

Notes on the quarterly report – 30 September 2010

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 2009. 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.

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 year ended 31 December 2009, except that the Group has adopted the Malaysian Financial Reporting Standards (FRSs) that are effective for financial statements commencing 1 January 2010. The FRSs, which are effective commencing 1 January 2010 and applied by the Group are:

FRS 7:	Financial Instruments: Disclosures
FRS 8:	Operating Segment
FRS 101(revised):	Presentation of Financial Statements
FRS 123:	Borrowings Cost
FRS 139:	Financial Instruments: Recognition and Measurement

In accordance with the transitional provisions of FRS 139, the required changes are applied prospectively and the comparative information is not restated.

Adoption of the above standards does not 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 2009.

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.

Notes on the quarterly report – 30 September 2010

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 2010 are as follows:

	Number of Treasury Shares	Total consideration (RM)
Balance as at 30 June 2010	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2010	1,418,900	649,578

There were no additional repurchase of shares since 1 July 2010.

A7. Dividend Paid

During the quarter under review, a final dividend of 2.5 sen single tier tax exempt dividend amounting to a total dividend of RM3.0 million in respect of the financial year ended 31 December 2009 was paid on 13 August 2010.

A8. Segment information

Details segmental analysis for the period ended 30 September 2010 are as follows:

(a) **Business segment**

The principal businesses of the Group are those of manufacturing and distribution of disposable fibre-based products and paper products which are substantially within a single business segment, as such, segmental reporting is deemed not necessary.

(b) **Geographical segments**

(i) Revenue by geographical location of customers

	Group RM'000
Malaysia	135,801
Asia (other than Malaysia)	39,666
Australia	170
	<hr/>
	175,637

(ii) Carrying amount of segment assets and segment capital expenditure are not disclosed as all the assets are located principally in Malaysia.

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.

Notes on the quarterly report – 30 September 2010

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 2010.

Notes on the quarterly report – 30 September 2010

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

B1. Review of performance

The Group recorded higher revenue of RM56.5 million for the current quarter under review as compared to preceding year corresponding quarter mainly due to better demand for the Group's disposable fibre-based products.

However, the Group registered a lower profit before tax of RM2.9 million for the current quarter under review compared to a higher profit before tax of RM4.6 million in preceding year corresponding quarter mainly due to increase in raw material costs.

B2. Variation of results against immediate preceding quarter

The Group recorded lower revenue of RM56.5 million and profit before tax of RM2.9 million for the current quarter as compared to the revenue of RM58.5 million and profit before tax of RM4.2 million in the immediate preceding quarter. The profit before tax reduced mainly due to increase in raw material costs.

B3. Current year prospects

The Group's products are expected remain competitive in prevailing economic conditions. Going forward, the Board expects the Group will 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

	2010 Current quarter ended 30 September RM'000	2010 Current year to date 30 September RM'000
Estimated current tax payable:	<u>747</u>	<u>3,267</u>

The effective tax rate for the period under review is comparable to the statutory income tax rate of 25%.

B6. Unquoted investments and/or properties

There was no sale of unquoted investments and properties during current quarter under review. However, there was a gain on disposal of property held for sales amounting to RM571,000 for the financial period to date.

Notes on the quarterly report – 30 September 2010

B7. Quoted and marketable investments

There were no investments in quoted and marketable securities made during current quarter under review.

B8. Status of corporate proposal

There was no corporate proposal announced but not completed as at the date of this announcement except for the following:

On 2 August 2010, HwangDBS Investment Bank Berhad (“HwangDBS”), on behalf of the Board of Directors of Wang-Zheng Berhad (“Wang-Zheng” or “Company”) to announce that the Company proposes to undertake a proposed private placement of 40,000,000 new ordinary shares of RM0.50 each in the Company representing 25% of the enlarged issued and paid-up share capital of the Company (“Proposed Private Placement”).

On 11 August 2010, HwangDBS, on behalf of the Board of Directors of the Company to announce that the Places have executed agreements with the Company to subscribe for new Placement Shares at RM0.65 per Share.

On 25 August 2010, HwangDBS, on behalf of the Board of Directors of the Company to announce that the application to Bursa Malaysia Securities Berhad (“Bursa Securities”) and the notification to Ministry of International Trade and Industry (“MITI”) for the Proposed Private Placement have been submitted.

On 6 September 2010, HwangDBS, on behalf of the Board of Directors of the Company to announce that Bursa Securities has approved the listing of and quotation for the new ordinary shares of RM0.50 each in Wang-Zheng (“Placement Shares”) to be issued pursuant to the Proposed Private Placement, subject to certain condition.

On 11 November 2010, the Board of Directors of Wang-Zheng to announce that the shareholders of the Company have passed the resolution as set out in the Notice of Extraordinary General Meeting (“EGM”) in relation to the Proposed Private Placement at its EGM.

On 15 November 2010, HwangDBS, on behalf of the Board of Directors of Wang-Zheng to announce that the MITI had, vide its letter dated 15 November 2010, informed Wang-Zheng that it has taken note of and has no objection to the Private Placement.

Please refer to the announcement stated above for further details of the Proposed Private Placement.

Notes on the quarterly report – 30 September 2010

B9. 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	56,926	-	56,926
Term loans	1,863	2,013	3,876
Hire purchase	2,823	3,098	5,921
Total	<u>61,612</u>	<u>5,111</u>	<u>66,723</u>

B10. Off balance sheet financial instrument

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

B11. Material litigation

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

B12. Dividends

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

WANG-ZHENG BERHAD
(Company No: 612237-K)

Notes on the quarterly report – 30 September 2010

B13. 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 30.09.2010 RM'000	3 months Ended 30.09.2009 RM' 000	9 months Ended 30.09.2010 RM000	9 months Ended 30.09.2009 RM'000
a) Profit attributable to ordinary shareholders (RM'000)	2,242	3,463	9,801	10,282
b) Weighted average number of ordinary shares ('000):				
i) No. of ordinary shares at beginning of period	118,581	120,000	118,581	120,000
ii) Effect of shares issued	-	-	-	-
iii) No. of ordinary shares at end of period	118,581	120,000	118,581	120,000
c) Earnings per ordinary share (sen):				
i) Basic	1.89	2.89	8.27	8.57
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.