



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 SEPTEMBER 2022

Condensed Consolidated Income Statement for the quarter ended 30 September 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>30 Sep 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sep 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sep 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Sep 2021</u> RM'000
Revenue	69,791	52,865	205,824	162,949
Cost of sales	(62,294)	(46,517)	(181,804)	(140,631)
Gross profit	7,497	6,348	24,020	22,318
Other income	1,811	644	3,904	2,434
Marketing and distribution expenses	(2,842)	(1,969)	(7,709)	(6,933)
Administration expenses	(4,408)	(3,629)	(11,377)	(10,238)
Operating Profit	2,058	1,394	8,838	7,581
Interest income	545	543	1,845	1,711
Finance costs	(468)	(510)	(1,512)	(1,301)
Profit before tax	2,135	1,427	9,171	7,991
Income tax expense	(1,281)	(541)	(3,181)	(1,994)
Profit for the period	854	886	5,990	5,997
Profit attributed to:				
Equity holders of the parent	854	886	5,990	5,997
	854	886	5,990	5,997
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.54	0.56	3.78	3.78
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)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 September 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>30 Sep 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sep 2021</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sep 2022</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Sep 2021</u> RM'000
Profit for the period	854	886	5,990	5,997
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>854</u>	<u>886</u>	<u>5,990</u>	<u>5,997</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>854</u>	<u>886</u>	<u>5,990</u>	<u>5,997</u>
	<u>854</u>	<u>886</u>	<u>5,990</u>	<u>5,997</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 30 September 2022

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

	As At End Of Current Quarter 30 Sep 2022 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2021 RM'000
Non-Current Assets		
Property, plant and equipment	16,103	14,853
Investment properties	6,366	6,446
Right-of-use assets	20,127	20,843
Other assets	22	22
Deferred tax assets	1,560	1,482
Other receivables, deposits and prepayments	1,249	1,158
	<u>45,427</u>	<u>44,804</u>
Current Assets		
Inventories	56,718	44,888
Trade receivables	51,429	46,168
Other receivables, deposits and prepayments	1,528	2,084
Tax recoverable	1,649	2,152
Fixed deposits with licensed banks	12,692	12,587
Cash and bank balances	107,703	123,928
	<u>231,719</u>	<u>231,807</u>
TOTAL ASSETS	<u>277,146</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	113,065	110,247
Total equity	<u>199,092</u>	<u>196,274</u>
Non-Current Liabilities		
Lease liabilities	109	82
Borrowings	1,810	2,775
Deferred taxation	1,697	1,697
	<u>3,616</u>	<u>4,554</u>
Current Liabilities		
Trade payables	7,438	5,575
Other payables	6,470	6,186
Short term lease liabilities	253	833
Short term borrowings	59,866	58,362
Tax payable	376	374
Provision	35	4,108
Contract liabilities	-	345
	<u>74,438</u>	<u>75,783</u>
Total Liabilities	<u>78,054</u>	<u>80,337</u>
TOTAL EQUITY AND LIABILITIES	<u>277,146</u>	<u>276,611</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.26</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)

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 September 2022

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

	Cumulative Current Year 30 Sep 2022 RM'000	Cumulative Preceding Year 30 Sep 2021 RM'000
Cash flows from operating activities		
Profit before tax	9,171	7,991
Adjustments for:		
Bad debt recovered	-	(2)
Depreciation of property, plant and equipment	1,925	2,034
Depreciation of investment properties	81	82
Depreciation of right-of-use assets	916	917
(Gain)/Loss on disposal of property, plant and equipment	(82)	1
Impairment on trade receivables	51	-
Interest expense	1,512	1,301
Interest income	(1,845)	(1,711)
Inventories written down in value	(59)	-
Reversal of impairment loss on trade receivables	(257)	(87)
Unrealised (gain)/loss on foreign exchange	(74)	151
Operating profit before working capital changes	11,339	10,677
Changes in working capital:		
Inventories	(11,771)	(1,041)
Trade and other receivables	(4,518)	5,060
Trade and other payables	(2,270)	408
Cash (used in) generated from operations	(7,220)	15,104
Interest received	1,741	1,711
Interest paid	(1,512)	(1,301)
Income tax refunded	256	-
Income tax paid	(3,009)	(2,113)
Net cash (used in) generated from operating activities	(9,744)	13,401
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	84	12
Purchase of property, plant and equipment	(3,177)	(880)
Purchase of right-of-use assets	-	(129)
Withdrawal from deposits with investment fund	-	3,115
Placement of fixed deposits with licensed banks	-	(111)
Net cash (used in) generated from investing activities	(3,093)	2,007

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 September 2022

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

	Cumulative Current Year 30 Sep 2022 RM'000	Cumulative Preceding Year 30 Sep 2021 RM'000
Cash flows from financing activities		
Dividend paid	(3,172)	(4,757)
Repayment of lease liabilities	(754)	(603)
Repayment of bank borrowings	(111,612)	(92,213)
Drawdown of bank borrowings	112,151	93,607
Net cash used in financing activities	<u>(3,387)</u>	<u>(3,966)</u>
Net (decrease)/increase in cash and cash equivalents	(16,224)	11,442
Cash and cash equivalents at beginning of financial year	123,927	44,184
Cash and cash equivalents at end of financial period	<u>107,703</u>	<u>55,626</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)

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 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	-	-	5,990	5,990
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	5,990	5,990
Dividends	-	-	(3,172)	(3,172)
Balance as at 30 September 2022	86,677	(650)	113,065	199,092
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

(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 – 30 September 2022

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 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 16	Covid-19-Related Rent Concessions	1 June 2020
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 2021.

Notes on the quarterly report – 30 September 2022

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 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 2022 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2022	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2022	1,418,900	649,578

There were no additional repurchase of shares since 1 July 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 30 September 2022 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	192,419
Asia (other than Malaysia)	11,647
Africa (Mauritius)	1,758
Total	<u>205,824</u>

Notes on the quarterly report – 30 September 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	144,692	61,132	-	-	205,824
Inter-segment	78,527	33,538	-	(112,065)	-
Total revenue	223,219	94,670	-	(112,065)	205,824
Results					
Segment results	6,824	3,250	(375)	(861)	8,838
Interest income	1,088	607	472	(322)	1,845
Finance costs	(1,623)	(211)	-	322	(1,512)
Profit before taxation	6,289	3,646	97	(861)	9,171
Taxation	(1,780)	(1,420)	(59)	78	(3,181)
Net profit for the financial period	4,509	2,226	38	(783)	5,990
Assets					
Additions to non-current assets	351	2,826	-	-	3,177
Segment assets	151,231	118,629	86,590	(79,304)	277,146

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.

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.

Notes on the quarterly report – 30 September 2022

A14. Capital commitments

There were no significant capital commitments as at 30 September 2022.

Notes on the quarterly report – 30 September 2022

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Changes (RM'000 / %)	Current Year To- date 30.09.2022 RM'000	Preceding Year Corresponding Period 30.09.2021 RM'000	Changes (RM'000 / %)
Revenue	69,791	52,865	16,926 / 32.0%	205,824	162,949	42,875 / 26.3%
Operating Profit	2,058	1,394	664 / 47.6%	8,838	7,581	1,257 / 16.6%
Profit Before Tax	2,135	1,427	708 / 49.6%	9,171	7,991	1,180 / 14.8%
Profit After Tax	854	886	(32) / (3.6%)	5,990	5,997	(7) / (0.1%)
Profit Attributable to Ordinary Equity Holders of the Parent	854	886	(32) / (3.6%)	5,990	5,997	(7) / (0.1%)

The Group recorded revenue of RM69.8 million for the current quarter, an increase of approximately RM16.9 million as compared to RM52.9 million in the preceding year corresponding quarter mainly due to increase sales in both processed paper products and disposable fibre-based products as a result of the economic activities were in recovery track return to pre-pandemic normalcy during the quarter.

The Group recorded a higher profit before tax of RM2.1 million for the current quarter, an increase of RM0.7 million as compared to RM1.4 million in the preceding year corresponding quarter mainly due to increase in revenue.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000	Changes (Amount / %) RM'000 / %
Revenue	69,791	70,819	(1,028) / (1.5%)
Operating Profit	2,058	4,628	(2,570) / (55.5%)
Profit Before Tax	2,135	4,771	(2,636) / (55.3%)
Profit After Tax	854	3,543	(2,689) / (75.9%)
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	854	3,543	(2,689) / (75.9%)

The Group's profit before tax decreased to approximately RM2.1 million for the current quarter as compared to RM4.8 million in the immediate preceding quarter for the period ended 30 June 2022 mainly due to increase raw material costs and company expenses increased.

Notes on the quarterly report – 30 September 2022

B3. Prospects

The Group's business environment remains in a resilient position to deliver a growth situation. However, the Group continue to face disruptions such as the increase in raw material costs, geopolitical uncertainties and the weakening of Ringgit Malaysia against US Dollars caused by global inflation during the year. The Directors of the Company continue to enhance operational efficiencies to moderate the impact of external cost headwinds in this challenging and volatile business environment. The Group will continue to remain focused on the core business and sale of products. Aside, the Group continue to drive more market research activities in enhancing products to better suit the needs of the customers.

By barring unforeseen circumstances, the Board anticipates the Group will 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 30.09.2022 RM'000	Current year to date 30.09.2022 RM'000
Estimated tax payable:		
Current	832	2,810
Under provision in prior financial year	449	449
Deferred Tax	-	(78)
Total	1,281	3,181

The effective tax rate for the current quarter and financial year to date under review are higher than the statutory income tax rate mainly due add back under provision of taxation in prior financial year and certain expenses which are not tax deductible 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	58,588	-	58,588
Hire purchase	1,278	1,810	3,088
Total	59,866	1,810	61,676

Notes on the quarterly report – 30 September 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 30.09.2022 RM'000	3 months Ended 30.09.2021 RM'000	9 months Ended 30.09.2022 RM'000	9 months Ended 30.09.2021 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	854	886	5,990	5,997
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.54	0.56	3.78	3.78
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	
	30.09.2022 RM'000	30.09.2021 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	159,130	156,787
- Unrealised	1,770	1,624
	160,900	158,411
Less: Consolidation adjustments	(47,835)	(47,483)
Total Group retained profits as per consolidated accounts	113,065	110,928

Notes on the quarterly report – 30 September 2022

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
Interest income	(1,845)	(1,711)
Interest expense	1,512	1,301
Bad debt recovered	-	(2)
Depreciation and amortization	2,922	3,033
Impairment loss on trade receivables	51	-
Reversal of Inventories written down	(59)	-
(Gain)/Loss on disposal of property, plant and equipment	(82)	1
Reversal of impairment loss on trade receivables	(257)	(87)
Unrealised (gain)/loss on foreign exchange	(74)	151

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 30 September 2022.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 17 November 2022.