



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2017

Condensed Consolidated Income Statement for the quarter ended 31 December 2017

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u> (Audited)	
	<u>Current year</u> <u>Quarter</u> <u>31 DEC 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 DEC 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 DEC 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 DEC 2016</u> RM'000
Revenue	73,711	87,556	275,225	309,052
Operating expenses	(71,852)	(85,159)	(264,936)	(297,291)
Other operating income	985	1,296	3,941	9,308
Profit from operations	<u>2,844</u>	<u>3,693</u>	<u>14,230</u>	<u>21,069</u>
Interest income	1,108	1,159	3,869	3,495
Finance costs	(623)	(224)	(2,645)	(3,102)
Profit before tax	<u>3,329</u>	<u>4,628</u>	<u>15,454</u>	<u>21,462</u>
Income tax expense	(1,717)	863	(4,897)	(3,765)
Profit for the period	<u><u>1,612</u></u>	<u><u>5,491</u></u>	<u><u>10,557</u></u>	<u><u>17,697</u></u>
Profit attributed to:				
Equity holders of the parent	<u>1,612</u>	<u>5,491</u>	<u>10,557</u>	<u>17,697</u>
	<u><u>1,612</u></u>	<u><u>5,491</u></u>	<u><u>10,557</u></u>	<u><u>17,697</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>1.02</u>	<u>3.46</u>	<u>6.66</u>	<u>11.16</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 December 2017

(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 DEC 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 DEC 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 DEC 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 DEC 2016</u> RM'000
Profit for the period	1,612	5,491	10,557	17,697
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>1,612</u>	<u>5,491</u>	<u>10,557</u>	<u>17,697</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>1,612</u>	<u>5,491</u>	<u>10,557</u>	<u>17,697</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2017

Condensed Consolidated Statement of Financial Position as at 31 December 2017

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

	As At End Of Current Quarter 31 DEC 2017 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2016 RM'000
Non-Current Assets		
Property, plant and equipment	36,255	38,741
Investment property	7,903	5,292
Other investments	88	48
	44,246	44,081
Current Assets		
Inventories	45,075	49,889
Trade receivables	60,245	71,509
Other receivables, deposits and prepayments	3,109	4,212
Fixed deposits with licensed banks	58,443	51,941
Cash and bank balances	52,512	64,123
	219,384	241,674
TOTAL ASSETS	263,630	285,755
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	100,293	94,493
Total equity	186,320	180,520
Non-Current Liabilities		
Borrowings	10,156	12,838
Deferred taxation	2,078	1,893
	12,234	14,731
Current Liabilities		
Trade payables	7,926	8,010
Other payables	9,700	9,064
Amount owing to directors	-	198
Short term borrowings	46,895	72,278
Taxation	555	954
	65,076	90,504
Total Liabilities	77,310	105,235
TOTAL EQUITY AND LIABILITIES	263,630	285,755
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.17	1.14

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 December 2017

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

	Cumulative Current Year 31 DEC 2017 RM'000	(Audited) Cumulative Preceding Year 31 DEC 2016 RM'000
Cash flows from operating activities		
Profit before tax	15,454	21,462
Adjustments for:		
Amortisation of other investment	-	1
Bad debt written off	32	71
Depreciation of property, plant and equipment	4,530	4,803
Gain on liquidation of a subsidiary company	-	(277)
Gain on disposal of property, plant and equipment	(366)	(153)
Gain on disposal of other investments	-	(5,889)
Impairment on trade receivables	317	1,959
Impairment on other receivables	58	-
Interest expense	2,645	3,102
Interest income	(3,869)	(3,495)
Inventories written off	133	-
Reversal of inventories written down	-	(600)
Reversal of impairment on trade receivables	(288)	(240)
Unrealised loss on foreign exchange	1,638	148
Operating profit before working capital changes	20,284	20,892
(Increase)/Decrease in working capital:		
Inventories	4,681	(6,074)
Trade and other receivables	10,610	(8,938)
Trade and other payables	552	(2,186)
Amount owing to directors	(198)	-
Cash generated from operations	35,929	3,694
Interest received	3,869	3,495
Interest paid	(2,645)	(3,102)
Income tax refunded	347	4
Income tax paid	(5,529)	(5,723)
Net cash generated from (used in) operating activities	31,971	(1,632)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	592	361
Proceeds from disposal of other investment	-	22,695
Purchase of investment properties	(2,473)	(5,292)
Purchase of property, plant and equipment	(2,339)	(1,712)
Acquisition of other investments	(40)	-
Net cash inflow from liquidation of a subsidiary company	-	493
Net cash (used in) generated from investing activities	(4,260)	16,545

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 December 2017

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

	Cumulative Current Year 31 DEC 2017 RM'000	(Audited) Cumulative Preceding Year 31 DEC 2016 RM'000
Cash flows from financing activities		
Dividend paid	(4,757)	(6,343)
Net repayment of bank borrowings	(28,065)	(3,360)
Net cash used in financing activities	(32,822)	(9,703)
Net (decrease) increase in cash and cash equivalents	(5,111)	5,210
Effect of exchange rate fluctuations on cash held	-	(148)
Cash and cash equivalents at beginning of financial year	116,066	111,003
Cash and cash equivalents at end of financial year	110,955	116,065
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	58,443	51,941
Cash and bank balances	52,512	64,124
	110,955	116,065

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 December 2017

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Distributable Retained Profit RM'000	
Balance as at 1 January 2017	80,000	6,677	(650)	94,493	180,520
Profit for the period	-	-	-	10,557	10,557
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	10,557	10,557
Dividends	-	-	-	(4,757)	(4,757)
Balance as at 31 December 2017	80,000	6,677	(650)	100,293	186,320
Balance as at 1 January 2016	80,000	6,677	(650)	83,139	169,166
Profit for the period	-	-	-	17,697	17,697
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	17,697	17,697
Dividends	-	-	-	(6,343)	(6,343)
Balance as at 31 December 2016	80,000	6,677	(650)	94,493	180,520

(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 2016 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 December 2017

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 2016. 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 2016.

The Group has 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 as stated below:

		Effective date for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to MFRS 15	Classification to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i>	1 January 2018 *
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Lease	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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 – 31 December 2017

A2. Qualification of annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2016.

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 31 December 2017 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 September 2017	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2017	1,418,900	649,578

There were no additional repurchase of shares since 1 October 2017.

A7. Dividend paid

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

Notes on the quarterly report – 31 December 2017

A8. Segment information

Details segmental analysis for the period ended 31 December 2017 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	246,868
Asia (other than Malaysia)	28,357
Total	<u>275,225</u>

(b) Business segment

	Processed paper 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	185,112	90,113	-	-	275,225
Inter-segment	84,665	38,317	-	(122,982)	-
Total revenue	<u>269,777</u>	<u>128,430</u>	-	<u>(122,982)</u>	<u>275,225</u>
Results					
Segment results	8,279	6,801	(850)	-	14,230
Interest income	1,813	1,662	394	-	3,869
Finance costs	(2,348)	(297)	-	-	(2,645)
Profit before taxation	7,744	8,166	(456)	-	15,454
Taxation	(2,128)	(2,740)	(29)	-	(4,897)
Net profit for the financial period	<u>5,616</u>	<u>5,426</u>	<u>(485)</u>	-	<u>10,557</u>
Assets					
Additions to non- current assets	1,667	3,205	-	-	4,881
Segment assets	<u>153,533</u>	<u>117,939</u>	<u>85,975</u>	<u>(93,817)</u>	<u>263,630</u>
Liabilities					
Segment liabilities	<u>80,456</u>	<u>32,591</u>	<u>196</u>	<u>(35,933)</u>	<u>77,310</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.

Notes on the quarterly report – 31 December 2017

A11. Changes in the composition of the Group

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

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 31 December 2017.

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Changes (RM'000 / %)	Current Year To- date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000	Changes (RM'000 / %)
Revenue	73,711	87,556	(13,845) / -15.8%	275,225	309,052	(33,827) / -10.9%
Operating Profit	2,844	3,693	(849) / -23.0%	14,230	21,069	(6,839) / -32.5%
Profit Before Tax	3,329	4,628	(1,299) / -28.1%	15,454	21,462	(6,008) / -28.0%
Profit After Tax	1,612	5,491	(3,879) / -70.6%	10,557	17,697	(7,140) / -40.3%
Profit Attributable to Ordinary Equity Holders of the Parent	1,612	5,491	(3,879) / -70.6%	10,557	17,697	(7,140) / -40.3%

The Group recorded revenue of RM73.7 million for the current quarter, a decrease of RM13.8 million as compared to approximately RM87.5 million in the preceding year corresponding quarter, mainly due to decrease sales in processed paper products segment as a result of paper price increased lead to lower demand.

The Group recorded a lower profit before tax of RM3.3 million for the current quarter, a decrease of RM1.3 million as compared to RM4.6 million in the preceding year corresponding quarter, mainly due to decrease sales in processed paper products segment.

Notes on the quarterly report – 31 December 2017

B2. Variation of results against immediate preceding quarter

	Current Quarter 31/12/2017	Immediate Preceding Quarter 30/9/2017	Changes (Amount / %)
	RM'000	RM'000	RM'000 / %
Revenue	73,711	72,013	1,698 / 2.4%
Operating Profit	2,844	2,963	(119) / -4.0%
Profit Before Tax	3,329	3,317	12 / 0.4%
Profit After Tax	1,612	2,424	(812) / -33.5%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,612	2,424	(812) / -33.5%

The Group's profit before tax achieved RM3.3 million for the current quarter; it is approximately equivalent to the profit before tax in the immediate preceding quarter for the period ended 30 September 2017.

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 forthcoming financial 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 31.12.2017 RM'000	Current year to date 31.12.2017 RM'000
Estimated tax payable:		
Current	1,533	4,651
Under provision in prior year	-	62
Deferred tax	184	184
Total	1,717	4,897

The effective tax rate for the current quarter and financial year to date under review is higher than the statutory income tax rate mainly due to certain expenses which are not allowable for tax purpose.

B6. Status of corporate proposal

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

Notes on the quarterly report – 31 December 2017

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	44,213	-	44,213
Term loans	2,502	9,992	12,494
Hire purchase	180	164	344
Total	46,895	10,156	57,051

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 31.12.2017 RM'000	3 months Ended 31.12.2016 RM'000	12 months Ended 31.12.2017 RM'000	12 months Ended 31.12.2016 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	1,612	5,491	10,557	17,697
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.02	3.46	6.66	11.16
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 – 31 December 2017

B12. Disclosure of Realised and Unrealised Profits (Unaudited)

	Quarter Ended	
	31.12.2017 RM'000	31.12.2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	146,812	143,493
- Unrealised	440	(2,041)
	<hr/> 147,252	<hr/> 141,452
Less: Consolidation adjustments	(46,959)	(46,959)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 100,293	<hr/> <hr/> 94,493

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.12.2017 RM'000	31.12.2016 RM'000
Interest income	(3,869)	(3,495)
Interest expense	2,645	3,102
Amortisation of other investment	-	1
Bad debts written off	32	71
Depreciation of property, plant and equipment	4,530	4,803
Impairment on trade receivables	317	1,959
Impairment on other receivables	58	-
Inventories written off	133	-
Reversal of impairment on trade receivables	(288)	(240)
Reversal of inventories written down	-	(600)
(Gain) on liquidation of a subsidiary company	-	(277)
(Gain) on disposal of property, plant and equipment	(366)	(153)
(Gain) on disposal of other investments	-	(5,889)
Unrealised loss on foreign exchange	1,638	148

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 December 2017.