



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2018

Condensed Consolidated Income Statement for the quarter ended 31 December 2018

(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 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2017</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Dec 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Dec 2017</u> RM'000
Revenue	71,113	73,711	260,325	275,225
Cost of sales	(62,775)	(64,047)	(226,998)	(239,697)
Gross profit	8,338	9,664	33,327	35,528
Other income	1,247	985	4,612	3,941
Marketing and distribution expenses	(864)	(736)	(2,019)	(2,885)
Administration expenses	(6,627)	(7,044)	(20,913)	(22,354)
Operating profit	2,094	2,869	15,007	14,230
Interest income	1,249	1,107	3,610	3,869
Finance costs	(732)	(648)	(2,639)	(2,646)
Profit before tax	2,611	3,328	15,978	15,453
Income tax expense	(772)	(1,716)	(5,583)	(4,896)
Profit for the period	1,839	1,612	10,395	10,557
Profit attributed to:				
Equity holders of the parent	1,839	1,612	10,395	10,557
	1,839	1,612	10,395	10,557
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.16	1.02	6.56	6.66
Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the 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 Comprehensive Income for the quarter ended 31 December 2018

(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 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2017</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Dec 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Dec 2017</u> RM'000
Profit for the period	1,839	1,612	10,395	10,557
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>1,839</u>	<u>1,612</u>	<u>10,395</u>	<u>10,557</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>1,839</u>	<u>1,612</u>	<u>10,395</u>	<u>10,557</u>
	<u>1,839</u>	<u>1,612</u>	<u>10,395</u>	<u>10,557</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 fourth financial quarter ended 31 December 2018

Condensed Consolidated Statement of Financial Position as at 31 December 2018

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

	As At End Of Current Quarter 31 Dec 2018 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2017 RM'000
Non-Current Assets		
Property, plant and equipment	32,880	36,254
Investment property	9,290	7,903
Other investments	31	88
	42,201	44,245
Current Assets		
Inventories	50,741	45,075
Trade receivables	56,719	60,244
Other receivables, deposits and prepayments	5,991	3,265
Fixed deposits with licensed banks	75,074	58,445
Cash and bank balances	45,419	52,512
	233,944	219,541
TOTAL ASSETS	276,145	263,786
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	103,915	100,293
Total equity	189,942	186,320
Non-Current Liabilities		
Borrowings	7,555	10,156
Deferred taxation	1,945	2,078
	9,500	12,234
Current Liabilities		
Trade payables	8,474	7,928
Other payables	8,750	9,857
Short term borrowings	58,939	46,895
Taxation	540	552
	76,703	65,232
Total Liabilities	86,203	77,466
TOTAL EQUITY AND LIABILITIES	276,145	263,786
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.20	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 December 2018

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

	Cumulative Current Year 31 Dec 2018 RM'000	Cumulative Preceding Year 31 Dec 2017 RM'000
Cash flows from operating activities		
Profit before tax	15,978	15,453
Adjustments for:		
Bad debt written off	135	31
Depreciation of property, plant and equipment	4,048	4,535
Gain on disposal of property, plant and equipment	-	(396)
Gain on disposal of other investments	-	(41)
Impairment loss on investment	57	-
Impairment on trade receivables	1,099	328
Impairment on other receivables	1	-
Provision for expected credit - (gain)	(430)	-
Interest expense	2,639	2,646
Interest income	(3,610)	(3,869)
Reversal of impairment on trade receivables	(1,845)	(271)
Unrealised (gain) loss on foreign exchange	(207)	698
Operating profit before working capital changes	<u>17,865</u>	<u>19,114</u>
(Increase)/Decrease in working capital:		
Inventories	(5,667)	4,815
Trade and other receivables	1,617	12,123
Trade and other payables	(560)	(24,432)
Amount owing to directors	-	(198)
Cash generated from operations	<u>13,255</u>	<u>11,422</u>
Interest received	3,610	3,869
Interest paid	(2,639)	(2,646)
Income tax refunded	83	155
Income tax paid	(6,018)	(5,268)
Net cash generated from operating activities	<u>8,291</u>	<u>7,532</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1	639
Proceeds from disposal of other investment	-	76
Purchase of investment properties	(1,387)	(2,541)
Purchase of property, plant and equipment	(675)	(2,361)
Acquisition of other investments	-	(76)
Net cash used in investing activities	<u>(2,061)</u>	<u>(4,263)</u>

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

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

	Cumulative Current Year 31 Dec 2018 RM'000	(Audited) Cumulative Preceding Year 31 Dec 2017 RM'000
Cash flows from financing activities		
Dividend paid	(6,343)	(4,757)
Net repayment of bank borrowings	9,443	(2,922)
Net cash used in financing activities	<u>3,100</u>	<u>(7,679)</u>
Net increase (decrease) in cash and cash equivalents	9,330	(4,410)
Effect of exchange rate fluctuations on cash held	207	(698)
Cash and cash equivalents at beginning of financial year	110,956	116,065
Cash and cash equivalents at end of financial period	<u>120,493</u>	<u>110,957</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	75,074	58,445
Cash and bank balances	45,419	52,512
	<u>120,493</u>	<u>110,957</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 fourth financial quarter ended 31 December 2018

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

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

	----- 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	-	-	10,395	10,395
Effects of adopting MFRS9	-	-	(430)	(430)
Total comprehensive income for the period	-	-	9,965	10,395
Dividends	-	-	(6,343)	(6,343)
Balance as at 31 December 2018	86,677	(650)	103,915	189,942
Balance as at 1 January 2017	86,677	(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	86,677	(650)	100,293	186,320

(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 December 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 December 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 December 2018 are as follows:

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

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

Notes on the quarterly report – 31 December 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 December 2018 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	234,748
Asia (other than Malaysia)	25,577
Total	<u>260,325</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	168,809	91,516	-	-	260,325
Inter-segment	80,620	41,302	-	(121,922)	-
Total revenue	<u>249,429</u>	<u>132,818</u>	-	<u>(121,922)</u>	<u>260,325</u>
Results					
Segment results	7,766	7,707	(466)	-	15,007
Interest income	1,524	1,656	430	-	3,610
Finance costs	(2,504)	(135)	-	-	(2,639)
Profit before tax	<u>6,786</u>	<u>9,228</u>	<u>(36)</u>	-	<u>15,978</u>
Taxation	(2,754)	(2,726)	(103)	-	(5,583)
Net profit for the financial period	<u>4,032</u>	<u>6,502</u>	<u>(139)</u>	-	<u>10,395</u>
Assets					
Additions to non- current assets	881	1,181	-	-	2,062
Segment assets	<u>163,758</u>	<u>121,392</u>	<u>86,275</u>	<u>(95,279)</u>	<u>276,146</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 December 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 December 2018.

Notes on the quarterly report – 31 December 2018

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000	Changes (RM'000 / %)	Current Year To- date 31.12.2018 RM'000	Preceding Year Corresponding Period 31.12.2017 RM'000	Changes (RM'000 / %)
Revenue	71,113	73,711	(2,598) / -3.5%	260,325	275,225	(14,900) / -5.4%
Operating Profit	2,094	2,869	(775) / -27.0%	15,007	14,230	777 / 5.5%
Profit Before Tax	2,611	3,328	(717) / -21.6%	15,978	15,453	525 / 3.4%
Profit After Tax	1,839	1,612	226 / 14.0%	10,395	10,557	(162) / -1.5%
Profit Attributable to Ordinary Equity Holders of the Parent	1,839	1,612	226 / 14.0%	10,395	10,557	(162) / -1.5%

The Group recorded revenue of RM71.1 million for the current quarter, a decrease of RM2.6 million as compared to RM73.7 million in the preceding year corresponding quarter mainly due to lower trading activities in processed paper products segment during the quarter under review.

The Group recorded a lower profit before tax of RM2.6 million for the current quarter, a decrease of RM0.7 million as compared to RM3.3 million in the preceding year corresponding quarter mainly due to decline revenue in processed paper products segment.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.12. 2018 RM'000	Immediate Preceding Quarter 30.09.2018 RM'000	Changes (Amount / %) RM'000 / %
Revenue	71,113	74,561	(3,448) / -4.6%
Operating Profit	2,094	4,534	(2,440) / -53.8%
Profit Before Tax	2,611	4,973	(2,363) / -47.5%
Profit After Tax	1,839	3,288	(1,449) / -44.0%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,839	3,288	(1,449) / -44.0%

The Group's profit before tax decreased to RM2.6 million for the current quarter as compared to RM4.9 million in the immediate preceding quarter for the period ended 30 September 2018 mainly due to decline in revenue and higher administration expenses as a result of impairment on trade receivables.

Notes on the quarterly report – 31 December 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 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 31.12.2018 RM'000	Current year to date 31.12.2018 RM'000
Estimated tax payable:		
Current	1,509	4,818
Under /(Over) provision in prior year	(605)	(152)
Deferred Tax	(132)	(132)
Under Provision of Real Property Gain Tax in Prior Year	-	1,049
Total	772	5,583

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 and under provision of real property gain tax in prior year.

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	56,341	-	56,341
Term loans	2,502	7,490	9,992
Hire purchase	96	65	161
Total	58,939	7,555	66,494

B8. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk as at the date of this report.

Notes on the quarterly report – 31 December 2018

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 31.12.2018 RM'000	3 months Ended 31.12.2017 RM'000	12 months Ended 31.12.2018 RM'000	12 months Ended 31.12.2017 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	1,839	1,612	10,395	10,557
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.16	1.02	6.56	6.66
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	
	31.12.2018 RM'000	31.12.2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	148,721	146,812
- Unrealised	2,153	440
	150,874	147,252
Less: Consolidation adjustments	(46,959)	(46,959)
Total Group retained profits as per consolidated accounts	103,915	100,293

Notes on the quarterly report – 31 December 2018

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Interest income	(3,610)	(3,869)
Interest expense	2,639	2,646
Bad debts written off	135	31
Depreciation and amortization	4,048	4,535
Impairment on other investments	57	-
Impairment on trade receivables	1,099	328
Impairment on other receivables	1	-
Provision for expected credit gain	(430)	-
Reversal of impairment on trade receivables	(1,845)	(271)
Gain on disposal of property, plant and equipment	-	(396)
Gain on disposal of other investments	-	(41)
Unrealised (gain) loss on foreign exchange	(207)	698

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 2018.

B14. Authorisation for Issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 27 February 2019.