



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
2nd QUARTER ENDED 30 JUNE 2024

Condensed Consolidated Income Statement for the quarter ended 30 June 2024

(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 2024</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2023</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2024</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2023</u> RM'000
Revenue	74,295	68,427	143,769	143,535
Cost of sales	(67,270)	(61,433)	(129,385)	(127,050)
Gross profit	7,025	6,994	14,384	16,485
Other income	1,827	666	3,230	1,007
Marketing and distribution expenses	(3,050)	(2,831)	(6,329)	(5,834)
Administration expenses	(4,879)	(3,450)	(8,544)	(6,887)
Operating Profit	923	1,379	2,741	4,771
Interest income	945	1,099	1,947	2,007
Finance costs	(1,000)	(640)	(1,793)	(1,331)
Profit before tax	868	1,838	2,895	5,447
Income tax expense	(290)	(598)	(851)	(1,576)
Profit for the period	578	1,240	2,044	3,871
Profit attributed to:				
Equity holders of the parent	578	1,240	2,044	3,871
	578	1,240	2,044	3,871
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.36	0.78	1.29	2.44
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 2023 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2024

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 June 2024

(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 2024</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Jun 2023</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Jun 2024</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 Jun 2023</u> RM'000
Profit for the period	578	1,240	2,044	3,871
Other comprehensive income:				
- Foreign currency translation	8	-	8	-
Total comprehensive income for the period	<u>586</u>	<u>1,240</u>	<u>2,052</u>	<u>3,871</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>586</u>	<u>1,240</u>	<u>2,052</u>	<u>3,871</u>
	<u>586</u>	<u>1,240</u>	<u>2,052</u>	<u>3,871</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 2023 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2024

Condensed Consolidated Statement of Financial Position as at 30 June 2024

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

	As At End Of Current Quarter 30 Jun 2024 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2023 RM'000
Non-Current Assets		
Property, plant and equipment	17,766	15,205
Investment properties	6,178	6,231
Right-of-use assets	22,806	21,280
Other assets	24	24
Deferred tax assets	1,681	1,681
Other receivables, deposits and prepayments	2,980	5,772
	<u>51,435</u>	<u>50,193</u>
Current Assets		
Inventories	59,122	69,221
Trade receivables	53,493	58,627
Other receivables, deposits and prepayments	1,682	934
Tax recoverable	3,308	2,897
Fixed deposits with licensed banks	62,700	60,700
Cash and bank balances	52,654	62,232
	<u>232,959</u>	<u>254,611</u>
TOTAL ASSETS	<u>284,394</u>	<u>304,804</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,977	86,677
Treasury shares	(432)	(650)
Exchange translation reserve	2	(6)
Retained earnings	116,742	117,937
Total equity	<u>203,289</u>	<u>203,958</u>
Non-Current Liabilities		
Lease liabilities	2,299	856
Borrowings	-	117
Deferred taxation	943	943
	<u>3,242</u>	<u>1,916</u>
Current Liabilities		
Trade payables	9,418	5,687
Other payables	5,222	5,768
Short term lease liabilities	1,271	1,053
Short term borrowings	61,216	85,424
Tax payable	376	155
Provision	360	205
Contract liabilities	-	638
	<u>77,863</u>	<u>98,930</u>
Total Liabilities	<u>81,105</u>	<u>100,846</u>
TOTAL EQUITY AND LIABILITIES	<u>284,394</u>	<u>304,804</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.29</u>	<u>1.29</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 2023 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2024

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2024

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

	Cumulative Current Year 30 Jun 2024 RM'000	Cumulative Preceding Year 30 Jun 2023 RM'000
Cash flows from operating activities		
Profit before tax	2,895	5,447
Adjustments for:		
Bad debt recovered	(34)	(15)
Depreciation of property, plant and equipment	1,554	1,462
Depreciation of investment properties	53	54
Depreciation of right-of-use assets	774	659
Gain on disposal of property, plant and equipment	(77)	(58)
Interest expense	1,793	1,331
Interest income	(1,947)	(2,007)
Reversal of impairment on slow moving inventories	(37)	-
Reversal of impairment loss on trade receivables	(178)	(111)
Unrealised (gain)/loss on foreign exchange	(794)	9
Operating profit before working capital changes	4,002	6,771
Changes in working capital:		
Inventories	10,135	(3,563)
Trade and other receivables	8,184	(6,647)
Trade and other payables	2,702	(4,201)
Cash generated from/(used in) operations	25,023	(7,640)
Interest received	1,947	2,007
Interest paid	(1,793)	(1,331)
Income tax paid	(1,093)	(1,635)
Net cash generated from/(used in) operating activities	24,084	(8,599)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	77	58
Purchase of property, plant and equipment	(4,115)	(844)
Net cash used in from investing activities	(4,038)	(786)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2024

Condensed Consolidated Statement of Cash Flows for the quarter ended 30 June 2024

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

	Cumulative Current Year 30 Jun 2024 RM'000	Cumulative Preceding Year 30 Jun 2023 RM'000
Cash flows from financing activities		
Settlement of share grant plan	518	-
Dividend paid	(3,187)	(2,379)
Repayment of lease liabilities	(639)	(492)
Repayment of bank borrowings	(107,274)	(64,990)
Drawdown of bank borrowings	82,950	91,231
Net cash (used in)/generated from financing activities	<u>(27,632)</u>	<u>23,370</u>
Net decrease in cash and cash equivalents	(7,586)	13,985
Effect of exchange rate fluctuations on cash held	8	-
Cash and cash equivalents at beginning of financial year	122,932	110,354
Cash and cash equivalents at end of financial period	<u>115,354</u>	<u>124,339</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	62,700	57,700
Cash and bank balances	<u>52,654</u>	<u>66,639</u>
	<u>115,354</u>	<u>124,339</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 2023 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the second financial quarter ended 30 June 2024

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Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 June 2024

(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 2024	86,677	(650)	(6)	117,937	203,958
Effect of subsidiaries prior year adjustment	-	-	-	(52)	(52)
After of subsidiaries prior year adjustment	86,677	(650)	(6)	117,885	203,906
Profit for the period	-	-	8	2,044	2,052
Settlement of share grant plan	300	218	-	-	518
Total comprehensive income for the period	300	218	8	2,044	2,570
Dividends	-	-	-	(3,187)	(3,187)
Balance as at 30 June 2024	86,977	(432)	2	116,742	203,289
Balance as at 1 January 2023	86,677	(650)	-	113,578	199,605
Profit for the period	-	-	-	3,871	3,871
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,871	3,871
Dividends	-	-	-	(2,379)	(2,379)
Balance as at 30 June 2023	86,677	(650)	-	115,070	201,097

(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 2023 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 June 2024

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 2023. 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 2023.

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 2023.

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
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements	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 2023.

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 – 30 June 2024

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: -

On 14 May 2024, the Company issued 302,333 ordinary shares and transferred 472,967 of its treasury shares for the settlement of shares granted to eligible employees and executive directors of the Group under the Long-Term Incentive Plan (“LTIP”) approved by the shareholders at an Extraordinary General Meeting held on 30 January 2024.

The details of shares held as treasury shares for the period ended 30 June 2024 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2024	1,418,900	649,578
Transfer for settlement of Share Grant Plan during the quarter	(472,967)	(217,566)
Repurchased during the quarter	0	0
Balance as at 30 June 2024	945,933	432,012

There was no additional repurchase of shares since 1 April 2024.

A7. Dividend paid

A First and Final Single Tier Dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2023 proposed on 17 April 2024 was approved by the shareholders during the Annual General Meeting on 31 May 2024 and had been paid on 20 June 2024.

A8. Segment information

Details segmental analysis for the period ended 30 June 2024 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	139,251
Asia (other than Malaysia)	3,944
Africa (Mauritius)	574
Total	<u>143,769</u>

Notes on the quarterly report – 30 June 2024

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	107,646	36,123	-	-	143,769
Inter-segment	41,210	23,015	750	(64,975)	-
Total revenue	148,856	59,138	750	(64,975)	143,769
Results					
Segment results	2,642	(583)	564	118	2,741
Interest income	997	630	535	(215)	1,947
Finance costs	(1,901)	(107)	-	215	(1,793)
Profit/(loss) before taxation	1,738	(60)	1,099	118	2,895
Taxation	(415)	(175)	(261)	-	(851)
Net profit/(loss) for the financial period	1,323	(235)	838	118	2,044
Assets					
Additions to non-current assets	159	3,939	17	-	4,115
Segment assets	155,832	114,948	89,120	(75,506)	284,394

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 – 30 June 2024

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 30 June 2024 are as below:

Authorised and contracted for:

- Property, plant and equipment

RM7,107,407

Notes on the quarterly report – 30 June 2024

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Changes (RM'000 / %)	Current Year To- date 30.06.2024 RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000	Changes (RM'000 / %)
Revenue	74,295	68,427	5,868 / 8.6%	143,769	143,535	234 / 0.2%
Operating Profit	923	1,379	(456) / (33.1%)	2,741	4,771	(2,030) / (42.5%)
Profit Before Tax	868	1,838	(970) / (52.8%)	2,895	5,447	(2,552) / (46.9%)
Profit After Tax	578	1,240	(662) / (53.4%)	2,044	3,871	(1,827) / (47.2%)
Profit Attributable to Ordinary Equity Holders of the Parent	578	1,240	(662) / (53.4%)	2,044	3,871	(1,827) / (47.2%)

The Group recorded revenue of RM74.3 million for the current quarter, an increase of approximately RM5.9 million as compared to RM68.4 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 processed paper products.

The Group recorded a profit before tax of RM0.9 million for the current quarter under review, a substantial decrease of RM0.9 million as compared to profit before tax of RM1.8 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 30.06.2024 RM'000	Immediate Preceding Quarter 31.03.2024 RM'000	Changes (Amount / %) RM'000 / %
Revenue	74,295	69,473	4,822 / 6.9%
Operating Profit	923	1,818	(895) / (49.2%)
Profit Before Tax	868	2,027	(1,159) / (57.2%)
Profit After Tax	578	1,466	(888) / (60.6%)
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	578	1,466	(888) / (60.6%)

The Group recorded profit before tax of RM0.9 million for the current quarter compared to profit before tax of RM2.0 million in the immediate preceding quarter for the period ended 31 March 2024 mainly due to higher cost of sales and operating expenses for the maintaining of the business operations effectively.

Notes on the quarterly report – 30 June 2024

B3. Prospects

The Group's business operations environment has been deeply affected by inflation and fluctuations in commodity prices and currency exchange rates. The inflationary pressure resulted in a widespread increase in the cost of living for the consumers and reduced the purchasing power of the consumers. By addressing these challenges, the Directors of the Company continue to enhance cost management and cost optimization to improve the operational efficiency of the Group's business and financial performance to meet the market demand.

The Group will continuously adopt e-commerce platforms to enhance customer engagement with our products, aligning with the ongoing trend of digital transformation. We will plan content campaigns aimed at improving the customer experience with our products, driving sustained growth throughout 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 30.06.2024 RM'000	Current year to date 30.06.2024 RM'000
Estimated tax payable:		
Current	290	851
Total	<u>290</u>	<u>851</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 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	60,409	-	60,409
Hire purchase	807	-	807
Total	<u>61,216</u>	<u>-</u>	<u>61,216</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 – 30 June 2024

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 30.06.2024 RM'000	3 months Ended 30.06.2023 RM'000	6 months Ended 30.06.2024 RM'000	6 months Ended 30.06.2023 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	578	1,240	2,044	3,871
b) Weighted average number of ordinary shares ('000):	159,356	158,581	159,356	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.36	0.78	1.29	2.44
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	
	30.06.2024 RM'000	30.06.2023 RM'000
Bad debt recovered	(34)	(15)
Interest income	(1,947)	(2,007)
Interest expense	1,793	1,331
Depreciation and amortization	2,381	2,175
Reversal of impairment loss on trade receivables	(178)	(111)
Reversal of impairment on slow moving stock	(37)	-
Gain on disposal of property, plant and equipment	(77)	(58)
Unrealised (gain)/loss on foreign exchange	(794)	9

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 June 2024.

B13. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 13 August 2024.