



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
3rd QUARTER ENDED 30 SEPTEMBER 2016

Quarterly report on consolidated results for the third financial quarter ended 30 September 2016

Condensed Consolidated Income Statement for the quarter ended 30 September 2016

(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 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2015</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2015</u> RM'000
Revenue	68,688	73,909	221,496	207,327
Operating expenses	(65,047)	(71,062)	(211,838)	(200,695)
Other operating income	530	607	7,635	6,393
Profit from operations	<u>4,171</u>	<u>3,454</u>	<u>17,293</u>	<u>13,025</u>
Interest income	804	830	2,489	2,165
Finance costs	(852)	(1,079)	(2,879)	(2,752)
Profit before tax	<u>4,123</u>	<u>3,205</u>	<u>16,903</u>	<u>12,438</u>
Income tax expense	(2,608)	(801)	(4,641)	(816)
Profit for the period	<u><u>1,515</u></u>	<u><u>2,404</u></u>	<u><u>12,262</u></u>	<u><u>11,622</u></u>
Profit attributed to:				
Equity holders of the parent	<u>1,515</u>	<u>2,404</u>	<u>12,262</u>	<u>11,622</u>
	<u><u>1,515</u></u>	<u><u>2,404</u></u>	<u><u>12,262</u></u>	<u><u>11,622</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>0.96</u>	<u>1.52</u>	<u>7.73</u>	<u>7.33</u>
Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the third financial quarter ended 30 September 2016

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 September 2016

(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 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2015</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2015</u> RM'000
Profit for the period	1,515	2,404	12,262	11,622
Other Comprehensive income:				
- Foreign currency translation	0	0	0	(2,883)
Total comprehensive income for the period	<u>1,515</u>	<u>2,404</u>	<u>12,262</u>	<u>8,739</u>
Total comprehensive income attributable to:				
Equity holders of the parent	1,515	2,404	12,262	8,739
Non-controlling Interests	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>1,515</u>	<u>2,404</u>	<u>12,262</u>	<u>8,739</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the third financial quarter ended 30 September 2016

Condensed Consolidated Statement of Financial Position as at 30 September 2016

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

	As At End Of Current Quarter 30 SEP 2016 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2015 RM'000
Non-Current Assets		
Property, plant and equipment	39,067	41,771
Other investments	48	55
	<u>39,115</u>	<u>41,826</u>
Current Assets		
Other investment	-	16,799
Assets of discontinued operations	-	516
Inventories	60,306	43,215
Trade receivables	56,687	63,674
Other receivables, deposits and prepayments	7,591	4,899
Tax recoverable	-	349
Fixed deposits with licensed banks	51,417	43,802
Cash and bank balances	49,845	66,688
	<u>225,846</u>	<u>239,942</u>
TOTAL ASSETS	<u>264,961</u>	<u>281,768</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	90,643	83,139
Total equity	<u>176,670</u>	<u>169,166</u>
Non-Current Liabilities		
Borrowings	13,525	15,663
Deferred taxation	2,632	2,632
	<u>16,157</u>	<u>18,295</u>
Current Liabilities		
Liabilities of discontinued operations	-	2
Trade payables	5,565	7,142
Other payables	7,661	8,252
Amount owing to directors	149	198
Short term borrowings	56,381	76,195
Taxation	2,378	2,518
	<u>72,134</u>	<u>94,307</u>
Total Liabilities	<u>88,291</u>	<u>112,602</u>
TOTAL EQUITY AND LIABILITIES	<u>264,961</u>	<u>281,768</u>
Net Asset per share attributable to ordinary equity holders of the parent (RM)	<u>1.11</u>	<u>1.07</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Cash Flows as at 30 September 2016

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

	Cumulative Current Year 30 SEP 2016 RM'000	Cumulative Preceding Year 30 SEP 2015 RM'000
Cash flows from operating activities		
Profit before tax	16,903	12,438
Adjustments for:		
Bad debt written off	11	-
Depreciation of property, plant and equipment	2,142	3,617
Loss on disposal of investment in subsidiary	187	-
Gain on disposal of property, plant and equipment	(153)	(7)
Gain on disposal of other investment	(5,889)	-
Impairment on inventories	-	9
Impairment on trade receivables	1,800	1,150
Interest expense	2,879	2,752
Interest income	(2,489)	(2,165)
Reversal of impairment on trade receivables	(186)	(45)
Reversal of impairment on investment in subsidiary	-	(1,103)
Unrealised loss on foreign exchange	427	559
	<hr/>	<hr/>
Operating profit before working capital changes	15,632	17,205
(Increase)/Decrease in working capital:		
Inventories	(17,091)	4,813
Trade and other receivables	1,727	(18,126)
Trade and other payables	(2,493)	4,087
Amount owing to directors	(49)	(49)
	<hr/>	<hr/>
Cash (used in) generated from operations	(2,274)	7,930
Interest received	2,489	2,165
Interest paid	(2,879)	(2,752)
Income tax paid	(2,963)	(2,360)
	<hr/>	<hr/>
Net cash (used in) generated from operating activities	<hr/> (5,627)	<hr/> 4,983
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	288	343
Proceeds from disposal of other investment	22,695	-
Purchase of property, plant and equipment	(984)	(6,061)
Net cash inflow from disposal of subsidiary company	733	11,575
	<hr/>	<hr/>
Net cash generated from investing activities	<hr/> 22,732	<hr/> 5,857

Condensed Consolidated Statement of Cash Flows as at 30 September 2016

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

	Cumulative Current Year 30 SEP 2016 RM'000	Cumulative Preceding Year 30 SEP 2015 RM'000
Cash flows from financing activities		
Dividend paid	(4,758)	(3,965)
Net repayment of bank borrowings	(22,088)	(3,643)
Net cash used in financing activities	<u>(26,846)</u>	<u>(7,608)</u>
Net (decrease) increase in cash and cash equivalents	(9,741)	3,232
Effect of exchange rate fluctuations on cash held	-	(2,883)
Cash and cash equivalents at beginning of financial year	111,003	101,321
Cash and cash equivalents at end of financial period	<u>101,262</u>	<u>101,670</u>
Cash and cash equivalents comprise:		
Continuing operations		
Fixed deposits with licensed banks	51,417	43,471
Cash and bank balances	49,845	57,687
	<u>101,262</u>	<u>101,158</u>
Discontinued operations		
Fixed deposits with licensed banks	-	461
Cash & bank balances	-	51
	<u>-</u>	<u>512</u>
	<u>101,262</u>	<u>101,670</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

Quarterly report on consolidated results for the third financial quarter ended 30 September 2016

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 2016

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----						Non-Controlling Interest RM'000	Total RM'000
	Non-distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Exchange Reserve RM'000	Retained Profit RM'000			
Balance as at 1 January 2016	80,000	6,677	(650)	-	83,139	-	169,166	
Profit for the period	-	-	-	-	12,262	-	12,262	
Other Comprehensive income:	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	12,262	-	12,262	
Dividends	-	-	-	-	(4,758)	-	(4,758)	
Balance as at 30 September 2016	80,000	6,677	(650)	-	90,643	-	176,670	
Balance as at 1 January 2015	80,000	6,677	(650)	2,883	73,804	-	162,714	
Profit for the period	-	-	-	-	11,622	-	11,622	
Other Comprehensive income:	-	-	-	(2,883)	-	-	(2,883)	
Total comprehensive income for the period	-	-	-	(2,883)	11,622	-	8,739	
Dividends	-	-	-	-	(3,965)	-	(3,965)	
Balance as at 30 September 2015	80,000	6,677	(650)	-	81,461	-	167,488	

(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 2015 and the accompanying explanatory notes attached to the financial statements)

Notes on the quarterly report – 30 September 2016

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 2015. 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 2015.

The Group has not early adopted the following new MFRSs 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:

		Effective date for financial periods beginning on or after
Amendments to MFRS 101	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Asset for Unrealised Losses	1 January 2017
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
MFRS 16	Lease	1 January 2019

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.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2015.

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.

Notes on the quarterly report – 30 September 2016

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 30 September 2016 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2016	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2016	1,418,900	649,578

There were no additional repurchase of shares since 1 July 2016.

A7. Dividend Paid

A first and final single tier tax exempt dividend of 6% or 3.0 sen per share amounting to a total dividend of RM4,757,733 in respect of the financial year ended 31 December 2015 was approved by the Shareholders at the Annual General Meeting held on 8 June 2016 had been paid on 21 July 2016.

A8. Segment information

Details segmental analysis for the period ended 30 September 2016 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	201,748
Asia (other than Malaysia)	19,748
Total	<u>221,496</u>

Notes on the quarterly report – 30 September 2016

(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	156,685	64,811		-	221,496
Inter-segment	64,174	27,503		(91,677)	-
Total revenue	<u>220,859</u>	<u>92,314</u>		<u>(91,677)</u>	<u>221,496</u>
Results					
Segment results	6,420	11,177	1,293	(1,597)	17,293
Interest income	1,255	1,029	360	(155)	2,489
Finance costs	(1,910)	(1,124)	-	155	(2,879)
Profit before taxation	<u>5,765</u>	<u>11,082</u>	<u>1,653</u>	<u>(1,597)</u>	<u>16,903</u>
Taxation	(1,613)	(3,014)	(14)	-	(4,641)
Net profit for the financial period	<u>4,152</u>	<u>8,068</u>	<u>1,639</u>	<u>(1,597)</u>	<u>12,262</u>
Assets					
Additions to non-current assets	514	606	-	-	1,120
Segment assets	<u>150,778</u>	<u>121,918</u>	<u>87,939</u>	<u>(95,674)</u>	<u>264,961</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. 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.

A13. Capital commitments

There were no significant capital commitments as at 30 September 2016.

Notes on the quarterly report – 30 September 2016

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

B1. Review of performance

The Group recorded revenue at RM68.7 million for the current quarter, a decrease of RM5.2 million as compared to RM73.9 million in the preceding year corresponding quarter, mainly due to lower sales achieved in the processed paper products segment.

However, the Group recorded a higher profit before tax of RM4.1 million for the current quarter, an increase of RM0.9 million as compared to RM3.2 million in the preceding year corresponding quarter, mainly due better profit margin and lower finance costs derived from the processed paper products segment.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax decreased to RM4.1 million for the current quarter as compared to RM9.5 million in the immediate preceding quarter for the period ended 30 June 2016, mainly due to gain on disposal of other investment amounting to RM5.89 million in the immediate preceding quarter.

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 30.09.2016 RM'000	Current year to date 30.09.2016 RM'000
Estimated tax payable:		
Current	2,608	4,641
Total	<u>2,608</u>	<u>4,641</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 provision for real property gain tax of RM1.76 million for gain on disposal of other investment.

B6. Status of corporate proposal

There was no corporate proposal announced as at the date of this announcement.

Notes on the quarterly report – 30 September 2016

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	53,393	-	53,393
Term loans	2,502	13,119	15,621
Hire purchase	486	406	892
Total	56,381	13,525	69,906

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 30.09.2016 RM'000	3 months Ended 30.09.2015 RM'000	9 months Ended 30.09.2016 RM'000	9 months Ended 30.09.2015 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	1,515	2,404	12,262	11,622
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	0.96	1.52	7.73	7.33
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.

Notes on the quarterly report – 30 September 2016

B12. Disclosure of Realised and Unrealised Profits (Unaudited)

	Quarter Ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	138,372	125,964
- Unrealised	2,205	3,875
	<u>140,577</u>	<u>129,839</u>
Less: Consolidation adjustments	(49,934)	(48,378)
Total group retained profits as per consolidated accounts	<u>90,643</u>	<u>81,461</u>

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Interest income	(2,489)	(2,165)
Interest expense	2,879	2,752
Bad debts written off	11	-
Depreciation and amortization	2,142	3,617
Impairment on inventories	-	9
Impairment on trade receivables	1,800	1,150
Reversal of impairment on trade receivables	(186)	(45)
Reversal of impairment on investment in subsidiary	-	(1,103)
Loss on disposal of investment in subsidiary	187	-
Gain on disposal of property, plant and equipment	(153)	(7)
Gain on disposal of other investment	(5,889)	-
Unrealised loss on foreign exchange	427	559

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 30 September 2016.