

W T K HOLDINGS BERHAD

Registration Number: 197001000863 (10141-M)

(Incorporated in Malaysia)

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

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

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

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| | Unaudited | Audited |
| Non-current assets | | |
| Property, plant and equipment | 498,426 | 565,465 |
| Investment properties | 15,263 | 15,637 |
| Right-of-use assets | 131,182 | 127,832 |
| Other investments | 371 | 513 |
| Intangible assets | 11,965 | 18,119 |
| Biological assets | 35,892 | 58,916 |
| | 693,099 | 786,482 |
| Current assets | | |
| Biological assets | 1,082 | 929 |
| Inventories | 68,180 | 117,284 |
| Trade receivables | 38,383 | 41,092 |
| Other receivables | 14,133 | 16,248 |
| Tax recoverable | 3,520 | 1,884 |
| Cash and bank balances | 353,928 | 383,160 |
| | 479,226 | 560,597 |
| Total assets | 1,172,325 | 1,347,079 |
| Equity | | |
| Share capital | 309,346 | 309,346 |
| Treasury shares | (10,830) | (8,156) |
| Other reserves | 5,472 | 5,188 |
| Retained earnings | 511,029 | 679,237 |
| Equity attributable to owners of the Company | 815,017 | 985,615 |
| Non-controlling interests | (11,375) | (9,838) |
| Total equity | 803,642 | 975,777 |
| Non-current liabilities | | |
| Deferred tax liabilities | 30,842 | 58,665 |
| Lease liabilities | 6,094 | 6,580 |
| Retirement benefit obligations | 1,506 | 1,754 |
| Loans and borrowings | 142,314 | 103,116 |
| | 180,756 | 170,115 |
| Current liabilities | | |
| Retirement benefit obligations | 421 | 319 |
| Lease liabilities | 756 | 642 |
| Loans and borrowings | 130,965 | 133,746 |
| Trade payables | 38,927 | 48,813 |
| Other payables | 16,141 | 15,375 |
| Income tax payable | 717 | 2,292 |
| | 187,927 | 201,187 |
| Total liabilities | 368,683 | 371,302 |
| Total equity and liabilities | 1,172,325 | 1,347,079 |

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 DECEMBER 2020 - UNAUDITED**

| | Current quarter | | Cumulative quarter | |
|--|--------------------------------|-----------------|---------------------------------|------------------|
| | Three months ended 31 December | | Twelve months ended 31 December | |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 89,038 | 136,078 | 354,124 | 589,744 |
| Cost of sales | (94,710) | (149,448) | (364,881) | (584,321) |
| Gross loss | (5,672) | (13,370) | (10,757) | 5,423 |
| Other income | 10,361 | 3,395 | 23,217 | 17,742 |
| Selling and distribution expenses | (5,334) | (9,266) | (24,811) | (37,365) |
| Administrative and other expenses | (16,672) | (35,710) | (167,392) | (68,895) |
| Operating loss | (17,317) | (54,951) | (179,743) | (83,095) |
| Finance costs | (4,501) | (2,603) | (11,372) | (10,206) |
| Loss before tax | (21,818) | (57,554) | (191,115) | (93,301) |
| Income tax expense | 26,973 | (16,969) | 25,982 | (20,918) |
| Profit/(Loss) for the period | 5,155 | (74,523) | (165,133) | (114,219) |
| Other comprehensive income/(loss) | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation | 571 | 76 | 427 | (362) |
| 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") | (407) | - | (143) | 74 |
| Remeasurement loss on retirement benefit obligations | - | - | - | (184) |
| | (407) | - | (143) | (110) |
| Other comprehensive income/(loss), net of tax | 164 | 76 | 284 | (472) |
| Total comprehensive income/(loss) for the period | 5,319 | (74,447) | (164,849) | (114,691) |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Company | 6,050 | (74,333) | (163,596) | (111,266) |
| Non-controlling interests | (895) | (190) | (1,537) | (2,953) |
| Profit/(Loss) for the period | 5,155 | (74,523) | (165,133) | (114,219) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Company | 6,214 | (74,257) | (163,312) | (111,738) |
| Non-controlling interests | (895) | (190) | (1,537) | (2,953) |
| Total comprehensive income/(loss) for the period | 5,319 | (74,447) | (164,849) | (114,691) |
| Earning/(loss) per share attributable to owners of the Company (sen per share): | | | | |
| Basic | 1.28 | (15.57) | (34.50) | (23.30) |

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 DECEMBER 2020 - UNAUDITED**

| | ← Attributable to owners of the Company → | | | | | | ← Non-distributable → | | 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 December 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 | (165,133) | (163,596) | - | - | (163,596) | - | - | - | (1,537) |
| Other comprehensive income/(loss) | 284 | 284 | - | - | - | 284 | 427 | (143) | - |
| Total comprehensive (loss)/income | (164,849) | (163,312) | - | - | (163,596) | 284 | 427 | (143) | (1,537) |
| Transaction with owners | | | | | | | | | |
| Dividends on ordinary shares | (4,612) | (4,612) | - | - | (4,612) | - | - | - | - |
| Repurchase of treasury shares | (2,674) | (2,674) | - | (2,674) | - | - | - | - | - |
| At 31 December 2020 | 803,642 | 815,017 | 309,346 | (10,830) | 511,029 | 5,472 | 5,939 | (467) | (11,375) |
| Quarter ended 31 December 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 | (114,219) | (111,266) | - | - | (111,266) | - | - | - | (2,953) |
| Other comprehensive (loss)/income | (472) | (472) | - | - | (184) | (288) | (362) | 74 | - |
| Total comprehensive (loss)/income | (114,691) | (111,738) | - | - | (111,450) | (288) | (362) | 74 | (2,953) |
| Transaction with owners | | | | | | | | | |
| Dividends on ordinary shares | (7,162) | (7,162) | - | - | (7,162) | - | - | - | - |
| At 31 December 2019 | 975,777 | 985,615 | 309,346 | (8,156) | 679,237 | 5,188 | 5,512 | (324) | (9,838) |

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.

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

| | 31.12.2020 | 31.12.2019 |
|---|------------------------------|------------------------------|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (191,115) | (93,301) |
| Adjustments for: | | |
| Amortisation | 6,154 | 6,154 |
| Bad debts written off | - | 6 |
| Depreciation | 62,205 | 65,938 |
| Dividend income | (9) | (9) |
| Gain on disposal of right-of-use assets | (5,544) | - |
| Loss on disposal of property, plant and equipment | 2,891 | 2,833 |
| Loss arising from changes in fair value of biological assets | 22,871 | 5,031 |
| Impairment loss on goodwill | - | 19,633 |
| Impairment loss on property, plant and equipment | 73,403 | - |
| Impairment loss on right-of-use assets | 2,815 | - |
| Interest expense | 10,155 | 10,206 |
| Interest income | (8,206) | (10,979) |
| Inventories written down | - | 5,405 |
| Inventories written off | 99 | 39 |
| Property, plant and equipment written off | 11,795 | 22 |
| Retirement benefit obligations | (146) | 183 |
| Reversal of impairment loss on receivables | - | (18) |
| Reversal of impairment loss on inventories | - | (153) |
| Unrealised (loss)/gain on foreign exchange | (14) | 75 |
| Operating (loss)/profit before working capital changes | (12,646) | 11,065 |
| Changes in working capital : | | |
| Net decrease in current assets | 54,121 | 36,288 |
| Net increase in current liabilities | (9,122) | (29,323) |
| Cash generated from operations | <u>32,353</u> | <u>18,030</u> |
| Income taxes paid, net of tax refund | (4,901) | (2,264) |
| Interest paid | (9,863) | (9,825) |
| Interest received | 8,206 | 10,979 |
| Payment of retirement benefits | - | (393) |
| Net cash from operating activities | <u>25,795</u> | <u>16,527</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition of biological assets | - | (1,177) |
| Purchase of property, plant and equipment | (90,862) | (6,231) |
| Purchase of right-of-use assets | (9,720) | (3,100) |
| Proceeds from disposal of right-of-use assets | 8,427 | - |
| Proceeds from disposal of property, plant and equipment | 8,667 | 2,628 |
| Net dividend received from investment securities | 9 | 9 |
| Net cash used in investing activities | <u>(83,479)</u> | <u>(7,871)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid to owners of the Company | (4,612) | (7,162) |
| Drawdown of term loans | 60,445 | 445 |
| Drawdown of trade financing facilities | 16,889 | 46,560 |
| Interest paid for lease liabilities | (292) | (381) |
| Repayment of lease liabilities | (372) | (631) |
| Repayment of hire purchases | (749) | (928) |
| Repayment of term loans | (16,256) | (15,131) |
| Repayment of trade financing facilities | (22,376) | (33,079) |
| Repurchase of treasury shares | (2,674) | - |
| Net cash from/(used in) financing activities | <u>30,003</u> | <u>(10,307)</u> |
| Net decrease in cash and cash equivalents | (27,681) | (1,651) |
| Effects of exchange rate changes | (15) | (400) |
| 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>353,100</u></u> | <u><u>380,796</u></u> |
| For the purpose of statements of cash flows, net cash and cash equivalents include the following: | | |
| Cash and bank balances | 353,928 | 383,160 |
| Less: Bank overdrafts | (828) | (2,364) |
| Cash and cash equivalents | <u><u>353,100</u></u> | <u><u>380,796</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 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)

Notes to the condensed consolidated interim financial statements
For the twelve months ended 31 December 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 1 March 2021.

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

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

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6. Segmental information

| | 12 months ended 31.12.2020 | | 12 months ended 31.12.2019 | |
|---------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| | Revenue RM'000 | (Loss)/Profit before tax RM'000 | Revenue RM'000 | (Loss)/Profit before tax RM'000 |
| Timber | 209,454 | (154,950) | 453,266 | (67,631) |
| Plantation | 85,790 | (40,824) | 69,317 | (29,086) |
| Manufacturing | 23,018 | 2,353 | 25,105 | 2,854 |
| Trading | 34,786 | 3,436 | 40,879 | 2,633 |
| Others | 1,076 | (1,130) | 1,177 | (2,071) |
| Total | <u>354,124</u> | <u>(191,115)</u> | <u>589,744</u> | <u>(93,301)</u> |

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 | | 12 months ended | |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss before tax for the period is arrived at after charging / (crediting): | | | | |
| Amortisation | 1,540 | 790 | 6,154 | 6,154 |
| Bad debts written off | - | 4 | - | 6 |
| Depreciation | 14,990 | 18,723 | 62,205 | 65,938 |
| Dividend income from investment securities | (9) | (9) | (9) | (9) |
| (Gain)/loss on disposal of property, plant and equipment | (550) | (60) | 2,891 | 2,833 |
| Loss arising from changes in fair value of biological assets | 561 | 6,707 | 22,871 | 5,031 |
| Impairment loss on goodwill | - | 19,633 | - | 19,633 |
| Interest expense | 3,284 | 2,603 | 10,155 | 10,206 |
| Interest income | (706) | (2,300) | (8,206) | (10,979) |
| Inventories written off | 54 | 27 | 99 | 39 |
| Inventories written down | - | 5,405 | - | 5,405 |
| Property, plant and equipment written off/(written back) | (525) | 6 | 11,795 | 22 |
| Loss on foreign exchange - Realised | 100 | 14 | 21 | 3 |
| Loss/(gain) on foreign exchange - Unrealised | 11 | 100 | (14) | 75 |

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Notes to the condensed consolidated interim financial statements
For the twelve months ended 31 December 2020 – unaudited

9. Income tax expense

| | Current quarter | | Cumulative quarter | |
|--|------------------------|-------------------|---------------------------|-------------------|
| | 3 months ended | | 12 months ended | |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation based on results for the period: | | | | |
| <u>Current income tax</u> | | | | |
| - Malaysian income tax | 733 | 2,863 | 1,531 | 6,218 |
| - Foreign tax | 58 | 167 | 346 | 404 |
| | <u>791</u> | <u>3,030</u> | <u>1,877</u> | <u>6,622</u> |
| <u>Over provision in respect of previous years</u> | | | | |
| - Malaysian income tax | (63) | (1,503) | (63) | (1,194) |
| - Foreign tax | (1) | - | (125) | - |
| | <u>727</u> | <u>1,527</u> | <u>1,689</u> | <u>5,428</u> |
| <u>Deferred income tax</u> | | | | |
| - Original and reversal of temporary differences | (24,850) | 16,618 | (24,821) | 16,666 |
| - Over provision in respect of previous years | (2,850) | (1,176) | (2,850) | (1,176) |
| | <u>(27,700)</u> | <u>15,442</u> | <u>(27,671)</u> | <u>15,490</u> |
| Total income tax | <u>(26,973)</u> | <u>16,969</u> | <u>(25,982)</u> | <u>20,918</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. Earnings/(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 | | 12 months ended | |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| Profit/(Loss) attributable to the owners of the Company (RM'000) | 6,050 | (74,333) | (163,596) | (111,266) |
| Weighted average number of ordinary shares in issue ('000) | 474,255 | 477,474 | 474,255 | 477,474 |
| Basic earning/(loss) per share (sen) | 1.28 | (15.57) | (34.50) | (23.30) |

The basic and diluted earnings/ (loss) 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 2020, the Group acquired assets with a total cost of RM90,862,000 (31 December 2019: RM6,231,000).

Assets with carrying amount of RM11,558,000 (31 December 2019: RM5,461,000) were disposed by the Group during the 12 months ended 31 December 2020, resulting in a loss on disposal of RM2,891,000 (31 December 2019: RM2,833,000).

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For the twelve months ended 31 December 2020 – unaudited

12. Intangible assets

| | Goodwill RM'000 | Timber rights RM'000 | Total RM'000 |
|------------------------------------|----------------------------|-------------------------------------|-------------------------|
| Cost | | | |
| At 1 January 2020/31 December 2020 | 33,593 | 111,584 | 145,177 |
| Accumulated amortisation | | | |
| At 1 January 2020 | 29,037 | 98,021 | 127,058 |
| Amortisation | - | 6,154 | 6,154 |
| At 31 December 2020 | 29,037 | 104,175 | 133,212 |
| Net carrying amount | | | |
| At 31 December 2020 | 4,556 | 7,409 | 11,965 |
| 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 | |
|------------------------|------------------------------|------------------------------|
| | 31.12.2020 RM'000 | 31.12.2019 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

| | 31.12.2020 | 31.12.2019 |
|--|----------------|----------------|
| | RM'000 | RM'000 |
| Cash on hand and at banks | 66,444 | 100,133 |
| Short-term deposits with licensed financial institutions | 287,484 | 283,027 |
| Cash and bank balances | <u>353,928</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 | 31 December 2020 | 271 | - | - | 271 |
| | 31 December 2019 | 413 | - | - | 413 |
| Biological assets | | | | | |
| - Oil palm fresh fruit bunches | 31 December 2020 | - | - | 1,082 | 1,082 |
| | 31 December 2019 | - | - | 929 | 929 |
| - Reforestation (Planted trees) | 31 December 2020 | - | - | 35,892 | 35,892 |
| | 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 twelve months ended 31 December 2020.

The number of shares bought back and retained as treasury shares amounted to 10,896,800 shares as at 31 December 2020.

16. Interest bearing loans and borrowings

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

| | 31.12.2020 | 31.12.2019 |
|-----------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Short term borrowings | | |
| - Secured | 98,500 | 106,746 |
| - Unsecured | 32,465 | 27,000 |
| | 130,965 | 133,746 |
| Long term borrowings | | |
| - Secured | 142,314 | 103,116 |
| Total | 273,279 | 236,862 |

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

| | 31.12.2020 | 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 |
| - Final single-tier dividend of 1.00 sen net per share in respect of year ended 31 December 2019 | 4,612 | - | 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 31 December 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 twelve months ended 31 December 2020 and 31 December 2019.

| | Note | Transaction value | |
|---|------|----------------------|----------------------|
| | | 31.12.2020 RM'000 | 31.12.2019 RM'000 |
| Sawn timber sales: | | | |
| W T K Realty Sdn. Bhd. | # | - | 2 |
| Purchase of logs: | | | |
| Ocarina Development Sdn. Bhd. | # | 12,422 | 32,759 |
| Lighterage and freight: | | | |
| Ocarina Development Sdn. Bhd. | # | 450 | 1,763 |
| W T K Realty Sdn. Bhd. | # | 1,404 | 4,205 |
| Harbour-View Realty Sdn. Bhd. | ^ | 23 | 52 |
| | | <u>1,877</u> | <u>6,020</u> |
| Purchase of spare parts: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 5,717 | 12,304 |
| Purchase of frozen food and sundry goods: | | | |
| Sing Chew Coldstorage Sdn. Bhd. | ^ | 4,150 | 6,314 |
| Purchase of hardware, fuel, oil and lubricants: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 8,762 | 10,868 |
| Purchase of fertilizer: | | | |
| WTK Service & Warehousing Sdn. Bhd. | ^ | 5,713 | 7,988 |

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| | Note | Transaction value | |
|---|------|----------------------|----------------------|
| | | 31.12.2020 RM'000 | 31.12.2019 RM'000 |
| Contract fees paid in relation to logging operations: | | | |
| Ann Yun Logistics Sdn. Bhd. | * | - | 2,450 |
| United Agencies Sdn. Bhd. | ^ | - | 3,284 |
| W T K Realty Sdn. Bhd. | # | - | 67 |
| | | - | 5,801 |
| Sales of fresh fruit bunches: | | | |
| Delta-Pelita Sebakong Sdn. Bhd. | # | 11,776 | 9,924 |
| Harvard Master Sdn. Bhd. | # | 14,316 | 8,134 |
| Southwind Plantation Sdn. Bhd. | # | 1,360 | 1,505 |
| | | 27,452 | 19,563 |
| Purchase of fresh fruit bunches: | | | |
| Utahol Sdn. Bhd. | # | 12,679 | 9,875 |
| Utahol (2008) Sdn. Bhd. | # | 993 | 734 |
| | | 13,672 | 10,609 |
| Hiring of machinery paid: | | | |
| B.H.B Sdn. Bhd. | # | 32 | 27 |
| Harbour-View Realty Sdn. Bhd. | ^ | - | 10 |
| Southwind Plantation Sdn. Bhd. | # | 24 | 24 |
| Tab Timbers (Sarawak) Sdn. Bhd. | ^ | 15 | 65 |
| W T K Realty Sdn. Bhd. | # | 30 | 70 |
| | | 101 | 196 |
| Hiring of machinery received: | | | |
| Imbok Enterprise Sdn. Bhd. | # | 72 | 72 |
| United Agencies Sdn. Bhd. | ^ | - | 145 |
| Utahol Sdn. Bhd. | # | 18 | 32 |
| | | 90 | 249 |
| Office rental paid: | | | |
| W T K Realty Sdn. Bhd. | # | 216 | 216 |
| Management fees and support system paid: | | | |
| WTK Management Services Sdn. Bhd. | # | 5,639 | 5,856 |

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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 2020 and 31 December 2019 were as follows:

| | 31.12.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| Total outstanding balances due from/(to) related parties included in: | | |
| Trade receivables (net of allowance for impairment) | 2,184 | 2,585 |
| Other receivables (net of allowance for impairment) | 1,489 | 1,352 |
| Trade payables | (23,510) | (25,105) |
| Other payables | (1,015) | (1,149) |

21. Events after the reporting period

There are no events after the financial period ended 31 December 2020 which could materially affect the Group.

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22. Performance review

| | Current quarter | | Variance | |
|---------------------------------|------------------------|-------------------|-----------------|---------------|
| | 31.12.2020 | 31.12.2019 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | |
| Revenue | | | | |
| Timber | 49,589 | 99,256 | (49,667) | -50.0% |
| Plantation | 22,240 | 20,542 | 1,698 | 8.3% |
| Manufacturing | 7,519 | 4,860 | 2,659 | 54.7% |
| Trading | 9,689 | 11,155 | (1,466) | -13.1% |
| Others | 1 | 265 | (264) | -99.6% |
| Total | 89,038 | 136,078 | (47,040) | -34.6% |
| (Loss)/Profit before tax | | | | |
| Timber | (11,014) | (52,247) | 41,233 | -78.9% |
| Plantation | (11,606) | (6,823) | (4,783) | 70.1% |
| Manufacturing | 459 | 358 | 101 | 28.2% |
| Trading | 911 | 1,294 | (383) | -29.6% |
| Others | (568) | (136) | (432) | 317.6% |
| Total | (21,818) | (57,554) | 35,736 | -62.1% |

For the quarter (“4Q2020”) under review, the Group’s revenue was RM89.0 million, a decrease of RM47.0 million or 34.6% as compared to the preceding year corresponding quarter (“4Q2019”) of RM136.1 million. The Group recorded a loss before tax of RM21.8 million in 4Q2020, RM35.7 million lower as compared to 4Q2019’s loss before tax of RM57.6 million. Higher loss before tax in 4Q2019 was mainly attributed to an one-off impairment of goodwill related to a timber subsidiary amounted to RM19.6 million.

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

Timber

For 4Q2020, the lower revenue was mainly attributed to depressed market conditions and prices of timber products. However, a lower loss before tax was recorded in 4Q2020 as compared to 4Q2019, mainly attributed to the cost optimisation and production curtailment measures implemented by the Group. For log business, the volume and revenue has decreased by 31% and 49% respectively as compared to 4Q2019. Meanwhile, the revenue of plywood business during the quarter has decreased by 51% as compared to 4Q2019.

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Plantation

For 4Q2020 under review, the revenue recorded was RM22.2 million, an increase of RM1.7 million or 8%, as compared to RM20.5 million in 4Q2019. The increase in revenue during the quarter was attributed to the improved average selling price of crude palm oil (“CPO”) and palm kernel (“PK”) as compared to 4Q2019. However, the segment recorded a higher loss before tax of RM11.6 million in 4Q2020, mainly attributed to the lower fresh fruit bunch (“FFB”) yield resulted from poor weather and higher rehabilitation expenses incurred for the new estate acquired in 3Q2020.

Manufacturing and Trading

The division recorded a revenue of RM17.2 million in 4Q2020 as compared to RM16.0 million in 4Q2019, representing an increase of RM1.2 million. The higher revenue in 4Q2020 was attributed to increase in export sales for tapes products, particularly to North America.

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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 | |
|---------------------------------|-----------------|------------------|----------|--------|
| | 31.12.2020 | 30.09.2020 | RM | % |
| | RM'000 | RM'000 | | |
| Revenue | | | | |
| Timber | 49,589 | 39,218 | 10,371 | 26.4% |
| Plantation | 22,240 | 23,860 | (1,620) | -6.8% |
| Manufacturing | 7,519 | 5,987 | 1,532 | 25.6% |
| Trading | 9,689 | 8,862 | 827 | 9.3% |
| Others | 1 | 173 | (172) | -99.4% |
| Total | <u>89,038</u> | <u>78,100</u> | 10,938 | 14.0% |
| (Loss)/Profit before tax | | | | |
| Timber | (11,014) | (112,289) | 101,275 | -90.2% |
| Plantation | (11,606) | (22,167) | 10,561 | -47.6% |
| Manufacturing | 459 | 653 | (194) | -29.7% |
| Trading | 911 | 1,012 | (101) | -10.0% |
| Others | (568) | (434) | (134) | 30.9% |
| Total | <u>(21,818)</u> | <u>(133,225)</u> | 111,407 | -83.6% |

For 4Q2020 under review, the Group's revenue was RM89.0 million, an increase of RM10.9 million or 14.0% as compared to the preceding quarter ("3Q2020") of RM78.1 million. The Group's loss before tax has decreased by RM111.4 million or 83.6% to RM21.8 million in 4Q2020 as compared to 3Q2020's loss before tax of RM133.2 million.

Higher loss before tax recorded in 3Q2020 was attributed by the impairment and written off of 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 in accordance to the MFRS 136.

Timber

The higher revenue of the segment in 4Q2020 was attributed to the recovery of timber products' demand as compared to the 3Q2020.

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Plantation

Plantation segment registered a higher revenue mainly due to 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 export sales.

24. Commentary on prospects

a) Timber

In view of the depressed market condition for timber products, the outlook of timber segment remains challenging. The Group is cautious on the depressed market condition for timber businesses and is implementing the numerous production curtailment and consolidation programmes to optimise the costs structures and preserve cash.

b) Plantation

The outlook of plantation segment is generally vulnerable to the demand and supply of the commodities, weather condition, import policies of major importing countries and labour shortage. With the expectation of stable CPO prices 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.

Amidst the uncertainties caused by COVID-19 pandemic, the Group is taking a cautious view over the outlook of the businesses and will continue to ensure a more prudent focus on preserving cash and liquidity of the Group. Nonetheless, the Board will continue to review our business strategies and is confident that the Group is able to leverage on its strong cash reserves and sufficient borrowing facilities where necessary to navigate through the challenges.

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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 Statement for details.

31. Disclosure on nature of outstanding derivatives

There were no outstanding derivatives as at 31 December 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 December 2020 or the previous financial period ended 31 December 2019.

33. Risks and policies of derivatives

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

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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.

BY ORDER OF THE BOARD

LAI SOON ONG
COMPANY SECRETARY
SIBU
Date: 1 MARCH 2021