



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2023

Condensed Consolidated Income Statement for the quarter ended 31 March 2023

(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 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2022</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>31 Mar 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2022</u> RM'000
Revenue	75,109	65,215	75,109	65,215
Cost of sales	(65,618)	(58,098)	(65,618)	(58,098)
Gross profit	9,491	7,117	9,491	7,117
Other income	341	796	341	796
Marketing and distribution expenses	(3,003)	(2,304)	(3,003)	(2,304)
Administration expenses	(3,438)	(3,457)	(3,438)	(3,457)
Operating Profit	3,391	2,152	3,391	2,152
Interest income	908	667	908	667
Finance costs	(691)	(554)	(691)	(554)
Profit before tax	3,608	2,265	3,608	2,265
Income tax expense	(978)	(672)	(978)	(672)
Profit for the period	2,630	1,593	2,630	1,593
Profit attributed to:				
Equity holders of the parent	2,630	1,593	2,630	1,593
	2,630	1,593	2,630	1,593
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.66	1.00	1.66	1.00
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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2023

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2023

(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 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2022</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>31 Mar 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2022</u> RM'000
Profit for the period	2,630	1,593	2,630	1,593
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,630</u>	<u>1,593</u>	<u>2,630</u>	<u>1,593</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,630</u>	<u>1,593</u>	<u>2,630</u>	<u>1,593</u>
	<u>2,630</u>	<u>1,593</u>	<u>2,630</u>	<u>1,593</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2023

Condensed Consolidated Statement of Financial Position as at 31 March 2023

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

	As At End Of Current Quarter 31 Mar 2023 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2022 RM'000
Non-Current Assets		
Property, plant and equipment	16,143	16,761
Investment properties	6,312	6,339
Right-of-use assets	22,269	22,540
Other assets	20	20
Deferred tax assets	1,199	1,199
Other receivables, deposits and prepayments	1,082	780
	<u>47,025</u>	<u>47,639</u>
Current Assets		
Inventories	62,116	57,163
Trade receivables	61,192	51,693
Other receivables, deposits and prepayments	1,361	1,207
Tax recoverable	2,906	2,951
Fixed deposits with licensed banks	57,700	57,700
Cash and bank balances	49,639	52,654
	<u>234,914</u>	<u>223,368</u>
TOTAL ASSETS	<u>281,939</u>	<u>271,007</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	116,208	113,578
Total equity	<u>202,235</u>	<u>199,605</u>
Non-Current Liabilities		
Lease liabilities	1,731	1,874
Borrowings	1,145	1,480
Deferred taxation	1,710	1,710
	<u>4,586</u>	<u>5,064</u>
Current Liabilities		
Trade payables	8,581	7,187
Other payables	3,974	5,568
Short term lease liabilities	932	975
Short term borrowings	61,355	51,015
Tax payable	179	171
Provision	97	788
Contract liabilities	-	634
	<u>75,118</u>	<u>66,338</u>
Total Liabilities	<u>79,704</u>	<u>71,402</u>
TOTAL EQUITY AND LIABILITIES	<u>281,939</u>	<u>271,007</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.28</u>	<u>1.26</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2023

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2023

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

	Cumulative Current Year 31 Mar 2023 RM'000	(Audited) Cumulative Preceding Year 31 Mar 2022 RM'000
Cash flows from operating activities		
Profit before tax	3,608	2,265
Adjustments for:		
Bad debt recovered	(14)	-
Depreciation of property, plant and equipment	723	640
Depreciation of investment properties	27	27
Depreciation of right-of-use assets	330	303
Gain on disposal of property, plant and equipment	-	(32)
Interest expense	691	554
Interest income	(908)	(667)
Reversal of impairment loss on trade receivables	(32)	(42)
Unrealised loss on foreign exchange	28	98
Operating profit before working capital changes	4,453	3,146
Changes in working capital:		
Inventories	(4,954)	647
Trade and other receivables	(9,938)	239
Trade and other payables	(1,525)	(2,720)
Cash (used in) generated from operations	(11,964)	1,312
Interest received	908	599
Interest paid	(691)	(554)
Income tax refunded	-	256
Income tax paid	(924)	(944)
Net cash (used in) generated from operating activities	(12,671)	669
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	33
Purchase of property, plant and equipment	(105)	(566)
Net cash used in from investing activities	(105)	(533)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2023

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Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2023

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

	Cumulative Current Year 31 Mar 2023 RM'000	Cumulative Preceding Year 31 Mar 2022 RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(245)	(247)
Repayment of bank borrowings	(33,534)	(39,234)
Drawdown of bank borrowings	43,540	39,923
Net cash generated from financing activities	<u>9,761</u>	<u>442</u>
Net (decrease)/increase in cash and cash equivalents	(3,015)	578
Cash and cash equivalents at beginning of financial year	110,354	123,927
Cash and cash equivalents at end of financial period	<u>107,339</u>	<u>124,505</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	57,700	-
Cash and bank balances	<u>49,639</u>	<u>124,505</u>
	<u>107,339</u>	<u>124,505</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2023

(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 2023	86,677	(650)	113,578	199,605
Profit for the period	-	-	2,630	2,630
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	2,630	2,630
Balance as at 31 March 2023	<u>86,677</u>	<u>(650)</u>	<u>116,208</u>	<u>202,235</u>
Balance as at 1 January 2022	86,677	(650)	110,247	196,274
Profit for the period	-	-	1,593	1,593
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	1,593	1,593
Balance as at 31 March 2022	<u>86,677</u>	<u>(650)</u>	<u>111,840</u>	<u>197,867</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 2022 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 March 2023

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 2022. 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 2022.

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 2022.

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:

		Effective date for financial periods beginning on or after
Amendments to MFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024

The Group and the Company intend to adopt the above new MFRSs, new Interpretations and amendments to MFRSs when they become effective. The initial application of the above MFRSs will not have any significant impact on the financial statements.

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 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.

Notes on the quarterly report – 31 March 2023

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 31 March 2023 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2022	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2023	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2023.

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 2023 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	71,637
Asia (other than Malaysia)	3,373
Africa (Mauritius)	99
Total	<u>75,109</u>

Notes on the quarterly report – 31 March 2023

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	57,051	18,058	-	-	75,109
Inter-segment	24,188	8,807	-	(32,995)	-
Total revenue	81,239	26,865	-	(32,995)	75,109
Results					
Segment results	2,894	404	(124)	217	3,391
Interest income	484	276	244	(96)	908
Finance costs	(730)	(57)	-	96	(691)
Profit before taxation	2,648	623	120	217	3,608
Taxation	(603)	(336)	(39)	-	(978)
Net profit for the financial period	2,045	287	81	217	2,630
Assets					
Additions to non-current assets	17	88	-	-	105
Segment assets	159,603	114,246	89,224	(81,134)	281,939

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.

Notes on the quarterly report – 31 March 2023

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

Capital commitments for the purchase of property, plant and equipment in the interim financial statements as at 31 March 2023 are as below:

Authorised and contracted for:	
- Property, plant and equipment	RM4,095,859

Notes on the quarterly report – 31 March 2023

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.03.2023 RM'000	Preceding Year Corresponding Quarter 31.03.2022 RM'000	Changes (RM'000 / %)	Current Year To- date 31.03.2023 RM'000	Preceding Year Corresponding Period 31.03.2022 RM'000	Changes (RM'000 / %)
Revenue	75,109	65,215	9,894 / 15.2%	75,109	65,215	9,894 / 15.2%
Operating Profit	3,391	2,152	1,239 / 57.6%	3,391	2,152	1,239 / 57.6%
Profit Before Tax	3,608	2,265	1,343 / 59.3%	3,608	2,265	1,343 / 59.3%
Profit After Tax	2,630	1,593	1,037 / 65.1%	2,630	1,593	1,037 / 65.1%
Profit Attributable to Ordinary Equity Holders of the Parent	2,630	1,593	1,037 / 65.1%	2,630	1,593	1,037 / 65.1%

The Group recorded revenue of RM75.1 million for the current quarter, an increase of approximately RM9.9 million as compared to RM65.2 million in the preceding year corresponding quarter mainly due to increase sales in processed paper products as a result of the increased selling price in paper products and high demand in the market as business activities were recovered gradually.

The Group recorded a profit before tax of RM3.6 million for the current quarter under review, a substantial increase of RM1.3 million as compared to profit before tax of RM2.3 million in the preceding year corresponding quarter mainly attributed to the increased sales in processed paper products.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.03.2023 RM'000	Immediate Preceding Quarter 31.12.2022 RM'000	Changes (Amount / %) RM'000 / %
Revenue	75,109	62,469	12,640 / 20.2%
Operating Profit	3,391	173	3,218 / 1,860.1%
Profit Before Tax	3,608	137	3,471 / 2,533.6%
Profit After Tax	2,630	514	2,116 / 411.7%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,630	514	2,116 / 411.7%

The Group recorded profit before tax of RM3.6 million for the current quarter as compared to profit before tax of RM0.1 million in the immediate preceding quarter for the period ended 31 December 2022 mainly due to the increased sales in processed paper products.

Notes on the quarterly report – 31 March 2023

B3. Prospects

The Group's business operations environment has been deeply affected by global inflation by uncertainties in commodity prices and currency exchange rates. Global inflation resulted in the elevation of interest rates for curbing inflation and lead to weakening consumer confidence and purchasing power. Amidst these challenges, the Directors of the Company continue to closely monitor cost control and cost optimization to maintain cost-effectively that impact on the Group's business and financial performance.

The Group will continuously seek market opportunities in the domestic markets by improving its product presence in the market, to expand its customer base and 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 31.03.2023 RM'000	Current year to date 31.03.2023 RM'000
Estimated tax payable:		
Current	978	978
Total	<u>978</u>	<u>978</u>

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 disallowed for tax deduction 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	60,043	-	60,043
Hire purchase	1,312	1,145	2,457
Total	<u>61,355</u>	<u>1,145</u>	<u>62,500</u>

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 2023

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 31.03.2023 RM'000	3 months Ended 31.03.2022 RM'000	3 months Ended 31.03.2023 RM'000	3 months Ended 31.03.2022 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	2,630	1,593	2,630	1,593
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.66	1.00	1.66	1.00
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. Notes to the statement of comprehensive income

	Quarter Ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Bad debt recovered	(14)	-
Interest income	(908)	(667)
Interest expense	691	554
Depreciation and amortization	1,080	970
Reversal of impairment loss on trade receivables	(32)	(42)
Gain on disposal of property, plant and equipment	-	(32)
Unrealised loss on foreign exchange	28	98

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 31 March 2023.

B13. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 25 May 2023.