



WANG-ZHENG BERHAD
(Company No.: 612237-K)
(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2016

Quarterly report on consolidated results for the second financial quarter ended 30 June 2016

Condensed Consolidated Income Statement for the quarter ended 30 June 2016

(The figures presented here have not been audited unless stated otherwise)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current year</u> <u>Quarter</u> <u>30 JUN 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 JUN 2015</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 JUN 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 JUN 2015</u> RM'000
Continuing operations				
Revenue	77,989	65,247	152,808	133,418
Operating expenses	(75,181)	(64,854)	(146,791)	(129,632)
Other operating income	6,739	5,569	7,105	5,786
Profit from operations	<u>9,547</u>	<u>5,962</u>	<u>13,122</u>	<u>9,572</u>
Interest income	789	632	1,685	1,335
Finance costs	(828)	(849)	(2,027)	(1,673)
Profit before tax	<u>9,508</u>	<u>5,745</u>	<u>12,780</u>	<u>9,234</u>
Income tax expense	(1,188)	824	(2,033)	(15)
Profit for the period	<u><u>8,320</u></u>	<u><u>6,569</u></u>	<u><u>10,747</u></u>	<u><u>9,219</u></u>
Profit attributed to:				
Equity holders of the parent	<u>8,320</u>	<u>6,569</u>	<u>10,747</u>	<u>9,219</u>
	<u><u>8,320</u></u>	<u><u>6,569</u></u>	<u><u>10,747</u></u>	<u><u>9,219</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>5.25</u>	<u>4.14</u>	<u>6.78</u>	<u>5.81</u>
Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2016

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2016

(The figures presented here have not been audited unless stated otherwise)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 JUN 2016 RM'000	Preceding Year Corresponding Quarter 30 JUN 2015 RM'000	Current Year To Date 30 JUN 2016 RM'000	Preceding Year Corresponding Period 30 JUN 2015 RM'000
Profit for the period	8,320	6,569	10,747	9,219
Other Comprehensive income:				
- Foreign currency translation	0	(2,883)	0	(2,883)
Total comprehensive income for the period	<u>8,320</u>	<u>3,686</u>	<u>10,747</u>	<u>6,336</u>
Total comprehensive income attributable to:				
Equity holders of the parent	8,320	3,686	10,747	6,336
Non-controlling Interests	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>8,320</u>	<u>3,686</u>	<u>10,747</u>	<u>6,336</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2016

Condensed Consolidated Statement of Financial Position as at 30 June 2016

(The figures presented here have not been audited unless stated otherwise)

	As At End Of Current Quarter 30 JUN 2016 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2015 RM'000
Non-Current Assets		
Property, plant and equipment	39,939	41,771
Other investments	48	55
	39,987	41,826
Current Assets		
Other investment	-	16,799
Assets of discontinued operations	-	516
Inventories	43,895	43,215
Trade receivables	52,908	63,674
Other receivables, deposits and prepayments	7,755	4,899
Tax recoverable	-	349
Fixed deposits with licensed banks	51,030	43,802
Cash and bank balances	64,392	66,688
	219,980	239,942
TOTAL ASSETS	259,967	281,768
Equity		
Equity attributable to equity holders of the parent		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Retained profits	93,886	83,139
Total equity	179,913	169,166
Non-Current Liabilities		
Borrowings	14,243	15,663
Deferred taxation	2,632	2,632
	16,875	18,295
Current Liabilities		
Liabilities of discontinued operations	-	2
Trade payables	6,950	7,142
Other payables	7,603	8,252
Amount owing to directors	297	198
Short term borrowings	45,609	76,195
Taxation	2,720	2,518
	63,179	94,307
Total Liabilities	80,054	112,602
TOTAL EQUITY AND LIABILITIES	259,967	281,768
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.13	1.07

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows as at 30 June 2016

(The figures presented here have not been audited unless stated otherwise)

	Cumulative Current Year 30 JUN 2016 RM'000	Cumulative Preceding Year 30 JUN 2015 RM'000
Cash flows from operating activities		
Profit before tax	12,780	9,234
Adjustments for:		
Bad debt written off	11	-
Depreciation of property, plant and equipment	1,509	2,354
Loss on disposal of investment in subsidiary	187	-
Gain on disposal of property, plant and equipment	(114)	(7)
Gain on disposal of other investment	(5,889)	-
Impairment on trade receivables	1,800	1,000
Interest expense	2,027	1,673
Interest income	(1,685)	(1,335)
Reversal of impairment on trade receivables	(127)	(23)
Reversal of impairment on investment in subsidiary	-	(1,103)
Unrealised (gain) loss on foreign exchange	480	(107)
Operating profit before working capital changes	10,979	11,686
(Increase)/Decrease in working capital:		
Inventories	(680)	9,325
Trade and other receivables	5,230	(10,880)
Trade and other payables	(295)	3,574
Amount owing to directors	99	99
Cash generated from operations	15,333	13,804
Interest received	1,685	1,335
Interest paid	(2,027)	(1,673)
Income tax paid	(1,482)	(1,243)
Net cash generated from operating activities	13,509	12,223
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	230	22
Proceeds from disposal of other investment	22,695	-
Purchase of property, plant and equipment	(606)	(5,013)
Net cash inflow from disposal of subsidiary company	733	11,575
Net cash generated from investing activities	23,052	6,584

Condensed Consolidated Statement of Cash Flows as at 30 June 2016

(The figures presented here have not been audited unless stated otherwise)

	Cumulative Current Year 30 JUN 2016 RM'000	Cumulative Preceding Year 30 JUN 2015 RM'000
Cash flows from financing activities		
Net repayment of bank borrowings	(32,142)	(11,579)
Net cash used in financing activities	<u>(32,142)</u>	<u>(11,579)</u>
Net increase (decrease) in cash and cash equivalents	4,419	7,228
Effect of exchange rate fluctuations on cash held	-	(2,883)
Cash and cash equivalents at beginning of financial year	111,003	101,321
Cash and cash equivalents at end of financial period	<u>115,422</u>	<u>105,666</u>
Cash and cash equivalents comprise:		
Continuing operations		
Fixed deposits with licensed banks	51,030	47,414
Cash and bank balances	<u>64,392</u>	<u>57,740</u>
	<u>115,422</u>	<u>105,154</u>
Discontinued operations		
Fixed deposits with licensed banks	-	461
Cash & bank balances	<u>-</u>	<u>51</u>
	<u>-</u>	<u>512</u>
	<u>115,422</u>	<u>105,666</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2016

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2016

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Distributable	Non-Controlling Interest	Total
	Non-distributable		Foreign				
	Share Capital	Share Premium	Treasury Shares	Exchange Reserve	Retained Profit	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	80,000	6,677	(650)	-	83,139	-	169,166
Profit for the period	-	-	-	-	10,747	-	10,747
Other Comprehensive income:	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	10,747	-	10,747
Balance as at 30 June 2016	80,000	6,677	(650)	-	93,886	-	179,913
Balance as at 1 January 2015	80,000	6,677	(650)	2,883	73,804	-	162,714
Profit for the period	-	-	-	-	9,219	-	9,219
Other Comprehensive income:							
- Foreign currency translation	-	-	-	(2,883)	-	-	(2,883)
Total comprehensive income for the period	-	-	-	(2,883)	9,219	-	6,336
Balance as at 30 June 2015	80,000	6,677	(650)	-	83,023	-	169,050

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2016

PART A: EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015. The 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.

Changes in Accounting Policies

The accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2015.

The Group has not early adopted the following new MFRSs and amendments to MFRSs, which have been issued by the Malaysian Accounting Standards Board (“MASB”) as at the date of authorisation of these interim financial statements but are not yet effective for the Group as stated below:

		<u>Effective date for financial periods beginning on or after</u>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

The initial applications of the above applicable new MFRSs and amendments to MFRSs are not expected to have any material impact on the financial position and results of the Group.

Notes on the quarterly report – 30 June 2016

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2015.

A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors in the quarter under review.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A5. Material changes in estimates

There was no material changes in estimates of amounts reported in the current quarter under review.

A6. Issuances and repayment of debt and equity securities

There have been no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review, except for the following:-

The details of shares held as treasury shares for the period ended 30 June 2016 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2016	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2016	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2016.

A7. Dividend Paid

There was no dividend paid by the Company during the quarter under review.

Notes on the quarterly report – 30 June 2016

A8. Segment information

Details segmental analysis for the period ended 30 June 2016 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	138,853
Asia (other than Malaysia)	13,955
Total	<u>152,808</u>

(b) Business segment

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidated RM'000
Revenue					
External customer	108,453	44,355	-	-	152,808
Inter-segment	43,585	19,353	-	(62,938)	-
Total revenue	<u>152,038</u>	<u>63,708</u>	-	<u>(62,938)</u>	<u>152,808</u>
Results					
Segment results	3,916	9,405	(199)	-	13,122
Interest income	962	628	250	(155)	1,685
Finance costs	(1,199)	(983)	-	155	(2,027)
Profit before taxation	<u>3,679</u>	<u>9,050</u>	<u>51</u>	<u>-</u>	<u>12,780</u>
Taxation	(1,262)	(759)	(12)	-	(2,033)
Net profit for the financial period	<u>2,417</u>	<u>8,291</u>	<u>39</u>	<u>-</u>	<u>10,747</u>
Assets					
Additions to non- current assets	241	501	-	-	742
Segment assets	<u>137,041</u>	<u>126,075</u>	<u>91,271</u>	<u>(94,420)</u>	<u>259,967</u>

A9. Valuation of property, plant and equipment

The property, plant and equipment except for freehold land are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

Notes on the quarterly report – 30 June 2016

A12. Changes in contingent liabilities

As at the date of announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have material impact on the financial position of the Group.

A13. Capital commitments

There were no significant capital commitments as at 30 June 2016.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue at RM77.9 million for the current quarter, an increase of RM12.7 million as compared to RM65.2 million in the preceding year corresponding quarter, mainly due to improved trading activities in both processed paper products segment and disposable fiber-based products segment.

The Group recorded a higher profit before tax of RM9.5 million for the current quarter, an increase of RM3.8 million as compared to RM5.7 million in the preceding year corresponding quarter, mainly due to gain on disposal of other investment amounting to RM5.89 million.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax increased to RM9.5 million for the current quarter as compared to RM3.3 million in the immediate preceding quarter for the period ended 31 March 2016, mainly due to gain on disposal of other investment RM5.89 million.

B3. Prospects

Despite the current volatility in the global market, the Group's products are expected to remain competitive in the operating environment. Moving forward, the Board expects the Group to achieve a satisfactory performance for the remaining quarters of the year.

B4. Variance of actual and forecast profit

Not applicable as there was no profit forecast has been published.

Notes on the quarterly report – 30 June 2016

B5. Tax expense

	Current quarter ended 30.06.2016 RM'000	Current year to date 30.06.2016 RM'000
Estimated tax payable:		
Current	1,188	2,033
Total	<u>1,188</u>	<u>2,033</u>

The effective tax rate for the current quarter and financial year to date under review is lower than the statutory income tax rate mainly due to gain on disposal of other investment which is not subject for tax purpose.

B6. Status of corporate proposal

There was no corporate proposal announced as at the date of this announcement.

B7. Group borrowings

The Group's borrowings as at the end of the reporting year are as follows:

Group Borrowings	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
Trust receipts and bankers' acceptance	42,589	-	42,589
Term loans	2,502	13,745	16,247
Hire purchase	518	498	1,016
Total	<u>45,609</u>	<u>14,243</u>	<u>59,852</u>

B8. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

B9. Material litigation

There was no pending material litigation as at the date of this report.

B10. Dividends

A First and Final Single Tier Dividend of 6% or 3.0 sen per share in respect of the financial year ended 31 December 2015 proposed on 28 April 2016 was approved by the shareholders at the Annual General Meeting on 8 June 2016 and will be paid on 21 July 2016.

Notes on the quarterly report – 30 June 2016

B11. Basic earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follows:-

	Individual Quarter		Cumulative Quarter	
	3 months Ended 30.06.2016 RM'000	3 months Ended 30.06.2015 RM'000	6 months Ended 30.06.2016 RM'000	6 months Ended 30.06.2015 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	8,320	6,569	10,747	9,219
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	5.25	4.14	6.78	5.81
ii) Diluted	Note	Note	Note	Note

Note:

The diluted earnings per share are not presented as there were no potential ordinary shares to be issued as at the end of the reporting period.

B12. Disclosure of Realised and Unrealised Profits (Unaudited)

	Quarter Ended	
	30.06.2016 RM'000	30.06.2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	140,713	127,194
- Unrealised	2,108	3,423
	142,821	130,617
Less: Consolidation adjustments	(48,935)	(47,594)
Total group retained profits as per consolidated accounts	93,886	83,023

Notes on the quarterly report – 30 June 2016

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Interest income	(1,685)	(1,335)
Interest expense	2,027	1,673
Bad debts written off	11	-
Depreciation and amortization	1,509	2,354
Impairment on trade receivables	1,800	1,000
Reversal of impairment on trade receivables	(127)	(23)
Reversal of impairment on investment in subsidiary	-	(1,103)
Loss on disposal of investment in subsidiary	187	-
Gain on disposal of property, plant and equipment	(114)	(7)
Gain on disposal of other investment	(5,889)	-
Unrealised (gain) loss on foreign exchange	480	(107)

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2016.