



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
3rd QUARTER ENDED 30 SEPTEMBER 2013

Condensed Consolidated Income Statement for the quarter ended 30 September 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 SEP 2013</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2012</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2013</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2012</u> RM'000
Revenue	57,900	59,441	179,005	188,538
Operating expenses	(56,208)	(56,713)	(169,204)	(179,544)
Other operating income	726	668	2,500	2,100
Profit from operations	<u>2,418</u>	<u>3,396</u>	<u>12,301</u>	<u>11,094</u>
Interest income	470	450	1,350	1,033
Finance costs	(955)	(800)	(2,957)	(2,673)
Profit before tax	<u>1,933</u>	<u>3,046</u>	<u>10,694</u>	<u>9,454</u>
Income tax expense	(890)	(970)	(3,540)	(2,940)
Profit for the period	<u><u>1,043</u></u>	<u><u>2,076</u></u>	<u><u>7,154</u></u>	<u><u>6,514</u></u>
Profit attributed to:				
Equity holders of the parent	1,044	2,076	7,152	6,514
Non-controlling Interests	<u>(1)</u>	<u>0</u>	<u>2</u>	<u>0</u>
	<u><u>1,043</u></u>	<u><u>2,076</u></u>	<u><u>7,154</u></u>	<u><u>6,514</u></u>
Earnings per share attributable to equity holders of the parent:				
EPS - Basic (sen)	<u>0.66</u>	<u>1.31</u>	<u>4.51</u>	<u>4.11</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 September 2013

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 SEP 2013 RM'000	Preceding Year Corresponding Quarter 30 SEP 2012 RM'000	Current Year To Date 30 SEP 2013 RM'000	Preceding Year Corresponding Period 30 SEP 2012 RM'000
Profit for the period	1,043	2,076	7,154	6,514
Other Comprehensive income				
- Foreign currency translation differences for foreign operations	736	(619)	1,830	(808)
Total comprehensive income for the period	<u>1,779</u>	<u>1,457</u>	<u>8,984</u>	<u>5,706</u>
Total comprehensive income attributable to:				
Equity holders of the parent	1,780	1,457	8,982	5,706
Non-controlling Interests	<u>(1)</u>	<u>0</u>	<u>2</u>	<u>0</u>
	<u>1,779</u>	<u>1,457</u>	<u>8,984</u>	<u>5,706</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 September 2013

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

	As At End Of Current Quarter 30 SEP 2013 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2012 RM'000
Non-Current Assets		
Property, plant and equipment	50,273	52,353
Investment property	18,456	18,631
Other investments	16,813	14
	<u>85,542</u>	<u>70,998</u>
Current Assets		
Non-current assets held for sales	-	1,511
Inventories	42,109	44,153
Trade receivables	42,655	47,639
Other receivables, deposits and prepayments	2,518	2,141
Tax recoverable	1,638	2,070
Fixed deposit with licensed banks	42,373	36,061
Cash and bank balances	44,585	45,365
	<u>175,878</u>	<u>178,940</u>
TOTAL ASSETS	<u>261,420</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	2,374	544
Retained profits	68,794	64,814
	<u>157,195</u>	<u>151,385</u>
Non-controlling interests	405	403
Total equity	<u>157,600</u>	<u>151,788</u>
Non-Current Liabilities		
Borrowings	34,115	16,075
Deferred taxation	3,391	3,391
	<u>37,506</u>	<u>19,466</u>
Current Liabilities		
Trade payables	5,977	7,803
Other payables	8,080	8,717
Amount owing to directors	149	198
Short term borrowings	51,118	60,229
Taxation	990	1,737
	<u>66,314</u>	<u>78,684</u>
Total Liabilities	<u>103,820</u>	<u>98,150</u>
TOTAL EQUITY AND LIABILITIES	<u>261,420</u>	<u>249,938</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)		
	<u>0.99</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 September 2013

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

	Cumulative Current Year 30 SEP 2013 RM'000	Cumulative Preceding Year 30 SEP 2012 RM'000
Cash flows from operating activities		
Profit before tax	10,694	9,454
Adjustments for:		
Bad debt written off	-	267
Depreciation of property, plant and equipment	4,319	3,749
Gain on disposal of investment property	(988)	-
Gain on disposal of property, plant and equipment	(126)	(55)
Impairment on trade receivables	45	184
Interest expense	2,957	2,673
Interest income	(1,350)	(1,033)
Property, plant and equipment written off	104	-
Reversal of impairment on slow moving inventories	(47)	-
Reversal of impairment on trade receivables	(9)	(52)
	<hr/>	<hr/>
Operating profit before working capital changes	15,599	15,187
(Increase)/Decrease in working capital:		
Inventories	2,091	(6,655)
Trade and other receivables	3,745	2,875
Trade and other payables	(2,463)	(12,052)
Amount owing to directors	(49)	(198)
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Cash generated from (used in) operations	18,923	(843)
Interest received	1,350	1,033
Interest paid	(2,957)	(2,673)
Income tax refunded	214	353
Income tax paid	(3,986)	(2,201)
	<hr/>	<hr/>
Net cash from (used in) operating activities	13,544	(4,331)
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	281	74
Purchase of property, plant and equipment	(1,301)	(946)
Acquisition of other investments	(16,799)	-
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Net cash used in investing activities	(15,269)	(872)

Condensed Consolidated Statement of Cash Flows as at 30 September 2013

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

	Cumulative Current Year 30 SEP 2013 RM'000	Cumulative Preceding Year 30 SEP 2012 RM'000
Cash flows from financing activities		
Dividend paid	(3,172)	(3,172)
Net drawdown of bank borrowings	8,599	17,600
Net cash from financing activities	<u>5,427</u>	<u>14,428</u>
Net increase in cash and cash equivalents	3,702	9,225
Effect of exchange rate fluctuations on cash held	1,830	(808)
Cash and cash equivalents at beginning of financial year	81,426	65,558
Cash and cash equivalents at end of financial period	<u>86,958</u>	<u>73,975</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	42,373	16,944
Cash and bank balances	44,585	57,031
	<u>86,958</u>	<u>73,975</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 September 2013

(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 2013	80,000	6,677	(650)	544	64,814	403	151,788	
Profit for the period	-	-	-	-	7,152	2	7,154	
Other Comprehensive income	-	-	-	1,830	-	-	1,830	
Total comprehensive income for the period	-	-	-	1,830	7,152	2	8,984	
Dividends	-	-	-	-	(3,172)	-	(3,172)	
Balance as at 30 September 2013	80,000	6,677	(650)	2,374	68,794	405	157,600	
Balance as at 1 January 2012	80,000	6,677	(650)	1,187	60,990	-	148,204	
Profit for the period	-	-	-	-	6,514	-	6,514	
Other Comprehensive income	-	-	-	(808)	-	-	(808)	
Total comprehensive income for the period	-	-	-	(808)	6,514	-	5,706	
Dividends	-	-	-	-	(3,172)	-	(3,172)	
Balance as at 30 September 2012	80,000	6,677	(650)	379	64,332	-	150,738	

(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 September 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 September 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 September 2013 are as follows:

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

There were no additional repurchase of shares since 1 July 2013.

Notes on the quarterly report – 30 September 2013

A7. Dividend Paid

A first and final single tier tax exempt dividend of 4% or 2.0 sen per share amounting to a total dividend of RM3,171,622 in respect of the financial year ended 31 December 2012 was approved by the Shareholders at the Annual General Meeting held on 27 June 2013 had been paid on 15 August 2013.

A8. Segment information

Details segmental analysis for the period ended 30 September 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	115,536	63,149	320	-	179,005
Inter-segment	43,278	21,575	-	(64,853)	-
Total revenue	<u>158,814</u>	<u>84,724</u>	<u>320</u>	<u>(64,853)</u>	<u>179,005</u>
Results					
Segment results	7,151	5,436	(8,080)	7,794	12,301
Interest income	1,219	558	77	(504)	1,350
Finance costs	(2,590)	(871)	-	504	(2,957)
Profit before taxation	5,780	5,123	(8,003)	7,794	10,694
Taxation	(1,386)	(2,149)	(5)	-	(3,450)
Net profit for the financial period	<u>4,394</u>	<u>2,974</u>	<u>(8,008)</u>	<u>-</u>	<u>7,154</u>
Assets					
Additions to non-current assets	1,113	518	-	-	1,631
Segment assets	<u>152,368</u>	<u>150,523</u>	<u>80,278</u>	<u>(121,749)</u>	<u>261,420</u>

(b) **Geographical segments**

Revenue by geographical location of customers:

	Group RM'000
Malaysia	145,782
Asia (other than Malaysia)	33,016
Europe	126
South America	81
	<u>179,005</u>

Notes on the quarterly report – 30 September 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 September 2013.

Notes on the quarterly report – 30 September 2013

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

B1. Review of performance

The Group recorded revenue at RM57.9 million for the current quarter, a decreased of RM1.5 million as compared to RM59.4 million in the preceding year corresponding quarter, mainly due to slow down in trading activities in disposable fibre-based products segment.

The Group recorded a lower profit before tax at RM1.9 million for the current quarter, a decreased of RM1.1 million as compared to RM3.0 million in the preceding year corresponding quarter, mainly due to decrease in profit contributed from disposable fibre-based products segment as a result of losses increased in foreign subsidiary.

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 RM3.3 million in the immediate preceding quarter for the period ended 30 June 2013, mainly due to decrease in profit contributed from disposable fibre-based products segment as a result of losses increased in foreign subsidiary.

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 30.09.2013 RM'000	Current year to date 30.09.2013 RM'000
Estimated tax payable:		
Current	890	3,540

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 September 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 September 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	18,771	-
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			-	26,000	-

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.

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	48,311	-	48,311
Term loans	1,850	33,005	34,855
Hire purchase	957	1,110	2,067
Total	51,118	34,115	85,233

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 September 2013

B9. Material litigation

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

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 30.09.2013 RM'000	3 months Ended 30.09.2012 RM'000	9 months Ended 30.09.2013 RM'000	9 months Ended 30.09.2012 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	1,043	2,076	7,154	6,514
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.66	1.31	4.51	4.11
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	
	30.09.2013 RM'000	30.09.2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	106,519	110,290
- Unrealised	4,238	3,924
	110,757	114,214
Less: Consolidation adjustments	(41,963)	(49,882)
Total group retained profits as per consolidated accounts	68,794	64,332

Notes on the quarterly report – 30 September 2013

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.09.2013	30.09.2012
	RM'000	RM'000
Interest income	1,350	1,033
Interest expenses	2,957	2,673
Depreciation and amortization	4,319	3,749
Provision for and write off of receivables	45	451
Reversal of impairment on slow moving inventories	47	-
Reversal of impairment on trade receivables	9	52
Property, plant and equipment written off	104	-
Gain on disposal of property, plant and equipment	126	55
Gain on disposal of investment property	988	-
Gain on foreign exchange - Realised	561	491

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 30 September 2013.