



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
1st QUARTER ENDED 31 MARCH 2017

Quarterly report on consolidated results for the first financial quarter ended 31 March 2017

Condensed Consolidated Income Statement for the quarter ended 31 March 2017

(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 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 MAR 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 MAR 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 MAR 2016</u> RM'000
Revenue	67,235	74,819	67,235	74,819
Operating expenses	(63,418)	(71,610)	(63,418)	(71,610)
Other operating income	787	366	787	366
Profit from operations	<u>4,604</u>	<u>3,575</u>	<u>4,604</u>	<u>3,575</u>
Interest income	848	896	848	896
Finance costs	(766)	(1,199)	(766)	(1,199)
Profit before tax	<u>4,686</u>	<u>3,272</u>	<u>4,686</u>	<u>3,272</u>
Income tax expense	(1,758)	(845)	(1,758)	(845)
Profit for the period	<u><u>2,928</u></u>	<u><u>2,427</u></u>	<u><u>2,928</u></u>	<u><u>2,427</u></u>
Profit attributed to: Equity holders of the parent	<u><u>2,928</u></u>	<u><u>2,427</u></u>	<u><u>2,928</u></u>	<u><u>2,427</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u><u>1.85</u></u>	<u><u>1.53</u></u>	<u><u>1.85</u></u>	<u><u>1.53</u></u>
Diluted (sen)	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2017

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2017

(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 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 MAR 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 MAR 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 MAR 2016</u> RM'000
Profit for the period	2,928	2,427	2,928	2,427
Other Comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,928</u>	<u>2,427</u>	<u>2,928</u>	<u>2,427</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,928</u>	<u>2,427</u>	<u>2,928</u>	<u>2,427</u>
	<u>2,928</u>	<u>2,427</u>	<u>2,928</u>	<u>2,427</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2017

Condensed Consolidated Statement of Financial Position as at 31 March 2017

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

	As At End Of Current Quarter 31 MAR 2017 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2016 RM'000
Non-Current Assets		
Property, plant and equipment	38,706	38,741
Investment property	6,597	5,292
Other investments	48	48
	<u>45,351</u>	<u>44,081</u>
Current Assets		
Inventories	50,336	49,889
Trade receivables	55,830	71,509
Other receivables, deposits and prepayments	5,623	4,212
Fixed deposits with licensed banks	58,194	51,941
Cash and bank balances	66,409	64,123
	<u>236,392</u>	<u>241,674</u>
TOTAL ASSETS	<u>281,743</u>	<u>285,755</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Retained profits	97,421	94,493
Total equity	<u>183,448</u>	<u>180,520</u>
Non-Current Liabilities		
Borrowings	12,149	12,838
Deferred taxation	1,893	1,893
	<u>14,042</u>	<u>14,731</u>
Current Liabilities		
Trade payables	7,335	8,010
Other payables	9,545	9,064
Amount owing to directors	248	198
Short term borrowings	65,285	72,278
Taxation	1,840	954
	<u>84,253</u>	<u>90,504</u>
Total Liabilities	<u>98,295</u>	<u>105,235</u>
TOTAL EQUITY AND LIABILITIES	<u>281,743</u>	<u>285,755</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.16</u>	<u>1.14</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows as at 31 March 2017

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

	Cumulative Current Year 31 MAR 2017 RM'000	Cumulative Preceding Year 31 MAR 2016 RM'000
Cash flows from operating activities		
Profit before tax	4,686	3,272
Adjustments for:		
Depreciation of property, plant and equipment	1,130	760
Loss on disposal of investment in subsidiary	-	187
Gain on disposal of property, plant and equipment	(95)	(118)
Impairment on trade receivables	-	300
Interest expense	766	1,199
Interest income	(848)	(896)
Reversal of impairment on trade receivables	(9)	(83)
Unrealised loss on foreign exchange	574	524
Operating profit before working capital changes	6,204	5,145
(Increase)/Decrease in working capital:		
Inventories	(447)	2,925
Trade and other receivables	13,634	4,877
Trade and other payables	(195)	7,726
Amount owing to directors	50	33
Cash generated from operations	19,246	20,706
Interest received	848	896
Interest paid	(766)	(1,199)
Income tax refunded	19	-
Income tax paid	(826)	(756)
Net cash generated from operating activities	18,521	19,647
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	96	217
Purchase of investment properties	(1,305)	-
Purchase of property, plant and equipment	(1,092)	(139)
Net cash inflow from liquidation of a subsidiary company	-	733
Net cash (used in) generated from investing activities	(2,301)	811

Condensed Consolidated Statement of Cash Flows as at 31 March 2017

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

	Cumulative Current Year 31 MAR 2017 RM'000	Cumulative Preceding Year 31 MAR 2016 RM'000
Cash flows from financing activities		
Net repayment of bank borrowings	(7,682)	(8,663)
Net cash used in financing activities	<u>(7,682)</u>	<u>(8,663)</u>
Net increase in cash and cash equivalents	8,538	11,795
Cash and cash equivalents at beginning of financial year	116,065	111,003
Cash and cash equivalents at end of financial period	<u>124,603</u>	<u>122,798</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	58,194	40,814
Cash and bank balances	<u>66,409</u>	<u>81,984</u>
	<u>124,603</u>	<u>122,798</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the first financial quarter ended 31 March 2017

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 March 2017

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Distributable Retained Profit RM'000	
Balance as at 1 January 2017	80,000	6,677	(650)	94,493	180,520
Profit for the period	-	-	-	2,928	2,928
Other Comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,928	2,928
Balance as at 31 March 2017	80,000	6,677	(650)	97,421	183,448
Balance as at 1 January 2016	80,000	6,677	(650)	83,139	169,166
Profit for the period	-	-	-	2,427	2,427
Other Comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,427	2,427
Balance as at 31 March 2016	80,000	6,677	(650)	85,566	171,593

(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 2016 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 31 March 2017

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 Financial Reporting Standards (FRS) 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 2016. 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.

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 2016.

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 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to MFRS 15	Classification to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i>	1 January 2018 *
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Lease	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021*

The initial applications of the above applicable new MFRSs and amendments to MFRSs are not expected to have any material impact on the financial position and results of the Group.

Notes on the quarterly report – 31 March 2017

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2016.

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 2017 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2016	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2017	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2017.

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 2017 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

Notes on the quarterly report – 31 March 2017

<u>Location</u>	Consolidated RM'000
Malaysia	60,111
Asia (other than Malaysia)	7,124
Total	67,235

(b) Business segment

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidated RM'000
Revenue					
External customer	44,961	22,274	-	-	67,235
Inter-segment	20,003	8,575	-	(28,578)	-
Total revenue	64,964	30,849	-	(28,578)	67,235
Results					
Segment results	1,606	3,102	(104)	-	4,604
Interest income	438	306	104	-	848
Finance costs	(674)	(92)	-	-	(766)
Profit before taxation	1,370	3,316	-	-	4,686
Taxation	(962)	(796)	-	-	(1,758)
Net profit for the financial period	408	2,520	-	-	2,928
Assets					
Additions to non- current assets	1,130	1,267	-	-	2,397
Segment assets	161,576	124,724	91,367	(95,924)	281,743
Liabilities					
Segment liabilities	93,194	41,486	346	(36,731)	98,295

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. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. 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 – 31 March 2017

A13. Capital commitments

There were no significant capital commitments as at 31 March 2017.

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

B1. Review of performance

The Group recorded revenue of RM67.2 million for the current quarter, a decrease of RM7.6 million as compared to RM74.8 million in the preceding year corresponding quarter, mainly due to a weak demand in the processed paper products experienced in the current quarter.

Despite the above, the Group recorded a higher profit before tax of RM4.7 million for the current quarter, an increase of RM1.4 million as compared to RM3.3 million in the preceding year corresponding quarter, mainly due to higher realised foreign exchange gain and lower finance costs as a result of lower utilisation of trade line banking facilities from the disposable fibre-based products segment.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax of RM4.7 million for the current quarter was comparable to the RM4.6 million in the immediate preceding quarter for the period ended 31 December 2016.

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 Board expects the Group to achieve a satisfactory performance 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 31.03.2017 RM'000	Current year to date 31.03.2017 RM'000
Estimated tax payable:		
Current	1,135	1,135
Under provision in prior year	623	623
Total	1,758	1,758

The effective tax rate for both the current quarter and financial year to date under review are approximately equivalent to the statutory income tax rate.

Notes on the quarterly report – 31 March 2017

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 year are as follows:

Group Borrowings	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
Trust receipts and bankers' acceptance	62,431	-	62,431
Term loans	2,502	11,868	14,370
Hire purchase	352	281	633
Total	65,285	12,149	77,434

B8. Off balance sheet financial instrument

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 31.03.2017 RM'000	3 months Ended 31.03.2016 RM'000	3 months Ended 31.03.2017 RM'000	3 months Ended 31.03.2016 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	2,928	2,427	2,928	2,427
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.85	1.53	1.85	1.53
ii) Diluted	Note	Note	Note	Note

Notes on the quarterly report – 31 March 2017

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	
	31.03.2017	31.03.2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	144,369	131,204
- Unrealised	1,319	2,108
	<u>145,688</u>	<u>133,312</u>
Less: Consolidation adjustments	(48,267)	(47,746)
Total group retained profits as per consolidated accounts	<u>97,421</u>	<u>85,566</u>

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Interest income	(848)	(896)
Interest expense	766	1,199
Depreciation and amortization	1,130	760
Impairment on trade receivables	-	300
Reversal of impairment on trade receivables	(9)	(83)
Loss on disposal of investment in subsidiary	-	187
(Gain) on disposal of property, plant and equipment	(95)	(118)
Unrealised loss on foreign exchange	574	524

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 2017.