



WANG-ZHENG BERHAD

Registration No.: 612237-K

(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2010

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2010

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 June 2010 RM'000	Preceding Year Corresponding Quarter 30 June 2009 RM'000	Current Year To Date 30 June 2010 RM'000	Preceding Year Corresponding Period 30 June 2009 RM'000
Revenue	58,532	59,839	119,140	99,052
Operating expenses	(54,107)	(53,572)	(109,049)	(89,463)
Other operating income	651	198	1,666	636
Profit from operations	<u>5,076</u>	<u>6,465</u>	<u>11,757</u>	<u>10,225</u>
Finance costs	(846)	(587)	(1,678)	(1,133)
Profit before tax	<u>4,230</u>	<u>5,878</u>	<u>10,079</u>	<u>9,092</u>
Income tax expense	(1,058)	(1,469)	(2,520)	(2,273)
Net profit for the period	<u><u>3,172</u></u>	<u><u>4,409</u></u>	<u><u>7,559</u></u>	<u><u>6,819</u></u>
EPS - Basic (sen)	<u>2.67</u>	<u>3.67</u>	<u>6.37</u>	<u>5.68</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 2009 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 30 June 2010

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

	As At End Of Current Quarter 30 June 2010 RM'000	(Audited) Preceding Financial Year-Ended 31 December 2009 RM'000
Non-Current Assets		
Property, plant and equipment	41,438	41,619
Investment property	186	188
Prepaid lease payments	8,804	8,857
Other Investments	15	15
	<u>50,443</u>	<u>50,679</u>
Current assets		
Non-current assets held for sales	-	821
Inventories	52,904	34,769
Trade receivables	47,295	46,038
Other receivables, deposits and prepayments	3,981	3,503
Tax recoverable	177	2,112
Fixed deposit with licensed banks	20,373	10,092
Cash & bank balances	33,682	29,849
	<u>158,412</u>	<u>127,184</u>
TOTAL ASSETS	<u>208,855</u>	<u>177,863</u>
Equity		
Share capital	60,000	60,000
Share premium	838	838
Treasury shares	(650)	(650)
Retained profits	48,521	40,962
Total equity attributable to equity holders of the parent	<u>108,709</u>	<u>101,150</u>
Non-Current Liabilities		
Borrowings	5,576	7,175
Deferred taxation	2,179	2,179
	<u>7,755</u>	<u>9,354</u>
Current liabilities		
Trade payables	7,126	9,209
Other payables	4,547	5,422
Amount owing to directors	165	165
Short term borrowings	80,553	51,691
Taxation	0	872
	<u>92,391</u>	<u>67,359</u>
Total Liabilities	<u>100,146</u>	<u>76,713</u>
TOTAL EQUITY AND LIABILITIES	<u>208,855</u>	<u>177,863</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>0.92</u>	<u>0.85</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 2009 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Cash Flows as at 30 June 2010

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

	Cumulative Current Year 30 June 2010 RM'000	Cumulative Preceding Year 30 June 2009 RM'000
Cash flows from operating activities		
Profit before tax	10,079	9,092
Adjustments for:		
Non-cash items	1,554	1,971
Non-operating items	1,520	953
Operating profit before working capital changes	<u>13,153</u>	<u>12,016</u>
(Increase)/Decrease in working capital:		
Inventories	(18,135)	(699)
Trade and other receivables	(1,821)	6,780
Trade and other payables	(2,959)	3,796
Cash (used in) generated from operations	<u>(9,762)</u>	<u>21,893</u>
Interest received	158	180
Interest paid	(1,678)	(1,133)
Income tax refund	839	-
Income tax paid	(2,295)	(728)
Net cash (used in) generated from operating activities	<u>(12,738)</u>	<u>20,212</u>
Cash flows from investing activities		
Proceeds from disposal of non-current assets held for sales	1,390	-
Proceeds from disposal of property, plant and equipment	203	6
Purchase of property, plant and equipment	(908)	(695)
Net cash generated from (used in) investing activities	<u>685</u>	<u>(689)</u>
Cash flows from financing activities		
Net drawdown of bank borrowings	26,167	15,114
Net cash generated from financing activities	<u>26,167</u>	<u>15,114</u>
Net increase in cash and cash equivalents	14,114	34,637
Cash and cash equivalents at beginning of financial year	39,941	17,999
Cash and cash equivalents at end of financial period	<u>54,055</u>	<u>52,636</u>

Cash and cash equivalents comprise:

Cash & bank balances	33,682	52,636
Fixed deposits with licensed banks	20,373	-
	<u>54,055</u>	<u>52,636</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 2009 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2010

(The figures presented here have not been audited)

	Share Capital RM'000	Non-distributable	Distributable		Total RM'000
		Share Premium RM'000	Treasury Shares RM'000	Retained Profit RM'000	
Balance as at 1 January 2010	60,000	838	(650)	40,962	101,150
Profit for the year	-	-	-	7,559	7,559
Balance as at 30 June 2010	60,000	838	(650)	48,521	108,709

Condensed Consolidated Statements of Changes in Equity for the quarter ended 30 June 2009

(The figures presented here have been audited)

	Share Capital RM'000	Non-distributable	Distributable		Total RM'000
		Share Premium RM'000	Treasury Shares RM'000	Retained Profit RM'000	
Balance as at 1 January 2009	60,000	838	-	28,968	89,806
Profit for the year	-	-	-	6,819	6,819
Balance as at 30 June 2009	60,000	838	-	35,787	96,625

(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 2009 and the accompanying explanatory notes attached to the financial statements.)

Notes on the quarterly report – 30 June 2010

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 Financial Reporting Standards (FRS) 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 2009. 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.

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 year ended 31 December 2009, except that the Group has adopted the Malaysian Financial Reporting Standards (FRSs) that are effective for financial statements commencing 1 January 2010. The FRSs, which are effective commencing 1 January 2010 and applied by the Group are:

FRS 7:	Financial Instruments: Disclosures
FRS 8:	Operating Segment
FRS 101(revised):	Presentation of Financial Statements
FRS 123:	Borrowings Cost
FRS 139:	Financial Instruments: Recognition and Measurement

In accordance with the transitional provisions of FRS 139, the required changes are applied prospectively and the comparative information is not restated.

Adoption of the above standards does not have any material impact on the financial position and results of the Group.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2009.

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.

Notes on the quarterly report – 30 June 2010

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 2010 are as follows:

	Number of Treasury Shares	Total consideration (RM)
Balance as at 31 March 2010	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2010	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2010.

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 2010 are as follows:

(a) **Business segment**

The principal businesses of the Group are those of manufacturing and distribution of disposable fibre-based products and paper products which are substantially within a single business segment, as such, segmental reporting is deemed not necessary.

(b) **Geographical segments**

(i) Revenue by geographical location of customers

	Group RM'000
Malaysia	92,731
Asia (other than Malaysia)	26,288
Australia	121
	<u>119,140</u>

(ii) Carrying amount of segment assets and segment capital expenditure are not disclosed as all the assets are located principally in Malaysia.

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 2010

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the period under review except the following:

On 7 April 2010, the Company's wholly-owned subsidiary, New Top Win Corporation Sdn. Bhd. ("NTW"), acquired the entire issued and paid up share capital comprising two (2) ordinary shares of RM1.00 each fully paid in Wonderful Eden Sdn. Bhd. ("WESB") for a total consideration of RM2.00. WESB, a company incorporated in Malaysia, has an authorised share capital of RM100,000 and an issued and paid-up share capital of RM2.00 divided into 2 ordinary share of RM1.00 each. Currently, WESB is dormant and has not commenced business operation.

A12. 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.

A13. Capital commitments

There were no significant capital commitments as at 30 June 2010.

Notes on the quarterly report – 30 June 2010

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

B1. Review of performance

The Group recorded lower revenue of RM58.5 million and profit before tax of RM4.2 million for the quarter under review compared to preceding year corresponding quarter.

B2. Variation of results against immediate preceding quarter

The Group recorded lower revenue of RM58.5 million and profit before tax of RM4.2 million for the current quarter as compared to the revenue of RM60.6 million and profit before tax of RM5.8 million in the immediate preceding quarter. The profit before tax reduced mainly due to increase in raw material costs and gain on disposal of property held for sale in immediate preceding quarter.

B3. Current year prospects

The Group's both disposable fibre-based products and processed paper products trading activities are expected remain competitive in prevailing economic conditions. Going forward, the Board expects the Group continue to achieve satisfactory performance 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

	2010 Current quarter ended 30 June RM'000	2010 Current year to date 30 June RM'000
Estimated current tax payable:	<u>1,058</u>	<u>2,520</u>

The effective tax rate for the period under review is comparable to the statutory income tax rate of 25%.

B6. Unquoted investments and/or properties

There was no sale of unquoted investments and properties during current quarter under review. However, there was a gain on disposal of property held for sales amounting to RM571,000 for the financial period to date.

B7. Quoted and marketable investments

There were no investments in quoted and marketable securities made during current quarter under review.

Notes on the quarterly report – 30 June 2010

B8. Status of corporate proposal

There was no corporate proposal announced but not completed as at the date of this announcement except for the following:

On 2 August 2010, HwangDBS Investment Bank Berhad (“HwangDBS”), on behalf of the Board of Directors the Company to announce that the Company proposes to undertake a proposed private placement of 40,000,000 new ordinary shares of RM0.50 each in the Company representing 25% of the enlarged issued and paid-up share capital of the Company (“Proposed Private Placement”).

On 11 August 2010, HwangDBS, on behalf of the Board of Directors of the Company to announce that the Placees have executed agreements with the Company to subscribe for new Placement Shares at RM0.65 per Share.

On 25 August 2010, HwangDBS, on behalf of the Board of Directors of the Company to announce that the application to Bursa Malaysia Securities Berhad and the notification to Ministry of International Trade and Industry for the Proposed Private Placement have been submitted.

Please refer to the announcement stated above for further details of the Proposed Private Placement.

B9. Group borrowings

The Group’s borrowings as at the end of the reporting year are as follows:

Group Borrowings	Short Term (Secured) RM’000	Long Term (Secured) RM’000	Total RM’000
Trust receipts and bankers’ acceptance	76,017	-	76,017
Term loans	1,863	2,479	4,342
Hire purchase	2,673	3,097	5,770
Total	<u>80,553</u>	<u>5,576</u>	<u>86,129</u>

B10. Off balance sheet financial instrument

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

B11. Material litigation

There was no pending material litigation as at the date of this report.

B12. Dividends

There was no dividend declared by the Company during the current quarter under review.

Notes on the quarterly report – 30 June 2010

B13. 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 30.06.2010 RM'000	3 months Ended 30.06.2009 RM' 000	6 months Ended 30.06.2010 RM000	6 months Ended 30.06.2009 RM'000
a) Profit attributable to ordinary shareholders (RM'000)	3,172	4,409	7,559	6,819
b) Weighted average number of ordinary shares ('000):				
i) No. of ordinary shares at beginning of period	118,581	120,000	118,581	120,000
ii) Effect of shares issued	-	-	-	-
iii) No. of ordinary shares at end of period	118,581	120,000	118,581	120,000
c) Earnings per ordinary share (sen):				
i) Basic	2.67	3.67	6.37	5.68
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.