



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
3rd QUARTER ENDED 30 SEPTEMBER 2022

Condensed Consolidated Income Statement for the quarter ended 30 September 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>30 Sep 2022</u> RM'000 | <u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sep 2021</u> RM'000 | <u>Current Year</u> <u>To Date</u> <u>30 Sep 2022</u> RM'000 | <u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Sep 2021</u> RM'000 |
| Revenue | 69,791 | 52,865 | 205,824 | 162,949 |
| Cost of sales | (62,294) | (46,517) | (181,804) | (140,631) |
| Gross profit | <u>7,497</u> | <u>6,348</u> | <u>24,020</u> | <u>22,318</u> |
| Other income | 1,811 | 644 | 3,904 | 2,434 |
| Marketing and distribution expenses | (2,842) | (1,969) | (7,709) | (6,933) |
| Administration expenses | (4,408) | (3,629) | (11,377) | (10,238) |
| Operating Profit | <u>2,058</u> | <u>1,394</u> | <u>8,838</u> | <u>7,581</u> |
| Interest income | 545 | 543 | 1,845 | 1,711 |
| Finance costs | (468) | (510) | (1,512) | (1,301) |
| Profit before tax | <u>2,135</u> | <u>1,427</u> | <u>9,171</u> | <u>7,991</u> |
| Income tax expense | (1,281) | (541) | (3,181) | (1,994) |
| Profit for the period | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</u> |
| Profit attributed to: | | | | |
| Equity holders of the parent | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</u> |
| | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</u> |
| Earnings per share attributable to equity holders of the parent: | | | | |
| Basic (sen) | <u>0.54</u> | <u>0.56</u> | <u>3.78</u> | <u>3.78</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the third financial quarter ended 30 September 2022

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

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

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|---|--|---|--|--|
| | Current year Quarter 30 Sep 2022 RM'000 | Preceding Year Corresponding Quarter 30 Sep 2021 RM'000 | Current Year To Date 30 Sep 2022 RM'000 | Preceding Year Corresponding Period 30 Sep 2021 RM'000 |
| Profit for the period | 854 | 886 | 5,990 | 5,997 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</u> |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the parent | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</u> |
| | <u>854</u> | <u>886</u> | <u>5,990</u> | <u>5,997</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)

Condensed Consolidated Statement of Financial Position as at 30 September 2022

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

| | As At End Of Current Quarter 30 Sep 2022 RM'000 | (Audited) Preceding Financial Year-Ended 31 Dec 2021 RM'000 |
|---|--|---|
| Non-Current Assets | | |
| Property, plant and equipment | 16,103 | 14,853 |
| Investment properties | 6,366 | 6,446 |
| Right-of-use assets | 20,127 | 20,843 |
| Other assets | 22 | 22 |
| Deferred tax assets | 1,560 | 1,482 |
| Other receivables, deposits and prepayments | 1,249 | 1,158 |
| | 45,427 | 44,804 |
| Current Assets | | |
| Inventories | 56,718 | 44,888 |
| Trade receivables | 51,429 | 46,168 |
| Other receivables, deposits and prepayments | 1,528 | 2,084 |
| Tax recoverable | 1,649 | 2,152 |
| Fixed deposits with licensed banks | 12,692 | 12,587 |
| Cash and bank balances | 107,703 | 123,928 |
| | 231,719 | 231,807 |
| TOTAL ASSETS | 277,146 | 276,611 |
| Equity | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 86,677 | 86,677 |
| Treasury shares | (650) | (650) |
| Retained earnings | 113,065 | 110,247 |
| Total equity | 199,092 | 196,274 |
| Non-Current Liabilities | | |
| Lease liabilities | 109 | 82 |
| Borrowings | 1,810 | 2,775 |
| Deferred taxation | 1,697 | 1,697 |
| | 3,616 | 4,554 |
| Current Liabilities | | |
| Trade payables | 7,438 | 5,575 |
| Other payables | 6,470 | 6,186 |
| Short term lease liabilities | 253 | 833 |
| Short term borrowings | 59,866 | 58,362 |
| Tax payable | 376 | 374 |
| Provision | 35 | 4,108 |
| Contract liabilities | - | 345 |
| | 74,438 | 75,783 |
| Total Liabilities | 78,054 | 80,337 |
| TOTAL EQUITY AND LIABILITIES | 277,146 | 276,611 |
| Net Asset per share attributable to ordinary equity holders of the parent (RM) | 1.26 | 1.24 |

(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)

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

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

| | Cumulative Current Year 30 Sep 2022 RM'000 | Cumulative Preceding Year 30 Sep 2021 RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 9,171 | 7,991 |
| Adjustments for: | | |
| Bad debt recovered | - | (2) |
| Depreciation of property, plant and equipment | 1,925 | 2,034 |
| Depreciation of investment properties | 81 | 82 |
| Depreciation of right-of-use assets | 916 | 917 |
| (Gain)/Loss on disposal of property, plant and equipment | (82) | 1 |
| Impairment on trade receivables | 51 | - |
| Interest expense | 1,512 | 1,301 |
| Interest income | (1,845) | (1,711) |
| Inventories written down in value | (59) | - |
| Reversal of impairment loss on trade receivables | (257) | (87) |
| Unrealised (gain)/loss on foreign exchange | (74) | 151 |
| Operating profit before working capital changes | <u>11,339</u> | <u>10,677</u> |
| Changes in working capital: | | |
| Inventories | (11,771) | (1,041) |
| Trade and other receivables | (4,518) | 5,060 |
| Trade and other payables | (2,270) | 408 |
| Cash (used in) generated from operations | <u>(7,220)</u> | <u>15,104</u> |
| Interest received | 1,741 | 1,711 |
| Interest paid | (1,512) | (1,301) |
| Income tax refunded | 256 | - |
| Income tax paid | (3,009) | (2,113) |
| Net cash (used in) generated from operating activities | <u>(9,744)</u> | <u>13,401</u> |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 84 | 12 |
| Purchase of property, plant and equipment | (3,177) | (880) |
| Purchase of right-of-use assets | - | (129) |
| Withdrawal from deposits with investment fund | - | 3,115 |
| Placement of fixed deposits with licensed banks | - | (111) |
| Net cash (used in) generated from investing activities | <u>(3,093)</u> | <u>2,007</u> |

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

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

| | Cumulative Current Year 30 Sep 2022 RM'000 | Cumulative Preceding Year 30 Sep 2021 RM'000 |
|--|---|---|
| Cash flows from financing activities | | |
| Dividend paid | (3,172) | (4,757) |
| Repayment of lease liabilities | (754) | (603) |
| Repayment of bank borrowings | (111,612) | (92,213) |
| Drawdown of bank borrowings | 112,151 | 93,607 |
| Net cash used in financing activities | (3,387) | (3,966) |
| Net (decrease)/increase in cash and cash equivalents | (16,224) | 11,442 |
| Cash and cash equivalents at beginning of financial year | 123,927 | 44,184 |
| Cash and cash equivalents at end of financial period | 107,703 | 55,626 |

(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)

WANG-ZHENG BERHAD

[Registration No. 200301009817 (612237-K)]

**Quarterly report on consolidated results for the third financial quarter ended 30 September 2022****Page 6****Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 2022**

(The figures presented here have not been audited)

| | Attributable to Equity Holders of the Parent | | Retained Profit RM'000 | Total RM'000 |
|---|--|---------------------------|---------------------------|-----------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | | |
| Balance as at 1 January 2022 | 86,677 | (650) | 110,247 | 196,274 |
| Profit for the period | - | - | 5,990 | 5,990 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | - | - | 5,990 | 5,990 |
| Dividends | - | - | (3,172) | (3,172) |
| Balance as at 30 September 2022 | 86,677 | (650) | 113,065 | 199,092 |
| Balance as at 1 January 2021 | 86,677 | (650) | 109,688 | 195,715 |
| Profit for the period | - | - | 5,997 | 5,997 |
| Other comprehensive income: | - | - | - | - |
| Total comprehensive income for the period | - | - | 5,997 | 5,997 |
| Dividends | - | - | (4,757) | (4,757) |
| Balance as at 30 September 2021 | 86,677 | (650) | 110,928 | 196,955 |

(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 September 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 September 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 September 2022 are as follows:

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

There were no additional repurchase of shares since 1 July 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 September 2022 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

| <u>Location</u> | Consolidated RM'000 |
|----------------------------|------------------------|
| Malaysia | 192,419 |
| Asia (other than Malaysia) | 11,647 |
| Africa (Mauritius) | 1,758 |
| Total | <u>205,824</u> |

Notes on the quarterly report – 30 September 2022

A8. Segment information (Continued)

(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 | 144,692 | 61,132 | - | - | 205,824 |
| Inter-segment | 78,527 | 33,538 | - | (112,065) | - |
| Total revenue | 223,219 | 94,670 | - | (112,065) | 205,824 |
| Results | | | | | |
| Segment results | 6,824 | 3,250 | (375) | (861) | 8,838 |
| Interest income | 1,088 | 607 | 472 | (322) | 1,845 |
| Finance costs | (1,623) | (211) | - | 322 | (1,512) |
| Profit before taxation | 6,289 | 3,646 | 97 | (861) | 9,171 |
| Taxation | (1,780) | (1,420) | (59) | 78 | (3,181) |
| Net profit for the financial period | 4,509 | 2,226 | 38 | (783) | 5,990 |
| Assets | | | | | |
| Additions to non-current assets | 351 | 2,826 | - | - | 3,177 |
| Segment assets | 151,231 | 118,629 | 86,590 | (79,304) | 277,146 |

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. Acquisition 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 September 2022

A14. Capital commitments

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

Notes on the quarterly report – 30 September 2022

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

B1. Review of performance

| | Individual Period | | | Cumulative Period | | |
|--|-------------------|--------------|----------------|-------------------|----------------|----------------|
| | Current Year | Preceding | Changes | Current Year | Preceding Year | Changes |
| | Quarter | Year | | To- date | Corresponding | |
| 30.09.2022 | Corresponding | (RM'000 / %) | 30.09.2022 | Period | (RM'000 / %) | |
| | RM'000 | Quarter | | RM'000 | 30.09.2021 | |
| | | RM'000 | | | RM'000 | |
| Revenue | 69,791 | 52,865 | 16,926 / 32.0% | 205,824 | 162,949 | 42,875 / 26.3% |
| Operating Profit | 2,058 | 1,394 | 664 / 47.6% | 8,838 | 7,581 | 1,257 / 16.6% |
| Profit Before Tax | 2,135 | 1,427 | 708 / 49.6% | 9,171 | 7,991 | 1,180 / 14.8% |
| Profit After Tax | 854 | 886 | (32) / (3.6%) | 5,990 | 5,997 | (7) / (0.1%) |
| Profit Attributable to Ordinary Equity Holders of the Parent | 854 | 886 | (32) / (3.6%) | 5,990 | 5,997 | (7) / (0.1%) |

The Group recorded revenue of RM69.8 million for the current quarter, an increase of approximately RM16.9 million as compared to RM52.9 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 economic activities were in recovery track return to pre-pandemic normalcy during the quarter.

The Group recorded a higher profit before tax of RM2.1 million for the current quarter, an increase of RM0.7 million as compared to RM1.4 million in the preceding year corresponding quarter mainly due to increase in revenue.

B2. Variation of results against immediate preceding quarter

| | Current Quarter | Immediate | Changes |
|--|-----------------|------------|-------------------|
| | 30.09.2022 | Preceding | (Amount / %) |
| | RM'000 | Quarter | |
| | | 30.06.2022 | RM'000 / % |
| | | RM'000 | |
| Revenue | 69,791 | 70,819 | (1,028) / (1.5%) |
| Operating Profit | 2,058 | 4,628 | (2,570) / (55.5%) |
| Profit Before Tax | 2,135 | 4,771 | (2,636) / (55.3%) |
| Profit After Tax | 854 | 3,543 | (2,689) / (75.9%) |
| Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent | 854 | 3,543 | (2,689) / (75.9%) |

The Group's profit before tax decreased to approximately RM2.1 million for the current quarter as compared to RM4.8 million in the immediate preceding quarter for the period ended 30 June 2022 mainly due to increase raw material costs and company expenses increased.

Notes on the quarterly report – 30 September 2022

B3. Prospects

The Group's business environment remains in a resilient position to deliver a growth situation. However, the Group continue to face disruptions such as the increase in raw material costs, geopolitical uncertainties and the weakening of Ringgit Malaysia against US Dollars caused by global inflation during the year. The Directors of the Company continue to enhance operational efficiencies to moderate the impact of external cost headwinds in this challenging and volatile business environment. The Group will continue to remain focused on the core business and sale of products. Aside, the Group continue to drive more market research activities in enhancing products to better suit the needs of the customers.

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 30.09.2022 RM'000 | Current year to date 30.09.2022 RM'000 |
|---|---|--|
| Estimated tax payable: | | |
| Current | 832 | 2,810 |
| Under provision in prior financial year | 449 | 449 |
| Deferred Tax | - | (78) |
| Total | 1,281 | 3,181 |

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 add back under provision of taxation in prior financial year and 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 | 58,588 | - | 58,588 |
| Hire purchase | 1,278 | 1,810 | 3,088 |
| Total | 59,866 | 1,810 | 61,676 |

Notes on the quarterly report – 30 September 2022

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 30.09.2022 RM'000 | 3 months Ended 30.09.2021 RM'000 | 9 months Ended 30.09.2022 RM'000 | 9 months Ended 30.09.2021 RM'000 |
| a) Profit attributable to equity holders of the parent (RM'000) | 854 | 886 | 5,990 | 5,997 |
| b) Weighted average number of ordinary shares ('000): | 158,581 | 158,581 | 158,581 | 158,581 |
| c) Earnings per ordinary share (sen): | | | | |
| i) Basic | 0.54 | 0.56 | 3.78 | 3.78 |
| 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 | |
|---|----------------------|----------------------|
| | 30.09.2022 RM'000 | 30.09.2021 RM'000 |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 159,130 | 156,787 |
| - Unrealised | 1,770 | 1,624 |
| | 160,900 | 158,411 |
| Less: Consolidation adjustments | (47,835) | (47,483) |
| Total Group retained profits as per consolidated accounts | 113,065 | 110,928 |

Notes on the quarterly report – 30 September 2022

B13. Notes to the statement of comprehensive income

| | Quarter Ended | |
|--|---------------|------------|
| | 30.09.2022 | 30.09.2021 |
| | RM'000 | RM'000 |
| Interest income | (1,845) | (1,711) |
| Interest expense | 1,512 | 1,301 |
| Bad debt recovered | - | (2) |
| Depreciation and amortization | 2,922 | 3,033 |
| Impairment loss on trade receivables | 51 | - |
| Reversal of Inventories written down | (59) | - |
| (Gain)/Loss on disposal of property, plant and equipment | (82) | 1 |
| Reversal of impairment loss on trade receivables | (257) | (87) |
| Unrealised (gain)/loss on foreign exchange | (74) | 151 |

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 September 2022.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 17 November 2022.