

W T K HOLDINGS BERHAD

Registration Number: 197001000863 (10141-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 - UNAUDITED

	30.09.2020	31.12.2019
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	519,644	565,465
Investment properties	15,357	15,637
Right-of-use assets	128,393	127,832
Other investments	781	513
Intangible assets	13,505	18,119
Biological assets	35,542	58,916
	<u>713,222</u>	<u>786,482</u>
Current assets		
Biological assets	871	929
Inventories	88,338	117,284
Trade receivables	20,714	41,092
Other receivables	10,338	16,248
Tax recoverable	2,199	1,884
Cash and bank balances	352,521	383,160
	<u>474,981</u>	<u>560,597</u>
Total assets	<u>1,188,203</u>	<u>1,347,079</u>
Equity		
Share capital	309,346	309,346
Treasury shares	(9,341)	(8,156)
Other reserves	5,308	5,188
Retained earnings	504,959	679,237
Equity attributable to owners of the Company	<u>810,272</u>	<u>985,615</u>
Non-controlling interests	(10,480)	(9,838)
Total equity	<u>799,792</u>	<u>975,777</u>
Non-current liabilities		
Deferred tax liabilities	58,688	58,665
Lease liabilities	6,549	6,580
Retirement benefit obligations	1,718	1,754
Loans and borrowings	147,870	103,116
	<u>214,825</u>	<u>170,115</u>
Current liabilities		
Retirement benefit obligations	319	319
Lease liabilities	334	642
Loans and borrowings	124,862	133,746
Trade payables	35,099	48,813
Other payables	11,447	15,375
Income tax payable	1,525	2,292
	<u>173,586</u>	<u>201,187</u>
Total liabilities	<u>388,411</u>	<u>371,302</u>
Total equity and liabilities	<u>1,188,203</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))
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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	78,100	131,500	265,086	453,666
Cost of sales	<u>(84,327)</u>	<u>(132,275)</u>	<u>(270,171)</u>	<u>(434,873)</u>
Gross loss	(6,228)	(775)	(5,086)	18,793
Other income	4,626	4,042	12,856	14,347
Selling and distribution expenses	(5,040)	(8,173)	(19,477)	(28,099)
Administrative and other expenses	<u>(124,544)</u>	<u>(9,475)</u>	<u>(150,720)</u>	<u>(33,185)</u>
Operating loss	(131,185)	(14,381)	(162,426)	(28,144)
Finance costs	<u>(2,039)</u>	<u>(2,594)</u>	<u>(6,871)</u>	<u>(7,603)</u>
Loss before tax	(133,225)	(16,975)	(169,298)	(35,747)
Income tax expense	<u>(319)</u>	<u>(689)</u>	<u>(991)</u>	<u>(3,949)</u>
Loss for the period	<u>(133,544)</u>	<u>(17,664)</u>	<u>(170,289)</u>	<u>(39,696)</u>
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	<u>(515)</u>	<u>(312)</u>	<u>(144)</u>	<u>(438)</u>
Items that will not be reclassified subsequently to profit or loss:				
(Loss)/gain on fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	-	(110)	264	74
Remeasurement loss on retirement benefit obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184)</u>
	<u>-</u>	<u>(110)</u>	<u>264</u>	<u>(110)</u>
Other comprehensive (loss)/income, net of tax	<u>(515)</u>	<u>(422)</u>	<u>120</u>	<u>(548)</u>
Total comprehensive loss for the period	<u>(134,059)</u>	<u>(18,086)</u>	<u>(170,169)</u>	<u>(40,244)</u>
(Loss)/profit attributable to:				
Owners of the Company	(133,658)	(17,207)	(169,647)	(36,933)
Non-controlling interests	<u>114</u>	<u>(457)</u>	<u>(642)</u>	<u>(2,763)</u>
Loss for the period	<u>(133,544)</u>	<u>(17,664)</u>	<u>(170,289)</u>	<u>(39,696)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(134,173)	(17,629)	(169,527)	(37,481)
Non-controlling interests	<u>114</u>	<u>(457)</u>	<u>(642)</u>	<u>(2,763)</u>
Total comprehensive loss for the period	<u>(134,059)</u>	<u>(18,086)</u>	<u>(170,169)</u>	<u>(40,244)</u>
Loss per share attributable to owners of the Company (sen per share):				
Basic	<u>(28.15)</u>	<u>(3.60)</u>	<u>(35.73)</u>	<u>(7.74)</u>

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))
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 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	(170,289)	(169,647)	-	-	(169,647)	-	-	-	(642)
Other comprehensive income	120	120	-	-	-	120	(144)	264	-
Total comprehensive (loss)/income	(170,169)	(169,527)	-	-	(169,647)	120	(144)	264	(642)
Transaction with owners									
Dividends on ordinary shares	(4,631)	(4,631)	-	-	(4,631)	-	-	-	-
Repurchase of treasury shares	(1,185)	(1,185)	-	(1,185)	-	-	-	-	-
At 30 September 2020	799,792	810,272	309,346	(9,341)	504,959	5,308	5,368	(60)	(10,480)
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)
Loss for the period	(39,696)	(36,933)	-	-	(36,933)	-	-	-	(2,763)
Other comprehensive (loss)/income	(548)	(548)	-	-	(184)	(364)	(438)	74	-
Total comprehensive (loss)/income	(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)

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))
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020 - UNAUDITED

	30.09.2020	30.09.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(169,298)	(35,747)
Adjustments for:		
Amortisation	4,614	5,364
Bad debts written off	-	2
Depreciation	49,710	47,215
Dividend income	(9)	(9)
Gain on disposal of property, plant and equipment	3,441	3,010
Gain/(loss) arising from changes in fair value of biological assets	23,432	(1,676)
Impairment loss on property, plant and equipment	69,751	-
Impairment loss on right-of-use-assets	1,696	-
Interest expense	6,871	7,603
Interest income	(7,500)	(8,679)
Inventories written off	45	12
Property, plant and equipment written off	12,320	16
Retirement benefit obligations	(36)	137
Unrealised gain on foreign exchange	(25)	(32)
Operating (loss)/profit before working capital changes	(4,988)	17,216
Changes in working capital :		
Net decrease/(increase) in current assets	55,181	(7,497)
Net increase in current liabilities	(17,638)	(20,972)
Cash generated from/(used in) operations	32,555	(11,253)
Income taxes paid, net of tax refund	(2,042)	(1,825)
Interest paid	(6,579)	(7,603)
Interest received	7,500	8,679
Payment of retirement benefits	-	(331)
Net cash from/(used in) operating activities	31,434	(12,333)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of biological assets	-	(1,046)
Purchase of property, plant and equipment	(88,761)	(5,592)
Purchase of right-of-use-assets	(5,950)	-
Proceeds from disposal of property, plant and equipment	3,304	2,707
Net dividend received from investment securities	9	9
Net cash used in investing activities	(91,398)	(3,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(4,631)	(7,162)
Drawdown of term loans	60,334	334
Drawdown of trade financing facilities	3,000	42,424
Interest paid for lease liabilities	(292)	-
Repayment of lease liabilities	(1,524)	-
Repayment of hire purchases	(639)	(698)
Repayment of term loans	(11,339)	(13,213)
Repayment of trade financing facilities	(15,376)	(41,997)
Net cash from/(used in) financing activities	29,533	(20,312)
Net decrease in cash and cash equivalents	(30,430)	(36,567)
Effects of exchange rate changes	(99)	(407)
Net cash and cash equivalents at the beginning of the period	380,796	382,847
Net cash and cash equivalents at the end of the period	350,267	345,873
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	352,521	348,989
Less: Bank overdrafts	(2,254)	(3,116)
Cash and cash equivalents	350,267	345,873

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 (Registration Number: 197001000863 (10141-M))
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Notes to the condensed consolidated interim financial statements
For the nine months ended 30 September 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 24 November 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

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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

On 10 August 2020, the Group acquired all the shares in Gaya Iltizam Sdn. Bhd. for RM2.00, satisfied in cash. The company main business activities is extraction of quarry. As at 30 September 2020, the company has not commence the business.

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6. Segmental information

	9 months ended 30.09.2020		9 months ended 30.09.2019	
	Revenue RM'000	(Loss)/Profit before tax RM'000	Revenue RM'000	(Loss)/Profit before tax RM'000
Timber	159,865	(143,936)	354,010	(15,384)
Plantation	63,550	(29,218)	48,775	(22,263)
Manufacturing	15,499	1,894	20,245	2,496
Trading	25,097	2,525	29,725	1,339
Others	1,075	(563)	911	(1,935)
Total	265,086	(169,298)	453,666	(35,747)

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

Timber	:	the extraction and sales of timber, manufacture and sales of plywood, veneer and sawn timber and tree planting.
Plantation	:	cultivation of oil palm, production and sales of crude palm oil and palm kernel (“CPO & PK”).
Manufacturing	:	manufacture and sales of adhesive and gummed tapes.
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.

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8. Loss before tax

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	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	4,614	5,364
Bad debts written off	-	-	-	2
Depreciation	17,684	14,395	49,710	47,215
Dividend income from investment securities	(9)	(9)	(9)	(9)
Loss on disposal of property, plant and equipment	3,454	805	3,441	3,010
Gain arising from changes in fair value of biological assets	(24,052)	(220)	(23,432)	(1,676)
Impairment loss on property, plant and equipment	69,751	-	69,751	-
Impairment loss of right-of-use assets	1,696	-	1,696	-
Interest expense	2,039	2,594	6,871	7,603
Interest income	(1,830)	(2,764)	(7,500)	(8,679)
Inventories written off	45	2	45	12
Property, plant and equipment written off	12,320	-	12,320	16
Retirement benefit obligations	(36)	-	(36)	-
Loss/(gain) on foreign exchange - Unrealised	34	-	(25)	(25)

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For the nine months ended 30 September 2020 – unaudited

9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysian income tax	311	502	798	3,355
- Foreign tax	98	116	288	237
	409	618	1,086	3,592
<u>Under provision in respect of previous years</u>				
- Malaysian income tax	-	18	-	309
- Foreign tax	(124)	-	(124)	-
	285	636	962	3,901
<u>Deferred income tax</u>				
- Original and reversal of temporary differences	34	53	29	48
	34	53	29	48
Total income tax	319	689	991	3,949

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

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For the nine months ended 30 September 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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Loss attributable to the owners of the Company (RM'000)	(133,658)	(17,207)	(169,647)	(36,933)
Loss attributable to the owners of the Company (RM'000)	(133,658)	(17,207)	(169,647)	(36,933)
Weighted average number of ordinary shares in issue ('000)	474,842	477,474	474,842	477,474
Weighted average number of ordinary shares in issue ('000)	474,842	477,474	474,842	477,474
Basic loss per share (sen)	(28.15)	(3.60)	(35.73)	(7.74)

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 nine months ended 30 September 2020, the Group acquired assets with a total cost of RM88,761,000 (30 September 2019: RM5,592,000).

Assets with carrying amount of RM6,745,000 (30 September 2019: RM5,717,000) were disposed by the Group during the 9 months ended 30 September 2020, resulting in a loss on disposal of RM3,441,000 and loss on disposal during the 9 months ended 30 September 2019 was RM3,010,000.

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For the nine months ended 30 September 2020 – unaudited

12. Intangible assets

	Goodwill RM'000	Timber rights RM'000	Total RM'000
Cost			
At 1 January 2020/30 September 2020	33,593	111,584	145,177
Accumulated amortisation and impairment			
At 1 January 2020	29,037	98,021	127,058
Amortisation	-	4,614	4,614
At 30 September 2020	29,037	102,635	131,672
Net carrying amount			
At 30 September 2020	4,556	8,949	13,505
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	
	30.09.2020	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:

i. Terminal growth rates

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

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ii. Discount rates

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

13. Cash and bank balances

	30.09.2020	31.12.2019
	RM'000	RM'000
Cash on hand and at banks	51,513	100,133
Short-term deposits with licensed financial institutions	301,008	283,027
Cash and bank balances	<u>352,521</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.

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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 2020	681	-	-	681
	31 December 2019	413	-	-	413
Biological assets					
- Oil palm fresh fruit bunches	30 September 2020	-	-	871	871
	31 December 2019	-	-	929	929
- Reforestation (Planted trees)	30 September 2020	-	-	35,542	35,542
	31 December 2019	-	-	58,916	58,916

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 2020.

The number of shares bought back and retained as treasury shares amounted to 7,476,900 shares as at 30 September 2020.

16. Interest bearing loans and borrowings

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

	30.09.2020	31.12.2019
	RM'000	RM'000
Short term borrowings		
- Secured	101,000	106,746
- Unsecured	23,862	27,000
	<u>124,862</u>	<u>133,746</u>
Long term borrowings		
- Secured	147,870	103,116
Total	<u>272,732</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

	30.09.2020	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	<u>-</u>	<u>7,162</u>	22 July 2019
- Final single-tier dividend of 1.00 sen net per share in respect of year ended 31 December 2019	<u>4,631</u>	<u>-</u>	25 September 2020

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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 30 September 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 nine months ended 30 September 2020 and 30 September 2019.

	Note	Transaction value	
		30.09.2020 RM'000	30.09.2019 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.	#	12,019	25,167
Lighterage and freight:			
Ocarina Development Sdn. Bhd.	#	381	1,365
W T K Realty Sdn. Bhd.	#	1,155	3,369
Harbour-View Realty Sdn. Bhd.	^	23	41
		<u>1,559</u>	<u>4,775</u>
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	4,589	10,444
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd.	^	3,210	5,232
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	6,523	8,728
Purchase of fertilizer:			
WTK Service & Warehousing Sdn. Bhd.	^	4,709	6,864

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	Note	Transaction value	
		30.09.2020	30.09.2019
		RM'000	RM'000
Contract fees paid in relation to logging operations:			
Ann Yun Logistics Sdn. Bhd.	*	-	1,950
United Agencies Sdn. Bhd.	^	-	3,284
W T K Realty Sdn. Bhd.	#	-	67
		-	5,301
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	8,426	6,727
Harvard Master Sdn. Bhd.	#	11,341	6,239
Southwind Plantation Sdn. Bhd.	#	1,129	959
		20,896	13,925
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	8,858	6,922
Utahol (2008) Sdn. Bhd.	#	678	211
		9,536	7,133
Hiring of machinery paid:			
B.H.B Sdn. Bhd.	#	25	20
Harbour-View Realty Sdn. Bhd.	^	-	10
Southwind Plantation Sdn. Bhd.	#	18	18
Tab Timbers (Sarawak) Sdn. Bhd.	^	11	61
W T K Realty Sdn. Bhd.	#	24	61
		78	170
Hiring of machinery received:			
Imbok Enterprise Sdn. Bhd.	#	54	54
United Agencies Sdn. Bhd.	^	-	145
Utahol Sdn. Bhd.	#	14	27
		68	226
Office rental paid:			
W T K Realty Sdn. Bhd.	#	162	162
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	4,510	4,783

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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 2020 and 31 December 2019 were as follows:

	30.09.2020	31.12.2019
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	5,681	2,585
Other receivables (net of allowance for impairment)	1,751	1,352
Trade payables	(24,903)	(25,105)
Other payables	(6,186)	(1,149)
	<hr/>	<hr/>

21. Events after the reporting period

There are no events after the financial period ended 30 September 2020 which could materially affect the Group.

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22. Performance review

	Current quarter		Variance	
	30.09.2020	30.09.2019	RM'000	%
RM'000				
Revenue				
Timber	39,218	95,984	(56,766)	-59.1%
Plantation	23,860	18,501	5,359	29.0%
Manufacturing	5,987	6,766	(779)	-11.5%
Trading	8,862	9,923	(1,061)	-10.7%
Others	173	326	(153)	-46.9%
Total	78,100	131,500	(53,400)	-40.6%
(Loss)/Profit before tax				
Timber	(112,289)	(14,140)	(98,149)	694.1%
Plantation	(22,167)	(4,096)	(18,071)	441.2%
Manufacturing	653	698	(45)	-6.4%
Trading	1,012	865	147	17.0%
Others	(434)	(302)	(132)	43.7%
Total	(133,225)	(16,975)	(116,250)	684.8%

For the quarter (“3Q2020”) under review, the Group’s revenue was RM78.1 million, a decrease of RM53.4 million or 40.6% as compared to the preceding year corresponding quarter (“3Q2019”) of RM131.5 million. The Group recorded a loss before tax of RM133.2 million in 3Q2020, RM116.3 million higher as compared to 3Q2019’s loss before tax of RM17.0 million.

As required by MFRS 136, the Group has recognised the impairment and written off assets of RM83.7 million, and loss arising from changes in fair value of biological assets of RM23.4 million, reflecting the impact of uncertainties in macroeconomic and COVID-19 pandemic to the business of the Group. The impairment and written off of assets were mainly related to the timber operations in view of the depressed market conditions and prices of timber products.

Performance of respective segments for the financial quarter/period ended 30 September 2020 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

Timber

For 3Q2020, the lower revenue and higher loss before tax were mainly attributed to depressed market conditions and prices of timber products. For log business, the volume and revenue has decreased by 66% and 71% respectively as compared to 3Q2019. Meanwhile, the revenue of plywood business during the quarter has decreased by 44% as compared to 3Q2019.

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Plantation

For 3Q2020 under review, the revenue recorded was RM23.9 million, an increase of RM5.4 million or 29%, as compared to RM18.5 million in 3Q2019. The increase in revenue during the quarter was attributed to the increased production and improved average selling price of crude palm oil (“CPO”) and palm kernel (“PK”) as compared to 3Q2019. However, the segment recorded a loss before tax of RM22.2 million in 3Q2020, mainly attributed to the impairment of assets of RM22.2 million, reflecting the lower fresh fruit bunch (“FFB”) yield resulted from severe soil erosion on an oil palm estate with steep hill terrain.

Manufacturing and Trading

The division recorded a revenue of RM14.8 million in 3Q2020 as compared to RM16.7 million in 3Q2019, representing a decrease of RM1.9 million. The lower revenue in 3Q2020 was attributed to decrease in export sales resulted by the outbreak of COVID-19 pandemic. However, a higher combined profit before tax was recorded in 3Q2020 as compared with 3Q2019, mainly attributed to the cost optimisation measures implemented by the Group.

Others

For 3Q2020, the segment’s revenue, which derived from rental and interest income, decreased mainly due to lower interest income received from short-term deposits as compared to 3Q2019.

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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	
	30.09.2020 RM'000	30.06.2020 RM'000	RM	%
Revenue				
Timber	39,218	49,035	(9,817)	-20.0%
Plantation	23,860	19,174	4,686	24.4%
Manufacturing	5,987	3,711	2,276	61.3%
Trading	8,862	6,373	2,489	39.1%
Others	173	356	(183)	-51.4%
Total	<u>78,100</u>	<u>78,649</u>	(549)	-0.7%
(Loss)/Profit before tax				
Timber	(112,289)	(13,848)	(98,441)	710.9%
Plantation	(22,167)	(3,244)	(18,923)	583.3%
Manufacturing	653	252	401	159.1%
Trading	1,012	471	541	114.9%
Others	(434)	(85)	(349)	410.6%
Total	<u>(133,225)</u>	<u>(16,454)</u>	(116,771)	709.7%

For 3Q2020 under review, the Group's revenue was RM78.1 million, a decrease of RM0.5 million or 0.7% as compared to the preceding quarter ("2Q2020") of RM78.6 million. However, the Group's loss before tax has increased by RM116.8 million or 709.7% to RM133.2 million in 3Q2020 as compared to 2Q2020's loss before tax of RM16.5 million.

Timber

The lower revenue of the segment was attributed to soft demand for timber products resulted by the uncertainties in macroeconomic and outbreak of COVID-19 pandemic.

Plantation

Plantation segment registered a higher revenue mainly due to increased production and improved average selling price of CPO and PK during the quarter.

Manufacturing and Trading

The segment recorded a higher revenue as compared with preceding quarter, which was attributed by the improved sales orders from both domestic and foreign customers.

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24. Commentary on prospects

Given the unprecedented impact and levels of uncertainty from the COVID-19 pandemic, the Group is taking a cautious view over the outlook of the businesses.

a) Timber

The outlook of timber division remains challenging in viewed of the depressed market condition for timber products and the demand of plywood and log is expected to remain soft from buyers. In response to the depressed timber market, the Group will continue the production curtailment program for the logging and plywood manufacturing operations.

b) Plantation

The CPO price is generally vulnerable to the demand and supply of the commodity, weather condition, import policies of major importing countries and others. With the completion of acquisition of Lumiera Estate in 3Q2020 and increase in palms' maturity into prime age production cycle, the Group remains cautiously optimistic on the outlook of plantation segment.

c) Tapes

The tapes business has recovered from the lockdown measure to contain the COVID-19 pandemic and has received strong orders from its foreign customers. The Group remains cautiously optimistic on the outlook of tapes business and is determined on product innovation and differentiation to remain competitive.

Nonetheless, the Board is committed to be more agile in implementing the business strategies and is confident that the Group is able to leverage on its strong cash reserves and experienced management to navigate through the challenges.

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.

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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 Statement for details.

31. Disclosure on nature of outstanding derivatives

There were no outstanding derivatives as at 30 September 2020 and 31 December 2019.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the current quarter ended 30 September 2020 or the previous financial period ended 30 September 2019.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 30 September 2020 or the previous financial period ended 30 September 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 30 September 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.

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BY ORDER OF THE BOARD

CHONG CHEW LO
COMPANY SECRETARY
KUALA LUMPUR
Date: 24 NOVEMBER 2020