



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2018

Condensed Consolidated Income Statement for the quarter ended 30 June 2018

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 JUN 2018 RM'000	Preceding Year Corresponding Quarter 30 JUN 2017 RM'000	Current Year To Date 30 JUN 2018 RM'000	Preceding Year Corresponding Period 30 JUN 2017 RM'000
Revenue	60,180	62,266	114,651	129,501
Cost of sales	(52,628)	(54,032)	(99,172)	(111,359)
Gross profit	<u>7,552</u>	<u>8,234</u>	<u>15,479</u>	<u>18,142</u>
Other income	2,030	1,040	2,659	1,827
Marketing and distribution expenses	(474)	(654)	(577)	(1,411)
Administration expenses	(4,534)	(4,801)	(9,182)	(10,135)
Operating profit	<u>4,574</u>	<u>3,819</u>	<u>8,379</u>	<u>8,423</u>
Interest income	500	873	1,318	1,721
Finance costs	(711)	(570)	(1,303)	(1,336)
Profit before tax	<u>4,363</u>	<u>4,122</u>	<u>8,394</u>	<u>8,808</u>
Income tax expense	(2,129)	(529)	(3,127)	(2,287)
Profit for the period	<u><u>2,234</u></u>	<u><u>3,593</u></u>	<u><u>5,267</u></u>	<u><u>6,521</u></u>
Profit attributed to:				
Equity holders of the parent	<u>2,234</u>	<u>3,593</u>	<u>5,267</u>	<u>6,521</u>
	<u><u>2,234</u></u>	<u><u>3,593</u></u>	<u><u>5,267</u></u>	<u><u>6,521</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>1.41</u>	<u>2.27</u>	<u>3.32</u>	<u>4.11</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 second financial quarter ended 30 June 2018

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2018

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 JUN 2018 RM'000	Preceding Year Corresponding Quarter 30 JUN 2017 RM'000	Current Year To Date 30 JUN 2018 RM'000	Preceding Year Corresponding Period 30 JUN 2017 RM'000
Profit for the period	2,234	3,593	5,267	6,521
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,234</u>	<u>3,593</u>	<u>5,267</u>	<u>6,521</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,234</u>	<u>3,593</u>	<u>5,267</u>	<u>6,521</u>
	<u>2,234</u>	<u>3,593</u>	<u>5,267</u>	<u>6,521</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 second financial quarter ended 30 June 2018

Condensed Consolidated Statement of Financial Position as at 30 June 2018

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

	As At End Of Current Quarter 30 JUN 2018 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2017 RM'000
Non-Current Assets		
Property, plant and equipment	34,668	36,254
Investment property	9,238	7,903
Other investments	88	88
	43,994	44,245
Current Assets		
Inventories	48,072	45,075
Trade receivables	48,872	60,244
Other receivables, deposits and prepayments	1,795	3,265
Fixed deposits with licensed banks	57,050	58,445
Cash and bank balances	60,530	52,512
	216,319	219,541
TOTAL ASSETS	260,313	263,786
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	99,217	100,293
Total equity	185,244	186,320
Non-Current Liabilities		
Borrowings	8,853	10,156
Deferred taxation	2,078	2,078
	10,931	12,234
Current Liabilities		
Trade payables	6,343	7,928
Other payables	5,552	9,857
Short term borrowings	51,739	46,895
Taxation	504	552
	64,138	65,232
Total Liabilities	75,069	77,466
TOTAL EQUITY AND LIABILITIES	260,313	263,786
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.17	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 30 June 2018

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

	Cumulative Current Year 30 JUN 2018 RM'000	Cumulative Preceding Year 30 JUN 2017 RM'000
Cash flows from operating activities		
Profit before tax	8,394	8,808
Adjustments for:		
Bad debt written off	49	-
Depreciation of property, plant and equipment	2,090	2,270
Gain on disposal of property, plant and equipment	-	(244)
Impairment on other receivables	196	-
Interest expense	1,303	1,336
Interest income	(1,318)	(1,721)
Reversal of impairment on trade receivables	(1,528)	(274)
Unrealised (gain) loss on foreign exchange	(113)	870
Operating profit before working capital changes	<u>9,073</u>	<u>11,045</u>
(Increase)/Decrease in working capital:		
Inventories	(2,997)	(957)
Trade and other receivables	14,239	16,152
Trade and other payables	(5,889)	129
Amount owing to directors	-	99
Cash generated from operations	<u>14,426</u>	<u>26,468</u>
Interest received	1,318	1,721
Interest paid	(1,303)	(1,336)
Income tax refunded	75	347
Income tax paid	(3,250)	(1,735)
Net cash generated from operating activities	<u>11,266</u>	<u>25,465</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	333
Purchase of investment properties	(1,335)	(2,049)
Purchase of property, plant and equipment	(504)	(1,479)
Net cash used in investing activities	<u>(1,839)</u>	<u>(3,195)</u>

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2018

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

	Cumulative Current Year 30 JUN 2018 RM'000	(Audited) Cumulative Preceding Year 30 JUN 2017 RM'000
Cash flows from financing activities		
Dividend paid	(6,343)	-
Net repayment of bank borrowings	3,540	(17,709)
Net cash used in financing activities	<u>(2,803)</u>	<u>(17,709)</u>
Net increase in cash and cash equivalents	6,624	4,561
Cash and cash equivalents at beginning of financial year	110,956	116,065
Cash and cash equivalents at end of financial period	<u>117,580</u>	<u>120,626</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	57,050	57,653
Cash and bank balances	60,530	62,973
	<u>117,580</u>	<u>120,626</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 2017 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2018

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2018

(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 2018	86,677	(650)	100,293	186,320
Profit for the period	-	-	5,267	5,267
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,267	5,267
Dividends	-	-	(6,343)	(6,343)
Balance as at 30 June 2018	86,677	(650)	99,217	185,244
Balance as at 1 January 2017	86,677	(650)	94,493	180,520
Profit for the period	-	-	6,521	6,521
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	6,521	6,521
Balance as at 30 June 2017	86,677	(650)	101,014	187,041

(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 – 30 June 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 – 30 June 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 30 June 2018 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2018	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2018	1,418,900	649,578

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

Notes on the quarterly report – 30 June 2018

A7. Dividend paid

A First and Final Single Tier Dividend of 8% or 4.0 sen per share in respect of the financial year ended 31 December 2017 proposed on 16 March 2018 was approved by the shareholders during the Annual General Meeting on 24 May 2018 and had been paid on 13 June 2018.

A8. Segment information

Details segmental analysis for the period ended 30 June 2018 are as follows:

(a) **Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	100,624
Asia (other than Malaysia)	14,027
Total	<u>114,651</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	69,452	45,199	-	-	114,651
Inter-segment	33,141	18,314	-	(51,455)	-
Total revenue	<u>102,593</u>	<u>63,513</u>	-	<u>(51,455)</u>	<u>114,651</u>
Results					
Segment results	4,797	3,841	(259)	-	8,379
Interest income	596	531	191	-	1,318
Finance costs	(1,226)	(77)	-	-	(1,303)
Profit before taxation	<u>4,167</u>	<u>4,295</u>	<u>(68)</u>	-	<u>8,394</u>
Taxation	(2,049)	(1,032)	(46)	-	(3,127)
Net profit for the financial period	<u>2,118</u>	<u>3,263</u>	<u>(114)</u>	-	<u>5,267</u>
Assets					
Additions to non- current assets	800	1,039	-	-	1,839
Segment assets	<u>155,459</u>	<u>113,732</u>	<u>86,232</u>	<u>(95,110)</u>	<u>260,313</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 – 30 June 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 30 June 2018.

Notes on the quarterly report – 30 June 2018

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2018 RM'000	Preceding Year Corresponding Quarter 30.06.2017 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2018 RM'000	Preceding Year Corresponding Period 30.06.2017 RM'000	Changes (RM'000 / %)
Revenue	60,180	62,266	(2,086) / -3.4%	114,651	129,501	(14,850) / -11.5%
Operating Profit	4,574	3,819	755 / 19.8%	8,379	8,423	(44) / -0.5%
Profit Before Tax	4,363	4,122	241 / 5.8%	8,394	8,808	(414) / -4.7%
Profit After Tax	2,234	3,593	(1,359) / -37.8%	5,267	6,521	(1,254) / -19.2%
Profit Attributable to Ordinary Equity Holders of the Parent	2,234	3,593	(1,359) / -37.8%	5,267	6,521	(1,254) / -19.2%

The Group recorded revenue of RM60.2 million for the current quarter, a decrease of RM2.1 million as compared to RM62.3 million in the preceding year corresponding quarter mainly due to lower sales in both processed paper products and disposable fibre-based products segment as a result of long holiday during the quarter under review.

The Group recorded a lower profit before tax of RM4.4 million for the current quarter, an increase of RM0.2 million as compared to RM4.1 million in the preceding year corresponding quarter mainly due to reversal of impairment on trade receivables.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30/06/2018 RM'000	Immediate Preceding Quarter 31/03/2018 RM'000	Changes (Amount / %) RM'000 / %
Revenue	60,180	54,471	5,709 / 10.5%
Operating Profit	4,574	3,805	769 / 20.2%
Profit Before Tax	4,363	4,031	332 / 8.2%
Profit After Tax	2,234	3,034	(800) / -26.4%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,234	3,034	(800) / -26.4%

The Group's profit before tax increased to RM4.4 million for the current quarter as compared to RM4.0 million in the immediate preceding quarter for the period ended 31 March 2018 mainly due to reversal of impairment on trade receivables.

Notes on the quarterly report – 30 June 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 30.06.2018 RM'000	Current year to date 30.06.2018 RM'000
Estimated tax payable:		
Current	1,080	2,078
Under Provision of Real Property Gain	1,049	1,049
Tax in Prior Year		
Total	2,129	3,127

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 under provision of real property gain tax in prior year and 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	49,113	-	49,113
Term loans	2,502	8,741	11,243
Hire purchase	124	112	236
Total	51,739	8,853	60,592

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 – 30 June 2018

B10. Dividends

A First and Final Single Tier Dividend of 8% or 4.0 sen per share in respect of the financial year ended 31 December 2017 proposed on 16 March 2018 was approved by the shareholders during the Annual General Meeting on 24 May 2018 and had been paid on 13 June 2018.

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 30.06.2018 RM'000	3 months Ended 30.06.2017 RM'000	6 months Ended 30.06.2018 RM'000	6 months Ended 30.06.2017 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	2,234	3,593	5,267	6,521
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.41	2.27	3.32	4.11
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	
	30.06.2018 RM'000	30.06.2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	146,063	149,173
- Unrealised	2,191	1,023
	148,254	150,196
Less: Consolidation adjustments	(49,037)	(49,182)
Total Group retained profits as per consolidated accounts	99,217	101,014

Notes on the quarterly report – 30 June 2018

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Interest income	(1,318)	(1,721)
Interest expense	1,303	1,336
Bad debts written off	49	-
Depreciation and amortization	2,090	2,270
Impairment on other receivables	196	-
Reversal of impairment on trade receivables	(1,528)	(274)
Gain on disposal of property, plant and equipment	-	(244)
Unrealised (gain) loss on foreign exchange	(113)	870

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 2018.

B14. Authorisation for Issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 13 August 2018.