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W T K HOLDINGS BERHAD

Registration Number: 197001000863 (10141-M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023 - UNAUDITED

	30.06.2023	31.12.2022
	RM'000	RM'000
	Unaudited	Audited
Non-current assets		
Property, plant and equipment	619,337	441,345
Investment properties	16,578	14,522
Right-of-use assets	218,140	135,878
Other investments	255	251
Intangible assets	4,556	4,556
Biological assets	35,542	35,542
	<u>894,408</u>	<u>632,094</u>
Current assets		
Biological assets	3,053	1,417
Inventories	100,985	90,849
Trade and other receivables	61,377	73,962
Other current assets	10,269	7,923
Cash and bank balances	279,501	330,731
	<u>455,185</u>	<u>504,882</u>
TOTAL ASSETS	<u>1,349,593</u>	<u>1,136,976</u>
EQUITY AND LIABILITIES		
Current liabilities		
Retirement benefit obligations	223	63
Loans and borrowings	144,915	137,056
Trade and other payables	75,650	65,446
Income tax payable	1,591	1,241
Lease liabilities	2,177	729
	<u>224,556</u>	<u>204,535</u>
Net current assets	<u>230,629</u>	<u>300,347</u>
Non-current liabilities		
Deferred tax liabilities	109,223	50,517
Retirement benefit obligations	1,106	1,274
Loans and borrowings	228,566	90,365
Lease liabilities	5,343	5,620
	<u>344,238</u>	<u>147,776</u>
TOTAL LIABILITIES	<u>568,794</u>	<u>352,311</u>
Net assets	<u>780,799</u>	<u>784,665</u>
Equity attributable to Owners of the Company		
Share capital	309,346	309,346
Treasury shares	(11,896)	(11,896)
Other reserves	9,806	7,929
Retained earnings	480,653	485,999
	<u>787,909</u>	<u>791,378</u>
Non-controlling interests	(7,110)	(6,713)
TOTAL EQUITY	<u>780,799</u>	<u>784,665</u>
TOTAL EQUITY AND LIABILITIES	<u>1,349,593</u>	<u>1,136,976</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 30 JUNE 2023 - UNAUDITED**

	Current quarter		Cumulative quarter	
	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	134,523	132,656	242,807	236,816
Cost of sales	(118,145)	(104,477)	(221,313)	(194,210)
Gross profit	<u>16,378</u>	<u>28,179</u>	<u>21,494</u>	<u>42,606</u>
Other income	5,611	4,151	9,226	7,383
Selling and distribution expenses	(4,171)	(5,482)	(8,367)	(9,864)
Administrative and other expenses	(14,994)	(12,183)	(26,599)	(22,634)
Gain from bargain purchase	12,480	14,306	12,480	14,306
Operating profit	<u>15,304</u>	<u>28,971</u>	<u>8,234</u>	<u>31,797</u>
Finance costs	(3,756)	(2,161)	(6,154)	(4,279)
Profit before tax	<u>11,548</u>	<u>26,810</u>	<u>2,080</u>	<u>27,518</u>
Income tax expense	(438)	(254)	(801)	(1,675)
Profit for the period	<u>11,110</u>	<u>26,556</u>	<u>1,279</u>	<u>25,843</u>
Other comprehensive income				
Item that may be reclassified subsequently to profit:				
Foreign currency translation	1,569	641	1,877	763
Items that will not be reclassified subsequently to loss:				
Loss on fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	-	(23)	-	(8)
Other comprehensive income, net of tax	<u>1,569</u>	<u>618</u>	<u>1,877</u>	<u>755</u>
Total comprehensive profit for the period	<u>12,679</u>	<u>27,174</u>	<u>3,156</u>	<u>26,598</u>
Profit attributable to:				
Owners of the Company	10,900	24,453	1,676	23,009
Non-controlling interests	210	2,103	(397)	2,834
Profit for the period	<u>11,110</u>	<u>26,556</u>	<u>1,279</u>	<u>25,843</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	12,469	25,071	3,553	23,764
Non-controlling interests	210	2,103	(397)	2,834
Total comprehensive income for the period	<u>12,679</u>	<u>27,174</u>	<u>3,156</u>	<u>26,598</u>
Earning per share attributable to Owners of the Company (sen per share):				
Basic earning per share (sen)	2.33	5.22	0.36	4.91

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 30 JUNE 2023 - 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 June 2023										
At 1 January 2023	784,665	791,378	309,346	(11,896)	485,999	7,929	8,426	(497)	(6,713)	
Profit/(Loss) for the period	1,279	1,676	-	-	1,676	-	-	-	(397)	
Other comprehensive income	1,877	1,877	-	-	-	1,877	1,877	-	-	
Total comprehensive income/(loss)	3,156	3,553	-	-	1,676	1,877	1,877	-	(397)	
Transaction with Owners										
Dividends on ordinary shares	(7,022)	(7,022)	-	-	(7,022)	-	-	-	-	
Total transactions with Owners	(7,022)	(7,022)	-	-	(7,022)	-	-	-	-	
At 30 June 2023	780,799	787,909	309,346	(11,896)	480,653	9,806	10,303	(497)	(7,110)	
Quarter ended 30 June 2022										
At 1 January 2022	792,433	801,550	309,346	(11,637)	497,980	5,861	6,327	(466)	(9,117)	
Profit for the period	25,843	23,009	-	-	23,009	-	-	-	2,834	
Other comprehensive income/(loss)	755	755	-	-	-	755	763	(8)	-	
Total comprehensive income/(loss)	26,598	23,764	-	-	23,009	755	763	(8)	2,834	
Transaction with Owners										
Dividends on ordinary shares	(7,026)	(7,026)	-	-	(7,026)	-	-	-	-	
Repurchase of treasury shares	(103)	(103)	-	(103)	-	-	-	-	-	
Total transactions with Owners	(7,129)	(7,129)	-	(103)	(7,026)	-	-	-	-	
At 30 June 2022	811,902	818,185	309,346	(11,740)	513,963	6,616	7,090	(474)	(6,283)	

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 JUNE 2023 - UNAUDITED

	30.06.2023 RM'000	30.06.2022 RM'000
Operating Activities		
Profit before tax	2,080	27,518
Adjustments for:		
Amortisation of timber rights	-	1,096
Depreciation		
- property, plant and equipment	21,284	20,745
- investment properties	195	185
- right-of-use assets	2,604	1,870
Interest expense	6,154	4,279
Interest income	(4,614)	(2,691)
Inventories written off	51	-
Gain on disposal of property, plant and equipment	(3)	(942)
Gain arising from changes in fair value of biological assets	(330)	(614)
Property, plant and equipment written off	199	141
Retirement benefit obligations	53	55
Unrealised loss/(gain) on foreign exchange	145	(176)
Gain from bargain purchase	(12,480)	(14,306)
Total adjustments	<u>13,258</u>	<u>9,642</u>
Operating profit before working capital changes	15,338	37,160
Changes in working capital :		
Inventories	(8,325)	(9,094)
Receivables	42,948	(8,188)
Payables	(2,469)	9,900
Other current assets	(246)	(587)
Cash flow generated from operations	<u>47,246</u>	<u>29,191</u>
Income taxes paid, net of tax refund	(2,565)	(1,413)
Interest paid	(414)	(312)
Interest received	1,548	75
Payment of retirement benefits	(61)	(138)
Net cash from operating activities	<u>45,754</u>	<u>27,403</u>
Investing Activities		
Interest received	3,066	2,616
Placement of short-term deposits with tenure more than 3 months	(186)	(1,858)
Purchase of:		
- property, plant and equipment	(22,910)	(5,903)
- right-of-use assets	(3,847)	-
Proceeds from disposal of:		
- property, plant and equipment	95	2,536
Acquisition of subsidiaries, net of cash	(214,517)	(13,712)
Net cash used in investing activities	<u>(238,299)</u>	<u>(16,321)</u>
Financing Activities		
Drawdown of term loans	150,223	223
Drawdown of trade financing facilities	29,511	13,040
Interest paid	(5,591)	(3,827)
Interest paid for lease liabilities	(163)	(140)
Repayment of finance leases	(207)	(223)
Repayment of lease liabilities	(130)	(189)
Repayment of term loans	(12,688)	(11,957)
Repayment of trade financing facilities	(23,144)	(23,552)
Repurchase of treasury shares	-	(103)
Net cash from/(used in) financing activities	<u>137,811</u>	<u>(26,728)</u>
Net decrease in cash and cash equivalents	(54,734)	(15,646)
Effects of exchange rate changes	953	(87)
Net cash and cash equivalents at the beginning of the period	<u>314,095</u>	<u>373,181</u>
Net cash and cash equivalents at the end of the period	<u><u>260,314</u></u>	<u><u>357,448</u></u>
For the purpose of statements of cash flows, net cash and cash equivalents include the following:		
Cash and bank balances	279,501	375,065
Less: Bank overdraft	(4,316)	(3,486)
Less: Deposit with tenure more than 3 months	(14,871)	(14,131)
Cash and cash equivalents	<u><u>260,314</u></u>	<u><u>357,448</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 2022 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 2023 – 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 28 August 2023.

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 2022. 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 2022.

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 2022, except for the adoption of the following new and revised Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRS and Issues Committee Interpretations (“IC Interpretations”) effective for financial year beginning 1 January 2023.

(a) Application of new and revised MFRS

On 1 January 2023, the Group has applied a number of amendments to MFRS that are mandatory effective for an accounting period that begins on or after 1 January 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The adoption of these amendments to MFRS has had no material impact on the disclosures or on the amounts recognised in the financial statements.

(b) New and revised MFRS in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following MFRS and amendments to MFRS that have been issued but are not effective:

Amendments to MFRS 16	Lease Liability in a Sales and Leaseback ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

² Effective for annual periods beginning on or after a date to be determined.

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For the six months ended 30 June 2023 – unaudited

(b) New and revised MFRS in issue but not yet effective (cont'd)

The directors anticipate that the abovementioned MFRS and amendments to MFRS will be adopted in the financial statements of the Group when they become mandatorily effective for adoption. The directors are currently assessing the impact of the abovementioned MFRS and amendments to MFRS. As of the date of authorisation of issue of the financial statements, this assessment process is still on-going. Thus, the impact of adopting the abovementioned MFRS and amendments to MFRS cannot be determined and estimated reliably now until the process is complete.

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

(a) Acquisition of subsidiaries during the financial period

- (i) On 27 October 2022, WTK Alpha Sdn. Bhd., a wholly-owned subsidiary of W T K Holdings Berhad, had entered into the conditional share sale agreement with Harvard Master Sdn. Bhd. (In Liquidation) (“HMSB”) to acquire 23,200,000 ordinary shares in B.H.B. Sdn Bhd. (“B.H.B”), a plantation company, representing the entire equity interest in B.H.B, for a total cash consideration of RM237,500,000. The acquisition was completed on 8 May 2023.

The fair value of the identifiable assets and liabilities of B.H.B has been determined in accordance with the provisions of MFRS 3 Business Combinations and assigned to the identifiable assets and liabilities on 8 May 2023. The fair value of the identifiable assets and liabilities as at 8 May 2023 is as follows:

	Fair value recognised on acquisition RM'000
Assets:	
Property, plant and equipment	175,664
Right of use	81,020
Inventories	1,706
Other receivables, deposits and prepayment	29,747
Biological assets	1,306
Tax recoverable	314
Cash and bank balances	25,564
	315,321
Liabilities:	
Trade payables	4,414
Other payables and accruals	2,308
Deferred tax liabilities	58,719
	65,441
Total identifiable net assets at fair value	249,880
Cash consideration paid to a related party	237,500
Gain from bargain purchase	12,380

The fair value of the acquired net assets is higher than the cash consideration. Consequently, the gain from bargain purchase of RM12,380,000 has been recognised in the profit or loss account in the current period.

Net cash outflows from acquisition of a subsidiary

	RM'000
Purchase consideration	237,500
Less: Cash and cash equivalents acquired	(25,564)
	211,936

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Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 2023 – unaudited

5. Changes in composition of the Group (Cont'd)

(a) Acquisition of subsidiaries during the financial period (Cont'd)

- (ii) On 9 March, 2023, Kuching Plywood Bhd., a wholly-owned subsidiary company of the Company, had entered into a Share Sale Agreement with TMC Importer & Exporter Sdn. Bhd. (In Liquidation) for the proposed acquisition of 100% equity interest in Interglobal Vision (Food Processing) Sdn. Bhd. ("IGV") for a total cash consideration of RM2,800,000. The acquisition was completed on 29 May 2023.

The fair value of the identifiable assets and liabilities of IGV has been determined in accordance with the provisions of MFRS 3 Business Combinations and assigned to the identifiable assets and liabilities on 29 May 2023. The fair value of the identifiable assets and liabilities as at 29 May 2023 is as follows:

	Fair value recognised on acquisition RM'000
Assets:	
Property, plant and equipment	354
Investment properties	2,251
Other receivables, deposits and prepayment	499
Cash and bank balances	218
	3,322
Liabilities:	
Other payables and accruals	189
Taxation	12
Deferred tax liabilities	221
	422
Total identifiable net assets at fair value	2,900
Cash consideration paid to a related party	2,800
Gain from bargain purchase	100

The fair value of the acquired net assets is higher than the cash consideration. Consequently, the gain from bargain purchase of RM100,000 has been recognised in the profit or loss account in the current period.

Net cash outflows from acquisition of a subsidiary

	RM'000
Purchase consideration	2,800
Less: Cash and cash equivalents acquired	(218)
	2,582

b) Incorporation of subsidiary

On 29 May 2023, the Company incorporated Biofarm Venture Sdn. Bhd., a wholly-owned subsidiary with 1,000 ordinary shares at RM1.00 per ordinary share. Biofarm Venture Sdn. Bhd. has not yet commenced business since its corporation.

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Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 2023 – unaudited

6. Segment information

	← 6 months ended →												Note	Consolidated	
	Timber		Plantation		Tapes		Food		Others		Adjustments and eliminations			30.06.2023	30.06.2022
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022		RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue															
External sales	90,102	95,032	79,492	102,772	35,104	32,519	36,844	5,967	1,265	526	-	-		242,807	236,816
Inter-segment sales	48	-	-	-	-	-	1,987	292	54,950	643	(56,985)	(935)	A	-	-
Total revenue	<u>90,150</u>	<u>95,032</u>	<u>79,492</u>	<u>102,772</u>	<u>35,104</u>	<u>32,519</u>	<u>38,831</u>	<u>6,259</u>	<u>56,215</u>	<u>1,169</u>	<u>(56,985)</u>	<u>(935)</u>		<u>242,807</u>	<u>236,816</u>
(Loss)/profit before tax, dividend income and gain from bargain purchase															
Dividend income	1,500	-	-	-	15,000	-	-	-	54,000	-	(70,500)	-	A	-	-
Gain from bargain purchase	-	-	12,380	-	-	-	100	14,306	-	-	-	-		12,480	14,306
Net (loss)/profit before tax	<u>(9,329)</u>	<u>(9,151)</u>	<u>7,271</u>	<u>18,772</u>	<u>18,076</u>	<u>2,796</u>	<u>2,424</u>	<u>14,421</u>	<u>54,213</u>	<u>(221)</u>	<u>(70,575)</u>	<u>901</u>	B	<u>2,080</u>	<u>27,518</u>

A - Inter-segment revenues and dividends are eliminated on consolidation.

B - Transactions from inter-segment are (deducted from)/added to segment results to arrive at "(Loss)/Profit before tax" presented in the consolidated statements of profit or loss.

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").
- Tapes : manufacture, sales of adhesive and gummed tapes and the trading of tapes, foil, papers and electrostatic discharge products.
- Food : sales of frozen, chill and consumer products.
- Others : rental income and interest income.

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Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 2023 – unaudited

7. Seasonality of operations

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

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Current quarter 6 months ended		Cumulative quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Amortisation of timber rights	-	548	-	1,096
Depreciation				
- property, plant and equipment	11,927	10,302	21,284	20,745
- investment properties	103	92	195	185
- right-of-use assets	1,494	956	2,604	1,870
Interest income	(2,051)	(1,094)	(4,614)	(2,691)
Interest expenses	3,756	2,161	6,154	4,279
Gain on disposal of property, plant and equipment	(4)	(726)	(3)	(942)
Gain/(loss) arising from changes in fair value of biological assets	(422)	40	(330)	(614)
Inventories written off	51	-	51	-
Property, plant and equipment written off	199	141	199	141
Gain from bargain purchase	(12,480)	(14,306)	(12,480)	(14,306)
Retirement benefit obligation	26	28	53	55
Unrealised loss/(gain) on foreign exchange	133	(166)	145	(176)

9. Income tax expense

	Current quarter 6 months ended		Cumulative quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Taxation based on results for the period:				
<u>Current income tax</u>				
- Malaysia income tax	548	247	806	632
- Foreign tax	122	86	232	157
	670	333	1,038	789
Over provision in respect of previous periods				
- Malaysia income tax	-	(116)	-	(116)
	670	217	1,038	673
Deferred income tax				
- Original and reversal of temporary differences	(232)	37	(237)	42
- Under provision in respect of previous periods	-	-	-	960
	(232)	37	(237)	1,002
Total income tax	438	254	801	1,675

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 six months ended 30 June 2023 – unaudited

10. Earning per share

Basic earning per share amounts are calculated by dividing profit for the financial period net of tax, attributable to Owners of the Company by weighted average number of ordinary shares outstanding during the financial period, excluding treasury shares held by the Company.

	Current quarter 6 months ended		Cumulative quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Earning attributable to the Owners of the Company (RM'000)	10,900	24,453	1,676	23,009
Weighted average number of ordinary shares in issue ('000)	468,107	468,436	468,107	468,436
Basic earning per share (sen)	2.33	5.22	0.36	4.91

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

11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets with a total cost of RM22,910,000 (30 June 2022: RM5,903,000).

Assets with carrying amount of RM92,000 (30 June 2022: RM1,594,000) were disposed by the Group during the six months ended 30 June 2023, resulting in a gain on disposal of RM3,000 (30 June 2022: RM942,000).

12. Intangible assets

	Goodwill RM'000	Timber Rights RM'000	Total RM'000
Cost			
At 1 January 2023/30 June 2023	33,593	111,584	145,177
Accumulated amortisation			
At 1 January 2023	29,037	111,584	140,621
Amortisation	-	-	-
At 30 June 2023	29,037	111,584	140,621
Net carrying amount			
At 30 June 2023	4,556	-	4,556
At 1 January 2023	4,556	-	4,556

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12. Intangible assets (Cont'd)

(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	
	30.06.2023	31.12.2022
	RM'000	RM'000
Timber division	3,240	3,240
Tapes division	1,316	1,316
	4,556	4,556

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:

a) Terminal growth rates

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

b) 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

	30.06.2023	31.12.2022
	RM'000	RM'000
Cash on hand and at banks	83,961	43,492
Short-term deposits with licensed financial institutions		
Tenure or less than 3 months	180,669	272,554
Tenure or more than 3 months	14,871	14,685
Cash and bank balances	279,501	330,731

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14. Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 : Valuation techniques for which lowest level input that is significant to the fair value measurement is unobservable.

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

Assets measured at fair value	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at FVOCI	30 June 2023	155	-	-	155
- Quoted investments	31 December 2022	151	-	-	151
Biological assets	30 June 2023	-	-	3,053	3,053
- Oil palm fresh fruit bunches	31 December 2022	-	-	1,417	1,417
Reforestation (Planted trees)	30 June 2023	-	-	35,542	35,542
	31 December 2022	-	-	35,542	35,542

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

15. Share capital, share premium and treasury shares

The Company did not issue any ordinary shares during the six months ended 30 June 2023.

The number of shares bought back and retained as treasury shares amounted to 13,237,500 shares as at 30 June 2023.

16. Interest bearing loans and borrowings

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

	30.06.2023 RM'000	31.12.2022 RM'000
Short term borrowings		
- Secured	39,415	52,056
- Unsecured	105,500	85,000
	<u>144,915</u>	<u>137,056</u>
Long term borrowings		
- Secured	228,566	90,365
Total	<u>373,481</u>	<u>227,421</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.

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18. Dividends

	30.06.2023 RM'000	31.12.2022 RM'000	Date of payment
Recognised during the financial year:			
- Final single-tier dividend of 1.50 sen net per share in respect of year ended 31 December 2021	-	7,027	25 July 2022
- Final single-tier dividend of 1.50 sen net per share in respect of year ended 31 December 2022	7,022	-	28 July 2023

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 June 2023 and 31 December 2022.

20. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the six months ended 30 June 2023 and 30 June 2022.

	Note	Transaction value	
		30.06.2023 RM'000	30.06.2022 RM'000
Purchase of spare parts:			
WTK Service & Warehousing Sdn. Bhd.	^	3,649	3,545
Purchase of frozen food and sundry goods:			
Sing Chew Coldstorage Sdn. Bhd. *	^	-	1,317
Purchase of hardware, fuel, oil and lubricants:			
WTK Service & Warehousing Sdn. Bhd.	^	4,834	5,899
Purchase of fertiliser:			
WTK Service & Warehousing Sdn. Bhd.	^	6,439	9,149
Sales of fresh fruit bunches:			
Delta-Pelita Sebakong Sdn. Bhd.	#	5,103	13,102
Harvard Master Sdn. Bhd. (In Liquidation)	#	17,405	27,068
Southwind Plantation Sdn. Bhd.	#	3,631	1,508
Suajaya Mahir Crop Sdn. Bhd.	#	-	588
		26,139	42,266
Purchase of fresh fruit bunches:			
Utahol Sdn. Bhd.	#	4,157	10,350
Utahol (2008) Sdn. Bhd.	#	547	999
WTK Realty Sdn Bhd		83	-
		4,787	11,349

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20. Related party transactions (cont'd)

The following table provides information on the transactions which have been entered into with related parties during the six months ended 30 June 2023 and 30 June 2022. (Cont'd)

	Note	Transaction value	
		30.06.2023 RM'000	30.06.2022 RM'000
Hiring of machinery paid:			
B.H.B Sdn. Bhd. [√]	#	15	15
Southwind Plantation Sdn. Bhd.	#	12	12
Tab Timbers (Sarawak) Sdn. Bhd.	^	8	8
Utahol Sdn. Bhd.	#	3	-
W T K Realty Sdn. Bhd.	#	12	12
		50	47
Hiring of machinery received:			
Imbok Enterprise Sdn. Bhd.	#	40	36
Utahol Sdn. Bhd.	#	11	9
		51	45
Office rental paid:			
W T K Realty Sdn. Bhd.	#	217	184
Management fees and support system paid:			
WTK Management Services Sdn. Bhd.	#	2,834	2,423
Sales of frozen food and sundry goods			
B.H.B Sdn. Bhd. [√]	#	247	48
Delta-Pelita Sebakong Sdn. Bhd.	#	121	-
Desacorp Sdn. Bhd.	#	96	-
Durafarm Sdn. Bhd.	#	154	23
Harvard Master Sdn. Bhd.	#	33	9
Heng Hsen Trading Sdn. Bhd.	#	77	-
Imbok Enterprise Sdn. Bhd.	#	845	122
Oxford Glory Sdn. Bhd.	#	419	92
Song Enterprise Sdn. Bhd.	#	336	55
Southwind Plantation Sdn. Bhd.	#	948	151
Suajaya Mahir Crop Sdn. Bhd.	#	673	86
Utahol Sdn. Bhd.	#	42	8
		3,991	594
Purchase of frozen food and sundry goods			
Heng Hsen Trading Sdn. Bhd.	#	4,100	-
Sim Liang Trading Sdn. Bhd.	#	176	-
		4,276	-

* *Sin Chew Coldstorage Sdn. Bhd. became the wholly-owned subsidiary of W T K Holdings Berhad on 15 June 2022.*

√ *B.H.B Sdn. Bhd. became the wholly-owned subsidiary of W T K Holdings Berhad on 8 May 2023.*

^ *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.

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20. Related party transactions (cont'd)

The outstanding balances arising from related party transactions as at 30 June 2023 and 31 December 2022 were as follows:

	30.06.2023	31.12.2022
	RM'000	RM'000
Total outstanding balances due from/(to) related parties included in:		
Trade receivables (net of allowance for impairment)	5,266	6,614
Other receivables (net of allowance for impairment)	3,257	1,206
Trade payables	(33,388)	(27,821)
Other payables	(475)	(521)

21. Events after the reporting period

On 11 August 2023, Biofarm Venture Sdn. Bhd., a wholly-owned subsidiary of the Company has entered into a conditional Share Sale Agreement ("SSA") with Ocarina Development Sdn. Bhd. (In Liquidation) ("Ocarina") for the proposed acquisition from Ocarina of 70% equity interest in Durafarm Sdn. Bhd. for a total cash consideration of RM132,200,000.

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22. Performance Review

	← Current Quarter →												Consolidated				
	Timber		Plantation		Tapes		Food		Others		Adjustments and eliminations				Note	RM'000	RM'000
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000						
Revenue																	
External sales	47,353	50,515	50,869	59,185	16,322	16,717	19,581	5,967	398	272	-	-		134,523	132,656		
Inter-segment sales	23	-	-	-	-	-	1,048	292	54,570	342	(55,641)	(634)	A	-	-		
Total revenue	<u>47,376</u>	<u>50,515</u>	<u>50,869</u>	<u>59,185</u>	<u>16,322</u>	<u>16,717</u>	<u>20,629</u>	<u>6,259</u>	<u>54,968</u>	<u>614</u>	<u>(55,641)</u>	<u>(634)</u>		<u>134,523</u>	<u>132,656</u>		
(Loss)/Profit before tax, dividend income and gain from bargain purchase																	
Dividend income	(4,064)	(3,547)	1,944	13,895	1,345	1,506	1,031	115	(142)	60	(1,046)	475		(932)	12,504		
Gain from bargain purchase	1,500	-	-	-	15,000	-	-	-	54,000	-	(70,500)	-	A	-	-		
(Loss)/Profit before tax	-	-	12,380	-	-	-	100	14,306	-	-	-	-		12,480	14,306		
(Loss)/Profit before tax	<u>(2,564)</u>	<u>(3,547)</u>	<u>14,324</u>	<u>13,895</u>	<u>16,345</u>	<u>1,506</u>	<u>1,131</u>	<u>14,421</u>	<u>53,858</u>	<u>60</u>	<u>(71,546)</u>	<u>475</u>	B	<u>11,548</u>	<u>26,810</u>		

A - Inter-segment revenues and dividends are eliminated on consolidation.

B - Transactions from inter-segment are (deducted from)/added to segment results to arrive at "(Loss)/Profit before tax" presented in the consolidated statements of profit or loss.

For the current quarter ("2Q2023") under review, the Group reported a revenue of RM134.5 million, an increase of 1.4% as compared to the preceding year corresponding quarter ("2Q2022") of RM132.7 million. The Group recorded a profit before tax of RM11.5 million in 2Q2023.

Performance of respective segments for the financial quarter/period ended 30 June 2023 as compared to the preceding year corresponding financial quarter/period are analysed as follow:

Timber

The revenue for 2Q2023 was RM47.4 million, a decrease of RM3.1 million as compared to RM50.5 million in 2Q2022. The decreased in revenue was mainly attributed to the lower plywood sales recorded during the financial quarter.

Plantation

The revenue decreased by RM8.3 million as compared to 2Q2022, mainly attributed to the lower selling prices of fresh fruit bunches ("FFB"). There was a one-off gain on bargain purchase of RM12.4 mil related to the acquisition of B.H.B recognised in 2Q2023.

Tapes

The revenue for 2Q2023 was RM16.3 million, a decrease of RM0.4 million, as compared to RM16.7 million in 2Q2022. The decreased in revenue was mainly attributed to lower export sales due to market uncertainties.

Food

The revenue for 2Q2023 was RM20.6 million and there was a one-off gain from bargain purchase of RM0.1 million related to the acquisition of IGV recognised in 2Q2023. In 2Q2022, the food segment only recognised one month of revenue since the completion of Sing Chew Coldstorage Sdn. Bhd. acquisition in June 2022.

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23. Comment on material change in (loss)/profit before tax

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

	←————— Current Quarter —————→												Note	Consolidated	
	Timber		Plantation		Tapes		Food		Others		Adjustments and eliminations			30.06.2023	31.03.2023
	30.06.2023	31.03.2023	30.06.2023	31.03.2023	30.06.2023	31.03.2023	30.06.2023	31.03.2023	30.06.2023	31.03.2023	30.06.2023	31.03.2023		RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue															
External sales	47,353	42,749	50,869	28,623	16,322	18,782	19,581	17,263	398	867	-	-		134,523	108,284
Inter-segment sales	23	25	-	-	-	-	1,048	939	54,570	380	(55,641)	(1,344)	A	-	-
Total revenue	47,376	42,774	50,869	28,623	16,322	18,782	20,629	18,202	54,968	1,247	(55,641)	(1,344)		134,523	108,284
(Loss)/Profit before tax, dividend income and gain from bargain purchase															
Dividend income	(4,064)	(6,765)	1,944	(7,053)	1,345	1,731	1,031	1,293	(142)	355	(1,046)	971		(932)	(9,468)
Gain from bargain purchase	1,500	-	-	-	15,000	-	-	-	54,000	-	(70,500)	-	A	-	-
(Loss)/Profit before tax	-	-	12,380	-	-	-	100	-	-	-	-	-		12,480	-
	(2,564)	(6,765)	14,324	(7,053)	16,345	1,731	1,131	1,293	53,858	355	(71,546)	971	B	11,548	(9,468)

A - Inter-segment revenues and dividends are eliminated on consolidation.

B - Transactions from inter-segment are (deducted from)/added to segment results to arrive at "(Loss)/Profit before tax" presented in the consolidated statements of profit or loss.

For 2Q2023 under review, the Group reported a revenue of RM134.5 million, an increase of RM26.2 million or 24.2% as compared to the preceding quarter ("1Q2023") of RM108.3 million. The Group recorded a profit before tax of RM11.5 million in 2Q2023 as opposed to a loss before tax of RM9.5 million in 1Q2023. The profit before tax in 2Q2023 was mainly attributed to the one-off gain from bargain purchase of B.H.B recognised by the plantation segment.

Performance of respective segments for the respective financial quarter as compared to the preceding quarter are analysed as follow:

Timber

As compared to the preceding quarter, the higher revenue in 2Q2023 was mainly attributed to the higher sales of log products.

Plantation

As compared to the preceding quarter, the segment reported a revenue of RM50.9 million. The plantation segment performed better as a result of increased production and contribution from the newly acquired B.H.B estate and oil mill. There was a one-off gain on bargain purchase of RM12.4 mil related to the acquisition of BHB recognised in 2Q2023.

Tapes

As compared to the preceding quarter, the revenue decreased by RM2.5 million mainly attributed to lower export sales due to market uncertainties.

Food

As compared to the preceding quarter, the revenue increased by RM2.4 million in 2Q2023, mainly attributed to higher sales during the Hari Raya Aldifitri, Hari Raya Haji and Gawai Festival.

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24. Commentary on prospects

a) Timber

The timber sector continues to face strong headwinds in the geopolitical tension and economic downturn of the key buyer's countries. The Group envisages a protracted slowdown in the timber sector for year 2023. Nevertheless, we are putting in concerted and ongoing efforts to control costs and improve production efficiency.

b) Plantation

Notwithstanding the challenges faced by the palm oil industry in the year 2023 (i.e. lower CPO prices and rising production costs due to labour shortages and increased fertiliser expenses), the Group is actively pursuing ongoing initiatives to foster greater mechanisation and yield improvements to enhance operational efficiency, optimising costs, and ultimately boosting profitability. With the increasing number of palms entering the high yielding age group and the successful completion of the BHB acquisition in May 2023, the Group is confident that the plantation business will contribute towards improved performance for the financial year ending 31 December 2023.

c) Tapes

The tapes business remains challenging due to market uncertainties, rising raw material costs and higher labour cost. In anticipation of the challenges, the Group is upgrading the plants and machineries to expand the product range and to improve operational efficiency and cost competitive advantage. With the effective marketing strategy and strong supply chain management, the tapes business is still able to sustain a healthy profit margin and is expecting to perform satisfactorily for the financial year ending 31 December 2023.

d) Food

The newly acquired frozen food business is expected to provide the Group with a consistent and more diversified revenue stream to complement the Group's core business of timber, plantation and tapes. The outbreak of COVID-19 pandemic across the globe has significantly increased the demand for frozen food owing to its property of keeping nutrition for a longer time and higher shelf life as compared to fresh vegetables, fruits and meat. Anticipating increasing demand for frozen foods, the Group is expanding the capacity of the cold room and the scope of the frozen products. The food business is expecting to perform satisfactorily for the financial year ending 31 December 2023.

Barring any unforeseen circumstances, the Group expects a satisfactory financial performance for the financial year ending 31 December 2023. Moreover, the Group is consistently on the lookout for growth opportunities to further enhance shareholders' value.

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.

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 during the period under review.

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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 June 2023 and 31 December 2022.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the current quarter ended 30 June 2023 or the previous financial period ended 31 December 2022.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the current quarter ended 30 June 2023 or the previous financial period ended 31 December 2022.

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 June 2023 and 31 December 2022.

35. Auditors report on the preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2022 was not qualified.

BY ORDER OF THE BOARD

LAI SOON ONG
COMPANY SECRETARY
SIBU
DATE: 28 AUGUST 2023