



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2016

Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2016

Condensed Consolidated Income Statement for the quarter ended 31 December 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>31 DEC 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 DEC 2015</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 DEC 2016</u> RM'000	<u>(Audited)</u> <u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 DEC 2015</u> RM'000
Revenue	87,556	85,223	309,052	292,576
Operating expenses	(85,159)	(81,171)	(296,997)	(281,923)
Other operating income	1,296	462	8,931	6,524
Profit from operations	<u>3,693</u>	<u>4,514</u>	<u>20,986</u>	<u>17,177</u>
Interest income	1,159	731	3,648	2,896
Finance costs	(224)	(949)	(3,103)	(3,675)
Profit before tax	<u>4,628</u>	<u>4,296</u>	<u>21,531</u>	<u>16,398</u>
Income tax expense	863	(2,318)	(3,778)	(3,087)
Profit from continuing operations	<u>5,491</u>	<u>1,978</u>	<u>17,753</u>	<u>13,311</u>
Discontinued operations				
Loss from discontinued operations	0	0	0	(12)
Profit for the period	<u><u>5,491</u></u>	<u><u>1,978</u></u>	<u><u>17,753</u></u>	<u><u>13,299</u></u>
Profit attributed to:				
Equity holders of the parent	<u>5,491</u>	<u>1,978</u>	<u>17,753</u>	<u>13,299</u>
	<u><u>5,491</u></u>	<u><u>1,978</u></u>	<u><u>17,753</u></u>	<u><u>13,299</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>3.46</u>	<u>1.25</u>	<u>11.19</u>	<u>8.39</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 fourth financial quarter ended 31 December 2016

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 December 2016

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u> (Audited)	
	<u>Current year</u> <u>Quarter</u> <u>31 DEC 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 DEC 2015</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 DEC 2016</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 DEC 2015</u> RM'000
Profit for the period	5,491	1,978	17,753	13,299
Other Comprehensive income:				
- Foreign currency translation	0	0	0	(2,883)
Total comprehensive income for the period	<u>5,491</u>	<u>1,978</u>	<u>17,753</u>	<u>10,416</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>5,491</u>	<u>1,978</u>	<u>17,753</u>	<u>10,416</u>
	<u>5,491</u>	<u>1,978</u>	<u>17,753</u>	<u>10,416</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 fourth financial quarter ended 31 December 2016

Condensed Consolidated Statement of Financial Position as at 31 December 2016

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

	As At End Of Current Quarter 31 DEC 2016 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2015 RM'000
Non-Current Assets		
Property, plant and equipment	38,741	41,771
Investment property	5,292	-
Other investments	48	55
	44,081	41,826
Current Assets		
Other investment	-	16,799
Assets of discontinued operations	-	516
Inventories	49,889	43,215
Trade receivables	71,571	63,674
Other receivables, deposits and prepayments	4,212	4,899
Tax recoverable	-	349
Fixed deposits with licensed banks	51,941	43,802
Cash and bank balances	64,126	66,688
	241,739	239,942
TOTAL ASSETS	285,820	281,768
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	94,549	83,139
Total equity	180,576	169,166
Non-Current Liabilities		
Borrowings	12,787	15,663
Deferred taxation	1,902	2,632
	14,689	18,295
Current Liabilities		
Liabilities of discontinued operations	-	2
Trade payables	8,022	7,142
Other payables	9,048	8,252
Amount owing to directors	198	198
Short term borrowings	72,330	76,195
Taxation	957	2,518
	90,555	94,307
Total Liabilities	105,244	112,602
TOTAL EQUITY AND LIABILITIES	285,820	281,768
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.14	1.07

(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 31 December 2016

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

	Cumulative Current Year 31 DEC 2016 RM'000	(Audited) Cumulative Preceding Year 31 DEC 2015 RM'000
Cash flows from operating activities		
Profit before tax		
- Continuing operations	21,531	16,398
- Discontinued operations	-	(12)
Adjustments for:		
Bad debt written off	71	177
Depreciation of property, plant and equipment	2,833	4,911
Loss (Gain) on disposal of investment in subsidiary	187	(3,524)
Gain on disposal of property, plant and equipment	(152)	(328)
Gain on disposal of other investment	(5,889)	-
Impairment on trade receivables	1,800	1,600
Interest expense	4,344	3,675
Interest income	(3,474)	(2,925)
Inventories written down	-	600
Reversal of inventories written down	(259)	-
Reversal of impairment on slow moving inventories	-	(9)
Reversal of impairment on trade receivables	(227)	-
Reversal of impairment on other receivables	(7)	-
Unrealised loss (gain) on foreign exchange	163	(822)
Operating profit before working capital changes	20,921	19,741
(Increase)/Decrease in working capital:		
Inventories	(6,415)	13,656
Trade and other receivables	(9,533)	(10,257)
Trade and other payables	1,697	2,657
Cash generated from operations	6,670	25,797
Interest received	3,474	2,924
Interest paid	(4,344)	(3,675)
Income tax refunded	-	5
Income tax paid	(4,250)	(4,004)
Net cash generated from operating activities	1,550	21,047
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	361	343
Proceeds from disposal of other investment	22,695	-
Purchase of investment properties	(5,292)	-
Purchase of property, plant and equipment	(1,763)	(5,790)
Acquisition of other investments	-	(7)
Net cash inflow (outflow) from disposal of subsidiary company	733	(172)
Net cash generated from (used in) investing activities	16,734	(5,626)

Condensed Consolidated Statement of Cash Flows as at 31 December 2016

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

	Cumulative Current Year 31 DEC 2016 RM'000	(Audited) Cumulative Preceding Year 31 DEC 2015 RM'000
Cash flows from financing activities		
Dividend paid	(6,343)	(3,965)
Net repayment of bank borrowings	(6,877)	(3,411)
Net cash used in financing activities	<u>(13,220)</u>	<u>(7,376)</u>
Net increase in cash and cash equivalents	5,064	8,045
Effect of exchange rate fluctuations on cash held	-	1,636
Cash and cash equivalents at beginning of financial year	111,003	101,321
Cash and cash equivalents at end of financial year	<u>116,067</u>	<u>111,002</u>
Cash and cash equivalents comprise:		
Continuing operations		
Fixed deposits with licensed banks	51,941	43,802
Cash and bank balances	<u>64,126</u>	<u>66,688</u>
	<u>116,067</u>	<u>110,490</u>
Discontinued operations		
Fixed deposits with licensed banks	-	461
Cash & bank balances	<u>-</u>	<u>51</u>
	<u>-</u>	<u>512</u>
	<u>116,067</u>	<u>111,002</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 forth financial quarter ended 31 December 2016

Condensed Consolidated Statement of Changes in Equity for the quarter ended 31 December 2016

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----				Distributable	Non-Controlling Interest	Total
	Non-distributable			Foreign			
	Share Capital	Share Premium	Treasury Shares	Exchange Reserve	Retained Profit	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	80,000	6,677	(650)	-	83,139	-	169,166
Profit for the period	-	-	-	-	17,753	-	17,753
Other Comprehensive income:	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	17,753	-	17,753
Dividends	-	-	-	-	(6,343)	-	(6,343)
Balance as at 31 December 2016	80,000	6,677	(650)	-	94,549	-	180,576
Balance as at 1 January 2015	80,000	6,677	(650)	2,883	73,804	-	162,714
Profit for the period	-	-	-	-	13,299	-	13,299
Other Comprehensive income:							
- Foreign currency translation	-	-	-	(2,883)	-	-	(2,883)
Total comprehensive income for the period	-	-	-	(2,883)	13,299	-	10,416
Dividends	-	-	-	-	(3,964)	-	(3,964)
Balance as at 31 December 2015	80,000	6,677	(650)	-	83,139	-	169,166

(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 – 31 December 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:

		<u>Effective date for financial periods beginning on or after</u>
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
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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.

Notes on the quarterly report – 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 December 2016 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 September 2016	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2016	1,418,900	649,578

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

A7. Dividend Paid

A first interim single tier tax exempt dividend of 1.0 sen per ordinary share amounting to a total dividend payable of RM1,585,811 in respect of the financial year ended 31 December 2016 was declared on 23 November 2016 and had been paid on 23 December 2016.

A8. Segment information

Details segmental analysis for the period ended 31 December 2016 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	284,603
Asia (other than Malaysia)	24,449
Total	<u>309,052</u>

Notes on the quarterly report – 31 December 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	221,384	87,668		-	309,052
Inter-segment	89,336	36,801		(126,137)	-
Total revenue	<u>310,720</u>	<u>124,469</u>		<u>(126,137)</u>	<u>309,052</u>
Results					
Segment results	9,258	12,120	1,205	(1,597)	20,986
Interest income	1,692	1,666	445	(155)	3,648
Finance costs	(2,720)	(538)	-	155	(3,103)
Profit before taxation	<u>8,230</u>	<u>13,248</u>	<u>1,650</u>	<u>(1,597)</u>	<u>21,531</u>
Taxation	(2,381)	(1,290)	(107)	-	(3,778)
Net profit for the financial period	<u>5,849</u>	<u>11,958</u>	<u>1,543</u>	<u>(1,597)</u>	<u>17,753</u>
Assets					
Additions to non-current assets	2,400	4,791	-	-	7,191
Segment assets	<u>174,184</u>	<u>118,442</u>	<u>86,302</u>	<u>(93,108)</u>	<u>285,820</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 31 December 2016.

Notes on the quarterly report – 31 December 2016

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

B1. Review of performance

The Group recorded revenue of RM87.5 million for the current quarter, an increase of RM2.3 million as compared to RM85.2 million in the preceding year corresponding quarter, mainly due to higher sales achieved in the processed paper products segment.

The Group recorded a higher profit before tax of RM4.6 million for the current quarter, an increase of RM0.3 million as compared to RM4.3 million in the preceding year corresponding quarter, mainly due to higher interest income and lower finance cost derived from the disposable fibre-based products segment.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax increased slightly to RM4.6 million for the current quarter as compared to RM4.1 million in the immediate preceding quarter for the period ended 30 September 2016, mainly due to higher interest income and lower finance cost derived from the disposable fibre-based products segment.

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 forthcoming financial 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 31.12.2016 RM'000	Current year to date 31.12.2016 RM'000
Estimated tax payable:		
Current	1,667	4,710
Over provision in prior year	(41)	(200)
Deferred tax	(732)	(732)
Over provision of real property gain tax	(1,767)	0
Total	<u>(863)</u>	<u>3,778</u>

The effective tax rate for the current quarter and financial year to date under review are lower than the statutory income tax rate mainly due to over provision of deferred tax in prior year and real property gain tax in previous quarter.

B6. Status of corporate proposal

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

Notes on the quarterly report – 31 December 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	69,357	-	69,357
Term loans	2,502	12,494	14,996
Hire purchase	471	293	764
Total	72,330	12,787	85,117

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

A first interim single tier tax exempt dividend of 1.0 sen per ordinary share amounting to a total dividend payable of RM1,585,811 in respect of the financial year ended 31 December 2016 will be declared and to be paid on 23 December 2016 to depositors registered in the records of Depositors on 8 December 2016.

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 31.12.2016 RM'000	3 months Ended 31.12.2015 RM'000	12 months Ended 31.12.2016 RM'000	12 months Ended 31.12.2015 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	5,491	1,978	17,753	13,229
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	3.46	1.25	11.19	8.39
ii) Diluted	Note	Note	Note	Note

Notes on the quarterly report – 31 December 2016

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	
	31.12.2016	31.12.2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	139,752	131,539
- Unrealised	1,739	(1,703)
	<u>141,491</u>	<u>129,836</u>
Less: Consolidation adjustments	(46,942)	(46,697)
Total group retained profits as per consolidated accounts	<u>94,549</u>	<u>83,139</u>

B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Interest income	(3,474)	(2,925)
Interest expense	4,344	3,675
Bad debts written off	71	177
Depreciation and amortization	2,833	4,911
Inventories written down	-	600
Impairment on trade receivables	1,800	1,600
Reversal of inventories written down	(259)	-
Reversal of impairment on slow moving stock	-	(9)
Reversal of impairment on trade receivables	(227)	-
Reversal of impairment on other receivables	(7)	-
Loss (Gain) on disposal of investment in subsidiary	187	(3,524)
Gain on disposal of property, plant and equipment	(152)	(328)
Gain on disposal of other investment	(5,889)	-
Unrealised loss (gain) on foreign exchange	163	(822)

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 December 2016.