



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2022

Condensed Consolidated Income Statement for the quarter ended 31 March 2022

(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>31 Mar 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>31 Mar 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2021</u> RM'000
Revenue	65,215	57,317	65,215	57,317
Cost of sales	(58,098)	(47,819)	(58,098)	(47,819)
Gross profit	7,117	9,498	7,117	9,498
Other income	796	756	796	756
Marketing and distribution expenses	(2,304)	(2,625)	(2,304)	(2,625)
Administration expenses	(3,457)	(3,523)	(3,457)	(3,523)
Operating Profit	2,152	4,106	2,152	4,106
Interest income	667	544	667	544
Finance costs	(554)	(402)	(554)	(402)
Profit before tax	2,265	4,248	2,265	4,248
Income tax expense	(672)	(522)	(672)	(522)
Profit for the period	1,593	3,726	1,593	3,726
Profit attributed to:				
Equity holders of the parent	1,593	3,726	1,593	3,726
	1,593	3,726	1,593	3,726
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.00	2.35	1.00	2.35
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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2022

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2022

(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>31 Mar 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>31 Mar 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2021</u> RM'000
Profit for the period	1,593	3,726	1,593	3,726
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>1,593</u>	<u>3,726</u>	<u>1,593</u>	<u>3,726</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>1,593</u>	<u>3,726</u>	<u>1,593</u>	<u>3,726</u>
	<u>1,593</u>	<u>3,726</u>	<u>1,593</u>	<u>3,726</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 31 March 2022

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

	As At End Of Current Quarter 31 Mar 2022 RM'000	Preceding Financial Year-Ended 31 Dec 2021 RM'000
Non-Current Assets		
Property, plant and equipment	14,779	14,853
Investment properties	6,419	6,446
Right-of-use assets	20,540	20,843
Other assets	22	22
Deferred tax assets	1,560	1,482
Other receivables, deposits and prepayments	1,261	1,158
	<u>44,581</u>	<u>44,804</u>
Current Assets		
Inventories	44,241	44,888
Trade receivables	46,732	46,168
Other receivables, deposits and prepayments	1,121	2,084
Tax recoverable	2,124	2,152
Fixed deposits with licensed banks	12,656	12,587
Cash and bank balances	124,505	123,928
	<u>231,379</u>	<u>231,807</u>
TOTAL ASSETS	<u>275,960</u>	<u>276,611</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained earnings	111,840	110,247
Total equity	<u>197,867</u>	<u>196,274</u>
Non-Current Liabilities		
Lease liabilities	-	82
Borrowings	2,458	2,775
Deferred taxation	1,697	1,697
	<u>4,155</u>	<u>4,554</u>
Current Liabilities		
Trade payables	4,894	5,575
Other payables	4,493	6,186
Short term lease liabilities	668	833
Short term borrowings	59,368	58,362
Tax payable	407	374
Provision	4,108	4,108
Contract liabilities	-	345
	<u>73,938</u>	<u>75,783</u>
Total Liabilities	<u>78,093</u>	<u>80,337</u>
TOTAL EQUITY AND LIABILITIES	<u>275,960</u>	<u>276,611</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.25</u>	<u>1.24</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2022

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2022

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

	Cumulative Current Year 31 Mar 2022 RM'000	Cumulative Preceding Year 31 Mar 2021 RM'000
Cash flows from operating activities		
Profit before tax	2,265	4,248
Adjustments for:		
Depreciation of property, plant and equipment	640	702
Depreciation of investment properties	27	28
Depreciation of right-of-use assets	303	301
(Gain)/Loss on disposal of property, plant and equipment	(32)	9
Interest expense	554	402
Interest income	(667)	(544)
Reversal of impairment loss on trade receivables	(42)	(42)
Unrealised loss/(gain) on foreign exchange	98	(12)
Operating profit before working capital changes	3,146	5,092
Changes in working capital:		
Inventories	647	5,671
Trade and other receivables	239	4,560
Trade and other payables	(2,720)	(1,203)
Cash generated from operations	1,312	14,120
Interest received	599	544
Interest paid	(554)	(402)
Income tax refunded	255	-
Income tax paid	(944)	(709)
Net cash generated from operating activities	668	13,553
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	33	4
Purchase of property, plant and equipment	(566)	(462)
Purchase of right-of-use assets	-	(4)
Placement of deposits with investment fund	-	(276)
Placement of deposits with licensed banks	-	(72)
Net cash used in investing activities	(533)	(810)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2022

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Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2022

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

	Cumulative Current Year 31 Mar 2022 RM'000	Cumulative Preceding Year 31 Mar 2021 RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(247)	(233)
Repayment of bank borrowings	(39,234)	-
Drawdown of bank borrowings	39,923	(4,608)
Net cash generated from (used in) financing activities	<u>442</u>	<u>(4,841)</u>
Net increase in cash and cash equivalents	577	7,902
Cash and cash equivalents at beginning of financial year	123,928	44,184
Cash and cash equivalents at end of financial period	<u>124,505</u>	<u>52,086</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2022

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Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2022

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----			Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Retained Profit RM'000	
Balance as at 1 January 2022	86,677	(650)	110,247	196,274
Profit for the period	-	-	1,593	1,593
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	1,593	1,593
Balance as at 31 March 2022	<u>86,677</u>	<u>(650)</u>	<u>111,840</u>	<u>197,867</u>
Balance as at 1 January 2021	86,677	(650)	109,689	195,716
Profit for the period	-	-	3,726	3,726
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	3,726	3,726
Balance as at 31 March 2021	<u>86,677</u>	<u>(650)</u>	<u>113,415</u>	<u>199,442</u>

(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 2021 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 March 2022

ART 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 2021. 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 2021.

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 2021.

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>
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 2021.

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.

Notes on the quarterly report – 31 March 2022

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 31 March 2022 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2021	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2022	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2022.

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 March 2022 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	62,005
Asia (other than Malaysia)	2,349
Africa (Mauritius)	861
Total	<u>65,215</u>

Notes on the quarterly report – 31 March 2022

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	47,124	18,091	-	-	65,215
Inter-segment	23,561	10,644	-	(34,205)	-
Total revenue	<u>70,685</u>	<u>28,735</u>	<u>-</u>	<u>(34,205)</u>	<u>65,215</u>
Results					
Segment results	2,416	324	(100)	(488)	2,152
Interest income	381	209	154	(77)	667
Finance costs	(559)	(72)	-	77	(554)
Profit before taxation	2,238	461	54	(488)	2,265
Taxation	(496)	(235)	(19)	78	(672)
Net profit/(loss) for the financial period	<u>1,742</u>	<u>226</u>	<u>35</u>	<u>(410)</u>	<u>1,593</u>
Assets					
Additions to non-current assets	342	224	-	-	566
Segment assets	<u>144,521</u>	<u>117,351</u>	<u>89,835</u>	<u>(75,747)</u>	<u>275,960</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.

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 – 31 March 2022

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 31 March 2022.

Notes on the quarterly report – 31 March 2022

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Corresponding Quarter 31.03.2021 RM'000	Changes (RM'000 / %)	Current Year To- date 31.03.2022 RM'000	Preceding Year Corresponding Period 31.03.2021 RM'000	Changes (RM'000 / %)
Revenue	65,215	57,317	7,898 / 13.8%	65,215	57,317	7,898 / 13.8%
Operating Profit	2,152	4,106	(1,953) / -47.6%	2,152	4,106	(1,953) / -47.6%
Profit Before Tax	2,265	4,248	(1,983) / -46.7%	2,265	4,248	(1,983) / -46.7%
Profit After Tax	1,593	3,726	(2,133) / -57.2%	1,593	3,726	(2,133) / -57.2%
Profit Attributable to Ordinary Equity Holders of the Parent	1,593	3,726	(2,133) / -57.2%	1,593	3,726	(2,133) / -57.2%

The Group recorded revenue of RM65.2 million for the current quarter, an increase of approximately RM7.9 million as compared to RM57.3 million in the preceding year corresponding quarter mainly due to increase sales in processed paper products as a result of the increased selling price in paper products and the improvement of demand in the market as business activities were recovered gradually.

The Group recorded a profit before tax of RM2.3 million for the current quarter under review, a substantial decrease of RM1.9 million as compared to profit before tax of RM4.2 million in the preceding year corresponding quarter mainly attributed to lower sales in disposable fibre-based products and increase in the cost of sales which was resulted by the rising of raw materials prices.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.03.2022 RM'000	Immediate Preceding Quarter 31.12.2021 RM'000	Changes (Amount / %) RM'000 / %
Revenue	65,215	62,340	2,875 / 4.6%
Operating Profit	2,152	3,660	(1,508) / -41.2%
Profit Before Tax	2,265	3,666	(1,401) / -38.2%
Profit After Tax	1,593	1,719	(126) / -7.3%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,593	1,719	(126) / -7.3%

The Group recorded profit before tax of RM2.3 million for the current quarter as compared to profit before tax of RM3.7 million in the immediate preceding quarter for the period ended 31 December 2021. The increased cost of raw materials has resulted in us facing challenges which maintaining the margins at acceptable levels during the quarter under review compared to the immediate preceding quarter.

Notes on the quarterly report – 31 March 2022

B3. Prospects

The Group's business operations environment remains challenging during the quarter under review. Covid-19 pandemic and the Russian-Ukraine conflict has affected global commodity markets, the global logistics network and currency exchange rates, particularly with supply chain disruptions and global price inflation. As such, the Directors of the Company remain cautious and continue to closely monitor corresponding input costs in order to manage cost increases effectively that impact on the Group's business and financial performance.

Moving forward, the Group will continue to take prudent measures to cushion the impact and adapt to the new environment resulting from the pandemic in order to sustain the growth of business during this year and also be focusing on growing the expansion of its product by continuing to streamline the range of products in order to meet the customers' demands which affected by global inflation.

Barring unforeseen circumstances, the Board anticipates the Group to achieve satisfactory results 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 31.03.2022 RM'000	Current year to date 31.03.2022 RM'000
Estimated tax payable:		
Current	672	672
Total	672	672

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 for 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	58,124	-	58,124
Hire purchase	1,244	2,458	3,702
Total	59,368	2,458	61,826

Notes on the quarterly report – 31 March 2022

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 31.03.2022 RM'000	3 months Ended 31.03.2021 RM'000	3 months Ended 31.03.2022 RM'000	3 months Ended 31.03.2021 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	1,593	3,726	1,593	3,726
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.00	2.35	1.00	2.35
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.

Notes on the quarterly report – 31 March 2022

B12. Disclosure of realised and unrealised profits (unaudited)

	Quarter Ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	157,704	158,330
- Unrealised	1,599	1,787
	<u>159,303</u>	<u>160,117</u>
Less: Consolidation adjustments	(47,463)	(46,702)
Total Group retained profits as per consolidated accounts	<u><u>111,840</u></u>	<u><u>113,415</u></u>

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
Interest income	(667)	(544)
Interest expense	554	402
Depreciation and amortization	970	1,031
Reversal of impairment loss on trade receivables	(42)	(42)
(Gain) Loss on disposal of property, plant and equipment	(32)	9
Unrealised loss (gain) on foreign exchange	98	(12)

Other than the above, there were no gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 31 March 2022.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 26 May 2022.