



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2019

Condensed Consolidated Income Statement for the quarter ended 30 June 2019

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 Jun 2019 RM'000	Preceding Year Corresponding Quarter 30 Jun 2018 RM'000	Current Year To Date 30 Jun 2019 RM'000	Preceding Year Corresponding Period 30 Jun 2018 RM'000
Revenue	62,554	60,180	126,673	114,651
Cost of sales	(52,644)	(52,628)	(107,333)	(99,172)
Gross profit	9,910	7,552	19,340	15,479
Other income	653	2,030	1,604	2,659
Marketing and distribution expenses	(3,235)	(474)	(6,662)	(577)
Administration expenses	(3,864)	(4,534)	(7,489)	(9,182)
Operating profit	3,464	4,574	6,793	8,379
Interest income	1,111	500	2,192	1,318
Finance costs	(808)	(711)	(1,725)	(1,303)
Profit before tax	3,767	4,363	7,260	8,394
Income tax expense	(691)	(2,129)	(1,555)	(3,127)
Profit for the period	3,076	2,234	5,705	5,267
Profit attributed to:				
Equity holders of the parent	3,076	2,234	5,705	5,267
	3,076	2,234	5,705	5,267
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.94	1.41	3.60	3.32
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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2019

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2019

(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 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2018</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 Jun 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2018</u> RM'000
Profit for the period	3,076	2,234	5,705	5,267
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>3,076</u>	<u>2,234</u>	<u>5,705</u>	<u>5,267</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>3,076</u>	<u>2,234</u>	<u>5,705</u>	<u>5,267</u>
	<u>3,076</u>	<u>2,234</u>	<u>5,705</u>	<u>5,267</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2019

Condensed Consolidated Statement of Financial Position as at 30 June 2019

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

	As At End Of Current Quarter 30 Jun 2019 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2018 RM'000
Non-Current Assets		
Property, plant and equipment	31,359	32,880
Investment property	10,474	9,290
Other investments	31	31
	41,864	42,201
Current Assets		
Inventories	49,984	50,882
Trade receivables	51,349	55,606
Other receivables, deposits and prepayments	5,494	5,991
Fixed deposits with licensed banks	77,335	75,074
Cash and bank balances	40,281	45,419
	224,443	232,972
TOTAL ASSETS	266,307	275,173
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	102,904	103,542
Total equity	188,931	189,569
Non-Current Liabilities		
Borrowings	6,256	7,555
Deferred taxation	1,922	1,922
	8,178	9,477
Current Liabilities		
Trade payables	4,825	8,473
Other payables	6,016	8,002
Short term borrowings	58,059	58,939
Taxation	298	713
	69,198	76,127
Total Liabilities	77,376	85,604
TOTAL EQUITY AND LIABILITIES	266,307	275,173
Net Asset per share attributable to ordinary equity holders of the parent (RM)		
	1.19	1.20

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2019

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

	Cumulative Current Year 30 Jun 2019 RM'000	Cumulative Preceding Year 30 Jun 2018 RM'000
Cash flows from operating activities		
Profit before tax	7,260	8,394
Adjustments for:		
Bad debt written off	-	49
Depreciation of property, plant and equipment	1,882	2,090
Gain on disposal of property, plant and equipment	(3)	-
Impairment on other receivables	-	196
Interest expense	1,725	1,303
Interest income	(2,192)	(1,318)
Reversal of impairment on trade receivables	(264)	(1,528)
Unrealised (gain) loss on foreign exchange	208	(113)
Operating profit before working capital changes	<u>8,616</u>	<u>9,073</u>
(Increase)/Decrease in working capital:		
Inventories	897	(2,997)
Trade and other receivables	4,810	14,239
Trade and other payables	(5,635)	(5,889)
Amount owing to directors	-	-
Cash generated from operations	<u>8,688</u>	<u>14,426</u>
Interest received	2,192	1,318
Interest paid	(1,725)	(1,303)
Income tax refunded	42	75
Income tax paid	(2,011)	(3,250)
Net cash generated from operating activities	<u><u>7,186</u></u>	<u><u>11,266</u></u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3	-
Purchase of investment properties	(1,184)	(1,335)
Purchase of property, plant and equipment	(360)	(504)
Net cash used in investing activities	<u><u>(1,541)</u></u>	<u><u>(1,839)</u></u>

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2019

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

	Cumulative Current Year 30 Jun 2019 RM'000	Cumulative Preceding Year 30 Jun 2018 RM'000
Cash flows from financing activities		
Dividend paid	(6,343)	(6,343)
Net (repayment) drawdown of bank borrowings	(2,179)	3,540
Net cash used in financing activities	<u>(8,522)</u>	<u>(2,803)</u>
Net (decrease) increase in cash and cash equivalents	(2,877)	6,624
Cash and cash equivalents at beginning of financial year	120,493	110,956
Cash and cash equivalents at end of financial period	<u>117,616</u>	<u>117,580</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	77,335	57,050
Cash and bank balances	40,281	60,530
	<u>117,616</u>	<u>117,580</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2019

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----			
	Share Capital RM'000	Treasury Shares RM'000	Retained Profit RM'000	Total RM'000
Balance as at 1 January 2019	86,677	(650)	103,542	189,569
Profit for the period	-	-	5,705	5,705
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,705	5,705
Dividends	-	-	(6,343)	(6,343)
Balance as at 30 June 2019	86,677	(650)	102,904	188,931
Balance as at 1 January 2018	86,677	(650)	100,293	186,320
Profit for the period	-	-	5,267	5,267
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,267	5,267
Dividends	-	-	(6,343)	(6,343)
Balance as at 30 June 2018	86,677	(650)	99,217	185,244

(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 2018 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2019

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 2018. 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 2018.

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 2018.

The Group has 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 as stated below:

		<u>Effective date for financial periods beginning on or after</u>
MFRS 16	Lease	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:		
•	Amendments to MFRS 3	1 January 2019
•	Amendments to MFRS 11	1 January 2019
•	Amendments to MFRS 112	1 January 2019
•	Amendments to MFRS 123	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above MFRSs, IC Interpretations and amendments to MFRSs when they become effective.

Notes on the quarterly report – 30 June 2019

A2. Qualification of annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2018.

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 June 2019 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2019	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2019	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2019.

A7. Dividend paid

A First and Final Single Tier Dividend of 8% or 4.0 sen per share in respect of the financial year ended 31 December 2018 proposed on 11 April 2019 was approved by the shareholders during the Annual General Meeting on 30 May 2019 and had been paid on 20 June 2019.

Notes on the quarterly report – 30 June 2019

A8. Segment information

Details segmental analysis for the period ended 30 June 2019 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	114,382
Asia (other than Malaysia)	12,291
Total	<u>126,673</u>

(b) Business segments

	Processed paper products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidated RM'000
Revenue					
External customer	80,289	46,384	-	-	126,673
Inter-segment	39,132	20,808	-	(59,940)	-
Total revenue	<u>119,421</u>	<u>67,192</u>	<u>-</u>	<u>(59,940)</u>	<u>126,673</u>
Results					
Segment results	3,423	3,622	(252)	-	6,793
Interest income	1,218	735	239	-	2,192
Finance costs	(1,362)	(363)	-	-	(1,725)
Profit (Loss) before tax	<u>3,279</u>	<u>3,994</u>	<u>(13)</u>	<u>-</u>	<u>7,260</u>
Taxation	(660)	(838)	(57)	-	(1,555)
Net profit (loss) for the financial period	<u>2,619</u>	<u>3,156</u>	<u>(70)</u>	<u>-</u>	<u>5,705</u>
Assets					
Additions to non- current assets	771	773	-	-	1,544
Segment assets	<u>155,092</u>	<u>115,627</u>	<u>86,543</u>	<u>(90,955)</u>	<u>266,307</u>

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.

Notes on the quarterly report – 30 June 2019

A12. Changes in the composition of the Group

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

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

There were no significant capital commitments as at 30 June 2019.

Notes on the quarterly report – 30 June 2019

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2019 RM'000	Preceding Year Corresponding Quarter 30.06.2018 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2019 RM'000	Preceding Year Corresponding Period 30.06.2018 RM'000	Changes (RM'000 / %)
Revenue	62,554	60,180	2,374 / 3.9%	126,673	114,651	12,022 / 10.5%
Operating Profit	3,464	4,574	(1,110) / -24.3%	6,793	8,379	(1,586) / -18.9%
Profit Before Tax	3,767	4,363	(596) / -13.7%	7,260	8,394	(1,134) / -13.5%
Profit After Tax	3,076	2,234	842 / 37.7%	5,705	5,267	438 / 8.3%
Profit Attributable to Ordinary Equity Holders of the Parent	3,076	2,234	842 / 37.7%	5,705	5,267	438 / 8.3%

The Group recorded revenue of RM62.6 million for the current quarter, an increase of approximately RM2.4 million as compared to RM60.2 million in the preceding year corresponding quarter mainly due to increase sales in both processed paper products and fibre-based products as a result of sales quantity increased during the quarter under review.

The Group recorded a lower profit before tax of RM3.8 million for the current quarter, a decrease of RM0.6 million as compared to RM4.4 million in the preceding year corresponding quarter mainly due to lower reversal of impairment on trade receivables in other income and higher marketing and distribution expenses in both processed paper products and disposable fibre-based products segment.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.06.2019 RM'000	Immediate Preceding Quarter 31.03.2019 RM'000	Changes (Amount / %) RM'000 / %
Revenue	62,554	64,119	(1,565) / -2.4%
Operating Profit	3,464	3,329	135 / 4.1%
Profit Before Tax	3,767	3,493	274 / 7.8%
Profit After Tax	3,076	2,629	447 / 17.0%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	3,076	2,629	447 / 17.0%

The Group's profit before tax increased to RM3.8 million for the current quarter as compared to RM3.5 million in the immediate preceding quarter for the period ended 31 March 2019 mainly due to slightly improved in gross profit margin and lower marketing and distribution expenses during the quarter under review.

Notes on the quarterly report – 30 June 2019

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 Group will further upgrade the existing own brands products to meet the customers' demands and to extend the product portfolio by further launching personal hygiene products from the ultimate holding company, Hengan International and to expand the business to South East Asia market. The Board anticipates the Group to achieve an improving performance for the remaining of 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 30.06.2019 RM'000	Current year to date 30.06.2019 RM'000
Estimated tax payable:		
Current	691	1,555
Total	<u>691</u>	<u>1,555</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 certain interest income are exempted from tax deduction.

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	55,462	-	55,462
Term loans	2,502	6,239	8,741
Hire purchase	95	17	112
Total	<u>58,059</u>	<u>6,256</u>	<u>64,315</u>

B8. Off balance sheet financial instruments

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

Notes on the quarterly report – 30 June 2019

B9. Material litigation

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

B10. Dividends

A First and Final Single Tier Dividend of 8% or 4.0 sen per share in respect of the financial year ended 31 December 2018 proposed on 11 April 2019 was approved by the shareholders during the Annual General Meeting on 30 May 2019 and had been paid on 20 June 2019.

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 30.06.2019 RM'000	3 months Ended 30.06.2018 RM'000	6 months Ended 30.06.2019 RM'000	6 months Ended 30.06.2018 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	3,076	2,234	5,705	5,267
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.94	1.41	3.60	3.32
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. Disclosure of realised and unrealised profits (unaudited)

	Quarter Ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	149,704	146,063
- Unrealised	1,714	2,191
	151,418	148,254
Less: Consolidation adjustments	(48,514)	(49,037)
Total Group retained profits as per consolidated accounts	102,904	99,217

Notes on the quarterly report – 30 June 2019

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	30.06.2019	30.06.2018
	RM'000	RM'000
Interest income	(2,192)	(1,318)
Interest expense	1,725	1,303
Bad debts written off	-	49
Depreciation and amortization	1,882	2,090
Impairment on other receivables	-	196
Reversal of impairment on trade receivables	(264)	(1,528)
Gain on disposal of property, plant and equipment	(3)	-
Unrealised loss (gain) on foreign exchange	208	(113)

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2019.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 21 August 2019.