



WANG-ZHENG BERHAD
(Company No.: 612237-K)
(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2012

Condensed Consolidated Income Statement for the quarter ended 31 December 2012

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u> (Audited)	
	<u>Current year</u> <u>Quarter</u> <u>31 DEC 2012</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 DEC 2011</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 DEC 2012</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 DEC 2011</u> RM'000
Revenue	71,026	62,063	259,564	255,910
Operating expenses	(71,383)	(61,800)	(250,927)	(244,006)
Other operating income	2,766	4,318	4,866	7,226
Profit from operations	<u>2,409</u>	<u>4,581</u>	<u>13,503</u>	<u>19,130</u>
Interest income	368	272	1,401	1,204
Finance costs	(885)	(665)	(3,558)	(3,212)
Profit before tax	<u>1,892</u>	<u>4,188</u>	<u>11,346</u>	<u>17,122</u>
Income tax expense	(1,529)	(510)	(4,469)	(3,706)
Profit for the period	<u><u>363</u></u>	<u><u>3,678</u></u>	<u><u>6,877</u></u>	<u><u>13,416</u></u>
Profit attributed to:				
Equity holders of the parent	362	3,678	6,876	13,416
Non-controlling Interests	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
	<u><u>363</u></u>	<u><u>3,678</u></u>	<u><u>6,877</u></u>	<u><u>13,416</u></u>
Earnings per share attributable to equity holders of the parent:				
EPS - Basic (sen)	<u>0.23</u>	<u>2.32</u>	<u>4.34</u>	<u>8.46</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 2011 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 December 2012

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u> (Audited)	
	Current year Quarter 31 DEC 2012 RM'000	Preceding Year Corresponding Quarter 31 DEC 2011 RM'000	Current Year To Date 31 DEC 2012 RM'000	Preceding Year Corresponding Period 31 DEC 2011 RM'000
Profit for the period	363	3,678	6,877	13,416
Other Comprehensive income				
- Foreign currency translation differences for foreign operations	182	(152)	(626)	1,187
Total comprehensive income for the period	<u>545</u>	<u>3,526</u>	<u>6,251</u>	<u>14,603</u>
Total comprehensive income attributable to:				
Equity holders of the parent	544	3,526	6,250	14,603
Non-controlling Interests	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
	<u>545</u>	<u>3,526</u>	<u>6,251</u>	<u>14,603</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 2011 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 31 December 2012

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

	As At End Of Current Quarter 31 DEC 2012 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2011 RM'000
Non-Current Assets		
Property, plant and equipment	52,352	75,356
Investment property	18,631	2,014
Other investments	14	14
	<u>70,997</u>	<u>77,384</u>
Current Assets		
Non-current assets held for sales	1,511	-
Inventories	43,380	43,852
Trade receivables	47,659	52,848
Other receivables, deposits and prepayments	2,170	2,594
Tax recoverable	2,070	2,134
Fixed deposit with licensed banks	36,060	10,667
Cash & bank balances	45,368	54,891
	<u>178,218</u>	<u>166,986</u>
TOTAL ASSETS	<u>249,215</u>	<u>244,370</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Exchange translation reserve	561	1,187
Retained profits	64,694	60,990
	<u>151,282</u>	<u>148,204</u>
Non-controlling interests	401	-
Total equity	<u>151,683</u>	<u>148,204</u>
Non-Current Liabilities		
Borrowings	16,149	2,590
Deferred taxation	3,389	3,026
	<u>19,538</u>	<u>5,616</u>
Current Liabilities		
Trade payables	7,813	6,769
Other payables	8,719	21,245
Amount owing to directors	198	198
Short term borrowings	60,457	61,900
Taxation	807	438
	<u>77,994</u>	<u>90,550</u>
Total Liabilities	<u>97,532</u>	<u>96,166</u>
TOTAL EQUITY AND LIABILITIES	<u>249,215</u>	<u>244,370</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>0.96</u>	<u>0.93</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 2011 and the accompanying explanatory notes attached to the interim financial statements).

Condensed Consolidated Statement of Cash Flows as at 31 December 2012

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

	Cumulative Current Year 31 DEC 2012 RM'000	(Audited) Cumulative Preceding Year 31 DEC 2011 RM'000
Cash flows from operating activities		
Profit before tax	11,346	17,122
Adjustments for:		
Bad debt written off	315	366
Depreciation of property, plant and equipment	5,569	4,454
Gain on disposal of investment property	(196)	(217)
Gain on disposal of property, plant and equipment	(67)	(3)
Impairment on inventories	-	340
Impairment on trade receivables	761	175
Impairment on other receivables	-	11
Interest expense	3,558	3,212
Interest income	(1,401)	(1,204)
Inventories written down	701	37
Property, plant and equipment written off	-	639
Reversal of impairment on trade receivables	(80)	(567)
Unrealised gain on foreign exchange	(48)	(1,086)
Waiver of debts by trade payables	-	(2,069)
Operating profit before working capital changes	20,458	21,210
(Increase)/Decrease in working capital:		
Inventories	(229)	(5,912)
Trade and other receivables	4,804	3,146
Trade and other payables	(11,482)	11,848
Amount owing to directors	-	-
Cash generated from operations	13,551	30,292
Interest received	1,401	1,204
Interest paid	(3,558)	(3,212)
Income tax refunded	353	1,759
Income tax paid	(2,936)	(4,519)
Net cash from operating activities	8,811	25,524
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	86	35
Proceeds from disposal of investment properties	700	400
Purchase of investment properties	-	(2,056)
Purchase of property, plant and equipment	(1,322)	(27,409)
Acquisition of interest from non-controlling interests	(600)	-
Net cash used in investing activities	(1,136)	(29,030)

Condensed Consolidated Statement of Cash Flows as at 31 December 2012

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

	31 DEC 2012 RM'000	31 DEC 2011 RM'000
Cash flows from financing activities		
Dividend paid	(3,172)	(3,172)
Net drawdown of bank borrowings	11,993	5,896
Net cash from financing activities	<u>8,821</u>	<u>2,724</u>
Net increase (decrease) in cash and cash equivalents	16,496	(782)
Effect of exchange rate fluctuations on cash held	(626)	1,118
Cash and cash equivalents at beginning of financial year	65,558	65,222
Cash and cash equivalents at end of financial year	<u>81,428</u>	<u>65,558</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	36,060	10,667
Cash & bank balances	45,368	54,891
	<u>81,428</u>	<u>65,558</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 2011 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 December 2012

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----						Non-Controlling Interest RM'000	Total RM'000
	Non-distributable			Distributable				
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Exchange Translation Reserve RM'000	Retained Profit RM'000			
Balance as at 1 January 2012	80,000	6,677	(650)	1,187	60,990	-	148,204	
Profit for the year	-	-	-	-	6,876	1	6,877	
Other Comprehensive income	-	-	-	(626)	-	-	(626)	
Total comprehensive income for the period	-	-	-	(626)	6,876	1	6,251	
Dividends	-	-	-	-	(3,172)	-	(3,172)	
Acquisition of interest in a subsidiary from non-controlling interests	-	-	-	-	-	400	400	
Balance as at 30 September 2012	80,000	6,677	(650)	561	64,694	401	151,683	
Balance as at 1 January 2011	80,000	6,677	(650)	-	50,746	-	136,773	
Profit for the year	-	-	-	-	13,416	-	13,416	
Other Comprehensive income	-	-	-	1,187	-	-	1,187	
Total comprehensive income for the period	-	-	-	1,187	13,416	-	14,603	
Dividends	-	-	-	-	(3,172)	-	(3,172)	
Balance as at 31 December 2011	80,000	6,677	(650)	1,187	60,990	-	148,204	

(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 2011 and the accompanying explanatory notes attached to the financial statements.)

Notes on the quarterly report – 31 December 2012

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 2011. 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 financial year ended 31 December 2011.

The Group has not early adopted the following new MFRSs, Issues Committee (“IC”) Interpretations, amendments to MFRSs 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 MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (revised)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investment in Associates and Joint Venture (as amended in November 2011)	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRSs contained in the documents entitled “Improvements to MFRSs (2012)”		1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015

Notes on the quarterly report – 31 December 2012

The initial applications of the above applicable new MFRSs, IC Interpretations, amendments to MFRSs and IC Interpretations is not expected to have any material impact on the financial position and results of the Group.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years until accounting period beginning on or after 1 January 2014. Early application of the MFRSs framework is permitted. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The transition to MFRS framework does not have any financial impact to the financial statements 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 2011.

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 – 31 December 2012

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 31 December 2012 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 September 2012	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2012	1,418,900	649,578

There were no additional repurchase of shares since 1 October 2012.

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 December 2012 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
Revenue					
External customer	161,794	96,849	921	-	259,564
Inter-segment	67,025	26,043	-	(93,068)	-
Total revenue	228,819	122,892	921	(93,068)	259,564
Results					
Segment results	6,190	7,641	(328)	-	13,503
Interest income	806	595	-	-	1,401
Finance costs	(3,019)	(539)	-	-	(3,558)
Profit before taxation	3,977	7,697	(328)	-	11,346
Taxation	(1,333)	(3,186)	(50)	-	(4,469)
Net profit for the financial period	2,664	4,511	(278)	-	6,877
Assets					
Additions to non-current assets	254	1,191	-	-	1,445
Segment assets	137,357	139,263	87,903	(115,308)	249,215

Notes on the quarterly report – 31 December 2012

A8. Segment information (Continued)

(b) Geographical segments

Revenue by geographical location of customers:

	Group RM'000
Malaysia	200,293
Asia (other than Malaysia)	59,191
South America	80
	<u>259,564</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 current quarter under review except for the following:

On 19 November 2012, the Group subscribed for 599,996 new ordinary shares of RM1.00 each in Wang-Zheng Petroleum Sdn Bhd (“WZPSB”), at par for a total cash consideration of RM599,996.00 resulting in WZPSB becoming a 59.99% owned subsidiary of the Company. WZPSB is currently an active company and its intended principally activity is to buy, sell and distribute in petroleum, diesel and other oil, and related products.

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 31 December 2012.

Notes on the quarterly report – 31 December 2012

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

B1. Review of performance

The Group recorded revenue at RM71.0 million for the current quarter, an increased of RM9.0 million as compared to RM62.0 million in the preceding year corresponding quarter, mainly due to improved in trading activities in the processed paper product segment.

The Group recorded a lower profit before tax at RM1.9 million for the current quarter, a decreased of RM2.3 million as compared to RM4.2 million in preceding year corresponding quarter, mainly due to losses from foreign subsidiary and decrease in other operating income which comprises lower of unrealised gain on foreign exchange.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax decreased to RM1.9 million for the current quarter as compared to RM3.0 million in the immediate preceding quarter for the period ended 30 September 2012, mainly due to higher losses from foreign subsidiary.

B3. Prospects

Barring any unforeseen circumstances, the Group's products are expected to remain competitive in the operating environment. Going forward, the Board expects the Group to achieve a satisfactory performance for the forth-coming 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 31.12.2012 RM'000	Current year to date 31.12.2012 RM'000
Estimated tax payable:		
Current	1,458	4,398
Over provision in prior years	(274)	(274)
Deferred tax	345	345
Total	<u>1,529</u>	<u>4,469</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 not allowable for tax purpose and operating profits of certain subsidiary companies, which for tax purposes, cannot be offset against operating losses of other company in the Group as no Group relief is available for tax purposes.

Notes on the quarterly report – 31 December 2012

B6. Unquoted investments and/or properties

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

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 31 December 2012 is as follows:-

Description	Proposed Utilisation RM'000	Initial timeframe for utilisation	Extension of timeframe approved on 27.08.2012	Variation approved on 27.08.2012 RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Working capital requirements	15,820	within 24 months	Within 12 months	2,951	17,220	1,551
Investment to expand the existing core business	10,000	within 24 months	-	(2,951)	7,049	-
Related Expenses for the Private Placement	180	within 24 months	-	-	180	-
	26,000			-	24,449	1,551

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. As announced on 27 August 2012, the Board of Directors of the Company has resolved and approved a revision in utilisation of part of the proceeds raised from the Private Placement amounting to RM2,951,000 from investment to expand the Group's existing core business to working capital requirements of the Group and to extend the timeframe for the full utilisation of the remaining proceeds for working capital requirements for a further period of twelve (12) months from 27 August 2012.

Notes on the quarterly report – 31 December 2012

B9. Group borrowings

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

Group Borrowings	Short Term	Long Term	Total
	(Secured)	(Secured)	
	RM'000	RM'000	RM'000
Trust receipts and bankers' acceptance	59,065	-	59,065
Term loans	289	14,570	14,859
Hire purchase	1,103	1,579	2,682
Total	60,457	16,149	76,606

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.

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 31.12.2012 RM'000	3 months Ended 31.12.2011 RM'000	12 months Ended 31.12.2012 RM'000	12 months Ended 31.12.2011 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	362	3,678	6,876	13,416
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.23	2.32	4.34	8.46
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.

Notes on the quarterly report – 31 December 2012

B14. Disclosure of Realised and Unrealised Profits (Unaudited)

	Quarter Ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	108,200	103,836
- Unrealised	3,437	4,113
	<u>111,637</u>	<u>107,949</u>
Less: Consolidation adjustments	(46,943)	(46,959)
Total group retained profits as per consolidated accounts	<u>64,694</u>	<u>60,990</u>

B15. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
Interest income	1,401	1,204
Interest expenses	3,558	3,212
Bad debts recovered	80	567
Depreciation and amortisation	5,569	4,454
Provision for and write off of receivables	1,076	552
Provision for and write off of inventories	701	377
Property, plant and equipment written off	-	639
Gain on disposal of property, plant and equipment	263	220
Gain on foreign exchange - Realised	1,683	1,051
Gain on foreign exchange - Unrealised	48	1,086

Other than the above, there were no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 31 December 2012.