



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2016

Quarterly report on consolidated results for the first financial quarter ended 31 March 2016

Condensed Consolidated Income Statement for the quarter ended 31 March 2016

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 31 MAR 2016 RM'000	Preceding Year Corresponding Quarter 31 MAR 2015 RM'000	Current Year To Date 31 MAR 2016 RM'000	Preceding Year Corresponding Period 31 MAR 2015 RM'000
Continuing operations				
Revenue	74,819	68,171	74,819	68,171
Operating expenses	(71,610)	(64,778)	(71,610)	(64,778)
Other operating income	366	217	366	217
Profit from operations	<u>3,575</u>	<u>3,610</u>	<u>3,575</u>	<u>3,610</u>
Interest income	896	703	896	703
Finance costs	(1,199)	(824)	(1,199)	(824)
Profit before tax	<u>3,272</u>	<u>3,489</u>	<u>3,272</u>	<u>3,489</u>
Income tax expense	(845)	(839)	(845)	(839)
Profit from continuing operations	<u>2,427</u>	<u>2,650</u>	<u>2,427</u>	<u>2,650</u>
Discontinued operations				
Loss from discontinued operations	0	(1)	0	(1)
Profit for the period	<u><u>2,427</u></u>	<u><u>2,649</u></u>	<u><u>2,427</u></u>	<u><u>2,649</u></u>
Profit attributed to:				
Equity holders of the parent	<u>2,427</u>	<u>2,649</u>	<u>2,427</u>	<u>2,649</u>
	<u><u>2,427</u></u>	<u><u>2,649</u></u>	<u><u>2,427</u></u>	<u><u>2,649</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen) - Continuing operations	1.53	1.67	1.53	1.67
Basic (sen) - Discontinued operations	0.00	0.00	0.00	0.00
Total	<u>1.53</u>	<u>1.67</u>	<u>1.53</u>	<u>1.67</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2016

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2016

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 31 MAR 2016 RM'000	Preceding Year Corresponding Quarter 31 MAR 2015 RM'000	Current Year To Date 31 MAR 2016 RM'000	Preceding Year Corresponding Period 31 MAR 2015 RM'000
Profit for the period	2,427	2,649	2,427	2,649
Other Comprehensive income:				
- Exchange translation differences for foreign operation	0	2,751	0	2,751
Total comprehensive income for the period	<u>2,427</u>	<u>5,400</u>	<u>2,427</u>	<u>5,400</u>
Total comprehensive income attributable to:				
Equity holders of the parent	2,427	5,400	2,427	5,400
Non-controlling Interests	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2,427</u>	<u>5,400</u>	<u>2,427</u>	<u>5,400</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2016

Condensed Consolidated Statement of Financial Position as at 31 March 2016

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

	As At End Of Current Quarter 31 MAR 2016 RM'000	Preceding Financial Year-Ended 31 DEC 2015 RM'000
Non-Current Assets		
Property, plant and equipment	40,726	41,771
Other investments	48	55
	<u>40,774</u>	<u>41,826</u>
Current Assets		
Other investment	16,806	16,799
Assets of discontinued operations	-	516
Inventories	40,290	43,215
Trade receivables	58,762	63,674
Other receivables, deposits and prepayments	5,865	4,899
Tax recoverable	-	349
Fixed deposits with licensed banks	40,814	43,802
Cash and bank balances	81,984	66,688
	<u>244,521</u>	<u>239,942</u>
TOTAL ASSETS	<u>285,295</u>	<u>281,768</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	-	-
Retained profits	85,566	83,139
Total equity	<u>171,593</u>	<u>169,166</u>
Non-Current Liabilities		
Borrowings	15,003	15,663
Deferred taxation	2,632	2,632
	<u>17,635</u>	<u>18,295</u>
Current Liabilities		
Liabilities of discontinued operations	-	2
Trade payables	6,192	7,142
Other payables	19,061	8,252
Amount owing to directors	231	198
Short term borrowings	68,328	76,195
Taxation	2,255	2,518
	<u>96,067</u>	<u>94,307</u>
Total Liabilities	<u>113,702</u>	<u>112,602</u>
TOTAL EQUITY AND LIABILITIES	<u>285,295</u>	<u>281,768</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.08</u>	<u>1.07</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows as at 31 March 2016

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

	Cumulative Current Year 31 MAR 2016 RM'000	Cumulative Preceding Year 31 MAR 2015 RM'000
Cash flows from operating activities		
Profit before tax		
- Continuing operations	3,272	3,489
- Discontinued operations	-	(1)
Adjustments for:		
Depreciation of property, plant and equipment	760	1,131
Loss on disposal of investment in subsidiary	187	-
Gain on disposal of property, plant and equipment	(118)	(7)
Impairment on receivables	300	-
Interest expense	1,199	824
Interest income	(896)	(710)
Reversal of impairment on trade receivables	(83)	(13)
Unrealised (gain) loss on foreign exchange	524	(107)
Operating profit before working capital changes	<u>5,145</u>	<u>4,606</u>
(Increase)/Decrease in working capital:		
Inventories	2,925	8,808
Trade and other receivables	4,877	(4,021)
Trade and other payables	7,726	(2,668)
Amount owing to directors	33	50
Cash generated from operations	<u>20,706</u>	<u>6,775</u>
Interest received	896	710
Interest paid	(1,199)	(824)
Income tax paid	(756)	(588)
Net cash generated from operating activities	<u>19,647</u>	<u>6,073</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	217	22
Purchase of property, plant and equipment	(139)	(238)
Net cash inflow from disposal of subsidiary company	733	-
Net cash generated from (used in) investing activities	<u>811</u>	<u>(216)</u>

Condensed Consolidated Statement of Cash Flows as at 31 March 2016

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

	Cumulative Current Year 31 MAR 2016 RM'000	Cumulative Preceding Year 31 MAR 2015 RM'000
Cash flows from financing activities		
Net repayment of bank borrowings	(8,663)	(8,647)
Net cash used in financing activities	<u>(8,663)</u>	<u>(8,647)</u>
Net increase in cash and cash equivalents	11,795	(2,790)
Effect of exchange rate fluctuations on cash held	-	2,751
Cash and cash equivalents at beginning of financial year	111,003	101,321
Cash and cash equivalents at end of financial period	<u>122,798</u>	<u>101,282</u>
Cash and cash equivalents comprise:		
Continuing operations		
Fixed deposits with licensed banks	40,814	47,070
Cash and bank balances	<u>81,984</u>	<u>39,550</u>
	<u>122,798</u>	<u>86,620</u>
Discontinued operations		
Fixed deposits with licensed banks	-	1,781
Cash & bank balances	<u>-</u>	<u>12,881</u>
	<u>-</u>	<u>14,662</u>
	<u>122,798</u>	<u>101,282</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2016

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2016

(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	Foreign Exchange Reserve RM'000	Retained Profit RM'000			
Balance as at 1 January 2016	80,000	6,677	(650)	-	83,139	-	169,166	
Profit for the period	-	-	-	-	2,427	-	2,427	
Other Comprehensive income:	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	2,427	-	2,427	
Balance as at 31 March 2016	80,000	6,677	(650)	-	85,566	-	171,593	
Balance as at 1 January 2015	80,000	6,677	(650)	2,883	73,804	-	162,714	
Profit for the period	-	-	-	-	2,649	-	2,649	
Other Comprehensive income:								
- Exchange translation differences for foreign operation	-	-	-	2,751	-	-	2,751	
Total comprehensive income for the period	-	-	-	2,751	2,649	-	5,400	
Balance as at 31 March 2015	80,000	6,677	(650)	5,634	76,453	-	168,114	

(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 2015 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 March 2016

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 2015. 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 2015.

The Group has not early adopted the following new MFRSs 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 as stated below:

		<u>Effective date for financial periods beginning on or after</u>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

The initial applications of the above applicable new MFRSs and amendments to MFRSs are not expected to have any material impact on the financial position and results of the Group.

Notes on the quarterly report – 31 March 2016

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2015.

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 31 March 2016 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2015	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2016	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2016.

A7. Dividend Paid

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

Notes on the quarterly report – 31 March 2016

A8. Segment information

Details segmental analysis for the period ended 31 March 2016 are as follows:

(a) **Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Malaysia	69,390	-	69,390
Asia (other than Malaysia)	5,429	-	5,429
Total	74,819	-	74,819

(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	53,917	20,902	-	-	74,819	-	74,819
Inter-segment	21,537	9,810	-	(31,347)	-	-	-
Total revenue	75,454	30,712	-	(31,347)	74,819	-	74,819
Results							
Segment results	2,374	1,294	(93)	-	3,575	-	3,575
Interest income	535	391	121	(151)	896	-	896
Finance costs	(757)	(593)	-	151	(1,199)	-	(1,199)
Profit before taxation	2,152	1,092	28	-	3,272	-	3,272
Taxation	(565)	(273)	(7)	-	(845)	-	(845)
Net profit for the financial period	1,587	819	21	-	2,427	-	2,427
Assets							
Additions to non- current assets	8	267	-	-	275	-	275
Segment assets	167,447	130,803	91,188	(106,331)	283,107	-	283,107

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.

Notes on the quarterly report – 31 March 2016

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 31 March 2016.

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

B1. Review of performance

Continuing operations

The Group recorded revenue at RM74.8 million for the current quarter, an increase of RM6.6 million as compared to RM68.2 million in the preceding year corresponding quarter, mainly due to improved trading activities in processed paper products segment.

The Group recorded a lower profit before tax of RM3.3 million for the current quarter, a decrease of RM0.2 million as compared to RM3.5 million in the preceding year corresponding quarter, mainly due to increase in operating expenses in terms of impairment on trade receivables in processed paper products segment and unrealised loss on foreign exchange in both processed paper products segment and disposal fibre-based products segment.

Discontinued operations

The Group recorded no gain no loss from discontinued operations for the current quarter as compared to loss of RM1,000 in the preceding year corresponding quarter, mainly due to no trading activity and administrative expenses incurred.

B2. Variation of results against immediate preceding quarter

Continuing operations

The Group's profit before tax decreased to RM3.3 million for the current quarter as compared to RM4.3 million in the immediate preceding quarter for the period ended 31 December 2015, mainly due to lower sales in both processed paper products segment and disposal fibre-based products segment.

Discontinued operations

The Group recorded no gain no loss from the discontinued operations for the current quarter and the immediate preceding quarter for the period ended 31 December 2015, mainly due to no trading activity and administrative expenses incurred.

Notes on the quarterly report – 31 March 2016

B3. Prospects

Despite the current volatility in the global market, 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 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 31.03.2016 RM'000	Current year to date 31.03.2016 RM'000
Estimated tax payable:		
Current	845	845
Total	<u>845</u>	<u>845</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 not allowable for tax purpose.

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	65,208	-	65,208
Term loans	2,502	14,371	16,873
Hire purchase	618	632	1,250
Total	<u>68,328</u>	<u>15,003</u>	<u>83,331</u>

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.

Notes on the quarterly report – 31 March 2016

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 31.03.2016 RM'000	3 months Ended 31.03.2015 RM'000	3 months Ended 31.03.2016 RM'000	3 months Ended 31.03.2015 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)				
- Continuing operations	2,427	2,650	2,427	2,650
- Discontinued operations	-	(1)	-	(1)
	<u>2,427</u>	<u>2,649</u>	<u>2,427</u>	<u>2,649</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	1.53	1.67	1.53	1.67
- Discontinued operations	-	-	-	-
Total	<u>1.53</u>	<u>1.67</u>	<u>1.53</u>	<u>1.67</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	
	31.03.2016 RM'000	31.03.2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	131,204	104,116
- Unrealised	2,108	3,696
	<u>133,312</u>	<u>107,812</u>
Less: Consolidation adjustments	(47,746)	(31,359)
Total group retained profits as per consolidated accounts	<u>85,566</u>	<u>76,453</u>

Notes on the quarterly report – 31 March 2016

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Interest income	(896)	(710)
Interest expense	1,199	824
Depreciation and amortization	760	1,131
Impairment on trade receivables	300	-
Reversal of impairment on trade receivables	(83)	(13)
Loss on disposal of investment in subsidiary	187	-
Loss on disposal of property, plant and equipment	(118)	(7)
Unrealised (gain) loss on foreign exchange	524	(107)

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 31 March 2016.