



WANG-ZHENG BERHAD
[Registration No.: 200301009817 (612237-K)]
(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2021

Condensed Consolidated Income Statement for the quarter ended 30 June 2021

(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 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2020</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2020</u> RM'000
Revenue	52,767	56,794	110,084	110,888
Cost of sales	(46,295)	(50,085)	(94,114)	(95,925)
Gross profit	6,472	6,709	15,970	14,963
Other income	1,034	1,546	1,790	2,292
Marketing and distribution expenses	(2,339)	(2,153)	(4,964)	(4,618)
Administration expenses	(3,085)	(4,005)	(6,608)	(7,395)
Operating Profit	2,082	2,097	6,188	5,242
Interest income	624	755	1,167	1,595
Finance costs	(389)	(519)	(792)	(1,319)
Profit before tax	2,317	2,333	6,563	5,518
Income tax expense	(931)	(469)	(1,452)	(1,145)
Profit for the period	1,386	1,864	5,111	4,373
Profit attributed to:				
Equity holders of the parent	1,386	1,864	5,111	4,373
	1,386	1,864	5,111	4,373
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.87	1.18	3.22	2.76
Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2021

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2021

(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 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2020</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2020</u> RM'000
Profit for the period	1,386	1,864	5,111	4,373
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>1,386</u>	<u>1,864</u>	<u>5,111</u>	<u>4,373</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>1,386</u>	<u>1,864</u>	<u>5,111</u>	<u>4,373</u>
	<u>1,386</u>	<u>1,864</u>	<u>5,111</u>	<u>4,373</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2021

Condensed Consolidated Statement of Financial Position as at 30 June 2021

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

	As At End Of Current Quarter 30 Jun 2021 RM'000	Preceding Financial Year-Ended 31 Dec 2020 RM'000
Non-Current Assets		
Property, plant and equipment	15,511	16,165
Investment property	6,500	6,555
Right-of-use assets	21,458	21,939
Other assets	23	23
Deferred tax assets	1,680	1,680
Other receivables, deposits and prepayments	1,172	996
	<u>46,344</u>	<u>47,358</u>
Current Assets		
Inventories	43,589	48,151
Trade receivables	44,163	50,162
Other receivables, deposits and prepayments	1,185	1,529
Tax recoverable	2,105	1,570
Deposits with Investment fund	-	62,377
Fixed deposits with licensed banks	12,565	12,419
Cash and bank balances	114,832	44,184
	<u>218,439</u>	<u>220,392</u>
TOTAL ASSETS	<u>264,783</u>	<u>267,750</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	114,799	109,688
Total equity	<u>200,826</u>	<u>195,715</u>
Non-Current Liabilities		
Lease liabilities	756	794
Borrowings	3,398	4,003
Deferred taxation	1,775	1,775
	<u>5,929</u>	<u>6,572</u>
Current Liabilities		
Trade payables	7,167	7,926
Other payables	6,224	6,223
Short term lease liabilities	655	972
Short term borrowings	43,113	49,653
Tax payable	869	353
Contract liabilities	-	336
	<u>58,028</u>	<u>65,463</u>
Total Liabilities	<u>63,957</u>	<u>72,035</u>
TOTAL EQUITY AND LIABILITIES	<u>264,783</u>	<u>267,750</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.27</u>	<u>1.23</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2021

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2021

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

	Cumulative Current Year 30 Jun 2021 RM'000	Cumulative Preceding Year 30 Jun 2020 RM'000
Cash flows from operating activities		
Profit before tax	6,563	5,518
Adjustments for:		
Bad debt recovered	(2)	-
Depreciation of property, plant and equipment	1,397	1,188
Depreciation of investment properties	55	75
Depreciation of right-of-use assets	609	1,072
Loss (Gain) on disposal of property, plant and equipment	9	(71)
Impairment loss on trade receivables	-	62
Interest expense	792	1,319
Interest income	(1,167)	(1,595)
Property, plant and equipment written off	-	2
Reversal of impairment loss on trade receivables	(51)	(205)
Unrealised gain on foreign exchange	70	43
Operating profit before working capital changes	8,275	7,408
(Increase)/Decrease in working capital:		
Inventories	4,562	(14,885)
Trade and other receivables	6,150	(1,161)
Trade and other payables	(1,094)	(2,511)
Cash generated from (used in) operations	17,893	(11,149)
Interest received	1,167	1,595
Interest paid	(792)	(1,319)
Income tax paid	(1,470)	(1,887)
Net cash generated from (used in) operating activities	16,798	(12,760)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	4	71
Purchase of property, plant and equipment	(756)	(586)
Purchase of right-of-use assets	(129)	6
Withdrawal from deposits with investment fund	62,378	-
Placement of deposits with licensed banks	(146)	-
Net cash generated from (used in) investing activities	61,351	(509)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2021

Page 5

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2021

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

	Cumulative Current Year 30 Jun 2021 RM'000	Cumulative Preceding Year 30 Jun 2020 RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(355)	(596)
Net (repayment) drawdown of bank borrowings	(7,146)	16,865
Net cash (used in) generated from financing activities	<u>(7,501)</u>	<u>16,269</u>
Net increase in cash and cash equivalents	70,648	3,000
Cash and cash equivalents at beginning of financial year	44,184	117,424
Cash and cash equivalents at end of financial period	<u>114,832</u>	<u>120,424</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2021

(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 2021	86,677	(650)	109,688	195,715
Profit for the period	-	-	5,111	5,111
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,111	5,111
Balance as at 30 June 2021	<u>86,677</u>	<u>(650)</u>	<u>114,799</u>	<u>200,826</u>
Balance as at 1 January 2020	86,677	(650)	108,437	194,464
Profit for the period	-	-	4,373	4,373
Other comprehensive income:	-	-	-	-
Effect of adoption of MFRS 16	-	-	(1)	(1)
Total comprehensive income for the period	-	-	4,372	4,372
Balance as at 30 June 2020	<u>86,677</u>	<u>(650)</u>	<u>112,809</u>	<u>198,836</u>

(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 2020 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2021

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 2020. 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 2020.

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 2020.

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 MFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Annual Improvements to MFRS 9	Fees in the 10% test for derecognition of financial liabilities	1 January 2022
Amendments to MFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116	Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 audited financial statements of the Group for the year ended 31 December 2020.

Notes on the quarterly report – 30 June 2021

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 30 June 2021 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2021	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2021	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2021.

A7. Dividend paid

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

A8. Segment information

Details segmental analysis for the period ended 30 June 2021 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	99,674
Asia (other than Malaysia)	10,410
Total	<u>110,084</u>

Notes on the quarterly report – 30 June 2021

(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	69,971	40,113	-	-	110,084
Inter-segment	34,787	18,615	-	(53,402)	-
Total revenue	104,758	58,728	-	(53,402)	110,084
Results					
Segment results	4,391	1,802	(201)	196	6,188
Interest income	530	377	260	-	1,167
Finance costs	(599)	(193)	-	-	(792)
Profit before taxation	4,322	1,986	59	196	6,563
Taxation	(1,030)	(361)	(61)	-	(1,452)
Net profit/(loss) for the financial period	3,292	1,625	(2)	196	5,111
Assets					
Additions to non-current assets	80	676	-	-	756
Segment assets	124,263	119,266	91,330	(70,076)	264,783

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.

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.

Notes on the quarterly report – 30 June 2021

A14. Capital commitments

There were no significant capital commitments as at 30 June 2021.

Notes on the quarterly report – 30 June 2021

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Corresponding Quarter 30.06.2020 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2021 RM'000	Preceding Year Corresponding Period 30.06.2020 RM'000	Changes (RM'000 / %)
Revenue	52,767	56,794	(4,027) / -7.1%	110,084	110,888	(804) / -0.7%
Operating Profit	2,082	2,097	(15) / -0.7%	6,188	5,242	946 / 18.0%
Profit Before Tax	2,317	2,333	(16) / -0.7%	6,563	5,518	1,045 / 18.9%
Profit After Tax	1,386	1,864	(478) / -25.6%	5,111	4,373	738 / 16.9%
Profit Attributable to Ordinary Equity Holders of the Parent	1,386	1,864	(478) / -25.6%	5,111	4,373	738 / 16.9%

The Group recorded revenue of RM52.8 million for the current quarter, a decrease of approximately RM4 million as compared to RM56.8 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 activities were reduced since the reimposition of Movement Control Order (“MCO”) by the local authority during the quarter under review.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.06.2021 RM'000	Immediate Preceding Quarter 31.03.2021 RM'000	Changes (Amount / %) RM'000 / %
Revenue	52,767	57,317	(4,550) / -7.9%
Operating Profit/(Loss)	2,082	4,106	(2,024) / -49.3%
Profit/(Loss) Before Tax	2,317	4,248	(1,931) / -45.5%
Profit/(Loss) After Tax	1,386	3,726	(2,340) / -62.8%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,386	3,726	(2,340) / -62.8%

The Group’s profit before tax decreased to RM2.3 million for the current quarter as compared to RM4.2 million in the immediate preceding quarter for the period ended 31 March 2021 mainly due to decrease revenue in both processed paper products and disposable fibre-based products as a result of business activities were reduced since the reimposition of Movement Control Order (“MCO”) by the local authority during the quarter under review.

Notes on the quarterly report – 30 June 2021

B3. Prospects

In response to the increase of COVID-19 infection cases in Malaysia, the local authority has reimposed movement control order with several phases and Standard Operation Procedure (“SOP”) that required the Group to comply strictly. Hence, the Group’s business operations environment remains challenging during the quarter under review. As such, the Directors of the Company remain cautious and continue closely monitor the situation and response proactively to mitigate the impact on the Group’s business and financial performance.

Moving forward, the Group will continue to take initiatives to enhance cost optimisation and put in additional effort to improve the productivity by producing better quality products to our customers. The Group will also be focusing on growing its products range by continuing to streamline the products range in order to meet the customers’ demands.

By barring the unforeseen circumstances, the Board anticipates the Group will 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 30.06.2021 RM’000	Current year to date 30.06.2021 RM’000
Estimated tax payable:		
Current	931	1,452
Total	<u>931</u>	<u>1,452</u>

The effective tax rate for the current quarter under review is higher than the statutory income tax rate mainly due to certain expenses which are not tax deductible and under provision in previous quarter. However, the effective tax rate for the 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	41,920	-	41,920
Hire purchase	1,193	3,398	4,591
Total	<u>43,113</u>	<u>3,398</u>	<u>46,511</u>

Notes on the quarterly report – 30 June 2021

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

A First and Final Single Tier Dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2020 was proposed on 11 May 2021 subject to the approval of shareholders at the forthcoming Annual General Meeting that will be held on 23 June 2021 and payable on 15 July 2021.

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 30.06.2021 RM'000	3 months Ended 30.06.2020 RM'000	6 months Ended 30.06.2021 RM'000	6 months Ended 30.06.2020 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	1,386	1,864	5,111	4,373
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.87	1.18	3.22	2.76
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.

Notes on the quarterly report – 30 June 2021

B12. Disclosure of realised and unrealised profits (unaudited)

	Quarter Ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	160,026	158,500
- Unrealised	1,705	2,201
	<u>161,731</u>	<u>160,701</u>
Less: Consolidation adjustments	(46,932)	(47,892)
Total Group retained profits as per consolidated accounts	<u>114,799</u>	<u>112,809</u>

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
Interest income	(1,167)	(1,595)
Interest expense	792	1,319
Bad debt recovered	(2)	-
Depreciation and amortization	2,061	2,335
Impairment loss on trade receivables	-	62
Property, plant and equipment written off	-	2
Loss (Gain) on disposal of property, plant and equipment	9	(71)
Reversal of impairment loss on trade receivables	(51)	(205)
Unrealised gain on foreign exchange	70	43

Other than the above, there were no gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2021.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 12 August 2021.