



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

**CONSOLIDATED FINANCIAL RESULTS AND NOTES**  
**2<sup>nd</sup> QUARTER ENDED 30 JUNE 2014**

**Condensed Consolidated Income Statement for the quarter ended 30 June 2014**

(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 2014</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 JUN 2013</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 JUN 2014</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 JUN 2013</u> RM'000
Revenue	56,477	54,850	114,552	121,105
Operating expenses	(55,201)	(51,536)	(110,328)	(112,996)
Other operating income	1,119	469	2,023	1,774
Profit from operations	<u>2,395</u>	<u>3,783</u>	<u>6,247</u>	<u>9,883</u>
Interest income	669	484	1,224	880
Finance costs	(1,067)	(950)	(2,061)	(2,002)
Profit before tax	<u>1,997</u>	<u>3,317</u>	<u>5,410</u>	<u>8,761</u>
Income tax expense	(630)	(1,128)	(1,667)	(2,650)
Profit for the period	<u><u>1,367</u></u>	<u><u>2,189</u></u>	<u><u>3,743</u></u>	<u><u>6,111</u></u>
Profit attributed to:				
Equity holders of the parent	1,366	2,188	3,742	6,108
Non-controlling Interests	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>
	<u><u>1,367</u></u>	<u><u>2,189</u></u>	<u><u>3,743</u></u>	<u><u>6,111</u></u>
Earnings per share attributable to equity holders of the parent:				
EPS - Basic (sen)	<u>0.86</u>	<u>1.38</u>	<u>2.36</u>	<u>3.85</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 2013 and the accompanying explanatory notes attached to the interim financial statements)

**Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2014**

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>Current year Quarter 30 JUN 2014 RM'000</b>	<b>Preceding Year Corresponding Quarter 30 JUN 2013 RM'000</b>	<b>Current Year To Date 30 JUN 2014 RM'000</b>	<b>Preceding Year Corresponding Period 30 JUN 2013 RM'000</b>
Profit for the period	1,367	2,189	3,743	6,111
Other Comprehensive income				
- Foreign currency translation differences for foreign operations	(413)	688	(333)	1,094
Total comprehensive income for the period	<u>954</u>	<u>2,877</u>	<u>3,410</u>	<u>7,205</u>
Total comprehensive income attributable to:				
Equity holders of the parent	953	2,876	3,409	7,202
Non-controlling Interests	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>
	<u>954</u>	<u>2,877</u>	<u>3,410</u>	<u>7,205</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 2013 and the accompanying explanatory notes attached to the interim financial statements)

**Condensed Consolidated Statement of Financial Position as at 30 June 2014**

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

	<b>As At End Of Current Quarter 30 JUN 2014 RM'000</b>	<b>(Audited) Preceding Financial Year-Ended 31 DEC 2013 RM'000</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	47,053	49,292
Other investments	16,812	16,812
	<u>63,865</u>	<u>66,104</u>
<b>Current Assets</b>		
Non-current assets held for sales	2,247	18,417
Inventories	41,948	42,521
Trade receivables	38,569	49,371
Other receivables, deposits and prepayments	4,528	3,022
Tax recoverable	910	1,910
Fixed deposits with licensed banks	41,404	47,937
Cash and bank balances	63,961	45,686
	<u>193,567</u>	<u>208,864</u>
<b>TOTAL ASSETS</b>	<u>257,432</u>	<u>274,968</u>
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Exchange translation reserve	2,125	2,458
Retained profits	74,539	70,797
	<u>162,691</u>	<u>159,282</u>
Non-controlling interests	406	405
<b>Total equity</b>	<u>163,097</u>	<u>159,687</u>
<b>Non-Current Liabilities</b>		
Borrowings	20,589	33,211
Deferred taxation	3,242	3,243
	<u>23,831</u>	<u>36,454</u>
<b>Current Liabilities</b>		
Trade payables	4,677	5,925
Other payables	10,022	8,588
Amount owing to directors	297	198
Short term borrowings	54,527	62,721
Taxation	981	1,395
	<u>70,504</u>	<u>78,827</u>
<b>Total Liabilities</b>	<u>94,335</u>	<u>115,281</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>257,432</u>	<u>274,968</u>
<b>Net Asset per share attributable to ordinary equity holders of the parent (RM)</b>	<u>1.03</u>	<u>1.00</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 2013 and the accompanying explanatory notes attached to the interim financial statements).

**Condensed Consolidated Statement of Cash Flows as at 30 June 2014**

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

	<b>Cumulative Current Year 30 JUN 2014 RM'000</b>	<b>Cumulative Preceding Year 30 JUN 2013 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	5,410	8,761
Adjustments for:		
Depreciation of property, plant and equipment	2,627	2,847
Gain on disposal of investment property	-	(988)
Gain on disposal of property, plant and equipment	(16)	(120)
Impairment on inventories	6	-
Impairment on trade receivables	-	45
Interest expense	2,061	2,002
Interest income	(1,224)	(880)
Property, plant and equipment written off	1	-
Reversal of impairment on slow moving inventories	-	(41)
Reversal of impairment on trade receivables	(180)	(8)
Operating profit before working capital changes	<u>8,685</u>	<u>11,618</u>
(Increase)/Decrease in working capital:		
Inventories	567	(1,152)
Trade and other receivables	9,476	4,802
Trade and other payables	784	(3,991)
Amount owing to directors	99	99
Cash generated from operations	<u>19,611</u>	<u>11,376</u>
Interest received	1,224	880
Interest paid	(2,061)	(2,002)
Income tax refunded	-	122
Income tax paid	(1,807)	(1,267)
<b>Net cash from operating activities</b>	<u>16,967</u>	<u>9,109</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of non-current assets held for sales	16,170	2,550
Proceeds from disposal of property, plant and equipment	16	257
Purchase of property, plant and equipment	(262)	(1,022)
Acquisition of other investments	-	(16,799)
<b>Net cash from (used in) investing activities</b>	<u>15,924</u>	<u>(15,014)</u>

**Condensed Consolidated Statement of Cash Flows as at 30 June 2014**

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

	<b>Cumulative Current Year 30 JUN 2014 RM'000</b>	<b>Cumulative Preceding Year 30 JUN 2013 RM'000</b>
<b>Cash flows from financing activities</b>		
Net (repayment)/drawdown of bank borrowings	(20,816)	18,443
<b>Net cash (used in) from financing activities</b>	<u>(20,816)</u>	<u>18,443</u>
Net increase in cash and cash equivalents	12,075	12,538
Effect of exchange rate fluctuations on cash held	(333)	1,094
Cash and cash equivalents at beginning of financial year	93,623	81,426
Cash and cash equivalents at end of financial period	<u><b>105,365</b></u>	<u><b>95,058</b></u>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits with licensed banks	41,404	42,097
Cash and bank balances	63,961	52,961
	<u><b>105,365</b></u>	<u><b>95,058</b></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 2013 and the accompanying explanatory notes attached to the interim financial statements.)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2014

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----						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	Non- Controlling Interest RM'000	
<b>Balance as at 1 January 2014</b>	80,000	6,677	(650)	2,458	70,797	405	159,687
Profit for the period	-	-	-	-	3,742	1	3,743
Other Comprehensive income	-	-	-	(333)	-	-	(333)
Total comprehensive income for the period	-	-	-	(333)	3,742	1	3,410
<b>Balance as at 30 June 2014</b>	<b>80,000</b>	<b>6,677</b>	<b>(650)</b>	<b>2,125</b>	<b>74,539</b>	<b>406</b>	<b>163,097</b>
<b>Balance as at 1 January 2013</b>	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
<b>Balance as at 30 June 2013</b>	<b>80,000</b>	<b>6,677</b>	<b>(650)</b>	<b>1,638</b>	<b>70,922</b>	<b>406</b>	<b>158,993</b>

(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 2013 and the accompanying explanatory notes attached to the financial statements.)

**Notes on the quarterly report – 30 June 2014**

**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 2013. 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 2013.

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>
MFRS 11	Joint Arrangements	1 January 2013
MFRS 128 (2011)	Investment in Associates and Joint Ventures	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 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 2013.



**Notes on the quarterly report – 30 June 2014**

**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 2014 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2014	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2014	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2014.

**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 2014 are as follows:

**(a) Geographical segments**

Revenue by geographical location of customers:

	Group
	RM'000
Malaysia	90,963
Asia (other than Malaysia)	23,589
	<u>114,552</u>

Notes on the quarterly report – 30 June 2014

(b) **Business segment**

	<b>Processed papers products RM'000</b>	<b>Disposable fibre-based products RM'000</b>	<b>Investment holding and others RM'000</b>	<b>Adjustments and elimination RM'000</b>	<b>Per consolidated financial statements RM'000</b>
<b>Revenue</b>					
External customer	69,559	44,993	-	-	114,552
Inter-segment	25,040	14,347	-	(39,387)	-
<b>Total revenue</b>	<b>94,599</b>	<b>59,340</b>	<b>-</b>	<b>(39,387)</b>	<b>114,552</b>
<b>Results</b>					
Segment results	3,214	3,197	(1,498)	1,334	6,247
Interest income	905	650	52	(383)	1,224
Finance costs	(1,773)	(671)	-	383	(2,061)
Profit (loss) before taxation	2,346	3,176	(1,446)	1,334	5,410
Taxation	(553)	(1,113)	(1)	-	(1,667)
<b>Net profit (loss) for the financial period</b>	<b>1,793</b>	<b>2,063</b>	<b>(1,447)</b>	<b>1,334</b>	<b>3,743</b>
<b>Assets</b>					
Additions to non-current assets	26	236	-	-	262
<b>Segment assets</b>	<b>138,393</b>	<b>154,585</b>	<b>90,816</b>	<b>(126,362)</b>	<b>257,432</b>

**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 2014.

**Notes on the quarterly report – 30 June 2014**

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

**B1. Review of performance**

The Group recorded revenue at RM56.5 million for the current quarter, an increased of RM1.6 million as compared to RM54.9 million in the preceding year corresponding quarter, mainly due to improved trading activities in the disposable fibre-based products segment.

The Group recorded a lower profit before tax of approximately RM2.0 million for the current quarter, a decreased of RM1.3 million as compared to RM3.3 million in the preceding year corresponding quarter, mainly due to the increase of operating cost in both processed paper products and disposable fibre-based products segment.

**B2. Variation of results against immediate preceding quarter**

The Group's profit before tax decreased to approximately RM2.0 million for the current quarter as compared to RM3.4 million in the immediate preceding quarter for the period ended 31 March 2014, mainly due to decrease in profit contributed from 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 30.06.2014 RM'000	Current year to date 30.06.2014 RM'000
Estimated tax payable:		
Current	630	1,667

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.

**B6. Status of corporate proposal**

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

**Notes on the quarterly report – 30 June 2014**

**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	53,747	-	53,747
Term loans	-	20,000	20,000
Hire purchase	780	589	1,369
<b>Total</b>	<b>54,527</b>	<b>20,589</b>	<b>75,116</b>

**B8. Off balance sheet financial instrument**

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

**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 5% or 2.5 sen per share in respect of the financial year ended 31 December 2013 proposed on 23 April 2014 was approved by the shareholders at the Annual General Meeting on 25 June 2014 and will be paid on 13 August 2014.

**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 30.06.2014 RM'000	3 months Ended 30.06.2013 RM'000	6 months Ended 30.06.2014 RM'000	6 months Ended 30.06.2013 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	1,366	2,188	3,742	6,108
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.86	1.38	2.36	3.85
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 – 30 June 2014**

**B12. Disclosure of Realised and Unrealised Profits (Unaudited)**

	Quarter Ended	
	30.06.2014	30.06.2013
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	109,105	115,996
- Unrealised	3,242	4,238
	<u>112,347</u>	<u>120,234</u>
Less: Consolidation adjustments	(37,808)	(49,312)
Total group retained profits as per consolidated accounts	<u>74,539</u>	<u>70,922</u>

**B13. Notes to the Statement of Comprehensive Income**

	Quarter Ended	
	30.06.2014	36.06.2013
	RM'000	RM'000
Interest income	1,224	880
Interest expense	2,061	2,002
Depreciation and amortization	2,627	2,847
Impairment on inventories	6	-
Provision for and write off of receivables	-	45
Reversal of impairment on slow moving inventories	-	41
Reversal of impairment on trade receivables	180	8
Property, plant and equipment written off	1	-
Gain on disposal of investment property	-	988
Gain on disposal of property, plant and equipment	16	120
Gain on foreign exchange - Realised	305	135

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 June 2014.