



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2018

Condensed Consolidated Income Statement for the quarter ended 31 March 2018

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

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|--|--|--|--|---|
| | Current year Quarter 31 MAR 2018 RM'000 | Preceding Year Corresponding Quarter 31 MAR 2017 RM'000 | Current Year To Date 31 MAR 2018 RM'000 | Preceding Year Corresponding Period 31 MAR 2017 RM'000 |
| Revenue | 54,471 | 67,235 | 54,471 | 67,235 |
| Cost of sales | (46,544) | (56,539) | (46,544) | (56,539) |
| Gross profit | <u>7,927</u> | <u>10,696</u> | <u>7,927</u> | <u>10,696</u> |
| Other income | 629 | 787 | 629 | 787 |
| Marketing and distribution expenses | (103) | (757) | (103) | (757) |
| Administration expenses | (4,648) | (6,122) | (4,648) | (6,122) |
| Operating Profit | <u>3,805</u> | <u>4,604</u> | <u>3,805</u> | <u>4,604</u> |
| Interest income | 819 | 848 | 819 | 848 |
| Finance costs | (593) | (766) | (593) | (766) |
| Profit before tax | <u>4,031</u> | <u>4,686</u> | <u>4,031</u> | <u>4,686</u> |
| Income tax expense | (997) | (1,758) | (997) | (1,758) |
| Profit for the period | <u><u>3,034</u></u> | <u><u>2,928</u></u> | <u><u>3,034</u></u> | <u><u>2,928</u></u> |
| Profit attributed to: | | | | |
| Equity holders of the parent | <u>3,034</u> | <u>2,928</u> | <u>3,034</u> | <u>2,928</u> |
| | <u><u>3,034</u></u> | <u><u>2,928</u></u> | <u><u>3,034</u></u> | <u><u>2,928</u></u> |
| Earnings per share attributable to equity holders of the parent: | | | | |
| Basic (sen) | <u>1.91</u> | <u>1.85</u> | <u>1.91</u> | <u>1.85</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 2017 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2018

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2018

(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 2018</u> RM'000 | <u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 MAR 2017</u> RM'000 | <u>Current</u> <u>Year</u> <u>To Date</u> <u>31 MAR 2018</u> RM'000 | <u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 MAR 2017</u> RM'000 |
| Profit for the period | 3,034 | 2,928 | 3,034 | 2,928 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | <u>3,034</u> | <u>2,928</u> | <u>3,034</u> | <u>2,928</u> |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the parent | <u>3,034</u> | <u>2,928</u> | <u>3,034</u> | <u>2,928</u> |
| | <u>3,034</u> | <u>2,928</u> | <u>3,034</u> | <u>2,928</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 2017 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2018

Condensed Consolidated Statement of Financial Position as at 31 March 2018

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

| | As At End Of Current Quarter 31 MAR 2018 RM'000 | (Audited) Preceding Financial Year-Ended 31 DEC 2017 RM'000 |
|---|--|---|
| Non-Current Assets | | |
| Property, plant and equipment | 35,267 | 36,254 |
| Investment property | 8,080 | 7,903 |
| Other investments | 88 | 88 |
| | 43,435 | 44,245 |
| Current Assets | | |
| Inventories | 45,557 | 45,075 |
| Trade receivables | 48,170 | 60,244 |
| Other receivables, deposits and prepayments | 4,134 | 3,265 |
| Fixed deposits with licensed banks | 58,773 | 58,445 |
| Cash and bank balances | 55,822 | 52,512 |
| | 212,456 | 219,541 |
| TOTAL ASSETS | 255,891 | 263,786 |
| Equity | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 86,677 | 86,677 |
| Treasury shares | (650) | (650) |
| Retained profits | 103,327 | 100,293 |
| Total equity | 189,354 | 186,320 |
| Non-Current Liabilities | | |
| Borrowings | 9,501 | 10,156 |
| Deferred taxation | 2,077 | 2,078 |
| | 11,578 | 12,234 |
| Current Liabilities | | |
| Trade payables | 6,659 | 7,928 |
| Other payables | 5,723 | 9,857 |
| Short term borrowings | 42,194 | 46,895 |
| Taxation | 383 | 552 |
| | 54,959 | 65,232 |
| Total Liabilities | 66,537 | 77,466 |
| TOTAL EQUITY AND LIABILITIES | 255,891 | 263,786 |
| Net Asset per share attributable to ordinary equity holders of the parent (RM) | 1.19 | 1.17 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2018

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

| | Cumulative Current Year 31 MAR 2018 RM'000 | Cumulative Preceding Year 31 MAR 2017 RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 4,031 | 4,686 |
| Adjustments for: | | |
| Bad debt written off | - | - |
| Depreciation of property, plant and equipment | 1,095 | 1,130 |
| Gain on disposal of property, plant and equipment | - | (95) |
| Interest expense | 593 | 766 |
| Interest income | (819) | (848) |
| Reversal of impairment on trade receivables | (1) | (9) |
| Unrealised loss on foreign exchange | 5 | 574 |
| Operating profit before working capital changes | <u>4,904</u> | <u>6,204</u> |
| (Increase)/Decrease in working capital: | | |
| Inventories | (482) | (447) |
| Trade and other receivables | 11,201 | 13,634 |
| Trade and other payables | (5,403) | (195) |
| Amount owing to directors | - | 50 |
| Cash generated from operations | <u>10,220</u> | <u>19,246</u> |
| Interest received | 819 | 848 |
| Interest paid | (593) | (766) |
| Income tax refunded | 75 | 19 |
| Income tax paid | (1,241) | (826) |
| Net cash generated from operating activities | <u>9,280</u> | <u>18,521</u> |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | - | 96 |
| Purchase of investment properties | (177) | (1,305) |
| Purchase of property, plant and equipment | (108) | (1,092) |
| Net cash used in investing activities | <u>(285)</u> | <u>(2,301)</u> |

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2018

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

| | Cumulative Current Year 31 MAR 2018 RM'000 | (Audited) Cumulative Preceding Year 31 MAR 2017 RM'000 |
|--|---|---|
| Cash flows from financing activities | | |
| Net repayment of bank borrowings | (5,356) | (7,682) |
| Net cash used in financing activities | <u>(5,356)</u> | <u>(7,682)</u> |
| Net increase in cash and cash equivalents | 3,639 | 8,538 |
| Cash and cash equivalents at beginning of financial year | 110,956 | 116,065 |
| Cash and cash equivalents at end of financial period | <u>114,595</u> | <u>124,603</u> |
| Cash and cash equivalents comprise: | | |
| Fixed deposits with licensed banks | 58,773 | 58,194 |
| Cash and bank balances | <u>55,822</u> | <u>66,409</u> |
| | <u>114,595</u> | <u>124,603</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2018

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2018

(The figures presented here have not been audited)

| | ----- Attributable to Equity Holders of the Parent ----- | | | |
|---|--|---------------------------|---------------------------|-----------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Retained Profit RM'000 | Total RM'000 |
| Balance as at 1 January 2018 | 86,677 | (650) | 100,293 | 186,320 |
| Profit for the period | - | - | 3,034 | 3,034 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | - | - | 3,034 | 3,034 |
| Balance as at 31 March 2018 | <u>86,677</u> | <u>(650)</u> | <u>103,327</u> | <u>189,354</u> |
| Balance as at 1 January 2017 | 86,677 | (650) | 94,493 | 180,520 |
| Profit for the period | - | - | 2,928 | 2,928 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | - | - | 2,928 | 2,928 |
| Balance as at 31 March 2017 | <u>86,677</u> | <u>(650)</u> | <u>97,421</u> | <u>183,448</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 2017 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 March 2018

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 2017. 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 2017.

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 2017.

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:

| | | <u>Effective date for financial periods beginning on or after</u> |
|---|--|---|
| 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 |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to MFRS 2 | Classification and Measurement of Share Based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4 | Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i> | 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 |
| Annual Improvements to MFRSs 2014-2016 Cycle: | | |
| • | Amendments to MFRS 1 | 1 January 2018 |
| • | Amendments to MFRS 128 | 1 January 2018 |
| MFRS 16 | Lease | 1 January 2019 |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to MFRSs 2015-2017 Cycle: | | |

Notes on the quarterly report – 31 March 2018

| | | |
|---------------------------------------|--|-----------------|
| • Amendments to MFRS 3 | | 1 January 2019 |
| • Amendments to MFRS 11 | | 1 January 2019 |
| • Amendments to MFRS 112 | | 1 January 2019 |
| • Amendments to MFRS 123 | | 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 Group and the Company intend to adopt the above MFRSs, IC Interpretations and amendments to MFRSs when they become effective.

A2. Qualification of annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2017.

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 March 2018 are as follows:

| | Number of Treasury Shares | Total consideration RM |
|--------------------------------|------------------------------|---------------------------|
| Balance as at 31 December 2017 | 1,418,900 | 649,578 |
| Repurchased during the quarter | 0 | 0 |
| Balance as at 31 March 2018 | 1,418,900 | 649,578 |

There were no additional repurchase of shares since 1 January 2018.

Notes on the quarterly report – 31 March 2018

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 31 March 2018 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

| <u>Location</u> | Consolidated RM'000 |
|----------------------------|------------------------|
| Malaysia | 46,868 |
| Asia (other than Malaysia) | 7,603 |
| Total | <u>54,471</u> |

(b) Business segments

| | 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 | 30,251 | 24,220 | - | - | 54,471 |
| Inter-segment | 12,137 | 9,615 | - | (21,752) | - |
| Total revenue | <u>42,388</u> | <u>33,835</u> | - | <u>(21,752)</u> | <u>54,471</u> |
| Results | | | | | |
| Segment results | 2,146 | 1,754 | (95) | - | 3,805 |
| Interest income | 471 | 254 | 94 | - | 819 |
| Finance costs | (533) | (60) | - | - | (593) |
| Profit before taxation | <u>2,084</u> | <u>1,948</u> | <u>(1)</u> | - | <u>4,031</u> |
| Taxation | (508) | (467) | (22) | - | (997) |
| Net profit for the financial period | <u>1,576</u> | <u>1,481</u> | <u>(23)</u> | - | <u>3,034</u> |
| Assets | | | | | |
| Additions to non- current assets | 6 | 279 | - | - | 285 |
| Segment assets | <u>138,531</u> | <u>118,107</u> | <u>92,718</u> | <u>(93,465)</u> | <u>255,891</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.

Notes on the quarterly report – 31 March 2018

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.

A14. Capital commitments

There were no significant capital commitments as at 31 March 2018.

Notes on the quarterly report – 31 March 2018

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

B1. Review of performance

| | Individual Period | | | Cumulative Period | | |
|---|---|--|----------------------------|--|---|-------------------------|
| | Current Year Quarter 31.03.2018 RM'000 | Preceding Year Corresponding Quarter 31.03.2017 RM'000 | Changes (RM'000 / %) | Current Year To- date 31.03.2018 RM'000 | Preceding Year Corresponding Period 31.03.2017 RM'000 | Changes (RM'000 / %) |
| Revenue | 54,471 | 67,235 | (12,764) / -19.0% | 54,471 | 67,235 | (12,764) / -19.0% |
| Operating Profit | 3,805 | 4,604 | (799) / -17.4% | 3,805 | 4,604 | (799) / -17.4% |
| Profit Before Tax | 4,031 | 4,686 | (655) / -14.0% | 4,031 | 4,686 | (655) / -14.0% |
| Profit After Tax | 3,034 | 2,928 | 106 / 3.6% | 3,034 | 2,928 | 106 / 3.6% |
| Profit Attributable to Ordinary Equity Holders of the Parent | 3,034 | 2,928 | 106 / 3.6% | 3,034 | 2,928 | 106 / 3.6% |

The Group recorded revenue of RM54.5 million for the current quarter, a decrease of RM12.8 million as compared to RM67.2 million in the preceding year corresponding quarter mainly due to lower sales in processed paper products segment as a result of increased in selling price in these products in correspondence with the higher cost of raw materials.

The Group recorded a lower profit before tax of RM4.0 million for the current quarter, a decrease of RM0.6 million as compared to RM4.6 million in the preceding year corresponding quarter mainly due to lower sales in processed paper products segment.

B2. Variation of results against immediate preceding quarter

| | Current Quarter 31/03/2018 RM'000 | Immediate Preceding Quarter 31/12/2017 RM'000 | Changes (Amount / %) |
|---|---|---|-------------------------|
| Revenue | 54,471 | 73,711 | (19,240) / -26.1% |
| Operating Profit | 3,805 | 2,844 | 961 / 33.8% |
| Profit Before Tax | 4,031 | 3,329 | 702 / 21.1% |
| Profit After Tax | 3,034 | 1,612 | 1,422 / 88.2% |
| Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent | 3,034 | 1,612 | 1,422 / 88.2% |

The Group's profit before tax increased to RM4.0 million for the current quarter as compared to RM3.3 million in the immediate preceding quarter for the period ended 31 December 2017, mainly due to lower administration, marketing and distribution expenses.

Notes on the quarterly report – 31 March 2018

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 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 31.03.2018 RM'000 | Current year to date 31.03.2018 RM'000 |
|------------------------|---|--|
| Estimated tax payable: | | |
| Current | 997 | 997 |
| Total | 997 | 997 |

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.

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 | 39,539 | - | 39,539 |
| Term loans | 2,502 | 9,367 | 11,869 |
| Hire purchase | 153 | 134 | 287 |
| Total | 42,194 | 9,501 | 51,695 |

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.

Notes on the quarterly report – 31 March 2018

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 31.03.2018 RM'000 | 3 months Ended 31.03.2017 RM'000 | 3 months Ended 31.03.2018 RM'000 | 3 months Ended 31.03.2017 RM'000 |
| a) Profit (loss) attributable to equity holders of the parent (RM'000) | 3,034 | 2,928 | 3,034 | 2,928 |
| b) Weighted average number of ordinary shares ('000): | 158,581 | 158,581 | 158,581 | 158,581 |
| c) Earnings per ordinary share (sen): | | | | |
| i) Basic | 1.91 | 1.85 | 1.91 | 1.85 |
| 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 | |
|---|----------------------|----------------------|
| | 31.03.2018 RM'000 | 31.03.2017 RM'000 |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 149,211 | 144,369 |
| - Unrealised | 2,072 | 1,319 |
| | 151,283 | 145,688 |
| Less: Consolidation adjustments | (47,956) | (48,267) |
| Total Group retained profits as per consolidated accounts | 103,327 | 97,421 |

Notes on the quarterly report – 31 March 2018

B13. Notes to the Statement of Comprehensive Income

| | Quarter Ended | |
|---|---------------|------------|
| | 31.03.2018 | 31.03.2017 |
| | RM'000 | RM'000 |
| Interest income | (819) | (848) |
| Interest expense | 593 | 766 |
| Depreciation of property, plant and equipment | 1,095 | 1,130 |
| Reversal of impairment on trade receivables | (1) | (9) |
| Gain on disposal of property, plant and equipment | - | (95) |
| Unrealised loss on foreign exchange | 5 | 574 |

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 2018.

B14. Authorisation for Issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 24 May 2018.