



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2023

Condensed Consolidated Income Statement for the quarter ended 31 December 2023

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>(Unaudited)</u>		<u>(Audited)</u>	
	<u>Current year</u>	<u>Preceding Year</u>	<u>Current Year</u>	<u>Preceding Year</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>To Date</u>	<u>Corresponding</u>
	<u>31 Dec 2023</u>	<u>Quarter</u>	<u>31 Dec 2023</u>	<u>Period</u>
	<u>RM'000</u>	<u>31 Dec 2022</u>	<u>RM'000</u>	<u>31 Dec 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	78,435	62,469	282,408	268,293
Cost of sales	(72,768)	(57,047)	(253,726)	(238,427)
Gross profit	5,667	5,422	28,682	29,866
Other income	891	(1,248)	2,458	1,894
Marketing and distribution expenses	(1,377)	(1,870)	(10,061)	(9,580)
Administration expenses	(3,422)	(2,131)	(14,102)	(13,171)
Operating Profit	1,759	173	6,977	9,009
Interest income	1,009	568	3,962	2,413
Finance costs	(879)	(604)	(3,081)	(2,116)
Profit before tax	1,889	137	7,858	9,306
Income tax expense	818	377	(557)	(2,803)
Profit for the period	2,707	514	7,301	6,503
Profit attributed to:				
Equity holders of the parent	2,707	514	7,301	6,503
	2,707	514	7,301	6,503
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.71	0.32	4.60	4.10
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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 December 2023

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year Quarter 31 Dec 2023 RM'000	(Unaudited) Preceding Year Corresponding Quarter 31 Dec 2022 RM'000	Current Year To Date 31 Dec 2023 RM'000	(Audited) Preceding Year Corresponding Period 31 Dec 2022 RM'000
Profit for the period	2,707	514	7,301	6,503
Other comprehensive income:				
- Foreign currency translation	(6)	-	(6)	-
Total comprehensive income for the period	<u>2,701</u>	<u>514</u>	<u>7,295</u>	<u>6,503</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,701</u>	<u>514</u>	<u>7,295</u>	<u>6,503</u>
	<u>2,701</u>	<u>514</u>	<u>7,295</u>	<u>6,503</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Financial Position as at 31 December 2023

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

	(Unaudited) As At End Of Current Quarter 31 Dec 2023 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2022 RM'000
Non-Current Assets		
Property, plant and equipment	15,205	16,761
Investment properties	6,231	6,339
Right-of-use assets	21,280	22,540
Other assets	24	20
Deferred tax assets	1,486	1,199
Other receivables, deposits and prepayments	5,072	780
	<u>49,298</u>	<u>47,639</u>
Current Assets		
Inventories	69,221	57,163
Trade receivables	58,627	51,693
Other receivables, deposits and prepayments	1,634	1,207
Tax recoverable	3,655	2,951
Fixed deposits with licensed banks	60,700	57,700
Cash and bank balances	62,232	52,654
	<u>256,069</u>	<u>223,368</u>
TOTAL ASSETS	<u>305,367</u>	<u>271,007</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Exchange translation reserve	(6)	-
Retained earnings	118,500	113,578
Total equity	<u>204,521</u>	<u>199,605</u>
Non-Current Liabilities		
Lease liabilities	856	1,874
Borrowings	117	1,480
Deferred taxation	943	1,710
	<u>1,916</u>	<u>5,064</u>
Current Liabilities		
Trade payables	5,712	7,187
Other payables	5,742	5,568
Short term lease liabilities	1,053	975
Short term borrowings	85,424	51,015
Tax payable	156	171
Provision	205	788
Contract liabilities	638	634
	<u>98,930</u>	<u>66,338</u>
Total Liabilities	<u>100,846</u>	<u>71,402</u>
TOTAL EQUITY AND LIABILITIES	<u>305,367</u>	<u>271,007</u>
		-
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.29</u>	<u>1.26</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 December 2023

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

	(Unaudited) Cumulative Current Year 31 Dec 2023 RM'000	(Audited) Cumulative Preceding Year 31 Dec 2022 RM'000
Cash flows from operating activities		
Profit before tax	7,858	9,306
Adjustments for:		
Allowance for slow moving inventories	69	235
Bad debt recovered	(53)	-
Bad debt written off	251	102
Depreciation of property, plant and equipment	2,934	2,809
Depreciation of investment properties	107	107
Depreciation of right-of-use assets	1,319	1,241
Fair value (gain)/loss on financial assets	(4)	1
Gain on disposal of property, plant and equipment	(111)	(82)
Impairment loss on trade receivables	56	-
Interest expense	3,081	2,116
Interest income	(3,962)	(2,355)
Inventories written off	-	279
Inventories written down in value	-	127
Property, plant and equipment written off	7	-
Provision for sales tax	205	788
Reversal of allowance for slow moving inventories	(323)	-
Reversal of impairment loss on trade receivables	(493)	(62)
Unrealised loss/(gain) on foreign exchange	57	(410)
Operating profit before working capital changes	<u>10,998</u>	<u>14,202</u>
Changes in working capital:		
Inventories	(11,804)	(12,916)
Trade and other receivables	(11,471)	(4,525)
Trade and other payables	(2,088)	(3,053)
Contract liabilities	4	289
Cash used in operations	<u>(14,361)</u>	<u>(6,003)</u>
Interest received	3,962	2,355
Interest paid	(3,081)	(2,116)
Income tax refunded	333	256
Income tax paid	(2,663)	(3,765)
Net cash used in operating activities	<u>(15,810)</u>	<u>(9,273)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	113	84
Purchase of property, plant and equipment	(1,386)	(4,339)
Withdrawal of fixed deposits with licensed banks	-	12,587
Net cash (used in) generated from investing activities	<u>(1,273)</u>	<u>8,332</u>

Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2023

Condensed Consolidated Statement of Cash Flows for the quarter ended 31 December 2023

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

	(Unaudited) Cumulative Current Year 31 Dec 2023 RM'000	(Audited) Cumulative Preceding Year 31 Dec 2022 RM'000
Cash flows from financing activities		
Dividend paid	(2,379)	(3,172)
Repayment of hire purchase payables	-	(1,227)
Repayment of lease liabilities	(999)	(1,005)
Repayment of bank borrowings	(159,685)	(153,256)
Drawdown of bank borrowings	192,730	145,842
Net cash generated from (used in) financing activities	<u>29,667</u>	<u>(12,818)</u>
Net increase (decrease) in cash and cash equivalents	12,584	(13,759)
Effect of exchange rate fluctuations on cash held	(6)	186
Cash and cash equivalents at beginning of financial year	110,354	123,927
Cash and cash equivalents at end of financial period	<u>122,932</u>	<u>110,354</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	60,700	57,700
Cash and bank balances	62,232	52,654
	<u>122,932</u>	<u>110,354</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 2022 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2023

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Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 December 2023

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Total RM'000
	Non-distributable		Distributable		
	Share Capital RM'000	Treasury Shares RM'000	Foreign Exchange Reserve RM'000	Retained Profit RM'000	
Balance as at 1 January 2023	86,677	(650)	-	113,578	199,605
Profit for the period	-	-	(6)	7,301	7,295
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	(6)	7,301	7,295
Dividends	-	-	-	(2,379)	(2,379)
Balance as at 31 December 2023	86,677	(650)	(6)	118,500	204,521
Balance as at 1 January 2022	86,677	(650)	-	110,247	196,274
Profit for the period	-	-	-	6,503	6,503
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,503	6,503
Dividends	-	-	-	(3,172)	(3,172)
Balance as at 31 December 2022	86,677	(650)	-	113,578	199,605

(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 2022 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 December 2023

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 2022. 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 2022.

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 2022.

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:

		Effective date for financial periods beginning on or after
Amendments to MFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024

The Group and the Company intend to adopt the above new MFRSs, new Interpretations and amendments to MFRSs when they become effective. The initial application of the above MFRSs will not have any significant impact on the financial statements.

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 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.

Notes on the quarterly report – 31 December 2023

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 December 2023 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 September 2023	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2023	1,418,900	649,578

There were no additional repurchase of shares since 1 October 2023.

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 2023 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	269,465
Asia (other than Malaysia)	12,101
Africa (Mauritius)	842
Total	<u>282,408</u>

Notes on the quarterly report – 31 December 2023

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	209,661	72,747	3,000	(3,000)	282,408
Inter-segment	96,228	40,757	-	(136,985)	-
Total revenue	305,889	113,504	3,000	(139,985)	282,408
Results					
Segment results	6,869	(303)	2,778	(2,367)	6,977
Interest income	2,316	1,137	1,033	(524)	3,962
Finance costs	(3,350)	(255)	1	523	(3,081)
Profit before taxation	5,835	579	3,812	(2,368)	7,858
Taxation	(1,452)	1,100	(206)	-	(557)
Net profit (loss) for the financial period	4,383	1,679	3,606	(2,368)	7,301
Assets					
Additions to non-current assets	42	1,331	12	-	1,386
Segment assets	177,335	115,815	90,453	(78,235)	305,367

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

On 2 October 2023, the wholly-owned subsidiaries of the Company, New Top Win Corporation Sdn Bhd and Quality Hero Corporation Sdn Bhd had entered into Sale and Purchase Agreements with Halex Woolton (M) Sdn Bhd for the acquisition of a parcel of land (“the Property”) and the assets attached to the Property (“the Assets”) for a total purchase consideration of RM7,680,000 to be satisfied in cash.

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 December 2023

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

Capital commitments for the purchase of property, plant and equipment in the interim financial statements as at 31 December 2023 are as below:

Authorised and contracted for:	
- Property, plant and equipment	RM7,300,291

Notes on the quarterly report – 31 December 2023

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 31.12.2023 RM'000	Corresponding Quarter 31.12.2022 RM'000		To- date 31.12.2023 RM'000	Corresponding Period 31.12.2022 RM'000	
Revenue	78,435	62,469	15,966 / 25.6%	282,408	268,293	14,115 / 5.3%
Operating Profit	1,759	173	1,586 / 916.8%	6,977	9,009	(2,032) / (22.6%)
Profit Before Tax	1,889	137	1,752 / 1278.8%	7,858	9,306	(1,448) / (15.6%)
Profit After Tax	2,707	514	2,193 / 426.7%	7,301	6,503	798 / 12.3%
Profit Attributable to Ordinary Equity Holders of the Parent	2,707	514	2,193 / 426.7%	7,301	6,503	798 / 12.3%

The Group recorded revenue of RM78.4 million for the current quarter, an increase of approximately RM15.9 million as compared to RM62.5 million in the preceding year's corresponding quarter mainly due to increase sales in processed paper products as a result of higher demand in paper products.

The Group recorded a profit before tax of RM1.9 million for the current quarter under review, a substantial increase of RM1.7 million as compared to profit before tax of RM0.1 million in the preceding year corresponding quarter mainly attributed to increase sales in processed paper products.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.12.2023 RM'000	Immediate Preceding Quarter 30.09.2023 RM'000	Changes (Amount / %) RM'000 / %
Revenue	78,435	60,438	17,997 / 29.8%
Operating Profit	1,759	447	1,312 / 293.5%
Profit Before Tax	1,889	522	1,367 / 261.9%
Profit After Tax	2,707	723	1,984 / 274.4%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,707	723	1,984 / 274.4%

The Group recorded profit before tax of RM1.9 million for the current quarter as compared to profit before tax of RM0.5 million in the immediate preceding quarter for the period ended 30 September 2023 mainly due to a substantial increase in sales in processed paper products.

Notes on the quarterly report – 31 December 2023

B3. Prospects

The Group's business operations environment continues to face a challenging economic landscape which is mainly affected by uncertainties in commodity prices and currency exchange rates. Moving forward, the Group continue to focus on increasing the effectiveness of productivity, emphasizing sustainable management of resources, implementing cost control measures and optimize the operational processes to improve efficiency and reduce expenses on the Group's business and financial performance.

Despite the challenges in the current economic landscape, the Group will continuously focus on efforts to increase productivity and deliver good quality products to meet consumers' demand for the year 2024.

B4. Variance of actual and forecast profit

Not applicable as there was no profit forecast has been published.

B5. Tax expense

	Current quarter ended 31.12.2023 RM'000	Current year to date 31.12.2023 RM'000
Estimated tax payable:		
Current	237	1,612
(Over) / Under provision in prior financial year	(1)	(1)
Deferred Tax	(1,054)	(1,054)
Total	<u>(818)</u>	<u>557</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 decrease in deferred tax liabilities and the unabsorbed capital and reinvestment allowance balance brought forward from the previous year.

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	84,060	-	84,060
Hire purchase	1,364	117	1,480
Total	<u>85,424</u>	<u>117</u>	<u>85,541</u>

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.

Notes on the quarterly report – 31 December 2023

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 31.12.2023 RM'000	3 months Ended 31.12.2022 RM'000	12 months Ended 31.12.2023 RM'000	12 months Ended 31.12.2022 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	2,707	514	7,301	6,503
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.71	0.32	4.60	4.10
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. Notes to the statement of comprehensive income

	Quarter Ended	
	31.12.2023 RM'000	31.12.2022 RM'000
Allowance for slow moving inventories	69	235
Bad debt recovered	(53)	-
Bad debt written off	251	102
Depreciation and amortization	4,360	4,157
Fair value (gain)/loss on financial assets	(4)	1
Gain on disposal of property, plant and equipment	(111)	(82)
Impairment loss on trade receivables	56	-
Interest expense	3,081	2,116
Interest income	(3,962)	(2,355)
Inventories written off	-	279
Inventories written down in value	-	127
Property, plant and equipment written off	7	-
Provision for sales tax	205	788
Reversal of allowance for slow moving inventories	(323)	-
Reversal of impairment loss on trade receivables	(493)	(62)
Unrealised loss/(gain) on foreign exchange	57	(410)

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 December 2023.

Notes on the quarterly report – 31 December 2023

B13. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 26 February 2024.