



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2022

Condensed Consolidated Income Statement for the quarter ended 30 June 2022

(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 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2021</u> RM'000
Revenue	70,819	52,767	136,033	110,084
Cost of sales	(61,413)	(46,295)	(119,510)	(94,114)
Gross profit	9,406	6,472	16,523	15,970
Other income	1,297	1,034	2,093	1,790
Marketing and distribution expenses	(2,563)	(2,339)	(4,867)	(4,964)
Administration expenses	(3,512)	(3,085)	(6,969)	(6,608)
Operating Profit	4,628	2,082	6,780	6,188
Interest income	633	624	1,301	1,167
Finance costs	(490)	(389)	(1,044)	(792)
Profit before tax	4,771	2,317	7,037	6,563
Income tax expense	(1,228)	(931)	(1,900)	(1,452)
Profit for the period	3,543	1,386	5,137	5,111
Profit attributed to:				
Equity holders of the parent	3,543	1,386	5,137	5,111
	3,543	1,386	5,137	5,111
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	2.23	0.87	3.24	3.22
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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2022

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2022

(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 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2021</u> RM'000
Profit for the period	3,543	1,386	5,137	5,111
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>3,543</u>	<u>1,386</u>	<u>5,137</u>	<u>5,111</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>3,543</u>	<u>1,386</u>	<u>5,137</u>	<u>5,111</u>
	<u>3,543</u>	<u>1,386</u>	<u>5,137</u>	<u>5,111</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2022

Condensed Consolidated Statement of Financial Position as at 30 June 2022

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

	As At End Of Current Quarter 30 Jun 2022 RM'000	Preceding Financial Year-Ended 31 Dec 2021 RM'000
Non-Current Assets		
Property, plant and equipment	14,505	14,853
Investment property	6,392	6,446
Right-of-use assets	20,240	20,843
Other assets	22	22
Deferred tax assets	1,560	1,482
Other receivables, deposits and prepayments	1,357	1,158
	<u>44,076</u>	<u>44,804</u>
Current Assets		
Inventories	55,119	44,888
Trade receivables	52,925	46,168
Other receivables, deposits and prepayments	1,489	2,084
Tax recoverable	1,747	2,152
Fixed deposits with licensed banks	12,725	12,587
Cash and bank balances	109,987	123,928
	<u>233,992</u>	<u>231,807</u>
TOTAL ASSETS	<u>278,068</u>	<u>276,611</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	112,212	110,247
Total equity	<u>198,239</u>	<u>196,274</u>
Non-Current Liabilities		
Lease liabilities	-	82
Borrowings	2,136	2,775
Deferred taxation	1,697	1,697
	<u>3,833</u>	<u>4,554</u>
Current Liabilities		
Trade payables	10,263	5,575
Other payables	5,799	6,186
Short term lease liabilities	422	833
Short term borrowings	59,046	58,362
Tax payable	431	374
Provision	35	4,108
Contract liabilities	-	345
	<u>75,996</u>	<u>75,783</u>
Total Liabilities	<u>79,829</u>	<u>80,337</u>
TOTAL EQUITY AND LIABILITIES	<u>278,068</u>	<u>276,611</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.25</u>	<u>1.24</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2022

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2022

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

	Cumulative Current Year 30 Jun 2022 RM'000	Cumulative Preceding Year 30 Jun 2021 RM'000
Cash flows from operating activities		
Profit before tax	7,037	6,563
Adjustments for:		
Bad debt recovered	-	(2)
Depreciation of property, plant and equipment	1,264	1,397
Depreciation of investment properties	54	55
Depreciation of right-of-use assets	603	609
(Gain) / Loss on disposal of property, plant and equipment	(41)	9
Impairment loss on trade receivables	51	-
Interest expense	1,044	792
Interest income	(1,301)	(1,167)
Reversal of inventories written down	(59)	-
Reversal of impairment loss on trade receivables	(172)	(51)
Unrealised loss on foreign exchange	110	70
Operating profit before working capital changes	<u>8,590</u>	<u>8,275</u>
(Increase)/Decrease in working capital:		
Inventories	(10,172)	4,562
Trade and other receivables	(6,352)	6,150
Trade and other payables	(116)	(1,094)
Cash (used in) generated from operations	<u>(8,050)</u>	<u>17,893</u>
Interest received	1,163	1,167
Interest paid	(1,044)	(792)
Income tax refunded	256	-
Income tax paid	(1,772)	(1,470)
Net cash (used in) generated from operating activities	<u>(9,447)</u>	<u>16,798</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	41	4
Purchase of property, plant and equipment	(915)	(756)
Purchase of right-of-use assets	-	(129)
Withdrawal from deposits with investment fund	-	62,378
Placement of deposits with licensed banks	-	(146)
Net cash (used in) generated from investing activities	<u>(874)</u>	<u>61,351</u>

Quarterly report on consolidated results for the second financial quarter ended 30 June 2022

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2022

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

	Cumulative Current Year 30 Jun 2022 RM'000	Cumulative Preceding Year 30 Jun 2021 RM'000
Cash flows from financing activities		
Dividend paid	(3,172)	-
Repayment of lease liabilities	(493)	(355)
Repayment of bank borrowings	(75,740)	(65,435)
Drawdown of bank borrowings	75,786	58,289
Net cash used in financing activities	<u>(3,619)</u>	<u>(7,501)</u>
Net (decrease) increase in cash and cash equivalents	(13,940)	70,648
Cash and cash equivalents at beginning of financial year	123,927	44,184
Cash and cash equivalents at end of financial period	<u>109,987</u>	<u>114,832</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2022

(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 2022	86,677	(650)	110,247	196,274
Profit for the period	-	-	5,137	5,137
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,137	5,137
Dividends	-	-	(3,172)	(3,172)
Balance as at 30 June 2022	86,677	(650)	112,212	198,239
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	86,677	(650)	114,799	200,826

(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 2021 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2022

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 2021. 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 2021.

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 2021.

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 2021.

Notes on the quarterly report – 30 June 2022

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 2022 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2022	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2022	1,418,900	649,578

There were no additional repurchases of shares since 1 April 2022.

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 2022 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	126,261
Asia (other than Malaysia)	8,137
Africa (Mauritius)	1,635
Total	<u>136,033</u>

Notes on the quarterly report – 30 June 2022

(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	94,333	41,700	-	-	136,033
Inter-segment	53,817	20,742	-	(74,559)	-
Total revenue	<u>148,150</u>	<u>62,442</u>	<u>-</u>	<u>(74,559)</u>	<u>136,033</u>
Results					
Segment results	4,717	2,527	(287)	(177)	6,780
Interest income	734	418	312	(163)	1,301
Finance costs	(1,063)	(144)	-	163	(1,044)
Profit before taxation	4,388	2,801	25	(177)	7,037
Taxation	(1,012)	(931)	(35)	78	(1,900)
Net profit/(loss) for the financial period	<u>3,376</u>	<u>1,870</u>	<u>(10)</u>	<u>(99)</u>	<u>5,137</u>
Assets					
Additions to non-current assets	342	573	-	-	915
Segment assets	<u>154,995</u>	<u>115,138</u>	<u>86,651</u>	<u>(78,716)</u>	<u>278,068</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. 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 2022

A14. Capital commitments

There were no significant capital commitments as at 30 June 2022.

Notes on the quarterly report – 30 June 2022

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Corresponding Quarter 30.06.2021 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2022 RM'000	Preceding Year Corresponding Period 30.06.2021 RM'000	Changes (RM'000 / %)
Revenue	70,819	52,767	18,052 / 34.2%	136,033	110,084	25,949 / 23.6%
Operating Profit	4,628	2,082	2,546 / 122.3%	6,780	6,188	592 / 9.6%
Profit Before Tax	4,771	2,317	2,454 / 105.9%	7,037	6,563	474 / 7.2%
Profit After Tax	3,543	1,386	2,157 / 155.6%	5,137	5,111	26 / 0.5%
Profit Attributable to Ordinary Equity Holders of the Parent	3,543	1,386	2,157 / 155.6%	5,137	5,111	26 / 0.5%

The Group recorded revenue of RM70.8 million for the current quarter, an increase of approximately RM18.0 million as compared to RM52.8 million in the preceding year corresponding quarter mainly due to increase sales in both processed paper products and disposable fibre-based products as a result of the recovery of economic activities and reopening of borders.

The Group recorded a profit before tax of approximately RM4.8 million for the current quarter under review, a substantial increase of RM2.5 million as compared to profit before tax of RM2.3 million in the preceding year corresponding quarter mainly attributed to higher sales in both processed paper products and disposable fibre-based products which was resulted by the recovery of economic activities and reopening of borders.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.06.2022 RM'000	Immediate Preceding Quarter 31.03.2022 RM'000	Changes (Amount / %) RM'000 / %
Revenue	70,819	65,215	5,604 / 8.6%
Operating Profit/(Loss)	4,628	2,152	2,475 / 115.0%
Profit/(Loss) Before Tax	4,771	2,265	2,506 / 110.6%
Profit/(Loss) After Tax	3,543	1,593	1,950 / 122.4%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	3,543	1,593	1,950 / 122.4%

The Group's profit before tax increased to approximately RM4.8 million for the current quarter as compared to RM2.3 million in the immediate preceding quarter for the period ended 31 March 2022 mainly due to increase sales in both processed paper products and disposable fibre-based products as a result of the recovery of economic activities and reopening of borders.

Notes on the quarterly report – 30 June 2022

B3. Prospects

The Group's business operations environment remains facing disruption such as the increase in raw material costs, geopolitical uncertainties, the increase in minimum wages and the depreciation of MYR against USD caused by global inflation during the year. Against this challenging backdrop, the Directors of the Company continue to cushion the impact through prudent cost optimization and tight management of internal efficiencies on the Group's business and financial performance. The Group will also be focusing on growing its product range by continuing to streamline the product range in order to meet the customers' demands.

By barring unforeseen circumstances, the Board anticipates the Group will achieve satisfactory results for the remaining 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 30.06.2022 RM'000	Current year to date 30.06.2022 RM'000
Estimated tax payable:		
Current	1,228	1,900
Total	<u>1,228</u>	<u>1,900</u>

The effective tax rate for the current quarter and financial year to date under review are higher than the statutory income tax rate mainly due to certain expenses which are not tax deductible 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	57,785	-	57,785
Hire purchase	1,261	2,136	3,397
Total	<u>59,046</u>	<u>2,136</u>	<u>61,182</u>

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 – 30 June 2022

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 2.0 sen per ordinary share in respect of the financial year ended 31 December 2021 was proposed on 13 April 2022 and approved by the shareholders at the Annual General Meeting that was held on 26 May 2022 and paid on 15 June 2022.

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 30.06.2022 RM'000	3 months Ended 30.06.2021 RM'000	6 months Ended 30.06.2022 RM'000	6 months Ended 30.06.2021 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	3,543	1,386	5,137	5,111
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	2.23	0.87	3.24	3.22
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	
	30.06.2022 RM'000	30.06.2021 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	157,777	160,026
- Unrealised	1,586	1,705
	159,363	161,731
Less: Consolidation adjustments	(47,151)	(46,932)
Total Group retained profits as per consolidated accounts	112,212	114,799

Notes on the quarterly report – 30 June 2022

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Interest income	(1,301)	(1,167)
Interest expense	1,044	792
Bad debt recovered	-	(2)
Depreciation and amortization	1,921	2,061
Impairment on trade receivables	51	-
Reversal of inventories written down	(59)	-
(Gain) Loss on disposal of property, plant and equipment	(41)	9
Reversal of impairment loss on trade receivables	(172)	(51)
Unrealised loss on foreign exchange	110	70

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 2022.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 11 August 2022.