



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
3rd QUARTER ENDED 30 SEPTEMBER 2021

Condensed Consolidated Income Statement for the quarter ended 30 September 2021

(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 Sep 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sep 2020</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sep 2021</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Sep 2020</u> RM'000
Revenue	52,865	71,637	162,949	182,526
Cost of sales	(46,517)	(63,056)	(140,631)	(158,982)
Gross profit	6,348	8,581	22,318	23,544
Other income	644	1,880	2,434	4,173
Marketing and distribution expenses	(1,969)	(2,942)	(6,933)	(7,560)
Administration expenses	(3,629)	(4,365)	(10,238)	(11,760)
Operating Profit	1,394	3,154	7,581	8,397
Interest income	543	630	1,711	2,225
Finance costs	(510)	(630)	(1,301)	(1,949)
Profit before tax	1,427	3,154	7,991	8,673
Income tax expense	(541)	(1,415)	(1,994)	(2,561)
Profit for the period	886	1,739	5,997	6,112
Profit attributed to:				
Equity holders of the parent	886	1,739	5,997	6,112
	886	1,739	5,997	6,112
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.56	1.10	3.78	3.85
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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the third financial quarter ended 30 September 2021

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 September 2021

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 30 Sep 2021 RM'000	Preceding Year Corresponding Quarter 30 Sep 2020 RM'000	Current Year To Date 30 Sep 2021 RM'000	Preceding Year Corresponding Period 30 Sep 2020 RM'000
Profit for the period	886	1,739	5,997	6,112
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>886</u>	<u>1,739</u>	<u>5,997</u>	<u>6,112</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>886</u>	<u>1,739</u>	<u>5,997</u>	<u>6,112</u>
	<u>886</u>	<u>1,739</u>	<u>5,997</u>	<u>6,112</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 30 September 2021

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

	As At End Of Current Quarter 30 Sep 2021 RM'000	Preceding Financial Year-Ended 31 Dec 2020 RM'000
Non-Current Assets		
Property, plant and equipment	14,998	16,165
Investment property	6,473	6,555
Right-of-use assets	21,151	21,939
Other assets	23	23
Deferred tax assets	1,680	1,680
Other receivables, deposits and prepayments	1,126	996
	<u>45,451</u>	<u>47,358</u>
Current Assets		
Inventories	49,192	48,151
Trade receivables	45,245	50,162
Other receivables, deposits and prepayments	1,194	1,529
Tax recoverable	2,350	1,570
Deposits with Investment fund	59,263	62,377
Fixed deposits with licensed banks	12,529	12,419
Cash and bank balances	55,626	44,184
	<u>225,399</u>	<u>220,392</u>
TOTAL ASSETS	<u>270,850</u>	<u>267,750</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	110,928	109,688
Total equity	<u>196,955</u>	<u>195,715</u>
Non-Current Liabilities		
Lease liabilities	756	794
Borrowings	3,088	4,003
Deferred taxation	1,775	1,775
	<u>5,619</u>	<u>6,572</u>
Current Liabilities		
Trade payables	7,455	7,926
Other payables	7,439	6,223
Short term lease liabilities	408	972
Short term borrowings	51,962	49,653
Tax payable	1,012	353
Contract liabilities	-	336
	<u>68,276</u>	<u>65,463</u>
Total Liabilities	<u>73,895</u>	<u>72,035</u>
TOTAL EQUITY AND LIABILITIES	<u>270,850</u>	<u>267,750</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.24</u>	<u>1.23</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 September 2021

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

	Cumulative Current Year 30 Sep 2021 RM'000	Cumulative Preceding Year 30 Sep 2020 RM'000
Cash flows from operating activities		
Profit before tax	7,991	8,673
Adjustments for:		
Bad debt recovered	(2)	-
Depreciation of property, plant and equipment	2,034	1,745
Depreciation of investment properties	82	113
Depreciation of right-of-use assets	917	1,569
Loss/ (Gain) on disposal of property, plant and equipment	1	(76)
Impairment loss on trade receivables	-	471
Interest expense	1,301	1,949
Interest income	(1,711)	(2,225)
Property, plant and equipment written off	-	2
Reversal of impairment loss on trade receivables	(87)	(270)
Unrealised loss on foreign exchange	151	262
Operating profit before working capital changes	10,677	12,213
(Increase)/Decrease in working capital:		
Inventories	(1,041)	(10,099)
Trade and other receivables	5,060	(2,564)
Trade and other payables	408	1,724
Cash generated from operations	15,104	1,274
Interest received	1,711	2,225
Interest paid	(1,301)	(1,949)
Income tax paid	(2,113)	(2,823)
Net cash generated from (used in) operating activities	13,401	(1,273)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	12	76
Purchase of property, plant and equipment	(880)	(1,123)
Purchase of right-of-use assets	(129)	(15)
Withdrawal from deposits with investment fund	3,115	-
Placement of deposits with licensed banks	(111)	-
Net cash generated from (used in) investing activities	2,007	(1,062)

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 September 2021

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

	Cumulative Current Year 30 Sep 2021 RM'000	Cumulative Preceding Year 30 Sep 2020 RM'000
Cash flows from financing activities		
Dividend paid	(4,757)	-
Repayment of lease liabilities	(603)	(828)
Net drawdown of bank borrowings	1,394	9,994
Net cash (used in) generated from financing activities	<u>(3,966)</u>	<u>9,166</u>
Net increase in cash and cash equivalents	11,442	6,831
Cash and cash equivalents at beginning of financial year	44,184	117,424
Cash and cash equivalents at end of financial period	<u>55,626</u>	<u>124,255</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 2020 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 third financial quarter ended 30 September 2021****Page 6****Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 2021**

(The figures presented here have not been audited)

	Attributable to Equity Holders of the Parent		Retained Profit RM'000	Total RM'000
	Share Capital RM'000	Treasury Shares RM'000		
Balance as at 1 January 2021	86,677	(650)	109,688	195,715
Profit for the period	-	-	5,997	5,997
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,997	5,997
Dividends	-	-	(4,757)	(4,757)
Balance as at 30 September 2021	86,677	(650)	110,928	196,955
Balance as at 1 January 2020	86,677	(650)	108,437	194,464
Profit for the period	-	-	6,112	6,112
Other comprehensive income:	-	-	-	-
Effect of adoption of MFRS 16	-	-	(1)	(1)
Total comprehensive income for the period	-	-	6,111	6,111
Balance as at 30 September 2020	86,677	(650)	114,548	200,575

(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 2020 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 September 2021

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 2020. 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 2020.

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 2020.

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:

		<u>Effective date for financial periods beginning on or after</u>
Annual Improvements to MFRS 9	Fees in the 10% test for derecognition of financial liabilities	1 January 2022
Amendments to MFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116	Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

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 2020.

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.

Notes on the quarterly report – 30 September 2021

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 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 September 2021 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2021	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2021	1,418,900	649,578

There were no additional repurchase of shares since 1 July 2021.

A7. Dividend paid

A First and Final Single Tier Dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2020 proposed on 11 May 2021 was approved by the shareholders during the Annual General Meeting on 23 June 2021 and had been paid on 15 July 2021.

A8. Segment information

Details segmental analysis for the period ended 30 September 2021 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	146,464
Asia (other than Malaysia)	16,485
Total	<u>162,949</u>

Notes on the quarterly report – 30 September 2021

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	105,957	56,992	-	-	162,949
Inter-segment	55,386	27,729	-	(83,115)	-
Total revenue	161,343	84,721	-	(83,115)	162,949
Results					
Segment results	6,268	2,100	(431)	(356)	7,581
Interest income	838	570	303	-	1,711
Finance costs	(1,023)	(278)	-	-	(1,301)
Profit before taxation	6,083	2,392	(128)	(356)	7,991
Taxation	(1,443)	(545)	(6)	-	(1,994)
Net profit (loss) for the financial period	4,640	1,847	(134)	(356)	5,997
Assets					
Additions to non-current assets	83	797	-	-	880
Segment assets	139,141	118,990	86,354	(73,634)	270,851

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. Acquisition 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 September 2021

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 September 2021.

Notes on the quarterly report – 30 September 2021

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year	Preceding Year	Changes (RM'000 / %)	Current Year	Preceding Year	Changes (RM'000 / %)
	Quarter 30.09.2021 RM'000	Corresponding Quarter 30.09.2020 RM'000		To- date 30.09.2021 RM'000	Corresponding Period 30.09.2020 RM'000	
Revenue	52,865	71,637	(18,772) / (26.2%)	162,949	182,526	(19,577) / (10.7%)
Operating Profit	1,394	3,154	(1,760) / (55.8%)	7,581	8,397	(816) / (9.7%)
Profit Before Tax	1,427	3,154	(1,727) / (54.8%)	7,991	8,673	(682) / (7.9%)
Profit After Tax	886	1,739	(853) / (49.1%)	5,997	6,112	(115) / (1.9%)
Profit Attributable to Ordinary Equity Holders of the Parent	886	1,739	(853) / (49.1%)	5,997	6,112	(115) / (1.9%)

The Group recorded revenue of RM52.9 million for the current quarter, a decrease of approximately RM18.7 million as compared to RM71.6 million in the preceding year corresponding quarter mainly due to decrease sales in both processed paper products and disposable fibre-based products as a result of business activities were reduced since the reimposition of Movement Control Order (“MCO”) by the local authority during the quarter under review.

The Group recorded a lower profit before tax of RM1.4 million for the current quarter, a decrease of RM1.8 million as compared to RM3.2 million in the preceding year corresponding quarter mainly due to decrease in revenue.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.09.2021 RM'000	Immediate Preceding Quarter 30.06.2021 RM'000	Changes (Amount / %) RM'000 / %
Revenue	52,865	52,767	98 / 0.2%
Operating Profit	1,394	2,082	(688) / (33%)
Profit Before Tax	1,427	2,317	(890) / (38.4%)
Profit After Tax	886	1,386	(500) / (36.1%)
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	886	1,386	(500) / (36.1%)

The Group’s profit before tax decreased to RM1.4 million for the current quarter as compared to RM2.3 million in the immediate preceding quarter for the period ended 30 June 2021 mainly due to the operating cost increased as to comply with the different stages of MCO during the quarter under review.

Notes on the quarterly report – 30 September 2021

B3. Prospects

The rapid spread of Delta and the threat of new variants of COVID-19 have caused the Group's business operations environment remains challenging during the quarter under review. The local authority has reimposed Movement Control Order with several phases and Standard Operating Procedure ("SOP") that required the Group to comply strictly. It has increased the uncertainty about how quickly the pandemic can be overcome. As such, the Directors of the Company remain cautious and continue closely monitor the situation and response proactively to mitigate the impact on the Group's business and financial performance.

Moving forward, the Group will continue to take initiatives to enhance cost optimization and put in additional effort to improve the productivity by producing better quality products to our customers. By barring the unforeseen circumstances, the Board anticipates the Group will achieve satisfactory results for the remaining of quarter 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 30.09.2021 RM'000	Current year to date 30.09.2021 RM'000
Estimated tax payable:		
Current	541	1,994
Total	<u>541</u>	<u>1,994</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 from 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	50,751	-	50,751
Hire purchase	1,211	3,088	4,299
Total	<u>51,962</u>	<u>3,088</u>	<u>55,050</u>

Notes on the quarterly report – 30 September 2021

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.

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 30.09.2021 RM'000	3 months Ended 30.09.2020 RM'000	9 months Ended 30.09.2021 RM'000	9 months Ended 30.09.2020 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	886	1,739	5,997	6,112
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.56	1.10	3.78	3.85
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	
	30.09.2021 RM'000	30.09.2020 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	156,787	160,115
- Unrealised	1,624	2,082
	158,411	162,197
Less: Consolidation adjustments	(47,483)	(47,649)
Total Group retained profits as per consolidated accounts	110,928	114,548

Notes on the quarterly report – 30 September 2021

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Interest income	(1,711)	(2,225)
Interest expense	1,301	1,949
Bad debt recovered	(2)	-
Depreciation and amortization	3,033	3,427
Impairment loss on trade receivables	-	471
Property, plant and equipment written off	-	2
Reversal of impairment loss on trade receivables	(87)	(270)
Gain on disposal of property, plant and equipment	-	(76)
Loss on disposal of property, plant and equipment	1	-
Unrealised loss on foreign exchange	151	262

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 September 2021.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 19 November 2021.