



**WANG-ZHENG BERHAD**  
**(Company No.: 612237-K)**  
**(Incorporated in Malaysia)**

**CONSOLIDATED FINANCIAL RESULTS AND NOTES**  
**1st QUARTER ENDED 31 MARCH 2019**

**Condensed Consolidated Income Statement for the quarter ended 31 March 2019**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>Current year Quarter 31 Mar 2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 31 Mar 2018 RM'000</b>	<b>Current Year To Date 31 Mar 2019 RM'000</b>	<b>Preceding Year Corresponding Period 31 Mar 2018 RM'000</b>
Revenue	64,119	54,471	64,119	54,471
Cost of sales	(54,689)	(46,544)	(54,689)	(46,544)
Gross profit	9,430	7,927	9,430	7,927
Other income	951	629	951	629
Marketing and distribution expenses	(3,427)	(103)	(3,427)	(103)
Administration expenses	(3,625)	(4,648)	(3,625)	(4,648)
Operating Profit	3,329	3,805	3,329	3,805
Interest income	1,081	819	1,081	819
Finance costs	(917)	(593)	(917)	(593)
Profit before tax	3,493	4,031	3,493	4,031
Income tax expense	(864)	(997)	(864)	(997)
Profit for the period	2,629	3,034	2,629	3,034
Profit attributed to:				
Equity holders of the parent	2,629	3,034	2,629	3,034
	2,629	3,034	2,629	3,034
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.66	1.91	1.66	1.91
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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2019

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2019

(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 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Mar 2018</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Mar 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Mar 2018</u> RM'000
Profit for the period	2,629	3,034	2,629	3,034
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,629</u>	<u>3,034</u>	<u>2,629</u>	<u>3,034</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,629</u>	<u>3,034</u>	<u>2,629</u>	<u>3,034</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2019

Condensed Consolidated Statement of Financial Position as at 31 March 2019

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

	As At End Of Current Quarter 31 Mar 2019 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2018 RM'000
<b>Non-Current Assets</b>		
Property, plant and equipment	32,077	32,880
Investment property	9,360	9,290
Other investments	31	31
	<u>41,468</u>	<u>42,201</u>
<b>Current Assets</b>		
Inventories	47,294	50,882
Trade receivables	50,814	55,606
Other receivables, deposits and prepayments	5,026	5,991
Fixed deposits with licensed banks	75,697	75,074
Cash and bank balances	45,120	45,419
	<u>223,951</u>	<u>232,972</u>
<b>TOTAL ASSETS</b>	<u>265,419</u>	<u>275,173</u>
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	106,171	103,542
<b>Total equity</b>	<u>192,198</u>	<u>189,569</u>
<b>Non-Current Liabilities</b>		
Borrowings	6,906	7,555
Deferred taxation	1,922	1,922
	<u>8,828</u>	<u>9,477</u>
<b>Current Liabilities</b>		
Trade payables	4,808	8,473
Other payables	5,249	8,002
Short term borrowings	53,812	58,939
Taxation	524	713
	<u>64,393</u>	<u>76,127</u>
<b>Total Liabilities</b>	<u>73,221</u>	<u>85,604</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>265,419</u>	<u>275,173</u>
<b>Net Asset per share attributable to ordinary equity holders of the parent (RM)</b>	<u>1.21</u>	<u>1.20</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

**Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2019**

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

	<b>Cumulative Current Year 31 Mar 2019 RM'000</b>	<b>Cumulative Preceding Year 31 Mar 2018 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	3,493	4,031
Adjustments for:		
Depreciation of property, plant and equipment	959	1,095
Gain on disposal of property, plant and equipment	(3)	-
Interest expense	917	593
Interest income	(1,081)	(819)
Reversal of impairment on trade receivables	(95)	(1)
Unrealised loss on foreign exchange	188	5
Operating profit before working capital changes	<u>4,378</u>	<u>4,904</u>
(Increase)/Decrease in working capital:		
Inventories	3,588	(482)
Trade and other receivables	5,664	11,201
Trade and other payables	(6,418)	(5,402)
Cash generated from operations	<u>7,212</u>	<u>10,221</u>
Interest received	1,081	819
Interest paid	(917)	(593)
Income tax refunded	3	75
Income tax paid	(1,057)	(1,241)
<b>Net cash generated from operating activities</b>	<u><u>6,322</u></u>	<u><u>9,281</u></u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	3	-
Purchase of investment properties	(69)	(177)
Purchase of property, plant and equipment	(156)	(108)
<b>Net cash used in investing activities</b>	<u><u>(222)</u></u>	<u><u>(285)</u></u>

**Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2019**

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

	<b>Cumulative Current Year 31 Mar 2019 RM'000</b>	<b>Cumulative Preceding Year 31 Mar 2018 RM'000</b>
<b>Cash flows from financing activities</b>		
Net repayment of bank borrowings	(5,776)	(5,357)
<b>Net cash used in financing activities</b>	<u>(5,776)</u>	<u>(5,357)</u>
Net increase in cash and cash equivalents	324	3,639
Cash and cash equivalents at beginning of financial year	120,493	110,956
Cash and cash equivalents at end of financial period	<u><b>120,817</b></u>	<u><b>114,595</b></u>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits with licensed banks	75,697	58,773
Cash and bank balances	<u>45,120</u>	<u>55,822</u>
	<u><b>120,817</b></u>	<u><b>114,595</b></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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2019

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2019

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----			
	Share Capital RM'000	Treasury Shares RM'000	Retained Profit RM'000	Total RM'000
<b>Balance as at 1 January 2019</b>	86,677	(650)	103,542	189,569
Profit for the period	-	-	2,629	2,629
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	2,629	2,629
<b>Balance as at 31 March 2019</b>	<u>86,677</u>	<u>(650)</u>	<u>106,171</u>	<u>192,198</u>
<b>Balance as at 1 January 2018</b>	86,677	(650)	100,293	186,320
Profit for the period	-	-	3,034	3,034
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	3,034	3,034
<b>Balance as at 31 March 2018</b>	<u>86,677</u>	<u>(650)</u>	<u>103,327</u>	<u>189,354</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 2018 and the accompanying explanatory notes attached to the financial statements)

**Notes on the quarterly report – 31 March 2019**

**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 2017. 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 2017.

**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 2018.

The Group has 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 as stated below:

		<u>Effective date for financial periods beginning on or after</u>
MFRS 16	Lease	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:		
•	Amendments to MFRS 3	1 January 2019
•	Amendments to MFRS 11	1 January 2019
•	Amendments to MFRS 112	1 January 2019
•	Amendments to MFRS 123	1 January 2019
	Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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



**Notes on the quarterly report – 31 March 2019**

**A2. Qualification of annual financial statements**

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2018.

**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 was no material changes in estimates of amounts reported in the current quarter under review.

**A6. Issuances and repayment of debt and equity securities**

There have 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 2019 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2018	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2019	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2019.

**A7. Dividend paid**

There was no dividend paid by the Company during the quarter under review.

**Notes on the quarterly report – 31 March 2019**

**A8. Segment information**

Details segmental analysis for the period ended 31 March 2019 are as follows:

**(a) Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	57,555
Asia (other than Malaysia)	6,564
Total	<u>64,119</u>

**(b) Business segments**

	Processed paper products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidated RM'000
<b>Revenue</b>					
External customer	39,760	24,359	-	-	64,119
Inter-segment	19,344	10,581	-	(29,925)	-
Total revenue	<u>59,104</u>	<u>34,940</u>	-	<u>(29,925)</u>	<u>64,119</u>
<b>Results</b>					
Segment results	1,606	1,820	(97)	-	3,329
Interest income	592	372	117	-	1,081
Finance costs	(669)	(248)	-	-	(917)
Profit before tax	<u>1,529</u>	<u>1,944</u>	<u>20</u>	<u>-</u>	<u>3,493</u>
Taxation	(370)	(466)	(28)	-	(864)
Net profit for the financial period	<u>1,159</u>	<u>1,478</u>	<u>(8)</u>	<u>-</u>	<u>2,629</u>
<b>Assets</b>					
Additions to non- current assets	80	145	-	-	225
Segment assets	<u>152,969</u>	<u>119,845</u>	<u>92,864</u>	<u>(100,259)</u>	<u>265,419</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.

**Notes on the quarterly report – 31 March 2019**

**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.

**A14. Capital commitments**

There were no significant capital commitments as at 31 March 2019.

**Notes on the quarterly report – 31 March 2019**

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

**B1. Review of performance**

	Individual Period			Cumulative Period		
	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Changes (RM'000 / %)	Current Year To- date 31.03.2019 RM'000	Preceding Year Corresponding Period 31.03.2018 RM'000	Changes (RM'000 / %)
Revenue	64,119	54,471	(9,648) / 17.7%	64,119	54,471	(9,648) / 17.7%
Operating Profit	3,329	3,805	(476) / -12.5%	3,329	3,805	(476) / -12.5%
Profit Before Tax	3,493	4,031	(538) / -13.3%	3,493	4,031	(538) / -13.3%
Profit After Tax	2,629	3,034	(405) / -13.3%	2,629	3,034	(405) / -13.3%
Profit Attributable to Ordinary Equity Holders of the Parent	2,629	3,034	(405) / -13.3%	2,629	3,034	(405) / -13.3%

The Group recorded revenue of RM64.1 million for the current quarter, an increase of RM9.6 million as compared to RM54.5 million in the preceding year corresponding quarter mainly due to higher trading activities in processed paper products segment during the quarter under review.

The Group recorded a lower profit before tax of RM2.6 million for the current quarter, a decrease of RM0.4 million as compared to RM3.0 million in the preceding year corresponding quarter mainly due to higher marketing and distribution expenses in both processed paper products and disposable fibre-based products segment.

**B2. Variation of results against immediate preceding quarter**

	Current Quarter 31.03. 2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Changes (Amount / %) RM'000 / %
Revenue	64,119	71,113	(6,994) / -9.8%
Operating Profit	3,329	2,094	1,235 / 59.0%
Profit Before Tax	3,493	2,611	882 / 33.8%
Profit After Tax	2,629	1,839	790 / 43.0%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,629	1,839	790 / 43.0%

The Group's profit before tax increased to RM2.6 million for the current quarter as compared to RM1.8 million in the immediate preceding quarter for the period ended 31 December 2018 mainly due to lower administration expenses as no impairment on trade receivables during the quarter under review.

**Notes on the quarterly report – 31 March 2019**

**B3. Prospects**

Despite the current volatility in the global market, the Group's products are expected to remain competitive in the operating environment. Moving forward, the Group will further upgrade the existing own brands products to meet the customers' demands and to extend the product portfolio by further launching personal hygiene products from the ultimate holding company, Hengan International and to expand the business to South East Asia market. The Board anticipates the Group to achieve an improving performance for the remaining of 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 31.03.2019 RM'000	Current year to date 31.03.2019 RM'000
Estimated tax payable:		
Current	864	864
Total	864	864

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 not allowable for tax purpose.

**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	51,217	-	51,217
Term loans	2,502	6,865	9,367
Hire purchase	93	41	134
Total	53,812	6,906	60,718

**B8. Off balance sheet financial instruments**

There are no financial instruments with off balance sheet risk as at the date of this report.

**Notes on the quarterly report – 31 March 2019**

**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 31.03.2019 RM'000	3 months Ended 31.03.2018 RM'000	3 months Ended 31.03.2019 RM'000	3 months Ended 31.03.2018 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	2,629	3,034	2,629	3,034
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.66	1.91	1.66	1.91
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	
	31.03.2019 RM'000	31.03.2018 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	152,260	149,211
- Unrealised	1,734	2,072
	153,994	151,283
Less: Consolidation adjustments	(47,823)	(47,956)
Total Group retained profits as per consolidated accounts	106,171	103,327

**Notes on the quarterly report – 31 March 2019**

**B13. Notes to the Statement of Comprehensive Income**

	Quarter Ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Interest income	(1,081)	(819)
Interest expense	917	593
Depreciation and amortization	959	1,095
Reversal of impairment on trade receivables	(95)	(1)
Gain on disposal of property, plant and equipment	(3)	-
Unrealised (gain) loss on foreign exchange	188	5

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 31 March 2019.

**B14. Authorisation for Issue**

The interim financial report was authorised for issuance by the Board of Directors of the Company on 30 May 2019.