



WANG-ZHENG BERHAD
[Registration No.: 200301009817 (612237-K)]
(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2023

Condensed Consolidated Income Statement for the quarter ended 30 June 2023

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current year</u> <u>Quarter</u> <u>30 Jun 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2022</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2023</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2022</u> RM'000
Revenue	68,427	70,819	143,535	136,033
Cost of sales	(61,433)	(61,413)	(127,050)	(119,510)
Gross profit	6,994	9,406	16,485	16,523
Other income	666	1,297	1,007	2,093
Marketing and distribution expenses	(2,831)	(2,563)	(5,834)	(4,867)
Administration expenses	(3,450)	(3,512)	(6,887)	(6,969)
Operating Profit	1,379	4,628	4,771	6,780
Interest income	1,099	633	2,007	1,301
Finance costs	(640)	(490)	(1,331)	(1,044)
Profit before tax	1,838	4,771	5,447	7,037
Income tax expense	(598)	(1,228)	(1,576)	(1,900)
Profit for the period	1,240	3,543	3,871	5,137
Profit attributed to:				
Equity holders of the parent	1,240	3,543	3,871	5,137
	1,240	3,543	3,871	5,137
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.78	2.23	2.44	3.24
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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2023

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Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2023

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 Jun 2023 RM'000	Preceding Year Corresponding Quarter 30 Jun 2022 RM'000	Current Year To Date 30 Jun 2023 RM'000	Preceding Year Corresponding Period 30 Jun 2022 RM'000
Profit for the period	1,240	3,543	3,871	5,137
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>1,240</u>	<u>3,543</u>	<u>3,871</u>	<u>5,137</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>1,240</u>	<u>3,543</u>	<u>3,871</u>	<u>5,137</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2023

Condensed Consolidated Statement of Financial Position as at 30 June 2023

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

	As At End Of Current Quarter 30 Jun 2023 RM'000	Preceding Financial Year-Ended 31 Dec 2022 RM'000
Non-Current Assets		
Property, plant and equipment	16,143	16,761
Investment properties	6,285	6,339
Right-of-use assets	21,939	22,540
Other assets	20	20
Deferred tax assets	1,199	1,199
Other receivables, deposits and prepayments	1,317	780
	<u>46,903</u>	<u>47,639</u>
Current Assets		
Inventories	60,726	57,163
Trade receivables	57,987	51,693
Other receivables, deposits and prepayments	1,139	1,207
Tax recoverable	3,053	2,951
Fixed deposits with licensed banks	57,700	57,700
Cash and bank balances	66,639	52,654
	<u>247,244</u>	<u>223,368</u>
TOTAL ASSETS	<u>294,147</u>	<u>271,007</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	115,070	113,578
Total equity	<u>201,097</u>	<u>199,605</u>
Non-Current Liabilities		
Lease liabilities	1,731	1,874
Borrowings	807	1,480
Deferred taxation	1,710	1,710
	<u>4,248</u>	<u>5,064</u>
Current Liabilities		
Trade payables	4,897	7,187
Other payables	5,079	5,568
Short term lease liabilities	685	975
Short term borrowings	77,929	51,015
Tax payable	212	171
Provision	-	788
Contract liabilities	-	634
	<u>88,802</u>	<u>66,338</u>
Total Liabilities	<u>93,050</u>	<u>71,402</u>
TOTAL EQUITY AND LIABILITIES	<u>294,147</u>	<u>271,007</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.27</u>	<u>1.26</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2023

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

	Cumulative Current Year 30 Jun 2023 RM'000	Cumulative Preceding Year 30 Jun 2022 RM'000
Cash flows from operating activities		
Profit before tax	5,447	7,037
Adjustments for:		
Bad debt recovered	(15)	-
Depreciation of property, plant and equipment	1,462	1,264
Depreciation of investment properties	54	54
Depreciation of right-of-use assets	659	603
Gain on disposal of property, plant and equipment	(58)	(41)
Impairment on trade receivables	-	51
Interest expense	1,331	1,044
Interest income	(2,007)	(1,301)
Reversal of inventory written down in value	-	(59)
Reversal of impairment loss on trade receivables	(111)	(172)
Unrealised loss on foreign exchange	9	110
Operating profit before working capital changes	<u>6,771</u>	<u>8,590</u>
Changes in working capital:		
Inventories	(3,563)	(10,172)
Trade and other receivables	(6,647)	(6,352)
Trade and other payables	(4,201)	(116)
Cash used in operations	<u>(7,640)</u>	<u>(8,050)</u>
Interest received	2,007	1,163
Interest paid	(1,331)	(1,044)
Income tax refunded	-	256
Income tax paid	(1,635)	(1,772)
Net cash used in operating activities	<u>(8,599)</u>	<u>(9,447)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	58	41
Purchase of property, plant and equipment	(844)	(915)
Net cash used in from investing activities	<u>(786)</u>	<u>(874)</u>

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2023

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

	Cumulative Current Year 30 Jun 2023 RM'000	Cumulative Preceding Year 30 Jun 2022 RM'000
Cash flows from financing activities		
Dividend paid	(2,379)	(3,172)
Repayment of lease liabilities	(492)	(493)
Repayment of bank borrowings	(64,990)	(75,740)
Drawdown of bank borrowings	91,231	75,786
Net cash generated from (used in) financing activities	23,370	(3,619)
Net increase (decrease) in cash and cash equivalents	13,985	(13,940)
Cash and cash equivalents at beginning of financial year	110,354	123,927
Cash and cash equivalents at end of financial period	124,339	109,987
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	57,700	-
Cash and bank balances	66,639	109,987
	124,339	109,987

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements)

WANG-ZHENG BERHAD

[Registration No. 200301009817 (612237-K)]

**Quarterly report on consolidated results for the second financial quarter ended 30 June 2023****Page 6****Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2023**

(The figures presented here have not been audited)

	Attributable to Equity Holders of the Parent			Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Retained Profit RM'000	
Balance as at 1 January 2023	86,677	(650)	113,578	199,605
Profit for the period	-	-	3,871	3,871
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	3,871	3,871
Dividends	-	-	(2,379)	(2,379)
Balance as at 30 June 2023	86,677	(650)	115,070	201,097
Balance as at 1 January 2022	86,677	(650)	110,247	196,274
Profit for the period	-	-	5,137	5,137
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,137	5,137
Dividends	-	-	(3,172)	(3,172)
Balance as at 30 June 2022	86,677	(650)	112,212	198,239

(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 2022 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2023

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 Malaysian Financial Reporting Standards (“MFRS”) 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 2022. 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 since the year ended 31 December 2022.

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 2022.

The Group and the Company have not early adopted the following new MFRSs, new interpretation and amendments to MFRSs, 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 and the Company as stated below:

		Effective date for financial periods beginning on or after
Amendments to MFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024

The Group and the Company intend to adopt the above new MFRSs, new Interpretations and amendments to MFRSs when they become effective. The initial application of the above MFRSs will not have any significant impact on the financial statements.

A2. Qualification of annual financial statements

There was no qualification on the annual audited financial statements of the Group for the year ended 31 December 2022.

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.

Notes on the quarterly report – 30 June 2023

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in the current quarter under review.

A6. Issuances and repayment of debt and equity securities

There has 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 2023 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2023	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2023	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2023.

A7. Dividend paid

A First and Final Single Tier Dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2022 proposed on 13 April 2023 was approved by the shareholders during the Annual General Meeting on 25 May 2023 and had been paid on 15 June 2023.

A8. Segment information

Details segmental analysis for the period ended 30 June 2023 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	136,007
Asia (other than Malaysia)	7,113
Africa (Mauritius)	415
Total	<u>143,535</u>

Notes on the quarterly report – 30 June 2023

A8. Segment information-continued

(b) Business segments

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidation RM'000
Revenue					
External customer	106,071	37,464	-	-	143,535
Inter-segment	49,880	18,857	-	(68,737)	-
Total revenue	155,951	56,321	-	(68,737)	143,535
Results					
Segment results	3,555	1,216	(320)	320	4,771
Interest income	1,180	548	501	(222)	2,007
Finance costs	(1,422)	(131)	-	222	(1,331)
Profit before taxation	3,313	1,633	181	320	5,447
Taxation	(790)	(706)	(80)	-	(1,576)
Net profit for the financial period	2,523	927	101	320	3,871
Assets					
Additions to non-current assets	21	820	3	-	844
Segment assets	174,496	113,974	86,857	(81,180)	294,147

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. Acquisitions and Disposals of Property, Plant and Equipment

There were no major acquisitions and disposal of property, plant and equipment during the quarter under review.

A11. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

Notes on the quarterly report – 30 June 2023

A13. 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.

A14. Capital commitments

Capital commitments for the purchase of property, plant and equipment in the interim financial statements as at 30 June 2023 are as below:

Authorised and contracted for:

- Property, plant and equipment

RM3,894,866

Notes on the quarterly report – 30 June 2023

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Corresponding Quarter 30.06.2022 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2023 RM'000	Preceding Year Corresponding Period 30.06.2022 RM'000	Changes (RM'000 / %)
Revenue	68,427	70,819	(2,392) / (3.4%)	143,535	136,033	7,502 / 5.5%
Operating Profit	1,379	4,628	(3,249) / (70.2%)	4,771	6,780	(2,009) / (29.6%)
Profit Before Tax	1,838	4,771	(2,933) / (61.5%)	5,447	7,037	(1,590) / (22.6%)
Profit After Tax	1,240	3,543	(2,303) / (65.0%)	3,871	5,137	(1,266) / (24.6%)
Profit Attributable to Ordinary Equity Holders of the Parent	1,240	3,543	(2,303) / (65.0%)	3,871	5,137	(1,266) / (24.6%)

The Group recorded revenue of RM68.4 million for the current quarter, a decrease of approximately RM2.4 million as compared to RM70.8 million in the preceding year's corresponding quarter mainly due to decrease sales in disposable fibre-based products.

The Group recorded a profit before tax of RM1.8 million for the current quarter under review, a substantial decrease of RM2.9 million as compared to profit before tax of RM4.7 million in the preceding year corresponding quarter mainly attributed to decrease sales in disposable fibre-based products and higher cost of sales.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000	Changes (Amount / %) RM'000 / %
Revenue	68,427	75,109	(6,682) / (8.9%)
Operating Profit	1,379	3,391	(2,012) / (59.3%)
Profit Before Tax	1,838	3,608	(1,770) / (49.1%)
Profit After Tax	1,240	2,630	(1,390) / (52.9%)
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,240	2,630	(1,390) / (52.9%)

The Group recorded profit before tax of RM1.8 million for the current quarter as compared to profit before tax of RM3.6 million in the immediate preceding quarter for the period ended 31 March 2023 mainly due to a substantial decrease in sales in fibre-based products.

Notes on the quarterly report – 30 June 2023

B3. Prospects

The Group's business operations environment has been deeply affected by global inflation by uncertainties in commodity prices and currency exchange rates. The global inflationary pressure remains a concern. Amidst these challenges, the Directors of the Company continue to emphasize sustainable management of resources, implement cost control measures and optimize the operational processes to improve efficiency and reduce expenses on the Group's business and financial performance.

Despite facing a highly challenging global economic outlook, the Group will continuously seek market opportunities in the domestic markets by improving its product presence in the market, to expand its customer base and achieve satisfactory results for the remaining quarters 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 30.06.2023 RM'000	Current year to date 30.06.2023 RM'000
Estimated tax payable:		
Current	598	1,576
Total	<u>598</u>	<u>1,576</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 disallowed for tax deduction 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 period are as follows:

Group borrowings	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
Trust receipts and bankers' acceptance	76,600	-	76,600
Hire purchase	1,329	807	2,136
Total	<u>77,929</u>	<u>807</u>	<u>78,736</u>

B8. Off balance sheet financial instruments

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.

Notes on the quarterly report – 30 June 2023

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 30.06.2023 RM'000	3 months Ended 30.06.2022 RM'000	6 months Ended 30.06.2023 RM'000	6 months Ended 30.06.2022 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	1,240	3,543	3,871	5,137
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.78	2.23	2.44	3.24
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. Notes to the statement of comprehensive income

	Quarter Ended	
	30.06.2023 RM'000	30.06.2022 RM'000
Bad debt recovered	(15)	-
Interest income	(2,007)	(1,301)
Interest expense	1,331	1,044
Depreciation and amortization	2,175	1,921
Impairment loss on trade receivables	-	51
Reversal of impairment loss on trade receivables	(111)	(172)
Reversal of inventories written down	-	(59)
Gain on disposal of property, plant and equipment	(58)	(41)
Unrealised loss on foreign exchange	9	110

Other than the above, there were no gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2023.

B13. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 18 August 2023.