



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2020

Quarterly report on consolidated results for the first financial quarter ended 31 March 2020

Condensed Consolidated Income Statement for the quarter ended 31 March 2020

(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>31 Mar 2020</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2019</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Mar 2020</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2019</u> RM'000
Revenue	54,095	64,119	54,095	64,119
Cost of sales	(45,841)	(54,689)	(45,841)	(54,689)
Gross profit	8,254	9,430	8,254	9,430
Other income	747	951	747	951
Marketing and distribution expenses	(2,465)	(3,427)	(2,465)	(3,427)
Administration expenses	(3,391)	(3,625)	(3,391)	(3,625)
Operating Profit	3,145	3,329	3,145	3,329
Interest income	840	1,081	840	1,081
Finance costs	(800)	(917)	(800)	(917)
Profit before tax	3,185	3,493	3,185	3,493
Income tax expense	(676)	(864)	(676)	(864)
Profit for the period	2,509	2,629	2,509	2,629
Profit attributed to:				
Equity holders of the parent	2,509	2,629	2,509	2,629
	2,509	2,629	2,509	2,629
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.58	1.66	1.58	1.66
Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2020

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2020

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 31 Mar 2020 RM'000	Preceding Year Corresponding Quarter 31 Mar 2019 RM'000	Current Year To Date 31 Mar 2020 RM'000	Preceding Year Corresponding Period 31 Mar 2019 RM'000
Profit for the period	2,509	2,629	2,509	2,629
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,509</u>	<u>2,629</u>	<u>2,509</u>	<u>2,629</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,509</u>	<u>2,629</u>	<u>2,509</u>	<u>2,629</u>
	<u>2,509</u>	<u>2,629</u>	<u>2,509</u>	<u>2,629</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2020

Condensed Consolidated Statement of Financial Position as at 31 March 2020

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

	As At End Of Current Quarter 31 Mar 2020 RM'000	Preceding Financial Year-Ended 31 Dec 2019 RM'000
Non-Current Assets		
Property, plant and equipment	37,908	38,660
Right-of-use asset	2,410	2,706
Investment property	10,302	10,339
Other investments	26	26
	<u>50,646</u>	<u>51,731</u>
Current Assets		
Inventories	54,469	42,431
Trade receivables	52,309	55,303
Other receivables, deposits and prepayments	2,264	1,559
Tax recoverable	460	204
Fixed deposits with licensed banks	78,446	73,830
Cash and bank balances	41,638	43,593
	<u>229,586</u>	<u>216,920</u>
TOTAL ASSETS	<u>280,232</u>	<u>268,651</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	110,941	108,433
Total equity	<u>196,968</u>	<u>194,460</u>
Non-Current Liabilities		
Borrowings	4,618	0
Lease liabilities	1,627	1,753
Deferred taxation	2,248	2,248
	<u>8,493</u>	<u>4,001</u>
Current Liabilities		
Trade payables	9,665	6,620
Other payables	4,940	6,746
Short term borrowings	59,313	55,807
Short term lease liabilities	853	1,017
	<u>74,771</u>	<u>70,190</u>
Total Liabilities	<u>83,264</u>	<u>74,191</u>
TOTAL EQUITY AND LIABILITIES	<u>280,232</u>	<u>268,651</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.24</u>	<u>1.23</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2020

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

	Cumulative Current Year 31 Mar 2020 RM'000	Cumulative Preceding Year 31 Mar 2019 RM'000
Cash flows from operating activities		
Profit before tax	3,185	3,493
Adjustments for:		
Depreciation of property, plant and equipment	873	959
Depreciation of investment properties	38	-
Depreciation of right-of-use assets	265	-
(Gain)/Loss on disposal of property, plant and equipment	1	(3)
Interest expense	800	917
Interest income	(840)	(1,081)
Reversal of impairment on slow moving inventories	-	(95)
Reversal of impairment on trade receivables	(150)	-
Unrealised (gain) loss on foreign exchange	(51)	188
Operating profit before working capital changes	4,121	4,378
(Increase)/Decrease in working capital:		
Inventories	(12,038)	3,588
Trade and other receivables	2,490	5,664
Trade and other payables	1,239	(6,418)
Cash (used in) generated from operations	(4,188)	7,212
Interest received	840	1,081
Interest paid	(800)	(917)
Income tax refunded	-	3
Income tax paid	(933)	(1,057)
Net cash (used in) generated from operating activities	(5,081)	6,322
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	3
Purchase of investment properties	-	(69)
Purchase of property, plant and equipment	(122)	(156)
Purchase of right-of-use assets	30	-
Net cash used in investing activities	(92)	(222)

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2020

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

	Cumulative Current Year 31 Mar 2020 RM'000	Cumulative Preceding Year 31 Mar 2019 RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(291)	-
Net repayment of bank borrowings	8,124	(5,776)
Net cash generated from (used in) financing activities	<u>7,833</u>	<u>(5,776)</u>
Net increase in cash and cash equivalents	2,660	324
Cash and cash equivalents at beginning of financial year	117,424	120,493
Cash and cash equivalents at end of financial period	<u>120,084</u>	<u>120,817</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	78,446	75,697
Cash and bank balances	<u>41,638</u>	<u>45,120</u>
	<u>120,084</u>	<u>120,817</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2020

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2020

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----			Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Retained Profit RM'000	
Balance as at 1 January 2019	86,677	(650)	108,433	194,460
Profit for the period	-	-	2,509	2,509
Other comprehensive income:	-	-	-	-
Effect of adoption of MFRS 16	-	-	(1)	(1)
Total comprehensive income for the period	-	-	2,508	2,508
Balance as at 31 March 2020	86,677	(650)	110,941	196,968
Balance as at 1 January 2019	86,677	(650)	103,542	189,569
Profit for the period	-	-	2,629	2,629
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	2,629	2,629
Balance as at 31 March 2019	86,677	(650)	106,171	192,198

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

Notes on the quarterly report – 31 March 2020

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 Malaysian Financial Reporting Standards (“MFRS”) 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 2019. 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 since the year ended 31 December 2019.

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 2019.

The Group and the Company have not early adopted the following new MFRSs, new interpretation 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 and the Company as stated below:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 16	Covid-19-Related Rent Concessions	1 June 2020
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 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvement to	(i) Amendments to MFRS 1 (ii) Amendments to MFRS 9	1 January 2022

Notes on the quarterly report – 31 March 2020

MFRS Standards 2018 – 2020	(iii) Amendments to MFRS 16 (iv) Amendments to MFRS 141	
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new MFRSs, new Interpretations and amendments to MFRSs when they become effective.

A2. Qualification of annual financial statements

There was no qualification on the annual financial statements of the Group for the year ended 31 December 2019.

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

A6. Issuances and repayment of debt and equity securities

There has 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 31 March 2020 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2019	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2020	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2020.

A7. Dividend paid

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

Notes on the quarterly report – 31 March 2020

A8. Segment information

Details segmental analysis for the period ended 31 March 2020 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	49,438
Asia (other than Malaysia)	4,657
Total	<u>54,095</u>

(b) Business segments

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidation RM'000
Revenue					
External customer	33,924	20,171	-	-	54,095
Inter-segment	15,519	10,843	-	(26,362)	-
Total revenue	<u>49,443</u>	<u>31,014</u>	-	<u>(26,362)</u>	<u>54,095</u>
Results					
Segment results	1,240	2,003	(98)	-	3,145
Interest income	384	332	124	-	840
Finance costs	(599)	(201)	-	-	(800)
Profit before taxation	1,025	2,134	26	-	3,185
Taxation	(187)	(459)	(30)	-	(676)
Net profit (loss) for the financial period	<u>838</u>	<u>1,675</u>	<u>(4)</u>	-	<u>2,509</u>
Assets					
Additions to non- current assets	5	117	-	-	122
Segment assets	<u>147,865</u>	<u>133,687</u>	<u>93,809</u>	<u>(95,129)</u>	<u>280,232</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. Acquisitions and Disposals of Property, Plant and Equipment

There were no major acquisitions and disposal of property, plant and equipment during the quarter under review.

Notes on the quarterly report – 31 March 2020

A11. Material events subsequent to the end of the interim period

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

A12. Changes in the composition of the Group

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

A13. 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.

A14. Capital commitments

There were no significant capital commitments as at 31 March 2020.

Notes on the quarterly report – 31 March 2020

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.03.2020 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000	Changes (RM'000 / %)	Current Year To- date 31.03.2020 RM'000	Preceding Year Corresponding Period 31.03.2019 RM'000	Changes (RM'000 / %)
Revenue	54,095	64,119	(10,024) / -15.6%	54,095	64,119	(10,024) / -15.6%
Operating Profit	3,145	3,329	(184) / -5.5%	3,145	3,329	(184) / -5.5%
Profit Before Tax	3,185	3,493	(308) / -8.8%	3,185	3,493	(308) / -8.8%
Profit After Tax	2,509	2,629	(120) / -4.6%	2,509	2,629	(120) / -4.6%
Profit Attributable to Ordinary Equity Holders of the Parent	2,509	2,629	(120) / -4.6%	2,509	2,629	(120) / -4.6%

The Group recorded revenue of RM54.1 million for the current quarter, a decrease of approximately RM10.0 million as compared to RM64.1 million in the preceding year corresponding quarter mainly due to decrease sales in both processed paper products and disposable fibre-based products as a result of business operations close down since the implementation of Movement Control Order (MCO) by the government during the quarter under review.

The Group recorded a slightly lower profit before tax of RM3.2 million for the current quarter, a decrease of RM0.3 million as compared to RM3.5 million in the preceding year corresponding quarter mainly due to decrease in revenue.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.03.2020 RM'000	Immediate Preceding Quarter 31.12.2019 RM'000	Changes (Amount / %)
Revenue	54,095	68,476	(14,381) / -21.0%
Operating Profit	3,145	2,808	337 / 12.0%
Profit Before Tax	3,185	3,495	(310) / -8.9%
Profit After Tax	2,509	2,578	(69) / -2.7%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,509	2,578	(69) / -2.7%

The Group's profit before tax decreased to RM2.5 million for the current quarter as compared to RM2.6 million in the immediate preceding quarter for the period ended 31 December 2019 mainly due to decrease revenue during the quarter under review as result of business operations closed down in the MCO period.

Notes on the quarterly report – 31 March 2020

B3. Prospects

The Directors of the Group have closely monitored the development of the outbreak of coronavirus pandemic (“COVID-19”) infection in Malaysia that may affect the business and financial performance of the Group mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group business operations. The extent of the impact of COVID-19 to the Group’s business and financial performance depends on the on-going precautionary measures introduced by each country to address this pandemic and the duration of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group’s business and financial performance.

Moving forward, the Group will be focusing on growing its products expansion by continuing to review the range of products offering to meet the customers’ demands. The Group foresees the potential growth in disposable fibre-based products segment by working towards expanding this segment with new marketing initiatives. The Group continues to explore which aim to leverage on and emulate Hengan’s strengths in the production and sales of other personal hygiene products including but not limited to sanitary napkin and diaper products to further diversify the Group’s business operations and to expand the business to South East Asia market. The Board anticipates the Group to achieve satisfactory results for the remaining of quarters of the year.

B4. Variance of actual and forecast profit

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

B5. Tax expense

	Current quarter ended 31.03.2020 RM’000	Current year to date 31.03.2020 RM’000
Estimated tax payable:		
Current	676	676
Total	<u>676</u>	<u>676</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 certain interest income which are exempted from tax deduction purposes.

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 period are as follows:

Group borrowings	Short Term (Secured) RM’000	Long Term (Secured) RM’000	Total RM’000
Trust receipts and bankers’ acceptance	57,903	-	57,903
Hire purchase	1,410	4,618	6,028
Total	<u>59,313</u>	<u>4,618</u>	<u>63,931</u>

Notes on the quarterly report – 31 March 2020

B8. Off balance sheet financial instruments

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

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

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 31.03.2020 RM'000	3 months Ended 31.03.2019 RM'000	3 months Ended 31.03.2020 RM'000	3 months Ended 31.03.2019 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	2,509	2,629	2,509	2,629
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.58	1.66	1.58	1.66
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	
	31.03.2020 RM'000	31.03.2019 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	156,065	152,260
- Unrealised	2,299	1,734
	158,364	153,994
Less: Consolidation adjustments	(47,423)	(47,823)
Total Group retained profits as per consolidated accounts	110,941	106,171

Notes on the quarterly report – 31 March 2020

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Interest income	(840)	(1,081)
Interest expense	800	917
Depreciation and amortization	1,176	959
Reversal of impairment on trade receivables	(150)	(95)
Gain on disposal of property, plant and equipment	1	(3)
Unrealised (gain) loss on foreign exchange	(51)	188

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 31 March 2020.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 17 June 2020.