



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
3rd QUARTER ENDED 30 SEPTEMBER 2014

Condensed Consolidated Income Statement for the quarter ended 30 September 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 SEP 2014</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2013</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2014</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2013</u> RM'000
Continuing operations				
Revenue	64,112	57,606	177,925	177,734
Operating expenses	(62,993)	(54,305)	(170,916)	(164,438)
Other operating income	7,273	726	8,961	2,500
Profit from operations	8,392	4,027	15,970	15,796
Interest income	612	470	1,779	1,327
Finance costs	(946)	(955)	(3,007)	(2,957)
Profit before tax	8,058	3,542	14,742	14,166
Income tax expense	(2,805)	(890)	(4,472)	(3,540)
Profit from continuing operations	5,253	2,652	10,270	10,626
Discontinued operations				
Loss from discontinued operations	(2,909)	(1,609)	(4,183)	(3,472)
Profit for the period	2,344	1,043	6,087	7,154
Profit attributed to:				
Equity holders of the parent	2,344	1,044	6,087	7,152
Non-controlling Interests	0	(1)	0	2
	2,344	1,043	6,087	7,154
Earnings per share attributable to equity holders of the parent:				
Basic (sen) - Continuing operations	3.31	1.67	6.48	6.70
Basic (sen) - Discontinued operations	(1.83)	(1.01)	(2.64)	(2.19)
Total	1.48	0.66	3.84	4.51
- Diluted (sen)	N/A	N/A	N/A	N/A

(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 September 2014

(The figures presented here have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 SEP 2014 RM'000	Preceding Year Corresponding Quarter 30 SEP 2013 RM'000	Current Year To Date 30 SEP 2014 RM'000	Preceding Year Corresponding Period 30 SEP 2013 RM'000
Profit for the period	2,344	1,043	6,087	7,154
Other Comprehensive income				
- Foreign currency translation differences for foreign operations	439	736	106	1,830
Total comprehensive income for the period	<u>2,783</u>	<u>1,779</u>	<u>6,193</u>	<u>8,984</u>
Total comprehensive income attributable to:				
Equity holders of the parent	2,783	1,780	6,193	8,982
Non-controlling Interests	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>2</u>
	<u>2,783</u>	<u>1,779</u>	<u>6,193</u>	<u>8,984</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 September 2014

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

	As At End Of Current Quarter 30 SEP 2014 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2013 RM'000
Non-Current Assets		
Property, plant and equipment	43,772	42,769
Other investments	16,848	16,812
	<u>60,620</u>	<u>59,581</u>
Current Assets		
Non-current assets held for sales	-	18,417
Assets of discontinued operations	13,849	18,984
Inventories	46,867	39,743
Trade receivables	42,520	49,243
Other receivables, deposits and prepayments	3,922	2,872
Tax recoverable	-	22
Fixed deposits with licensed banks	44,702	43,041
Cash and bank balances	43,680	43,065
	<u>195,540</u>	<u>215,387</u>
TOTAL ASSETS	<u>256,160</u>	<u>274,968</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	2,564	2,458
Retained profits	73,004	70,797
	<u>161,595</u>	<u>159,282</u>
Non-controlling interests	-	405
Total equity	<u>161,595</u>	<u>159,687</u>
Non-Current Liabilities		
Borrowings	18,953	33,211
Deferred taxation	3,242	3,243
	<u>22,195</u>	<u>36,454</u>
Current Liabilities		
Liabilities of discontinued operations	11	662
Trade payables	2,598	5,813
Other payables	6,811	8,038
Amount owing to directors	149	198
Short term borrowings	58,875	62,721
Taxation	3,926	1,395
	<u>72,370</u>	<u>78,827</u>
Total Liabilities	<u>94,565</u>	<u>115,281</u>
TOTAL EQUITY AND LIABILITIES	<u>256,160</u>	<u>274,968</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.02</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 September 2014

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

	Cumulative Current Year 30 SEP 2014 RM'000	Cumulative Preceding Year 30 SEP 2013 RM'000
Cash flows from operating activities		
Profit before tax		
- Continuing operations	14,742	14,166
- Discontinued operations	(4,183)	(3,472)
Adjustments for:		
Bad debt written off	6	-
Depreciation of property, plant and equipment	3,855	4,319
Gain on disposal of investment property	(6,583)	(988)
Loss (Gain) on disposal of property, plant and equipment	1,951	(126)
Impairment on inventories	6	-
Impairment on trade receivables	653	45
Interest expense	3,007	2,957
Interest income	(1,836)	(1,350)
Property, plant and equipment written off	1	104
Reversal of impairment on slow moving inventories	-	(47)
Reversal of impairment on trade receivables	(186)	(9)
	<hr/>	<hr/>
Operating profit before working capital changes	11,433	15,599
(Increase)/Decrease in working capital:		
Inventories	(4,352)	2,091
Trade and other receivables	4,297	3,745
Trade and other payables	(4,658)	(2,463)
Amount owing to directors	(49)	(49)
	<hr/>	<hr/>
Cash generated from operations	6,671	18,923
Interest received	1,836	1,350
Interest paid	(3,007)	(2,957)
Income tax refunded	-	214
Income tax paid	(3,894)	(3,986)
	<hr/>	<hr/>
Net cash from operating activities	1,606	13,544
Cash flows from investing activities		
Proceeds from disposal of non-current assets held for sales	25,000	2,550
Proceeds from disposal of property, plant and equipment	3,923	281
Purchase of property, plant and equipment	(1,234)	(1,301)
Acquisition of interests from non-controlling interest	(320)	-
Acquisition of other investments	-	(16,799)
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Net cash from (used in) investing activities	27,369	(15,269)

Condensed Consolidated Statement of Cash Flows as at 30 September 2014

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

	Cumulative Current Year 30 SEP 2014 RM'000	Cumulative Preceding Year 30 SEP 2013 RM'000
Cash flows from financing activities		
Dividend paid	(3,965)	(3,172)
Net (repayment)/drawdown of bank borrowings	(18,704)	8,599
Net cash (used in) from financing activities	<u>(22,669)</u>	<u>5,427</u>
Net increase in cash and cash equivalents	6,306	3,702
Effect of exchange rate fluctuations on cash held	106	1,830
Cash and cash equivalents at beginning of financial year	93,623	81,426
Cash and cash equivalents at end of financial period	<u>100,035</u>	<u>86,958</u>
Cash and cash equivalents comprise:		
Continuing operations		
Fixed deposits with licensed banks	44,702	42,373
Cash and bank balances	<u>43,680</u>	<u>35,949</u>
	<u>88,382</u>	<u>78,322</u>
Discontinued operations		
Fixed deposits with licensed banks	-	-
Cash & bank balances	<u>11,653</u>	<u>8,636</u>
	<u>11,653</u>	<u>8,636</u>
	<u>100,035</u>	<u>86,958</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 September 2014

(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 2014	80,000	6,677	(650)	2,458	70,797	405	159,687	
Profit for the period	-	-	-	-	6,087	-	6,087	
Other Comprehensive income	-	-	-	106	-	-	106	
Total comprehensive income for the period	-	-	-	106	6,087	-	6,193	
Dividends	-	-	-	-	(3,965)	-	(3,965)	
Acquisition on additional interest in a subsidiary from non-controlling interests	-	-	-	-	85	(405)	(320)	
Balance as at 30 September 2014	80,000	6,677	(650)	2,564	73,004	-	161,595	
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	

(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 September 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 September 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 September 2014 are as follows:

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

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

A7. Dividend Paid

A first and final single tier tax exempt dividend of 5% or 2.5 sen per share amounting to a total dividend of RM3,964,527.59 in respect of the financial year ended 31 December 2013 was approved by the Shareholders at the Annual General Meeting held on 25 June 2014 had been paid on 13 August 2014.

A8. Segment information

Details segmental analysis for the period ended 30 September 2014 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

	Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Malaysia	145,000	-	145,000
Asia (other than Malaysia)	32,842	1,839	34,681
South America	83	-	83
	<u>177,925</u>	<u>1,839</u>	<u>179,764</u>

Notes on the quarterly report – 30 September 2014

(b) **Business segment**

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Revenue							
External customer	115,935	61,990	-	-	177,925	1,839	179,764
Inter-segment	47,645	21,676	-	(69,321)	-	-	-
Total revenue	163,580	83,666	-	(69,321)	177,925	1,839	179,764
Results							
Segment results	10,618	5,708	(4,568)	4,212	15,970	(4,240)	11,730
Interest income	1,352	906	107	(586)	1,779	57	1,836
Finance costs	(2,612)	(981)	-	586	(3,007)	-	(3,007)
Profit (loss) before taxation	9,358	5,633	(4,461)	4,212	14,742	(4,183)	10,559
Taxation	(3,066)	(1,409)	3	-	(4,472)	-	(4,472)
Net profit (loss) for the financial period	6,292	4,224	(4,458)	4,212	10,270	(4,183)	6,087
Assets							
Additions to non-current assets	480	1,358	-	-	1,838	-	1,838
Segment assets	149,326	132,089	83,908	(123,012)	242,311	13,849	256,160

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 2014.

Notes on the quarterly report – 30 September 2014

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

B1. Review of performance

Continuing operations

The Group recorded revenue at RM64.1 million for the current quarter, an increased of RM6.5 million as compared to RM57.6 million in the preceding year corresponding quarter, mainly due to improved trading activities in the processed paper products segment.

The Group recorded a higher profit before tax of approximately RM8.0 million for the current quarter, an increased of RM4.5 million as compared to RM3.5 million in the preceding year corresponding quarter, mainly due to the recognition of gain on disposal of investment property in processed paper products segment.

Discontinued operations

The Group recorded a higher loss from the discontinued operations of RM2.9 million for the current quarter, an increased of RM1.3 million as compared to RM1.6 million in the preceding year corresponding quarter, mainly due to loss on disposal of plant and equipment.

B2. Variation of results against immediate preceding quarter

Continuing operations

The Group's profit before tax increased to approximately RM8.0 million for the current quarter as compared to RM2.6 million in the immediate preceding quarter for the period ended 30 June 2014, mainly due to the recognition of gain on disposal of investment property in processed paper products segment.

Discontinued operations

The Group recorded a higher loss from the discontinued operations of RM2.9 million for the current quarter, an increased of RM2.3 million as compared to RM0.6 million in the immediate preceding quarter for the period ended 30 June 2014, mainly due to loss on disposal of plant and equipment.

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.

Notes on the quarterly report – 30 September 2014

B5. Tax expense

	Current quarter ended 30.09.2014 RM'000	Current year to date 30.09.2014 RM'000
Estimated tax payable:		
Current	2,805	4,472

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.

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	56,096	-	56,096
Term loans	1,877	18,124	20,001
Hire purchase	902	829	1,731
Total	58,875	18,953	77,828

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

There was no dividend declared by the Company during the current quarter under review.

Notes on the quarterly report – 30 September 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 30.09.2014 RM'000	3 months Ended 30.09.2013 RM'000	9 months Ended 30.09.2014 RM'000	9 months Ended 30.09.2013 RM'000
a) Profit attributable to equity holders of the parent (RM'000)				
- Continuing operations	5,253	2,652	10,270	10,626
- discontinued operations	(2,909)	(1,609)	(4,183)	(3,472)
	<u>2,344</u>	<u>1,043</u>	<u>6,087</u>	<u>7,154</u>
b) Weighted average number of ordinary shares ('000):	<u>158,581</u>	<u>158,581</u>	<u>158,581</u>	<u>158,581</u>
c) Earnings per ordinary share (sen):				
i) Basic				
- Continuing operations	3.31	1.67	6.48	6.70
- discontinued operations	(1.83)	(1.01)	(2.64)	(2.19)
Total	<u>1.48</u>	<u>0.66</u>	<u>3.84</u>	<u>4.51</u>
ii) Diluted	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>

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	
	30.09.2014 RM'000	30.09.2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	105,152	106,519
- Unrealised	3,242	4,238
	<u>108,394</u>	<u>110,757</u>
Less: Consolidation adjustments	(35,390)	(41,963)
Total group retained profits as per consolidated accounts	<u>73,004</u>	<u>68,794</u>

Notes on the quarterly report – 30 September 2014

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
Interest income	1,836	1,350
Interest expense	3,007	2,957
Bad debt written off	6	-
Depreciation and amortization	3,855	4,319
Impairment on inventories	6	-
Impairment on trade receivables	653	45
Reversal of impairment on slow moving inventories	-	(47)
Reversal of impairment on trade receivables	(186)	(9)
Property, plant and equipment written off	1	104
Gain on disposal of investment property	6,583	988
(Loss) or Gain on disposal of property, plant and equipment	(1,951)	126
Gain on foreign exchange - Realised	898	561

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 2014.