



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2013

Condensed Consolidated Income Statement for the quarter ended 30 June 2013

(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 JUN 2013</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 JUN 2012</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 JUN 2013</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 JUN 2012</u> RM'000
Revenue	54,850	69,175	121,105	129,097
Operating expenses	(51,536)	(64,924)	(112,996)	(122,831)
Other operating income	469	980	1,774	1,432
Profit from operations	<u>3,783</u>	<u>5,231</u>	<u>9,883</u>	<u>7,698</u>
Interest income	484	343	880	583
Finance costs	(950)	(977)	(2,002)	(1,873)
Profit before tax	<u>3,317</u>	<u>4,597</u>	<u>8,761</u>	<u>6,408</u>
Income tax expense	(1,128)	(1,328)	(2,650)	(1,970)
Profit for the period	<u><u>2,189</u></u>	<u><u>3,269</u></u>	<u><u>6,111</u></u>	<u><u>4,438</u></u>
Profit attributed to:				
Equity holders of the parent	2,188	3,269	6,108	4,438
Non-controlling Interests	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>
	<u><u>2,189</u></u>	<u><u>3,269</u></u>	<u><u>6,111</u></u>	<u><u>4,438</u></u>
Earnings per share attributable to equity holders of the parent:				
EPS - Basic (sen)	<u>1.38</u>	<u>2.06</u>	<u>3.85</u>	<u>2.80</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 2012 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2013

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 JUN 2013 RM'000	Preceding Year Corresponding Quarter 30 JUN 2012 RM'000	Current Year To Date 30 JUN 2013 RM'000	Preceding Year Corresponding Period 30 JUN 2012 RM'000
Profit for the period	2,189	3,269	6,111	4,438
Other Comprehensive income				
- Foreign currency translation differences for foreign operations	688	645	1,094	(189)
Total comprehensive income for the period	<u>2,877</u>	<u>3,914</u>	<u>7,205</u>	<u>4,249</u>
Total comprehensive income attributable to:				
Equity holders of the parent	2,876	3,914	7,202	4,249
Non-controlling Interests	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>
	<u>2,877</u>	<u>3,914</u>	<u>7,205</u>	<u>4,249</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 2012 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 30 June 2013

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

	As At End Of Current Quarter 30 JUN 2013 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2012 RM'000
Non-Current Assets		
Property, plant and equipment	51,378	52,353
Investment property	18,514	18,631
Other investments	16,813	14
	<u>86,705</u>	<u>70,998</u>
Current Assets		
Non-current assets held for sales	-	1,511
Inventories	45,346	44,153
Trade receivables	41,891	47,639
Other receivables, deposits and prepayments	2,658	2,141
Tax recoverable	0	2,070
Fixed deposit with licensed banks	42,097	36,061
Cash and bank balances	52,961	45,365
	<u>184,953</u>	<u>178,940</u>
TOTAL ASSETS	<u>271,658</u>	<u>249,938</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	1,638	544
Retained profits	70,922	64,814
	<u>158,587</u>	<u>151,385</u>
Non-controlling interests	406	403
Total equity	<u>158,993</u>	<u>151,788</u>
Non-Current Liabilities		
Borrowings	34,737	16,075
Deferred taxation	3,391	3,391
	<u>38,128</u>	<u>19,466</u>
Current Liabilities		
Trade payables	5,430	7,803
Other payables	7,099	8,717
Amount owing to directors	297	198
Short term borrowings	60,340	60,229
Taxation	1,371	1,737
	<u>74,537</u>	<u>78,684</u>
Total Liabilities	<u>112,665</u>	<u>98,150</u>
TOTAL EQUITY AND LIABILITIES	<u>271,658</u>	<u>249,938</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.00</u>	<u>0.95</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 2012 and the accompanying explanatory notes attached to the interim financial statements).

Condensed Consolidated Statement of Cash Flows as at 30 June 2013

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

	Cumulative Current Year 30 JUN 2013 RM'000	Cumulative Preceding Year 30 JUN 2012 RM'000
Cash flows from operating activities		
Profit before tax	8,761	6,408
Adjustments for:		
Depreciation of property, plant and equipment	2,847	2,497
Gain on disposal of investment property	(988)	-
Gain on disposal of property, plant and equipment	(120)	(68)
Impairment on trade receivables	45	60
Interest expense	2,002	1,873
Interest income	(880)	(583)
Reversal of impairment on slow moving inventories	(41)	-
Reversal of impairment on trade receivables	(8)	(40)
Operating profit before working capital changes	<u>11,618</u>	<u>10,147</u>
(Increase)/Decrease in working capital:		
Inventories	(1,152)	(6,320)
Trade and other receivables	4,802	1,413
Trade and other payables	(3,991)	(12,828)
Amount owing to directors	99	-
Cash generated from (used in) operations	<u>11,376</u>	<u>(7,588)</u>
Interest received	880	583
Interest paid	(2,002)	(1,873)
Income tax refunded	122	353
Income tax paid	(1,267)	(1,601)
Net cash from (used in) operating activities	<u><u>9,109</u></u>	<u><u>(10,126)</u></u>
Cash flows from investing activities		
Proceeds from disposal of non-current assets held for sales	2,550	-
Proceeds from disposal of property, plant and equipment	257	68
Purchase of property, plant and equipment	(1,022)	(839)
Acquisition of other investments	(16,799)	-
Net cash used in investing activities	<u><u>(15,014)</u></u>	<u><u>(771)</u></u>

Condensed Consolidated Statement of Cash Flows as at 30 June 2013
(The figures presented here have not been audited unless stated otherwise)

	Cumulative Current Year 30 JUN 2013 RM'000	Cumulative Preceding Year 30 JUN 2012 RM'000
Cash flows from financing activities		
Net drawdown of bank borrowings	18,443	33,769
Net cash from financing activities	<u>18,443</u>	<u>33,769</u>
Net increase in cash and cash equivalents	12,538	22,872
Effect of exchange rate fluctuations on cash held	1,094	(189)
Cash and cash equivalents at beginning of financial year	81,426	65,558
Cash and cash equivalents at end of financial period	<u>95,058</u>	<u>88,241</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	42,097	22,871
Cash and bank balances	52,961	65,370
	<u>95,058</u>	<u>88,241</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 2012 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2013

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----						Total RM'000
	Non-distributable				Distributable	Non- Controlling Interest RM'000	
	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 2013	80,000	6,677	(650)	544	64,814	403	151,788
Profit for the period	-	-	-	-	6,108	3	6,111
Other Comprehensive income	-	-	-	1,094	-	-	1,094
Total comprehensive income for the period	-	-	-	1,094	6,108	3	7,205
Balance as at 30 June 2013	80,000	6,677	(650)	1,638	70,922	406	158,993
Balance as at 1 January 2012	80,000	6,677	(650)	1,187	60,990	-	148,204
Profit for the period	-	-	-	-	4,438	-	4,438
Other Comprehensive income	-	-	-	(189)	-	-	(189)
Total comprehensive income for the period	-	-	-	(189)	4,438	-	4,249
Balance as at 30 June 2012	80,000	6,677	(650)	998	65,428	-	152,453

(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 2012 and the accompanying explanatory notes attached to the financial statements.)

Notes on the quarterly report – 30 June 2013

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 2012. 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 2012.

The Group has not early adopted the following new MFRSs, amendments to MFRSs and IC Interpretations, 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 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 (2011)	Employee Benefits	1 January 2013
MFRS 127 (2011)	Separate Financial Statements	1 January 2013
MFRS 128 (2011)	Investment in Associates and Joint Ventures	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statement (IAS 27 revised by IASB in December 2003)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	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 MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Notes on the quarterly report – 30 June 2013

Amendments to MFRSs contained in the documents entitled “Annual Improvements 2009-2011 Cycle”		1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10	Investment Entity	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9(2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The initial applications of the above applicable new MFRSs, amendments to MFRSs and IC Interpretations are 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 2012.

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.

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 2013 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2013	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2013	1,418,900	649,578

There were no additional repurchase of shares since 31 March 2013.

Notes on the quarterly report – 30 June 2013

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 2013 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	78,760	42,025	320	-	121,105
Inter-segment	28,632	15,425	-	(44,057)	-
Total revenue	107,392	57,450	320	(44,057)	121,105
Results					
Segment results	5,673	4,378	(168)	-	9,883
Interest income	805	330	54	(309)	880
Finance costs	(1,758)	(553)	-	309	(2,002)
Profit before taxation	4,720	4,155	(114)	-	8,761
Taxation	(1,141)	(1,506)	(3)	-	(2,650)
Net profit for the financial period	3,579	2,649	(117)	-	6,111
Assets					
Additions to non-current assets	1,051	301	-	-	1,352
Segment assets	160,424	167,156	91,454	(147,376)	271,658

(b) Geographical segments

Revenue by geographical location of customers:

	Group RM'000
Malaysia	99,403
Asia (other than Malaysia)	21,576
Europe	126
	121,105

Notes on the quarterly report – 30 June 2013

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.

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 2013.

Notes on the quarterly report – 30 June 2013

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

B1. Review of performance

The Group recorded revenue at RM54.8 million for the current quarter, a decreased of RM14.3 million as compared to RM69.1 million in the preceding year corresponding quarter, mainly due to slow down in trading activities in both processed paper products and disposable fibre-based products segment.

The Group recorded a lower profit before tax at RM3.3 million for the current quarter, a decreased of RM1.3 million as compared to RM4.6 million in the preceding year corresponding quarter, mainly due to decrease in profit contributed from both processed paper products and disposable fibre-based products segment as a result of lower revenue.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax decreased to RM3.3 million for the current quarter as compared to RM5.4 million in the immediate preceding quarter for the period ended 31 March 2013, mainly due to decrease in profit contributed from both processed paper products and disposable fibre-based products segment as a result of lower revenue.

B3. Prospects

Barring any unforeseen circumstances, the Group's products are expected to remain competitive in the operating environment. Moving forward, the Board expects the Group to achieve a satisfactory performance for the remaining quarter 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 30.06.2013 RM'000	Current year to date 30.06.2013 RM'000
Estimated tax payable:		
Current	1,128	2,650

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 – 30 June 2013

B6. 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 2013 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	18,634	137
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			-	25,863	137

Note:-

- 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.
- 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.

B7. 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	57,828	-	57,828
Term loans	1,388	33,470	34,858
Hire purchase	1,124	1,267	2,391
Total	60,340	34,737	95,077

B8. 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 2013

B9. Material litigation

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

B10. 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 2012 proposed on 24 April 2013 was approved by the shareholders at the Annual General Meeting on 27 June 2013 and will be paid on 15 August 2013.

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 30.06.2013 RM'000	6 months Ended 30.06.2012 RM'000	3 months Ended 30.06.2013 RM'000	6 months Ended 30.06.2012 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	2,188	6,108	3,269	4,438
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.38	2.06	3.85	2.80
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	
	30.06.2013 RM'000	30.06.2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	115,996	110,418
- Unrealised	4,238	3,924
	120,234	114,342
Less: Consolidation adjustments	(49,312)	(48,914)
Total group retained profits as per consolidated accounts	70,922	65,428

Notes on the quarterly report – 30 June 2013

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
Interest income	880	583
Interest expenses	2,002	1,873
Depreciation and amortization	2,847	2,497
Provision for and write off of receivables	45	60
Reversal of impairment on slow moving inventories	41	-
Reversal of impairment on trade receivables	8	40
Gain on disposal of property, plant and equipment	120	68
Gain on disposal of investment property	988	-
Gain on foreign exchange - Realised	135	105

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2013.