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	258	140	258	140
Remeasurement loss on retirement benefit obligations	-	(184)	-	(184)
	258	(44)	258	(44)
Other comprehensive income/(loss), net of tax	264	(687)	264	(687)
Total comprehensive loss for the period	(19,981)	(5,894)	(19,981)	(5,894)
Loss attributable to:				
Owners of the Company	(19,870)	(3,845)	(19,870)	(3,845)
Non-controlling interests	(375)	(1,362)	(375)	(1,362)
Loss for the period	(20,245)	(5,207)	(20,245)	(5,207)
Total comprehensive loss attributable to:				
Owners of the Company	(19,606)	(4,532)	(19,606)	(4,532)
Non-controlling interests	(375)	(1,362)	(375)	(1,362)
Total comprehensive loss for the period	(19,981)	(5,894)	(19,981)	(5,894)
Loss per share attributable to owners of the Company (sen per share):				
Basic	(4.17)	(0.81)	(4.17)	(0.81)

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

W T K HOLDINGS BERHAD (Registration Number: 197001000863 (10141-M))
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020 - UNAUDITED**

	←——— Attributable to owners of the Company ———→								Non-controlling interests RM'000
	Total equity RM'000	Total equity attributable to the owners of the Company RM'000	←——— Non-distributable ———→		Distributable		←——— Non-distributable ———→		
Share capital RM'000			Treasury shares RM'000	Retained earnings RM'000	Total other reserves RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000		
Quarter ended 31 March 2020									
At 1 January 2020	975,777	985,615	309,346	(8,156)	679,237	5,188	5,512	(324)	(9,838)
Loss for the period	(20,245)	(19,870)	-	-	(19,870)	-	-	-	(375)
Other comprehensive income	264	264	-	-	-	264	6	258	-
Total comprehensive (loss)/income	(19,981)	(19,606)	-	-	(19,870)	264	6	258	(375)
At 31 March 2020	955,796	966,009	309,346	(8,156)	659,367	5,452	5,518	(66)	(10,213)
Quarter ended 31 March 2019									
At 1 January 2019	1,097,630	1,104,515	309,346	(8,156)	797,849	5,476	5,874	(398)	(6,885)
Loss for the period	(5,207)	(3,845)	-	-	(3,845)	-	-	-	(1,362)
Other comprehensive loss	(687)	(687)	-	-	(184)	(503)	(643)	140	-
Total comprehensive (loss)/income	(5,894)	(4,532)	-	-	(4,029)	(503)	(643)	140	(1,362)
At 31 March 2019	1,091,736	1,099,983	309,346	(8,156)	793,820	4,973	5,231	(258)	(8,247)

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

W T K HOLDINGS BERHAD (Registration Number: 197001000863 (10141-M))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020 - UNAUDITED

	31.03.2020	31.03.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(19,619)	(2,968)
Adjustments for:		
Amortisation	1,538	1,788
Depreciation	14,664	15,773
(Gain)/Loss on disposal of property, plant and equipment	(3)	1,108
Net gain arising from changes in fair value of biological assets	(213)	(1,306)
Interest expense	2,570	2,420
Interest income	(2,625)	(2,825)
Inventories written down	-	4
Inventories written off	9	5
Property, plant and equipment written off	5	-
Retirement benefit obligations	43	41
Reversal of impairment loss on receivables	(18)	-
Unrealised gain on foreign exchange	(240)	-
Operating (loss)/profit before working capital changes	<u>(3,889)</u>	<u>14,040</u>
Changes in working capital :		
Net decrease/(increase) in current assets	18,277	(11,732)
Net (increase)/decrease in current liabilities	(8,670)	5,016
Cash generated from operations	<u>5,718</u>	<u>7,324</u>
Income taxes paid, net of tax refund	(1,451)	(875)
Interest paid	(2,475)	(2,420)
Interest received	2,625	2,825
Net cash from operating activities	<u>4,417</u>	<u>6,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of biological assets	(54)	(487)
Purchase of property, plant and equipment	(912)	(1,968)
Proceeds from disposal of property, plant and equipment	130	1,108
Net dividend received from investment securities	9	-
Net cash used in investing activities	<u>(827)</u>	<u>(1,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	111	111
Drawdown of trade financing facilities	1,000	13,527
Interest paid for lease liabilities	(95)	-
Repayment of lease liabilities	(152)	-
Repayment of hire purchases	(233)	(225)
Repayment of term loans	(3,006)	(7,946)
Repayment of trade financing facilities	(14,376)	(29,428)
Net cash used in financing activities	<u>(16,751)</u>	<u>(23,961)</u>
Net decrease in cash and cash equivalents	(13,161)	(18,454)
Effects of exchange rate changes	79	(507)
Net cash and cash equivalents at the beginning of the period	<u>380,796</u>	<u>382,847</u>
Net cash and cash equivalents at the end of the period	<u><u>367,714</u></u>	<u><u>363,886</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	371,025	365,492
Less: Bank overdrafts	(3,311)	(1,606)
Cash and cash equivalents	<u>367,714</u>	<u>363,886</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – 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 5 June 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 2019. 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 2019.

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 2019, 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 2020.

(a) Changes in accounting policies

On 1 January 2020, the Group adopted the relevant and applicable new and revised MFRSs mandatory for annual financial periods beginning on or after 1 January 2020 as follows:

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 9 Interest Rate Benchmark Reform	1 January 2020

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020

The adoption of the new/revised MFRSs and Amendments to MFRSs are not expected to have any material impact on the financial statements of the Group in the period of initial application.

(b) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	#

Effective for annual periods beginning on or after a date to be determined.

The adoption of the above standards and amendments are not expected to have any material impact on the financial statements of the Group in the period of initial application.

4. Changes in estimates

There were no changes in estimates that have had a material effect in the current financial period.

5. Changes in composition of the Group

There were no changes in the composition of the Group during the current financial period.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

6. Segmental information

	3 months ended 31.03.2020		3 months ended 31.03.2019	
	Revenue RM'000	(Loss)/Profit before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
<u>Continuing Operations:</u>				
Timber	71,612	(17,799)	146,290	6,171
Plantation	20,516	(3,807)	14,485	(10,119)
Manufacturing	5,801	989	8,439	1,305
Trading	9,862	1,042	9,954	663
Others	546	(44)	279	(988)
Total continuing operations	<u>108,337</u>	<u>(19,619)</u>	<u>179,447</u>	<u>(2,968)</u>
Total	<u>108,337</u>	<u>(19,619)</u>	<u>179,447</u>	<u>(2,968)</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.

7. Seasonality of operations

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

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

8. Loss before tax

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Loss before tax for the period is arrived at after charging / (crediting):				
Amortisation	1,538	1,788	1,538	1,788
Depreciation	14,664	15,773	14,664	15,773
Interest expense	2,570	2,420	2,570	2,420
Inventories written down	-	4	-	4
Inventories written off	9	5	9	5
(Gain)/loss on foreign exchange - Realised	(146)	91	(146)	91
Gain on foreign exchange - Unrealised	(240)	-	(240)	-
(Gain)/loss on disposal of property, plant and equipment	(3)	1,108	(3)	1,108
Property, plant and equipment written off	5	-	5	-
Gain arising from changes in fair value of biological assets	(213)	(1,306)	(213)	(1,306)
Interest income	(2,625)	(2,825)	(2,625)	(2,825)

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	454	2,102	454	2,102
- Foreign tax	114	92	114	92
	568	2,194	568	2,194
<u>Under provision in respect of previous years</u>				
- Malaysian income tax	-	52	-	52
	568	2,246	568	2,246
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	58	(7)	58	(7)
	58	(7)	58	(7)
Total income tax	626	2,239	626	2,239

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.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

10. Loss per share

Basic loss 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		3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Loss attributable to the owners of the Company (RM'000)	(19,870)	(3,845)	(19,870)	(3,845)
Loss attributable to the owners of the Company (RM'000)	(19,870)	(3,845)	(19,870)	(3,845)
Weighted average number of ordinary shares in issue ('000)	475,749	477,474	475,749	477,474
Dilutive potential ordinary shares	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	475,749	477,474	475,749	477,474
Basic loss per share (sen)	(4.17)	(0.81)	(4.17)	(0.81)

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

11. Property, plant and equipment

During the three months ended 31 March 2020, the Group acquired assets with a total cost of RM912,000 (31 March 2019: RM1,968,000).

Assets with carrying amount of RM127,000 (31 March 2019: RM2,216,000) were disposed by the Group during the 3 months ended 31 March 2020, resulting in a gain on disposal of RM3,000 and loss on disposal during the 3 months ended 31 March 2019 was RM1,108,000.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

12. Intangible assets

	Goodwill	Timber	Total
	RM'000	rights	RM'000
		RM'000	RM'000
Cost			
At 1 January 2020/31 March 2020	33,593	111,584	145,177
Accumulated amortisation and impairment			
At 1 January 2020	29,037	98,021	127,058
Amortisation	-	1,538	1,538
At 31 March 2020	29,037	99,559	128,596
Net carrying amount			
At 31 March 2020	4,556	12,025	16,581
At 1 January 2020	4,556	13,563	18,119

(a) Impairment testing of goodwill

Allocation of goodwill

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

	Goodwill	
	31.03.2020	31.12.2019
	RM'000	RM'000
Timber division	3,240	3,240
Trading division	1,308	1,308
Manufacturing division	8	8
	<u>4,556</u>	<u>4,556</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:

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

i. Terminal growth rates

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

ii. Discount rates

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

13. Cash and bank balances

	31.03.2020	31.12.2019
	RM'000	RM'000
Cash on hand and at banks	60,683	100,133
Short-term deposits with licensed financial institutions	310,342	283,027
Cash and bank balances	<u>371,025</u>	<u>383,160</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.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

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

	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value					
Financial assets at FVOCI					
- Quoted investments	31 March 2020	<u>676</u>	<u>-</u>	<u>-</u>	<u>676</u>
	31 December 2019	<u>413</u>	<u>-</u>	<u>-</u>	<u>413</u>
Biological assets					
- Oil palm fresh fruit bunches	31 March 2020	<u>-</u>	<u>-</u>	<u>640</u>	<u>640</u>
	31 December 2019	<u>-</u>	<u>-</u>	<u>929</u>	<u>929</u>
- Reforestation (Planted trees)	31 March 2020	<u>-</u>	<u>-</u>	<u>59,472</u>	<u>59,472</u>
	31 December 2019	<u>-</u>	<u>-</u>	<u>58,916</u>	<u>58,916</u>

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

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

15. Share capital, share premium and treasury shares

The Company did not issue any ordinary shares during the three months ended 31 March 2020.

The number of shares bought back and retained as treasury shares amounted to 5,595,000 shares as at 31 March 2020.

16. Interest bearing loans and borrowings

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

	31.3.2020	31.12.2019
	RM'000	RM'000
Short term borrowings		
- Secured	23,061	106,746
- Unsecured	99,000	27,000
	<u>122,061</u>	<u>133,746</u>
Long term borrowings		
- Secured	99,244	103,116
Total	<u>221,305</u>	<u>236,862</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

	31.03.2020	31.12.2019	Date of payment
	RM'000	RM'000	
Recognised during the financial year:			
- 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>-</u>	<u>7,162</u>	

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2019, of 1.00 sen net per share will be proposed for shareholders' approval.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

19. Contingencies

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

There were no contingent assets as at 31 March 2020 and 31 December 2019.

20. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three months ended 31 March 2020 and 31 March 2019.

	Note	Transaction value	
		31.3.2020 RM'000	31.3.2019 RM'000
Sawn timber sales:			
W T K Realty Sdn. Bhd.	#	-	2
Contract fee received:			
W T K Realty Sdn. Bhd.	#	-	10
Purchase of logs:			
Ocarina Development Sdn. Bhd.	#	2,504	6,262
Lighterage and freight:			
Ocarina Development Sdn. Bhd.	#	128	506
W T K Realty Sdn. Bhd.	#	237	967
Harbour-View Realty Sdn. Bhd.	^	-	16
		365	1,489
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	1,584	4,118
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd.	^	927	1,779
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	2,140	2,920
Purchase of fertilizer:			
WTK Service & Warehousing Sdn. Bhd.	^	785	2,726

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

	Note	Transaction value	
		31.3.2020 RM'000	31.3.2019 RM'000
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	-	810
United Agencies Sdn. Bhd.	^	-	823
W T K Realty Sdn. Bhd.	#	-	67
		-	1,700
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	2,591	1,980
Harvard Master Sdn. Bhd.	#	2,729	1,592
		5,320	3,572
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	3,194	2,433
Utahol (2008) Sdn. Bhd.	#	207	-
		3,401	2,433
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	8	5
Southwind Plantation Sdn. Bhd.	#	4	4
Tab Timbers (Sarawak) Sdn. Bhd.	^	4	28
W T K Realty Sdn. Bhd.	#	10	24
		26	61
Hiring of machinery received:			
Imbok Enterprise Sdn. Bhd.	#	18	18
United Agencies Sdn. Bhd.	^	-	56
Utahol Sdn. Bhd.	#	5	9
		23	83
Office rental paid:			
W T K Realty Sdn. Bhd.	#	53	54
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	2,006	2,395

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

- ^ *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 March 2020 and 31 December 2019 were as follows:

	31.3.2020	31.12.2019
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	3,247	2,585
Other receivables (net of allowance for impairment)	1,720	1,352
Trade payables	(21,530)	(25,105)
Other payables	(558)	(1,149)
	(558)	(1,149)

21. Events after the reporting period

On 22 January 2020, Biogreen Success Sdn Bhd (“Biogreen” or “Purchaser”), a wholly-owned subsidiary company of the Group had entered into a Sale and Purchase Agreement (“SPA”) with Lumiera Enterprise Sdn Bhd (“Lumiera” or “Vendor”) 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 (“Land”) together with its facilities, infrastructures, improvements, immovable assets excluding the movable assets (collectively referred to as “Property”).

On 31 March 2020, Biogreen had entered into a supplementary sale and purchase agreement with Lumiera to amend and vary certain terms of the SPA (“Supplementary SPA”). The salient terms of the Supplementary SPA were disclosed in the Company’s announcement to Bursa Malaysia Securities Berhad dated 31 March 2020.

On 29 April 2020, a sum of RM8,500,000 was paid to the Vendor upon the Purchaser taking possession of the Property. As at the date of this report, a total sum of RM25,500,000 being 30% of the purchase consideration had been paid as deposit and part payment.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

22. Performance review

	31.3.2020	31.3.2019	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
Timber	71,612	146,290	(74,678)	-51.0%
Plantation	20,516	14,485	6,031	41.6%
Manufacturing	5,801	8,439	(2,638)	-31.3%
Trading	9,862	9,954	(92)	-0.9%
Others	546	279	267	95.7%
Total	<u>108,337</u>	<u>179,447</u>	(71,110)	-39.6%
(Loss)/Profit before tax				
Timber	(17,799)	6,171	(23,970)	-388.4%
Plantation	(3,807)	(10,119)	6,312	-62.4%
Manufacturing	989	1,305	(316)	-24.2%
Trading	1,042	663	379	57.2%
Others	(44)	(988)	944	-95.5%
Total	<u>(19,619)</u>	<u>(2,968)</u>	(16,651)	561.0%

For the quarter (“1Q2020”) under review, the Group’s revenue was RM108.3 million, a decrease of RM71.1 million or 39.6% as compared to the preceding year corresponding quarter (“1Q2019”) of RM179.4 million. As a result, the Group recorded a loss before tax of RM19.6 million in 1Q2020, RM16.6 million higher 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 1Q2020 as opposed to a profit before tax in 1Q2019.

Performance of respective segments for the financial quarter/period ended 31 March 2020 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

Timber

For 1Q2020, the lower revenue and higher loss before tax were mainly attributed to weaker demand of timber products from both domestics and international markets. 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.

For log business, the volume and revenue has decreased by 85% and 86% respectively as compared to 1Q2019, mainly attributed by the weak consumer sentiment. Moreover, the lockdown measures implemented to fight COVID-19 pandemic in Malaysia and foreign countries has resulted the further drop in demand for log.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

Meanwhile, the revenue of plywood business during the quarter has decreased by 11% as compared to 1Q2019. The decrease in plywood revenue was attributed by weaker demand of export plywood in Japan due to the slowing down of construction and new houses in Japan during the period under review. Furthermore, the average selling price of plywood in 1Q2020 was also approximately 15% lower as compared to 1Q2019, mainly attributed to the price competition from Indonesia and Japan plywood producers.

Plantation

For 1Q2020 under review, the revenue recorded was RM20.5 million, an increase of RM6.0 million or 41.6%, as compared to RM14.5 million in 1Q2019. The increase in revenue during the quarter was attributed to the strengthen of average selling price of crude palm oil (“CPO”) and palm kernel (“PK”) since end of year 2019. The higher average selling price of CPO recorded during 1Q2020 was also contributed to the CPO futures sales contract committed by the Group in early 2020. Consequently, the segment’s loss before tax in 1Q2020 was narrowed by RM6.3 million or 62.4% to RM3.8 million when compared with 1Q2019.

Manufacturing and Trading

The division recorded a revenue of RM15.7 million in 1Q2020 as compared to RM18.4 million in 1Q2019, representing a decrease of RM2.7 million. The lower revenue in 1Q2020 was attributed to decrease in export sales driven by lower demand of tapes product as a result of a soft global economy. However, a higher combined profit before tax was recorded in 1Q2020 as compared with 1Q2019, mainly attributed to the cost rationalisation measures implemented by the Group during the quarter.

Others

For 1Q2020, the segment’s revenue, which derived from rental and interest income, increased mainly due to higher interest income received from short-term deposits due to higher placements as compared to 1Q2019.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

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	
	31.3.2020 RM'000	31.12.2019 RM'000	RM	%
Revenue				
Timber	71,612	99,256	(27,644)	-27.9%
Plantation	20,516	20,542	(26)	-0.1%
Manufacturing	5,801	4,860	941	19.4%
Trading	9,862	11,171	(1,309)	-11.7%
Others	546	249	297	119.3%
Total	<u>108,337</u>	<u>136,078</u>	(27,741)	-20.4%
(Loss)/Profit before tax				
Timber	(17,799)	(52,247)	34,448	-65.9%
Plantation	(3,807)	(6,823)	3,016	-44.2%
Manufacturing	989	358	631	176.3%
Trading	1,042	1,311	(269)	-20.5%
Others	(44)	(46)	2	-4.3%
Total	<u>(19,619)</u>	<u>(57,447)</u>	37,828	-65.8%

For 1Q2020 under review, the Group's revenue was RM108.3 million, a decrease of RM27.8 million or 20.4% as compared to the preceding quarter ("4Q2019") of RM136.1 million. However, the Group's loss before tax was reduced by RM37.8 million or 65.8% to RM19.6 million in 1Q2020 as compared to 4Q2019's loss before tax of RM57.4 million. The higher loss before tax in 4Q2019 was mainly attributed to the one-off 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

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 lower loss before tax mainly due to the increase in selling price of CPO and PK during the quarter.

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

Manufacturing and Trading

The segment recorded a lower revenue as compared with preceding quarter, which was attributed by lesser working days during the quarter as a result of Chinese New Year holidays and the implementation of Movement Control Order in relation to COVID-19 pandemic since middle of March 2020.

24. Commentary on prospects

a) Timber

The outlook for the timber division remains challenging as demand of log and plywood products is expected to remain soft from major customers, India and Japan respectively. At the same time, the industry is gradually losing its market share to countries such as Indonesia, and other ASEAN countries who have competitive edge over Sarawak because of favourable policies and strong government support.

i) Log

India is traditional main importer of Sarawak round logs and lumber products for decades. The outlook of the Indian market is hampered by the weak consumer sentiment and also the recent lockdown where all woodworking industries have stopped operations to manage the COVID-19 pandemic.

ii) Plywood

The selling price and volume of plywood imported into Japan is experiencing downward pressure as result of price competition by Indonesian and Japanese plywood producers. This was coupled with the construction and house building sectors in Japan are slowing down and with bearish future, the buyers are limiting the purchase volume.

In response to weak demand of timber products, the Group had curtailed the log and plywood production since 4Q2019 and will continue production curtailment program if the demand stays weak.

b) Plantation

Since beginning of the year, CPO prices have been on the downtrend, largely due to the softer commodity demand as a result of plunge in oil prices, declining palm oil exports due to trade spat with the world largest consumer, India and the global concern on the widespread of COVID-19 pandemic.

The Group remain cautiously optimistic on the outlook of plantation segment for the current financial year, as:

- i) India, one of the world's biggest edible oil importer has resumed purchases of Malaysian palm oil and this could support Malaysian palm oil prices.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

- ii) Malaysia will restart its nationwide rollout of the B20 biodiesel programme in September after postponing it due to a two-month partial lockdown to contain the COVID-19 pandemic.
- iii) Malaysia's CPO production is expected to drop in year 2020 due to the movement control order, lagged effect of the dry weather in 2019, lagged effect of lower fertiliser application and minimal new plantings of oil palm.

c) Tapes

The Group remain cautiously optimistic on the outlook of manufacturing and trading divisions as the demand of tape products for both domestic and export markets will be affected by the lockdown measures to control the COVID-19 pandemic. Hence, the Group has implemented appropriate cost rationalisation measures to mitigate the impact of COVID-19 in the coming quarters.

Against the backdrop of a slowing global and local economy, the strict adherence to operating protocol mandated by the relevant authorities, and a waning demand from consumption in general, the Group expects the outlook for current financial year to remain challenging. The directors of the Company have commenced an assessment of the financial impact COVID-19 on the Group's financial results for financial year ending 31 December 2020, and this assessment is still on-going. However, the directors of the Company are confident that the cash flow position of the Group together with its undrawn bank facilities are adequate to meet the Group's obligations when and as they fall due within the next 12 months.

The Group is monitoring the development of COVID-19 pandemic closely and is actively pursuing measures to manage our operating costs and revising the business plans to mitigate any potential negative impact arising from the COVID-19 pandemic. 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.

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.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

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.

31. Disclosure on nature of outstanding derivatives

There were no outstanding derivatives as at 31 March 2020 and 31 December 2019.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the current quarter ended 31 March 2020 or the previous financial period ended 31 March 2019.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 31 March 2020 or the previous financial period ended 31 March 2019.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2020 and 31 December 2019.

35. Auditors report on the preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not qualified.

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

Notes to the condensed consolidated interim financial statements
For the three months ended 31 March 2020 – unaudited

BY ORDER OF THE BOARD

CHONG CHEW LO
COMPANY SECRETARY
KUALA LUMPUR
Date: 5 June 2020