

**Notes on the quarterly report – 31 December 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.

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**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 December 2010 are as follows:

	Number of Treasury Shares	Total consideration (RM)
Balance as at 30 September 2010	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2010	1,418,900	649,578

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

**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 31 December 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	187,132
Asia (other than Malaysia)	59,020
Australia	170
	<u>246,322</u>

(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.

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**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 31 December 2010.

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

**B1. Review of performance**

The Group recorded higher revenue of RM70.7 million for the current quarter under review as compared to preceding year corresponding quarter mainly due to better demand for the Group's both disposable fibre-based products and processed paper products.

However, the Group registered a lower profit before tax of RM3.2 million for the current quarter under review compared to a higher profit before tax of RM4.9 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 revenue of RM70.7 million and profit before tax of RM3.2 million for the current quarter as compared to the revenue of RM56.5 million and profit before tax of RM2.9 million in the immediate preceding quarter. The profit before tax increased mainly due to reduce loss on foreign exchange.

**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 forth-coming 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 31 December RM'000	2010 Current year to date 31 December RM'000
Estimated tax payable:		
Current	(240)	3,027
Under provision in prior years	55	55
Deferred tax	450	450
Total	<u>265</u>	<u>3,532</u>

The effective tax rate for the current quarter and financial year to date under review is lower than the statutory income tax rate mainly due to the utilisation of allowances and non-taxable income. Adjustment on current quarter estimated current tax payable due to recognized of deferred tax.

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**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.

**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 Placees 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.

On 26 November 2010, HwangDBS, on behalf of the Board of Directors of Wang-Zheng, to announce that the Private Placement has been completed with the listing of 40,000,000 new ordinary shares of RM0.50 each in Wang-Zheng on the Main Market of Bursa Malaysia Securities Berhad on even date.

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Status of Utilisation of Proceeds up to 31 December 2010 is as follows:-

Description	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Adjusted from/(to) (RM'000)	Balance Unutilised (RM'000)	Intended timeframe for utilisation
Working capital requirements	15,820	7,000	19	8,839	Note 1
Investment to expand the existing core business	10,000	-	-	10,000	Note 1
Related Expenses for the Private Placement	180	161	(19)	-	Note 2
	<u>26,000</u>	<u>7,161</u>	<u>-</u>	<u>18,839</u>	

Note:-

1. The proceeds from the Private Placement are expected to be utilised within 24 months from the date of the completion of the Private Placement on 26 November 2010.
2. Balance unutilised related expenses for the Private Placement adjusted to the working capital requirements.

**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	46,909	-	46,909
Term loans	1,690	1,720	3,410
Hire purchase	2,775	2,930	5,705
Total	<u>51,374</u>	<u>4,650</u>	<u>56,024</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.

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**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 31.12.2010 RM'000	3 months Ended 31.12.2009 RM' 000	12 months Ended 31.12.2010 RM000	12 months Ended 31.12.2009 RM'000
a) Profit attributable to ordinary shareholders (RM'000)	2,907	3,479	12,708	13,883
b) Weighted average number of ordinary shares ('000):	134,233	119,635	152,444	119,635
c) Earnings per ordinary share (sen):				
i) Basic	2.17	2.91	8.34	11.60
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.

**B14. Disclosure of Realised and Unrealised Profits (Unaudited)**

	Current financial year ended 31.12.2010 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	48,141
- Unrealised	2,564
Total group retained profits as per consolidated accounts	50,705