



WANG-ZHENG BERHAD

Registration No.: 612237-K

(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2011

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2011

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current year</u> <u>Quarter</u> <u>30 June 2011</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 June 2010</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 June 2011</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 June 2010</u> RM'000
Revenue	65,481	58,532	135,064	119,140
Operating expenses	(60,535)	(54,107)	(124,994)	(109,049)
Other operating income	1,856	651	2,225	1,666
Profit from operations	<u>6,802</u>	<u>5,076</u>	<u>12,295</u>	<u>11,757</u>
Finance costs	(678)	(846)	(1,677)	(1,678)
Profit before tax	<u>6,124</u>	<u>4,230</u>	<u>10,618</u>	<u>10,079</u>
Income tax expense	(1,522)	(1,058)	(2,618)	(2,520)
Profit after tax for the period	<u><u>4,602</u></u>	<u><u>3,172</u></u>	<u><u>8,000</u></u>	<u><u>7,559</u></u>
Other Comprehensive income	-	-	-	-
Total comprehensive income for the period	<u><u>4,602</u></u>	<u><u>3,172</u></u>	<u><u>8,000</u></u>	<u><u>7,559</u></u>
Profit after tax and Total comprehensive Income attributable to equity holders of the parent	<u><u>4,602</u></u>	<u><u>3,172</u></u>	<u><u>8,000</u></u>	<u><u>7,559</u></u>
Earnings per share attributable to equity holders:				
EPS - Basic (sen)	<u><u>2.90</u></u>	<u><u>2.67</u></u>	<u><u>5.04</u></u>	<u><u>6.37</u></u>
- Diluted (sen)	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></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 2010 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 30 June 2011

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

	As At End Of Current Quarter 30 June 2011 RM'000	(Audited) Preceding Financial Year-Ended 31 December 2010 RM'000
Non-Current Assets		
Property, plant and equipment	50,970	50,458
Investment property	181	183
Other Investments	15	15
	<u>51,166</u>	<u>50,656</u>
Current assets		
Inventories	50,490	38,316
Trade receivables	53,699	53,552
Other receivables, deposits and prepayments	3,795	3,934
Tax recoverable	0	2,240
Fixed deposit with licensed banks	17,670	20,660
Cash & bank balances	64,508	44,562
	<u>190,162</u>	<u>163,264</u>
TOTAL ASSETS	<u>241,328</u>	<u>213,920</u>
Equity		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Retained profits	58,745	50,746
Total equity attributable to equity holders of the parent	<u>144,772</u>	<u>136,773</u>
Non-Current Liabilities		
Borrowings	2,670	4,649
Deferred taxation	2,629	2,629
	<u>5,299</u>	<u>7,278</u>
Current liabilities		
Trade payables	14,500	12,649
Other payables	6,853	5,585
Amount owing to directors	198	198
Short term borrowings	69,669	51,374
Taxation	37	63
	<u>91,257</u>	<u>69,869</u>
Total Liabilities	<u>96,556</u>	<u>77,147</u>
TOTAL EQUITY AND LIABILITIES	<u>241,328</u>	<u>213,920</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>0.91</u>	<u>0.86</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 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Cash Flows as at 30 June 2011

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

	Cumulative Current Year 30 June 2011 RM'000	Cumulative Preceding Year 30 June 2010 RM'000
Cash flows from operating activities		
Profit before tax	10,618	10,079
Adjustments for:		
Non-cash items	2,184	1,554
Non-operating items	1,102	1,520
Operating profit before working capital changes	<u>13,904</u>	<u>13,153</u>
(Increase) Decrease in working capital:		
Inventories	(12,406)	(18,135)
Trade and other receivables	454	(1,821)
Trade and other payables	3,119	(2,959)
Cash generated from (used in) operations	<u>5,071</u>	<u>(9,762)</u>
Interest received	575	158
Interest paid	(1,677)	(1,678)
Income tax refund	1,096	839
Income tax paid	(1,500)	(2,295)
Net cash generated from (used in) operating activities	<u>3,565</u>	<u>(12,738)</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	18	203
Purchase of property, plant and equipment	(2,942)	(908)
Net cash (used in) from investing activities	<u>(2,924)</u>	<u>685</u>
Cash flows from financing activity		
Net drawdown of bank borrowings	16,315	26,167
Net cash from financing activity	<u>16,315</u>	<u>26,167</u>
Net increase in cash and cash equivalents	16,956	14,114
Cash and cash equivalents at beginning of financial year	65,222	39,941
Cash and cash equivalents at end of financial quarter	<u>82,178</u>	<u>54,055</u>

Cash and cash equivalents comprise:

Fixed deposits with licensed banks	17,670	20,373
Cash & bank balances	64,508	33,682
	<u>82,178</u>	<u>54,055</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 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2011

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	----- Distributable Retained Profit RM'000	
Balance as at 1 January 2011	80,000	6,677	(650)	50,745	136,772
Profit for the year	-	-	-	8,000	8,000
Balance as at 30 June 2011	<u>79,631</u>	<u>6,677</u>	<u>(650)</u>	<u>58,745</u>	<u>144,772</u>
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	<u>60,000</u>	<u>838</u>	<u>(650)</u>	<u>48,521</u>	<u>108,709</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 2010 and the accompanying explanatory notes attached to the financial statements.)

Notes on the quarterly report – 30 June 2011

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 2010. 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.

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 year ended 31 December 2010.

The Group has not early adopted the following new FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these interim financial statements and will be effective for the financial periods as stated below:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011

Notes on the quarterly report – 30 June 2011

		Effective date for financial periods beginning on or after
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to 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 2010.

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 2011

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 2011 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2011	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2011	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2011.

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 2011 are as follows:

(a) **Business segment**

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Per consolidated financial statements RM'000
2010					
Revenue					
External customer	73,785	61,120	159	-	135,064
Inter-segment	28,702	12,394	-	(41,096)	-
Total revenue	102,487	73,514	159	(41,096)	135,064
Results					
Segment results	4,561	7,137	22	-	11,720
Interest income	430	145	-	-	575
Finance costs	(1,178)	(499)	-	-	(1,677)
Profit before taxation	3,813	6,783	22	-	10,618
Taxation	(922)	(1,696)	-	-	(2,618)
Net profit for the financial period	2,891	5,087	22	-	8,000
Assets					
Additions to non-current assets	2,124	818	-	-	2,942
Segment assets	123,658	158,626	91,460	(132,416)	241,328

Notes on the quarterly report – 30 June 2011

A8. Segment information (Continued)

(b) Geographical segments

Revenue by geographical location of customers:

	Group RM'000
Malaysia	90,681
Asia (other than Malaysia)	44,287
Australia	96
	<hr/> <u>135,064</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. 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 June 2011, the Company incorporated a wholly-owned subsidiary company in Beijing, China with the name “Beijing Wang-Zheng Hygienic Products Co., Ltd” (“Beijing Wang-Zheng”). Beijing Wang-Zheng was incorporated under the Company Law of the People’s Republic of China (“PRC”) with the registered capital of USD8.0 million (equivalent to RM24.3 million). The intended principal activities of Beijing Wang-Zheng are manufacturing and wholesale the sanitation products, importation and exportation of cargo.

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 2011.

Notes on the quarterly report – 30 June 2011

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

B1. Review of performance

The Group recorded higher revenue of RM65.4 million for the current quarter under review as compared to preceding year corresponding quarter mainly due to better demand for the disposable fibre-based products.

The Group registered a higher profit before tax of RM6.1 million for the current quarter under review compared to a lower profit before tax of RM4.2 million in preceding year corresponding quarter mainly due to increase in other operating income consist of bad debts recovered, income received from sales of scrap materials and insurance claim received.

B2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM65.4 million and profit before tax of RM6.1 million for the current quarter as compared to the revenue of RM69.5 million and profit before tax of RM4.5 million in the immediate preceding quarter. The profit before tax increased mainly due to increase in other operating income.

B3. Current year prospects

The improving macro economic outlook and consumer sentiments are favourable to the Group's both disposable fibre-based products and processed paper products trading activities. 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

	2011 Current quarter ended 30 June RM'000	2011 Current year to date 30 June RM'000
Estimated tax payable: Current	1,522	2,618

The effective tax rate for the current quarter and financial year to date under review is lower than the statutory income tax rate mainly due to the utilisation of allowances and non-taxable income.

B6. Unquoted investments and/or properties

There was no sale of unquoted investments and properties during current quarter under review.

Notes on the quarterly report – 30 June 2011

B7. Quoted and marketable investments

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

B8. Status of corporate proposal

There was no corporate proposal announced as at the date of this announcement.

Status of Utilisation of Proceeds up to 30 June 2011 is as follows:-

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Adjusted from/(to) RM'000	Balance Unutilised RM'000	Intended timeframe for utilisation
Working capital requirements	15,820	15,839	19	-	Note 1
Investment to expand the existing core business	10,000	-	-	10,000	Note 1
Related Expenses for the Private Placement	180	161	(19)	-	Note 2
	<u>26,000</u>	<u>16,000</u>	<u>-</u>	<u>10,000</u>	

Note:-

1. The proceeds from the Private Placement are expected to be utilised within 24 months from the date of receipt of the proceeds on 29 November 2010.
2. Balance unutilised related expenses for the Private Placement adjusted to the working capital requirements.

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	65,842	-	65,842
Term loans	1,836	643	2,479
Hire purchase	1,991	2,027	4,018
Total	<u>69,669</u>	<u>2,670</u>	<u>72,339</u>

B10. Off balance sheet financial instrument

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

Notes on the quarterly report – 30 June 2011

B11. Material litigation

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

B12. Dividends

A First and Final Single Tier Dividend of 4% or 2.0 sen per share in respect of the financial year ended 31 December 2010 proposed on 29 April 2011 was approved by the Shareholders at the Annual General Meeting on 23 June 2011 and will be paid on 15 August 2011.

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 30.06.2011 RM'000	3 months Ended 30.06.2010 RM'000	6 months Ended 30.06.2011 RM'000	6 months Ended 30.06.2010 RM'000
a) Profit attributable to ordinary shareholders (RM'000)	4,602	3,172	8,000	7,559
b) Weighted average number of ordinary shares ('000):	158,581	118,581	158,581	118,581
c) Earnings per ordinary share (sen):				
i) Basic	2.90	2.67	5.04	6.37
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.

B14. Disclosure of Realised and Unrealised Profits (Unaudited)

	Current year to date 30.06.2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	104,742
- Unrealised	3,578
	<u>108,320</u>
Less: Consolidation adjustments	(49,575)
Total group retained profits as per consolidated accounts	<u><u>58,745</u></u>