



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

**CONSOLIDATED FINANCIAL RESULTS AND NOTES**  
**3rd QUARTER ENDED 30 SEPTEMBER 2017**

**Condensed Consolidated Income Statement for the quarter ended 30 September 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>30 SEP 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2016</u> RM'000
Revenue	72,013	68,688	201,514	221,496
Operating expenses	(70,179)	(65,047)	(193,084)	(211,838)
Other operating income	1,129	530	2,956	7,635
Profit from operations	<u>2,963</u>	<u>4,171</u>	<u>11,386</u>	<u>17,293</u>
Interest income	1,040	804	2,761	2,489
Finance costs	(686)	(852)	(2,022)	(2,879)
Profit before tax	<u>3,317</u>	<u>4,123</u>	<u>12,125</u>	<u>16,903</u>
Income tax expense	(893)	(2,608)	(3,180)	(4,641)
Profit for the period	<u><u>2,424</u></u>	<u><u>1,515</u></u>	<u><u>8,945</u></u>	<u><u>12,262</u></u>
Profit attributed to:				
Equity holders of the parent	<u>2,424</u>	<u>1,515</u>	<u>8,945</u>	<u>12,262</u>
	<u><u>2,424</u></u>	<u><u>1,515</u></u>	<u><u>8,945</u></u>	<u><u>12,262</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>1.53</u>	<u>0.96</u>	<u>5.64</u>	<u>7.73</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

**Condensed Consolidated Statement of Comprehensive Income for the quarter ended 30 September 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>30 SEP 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 SEP 2016</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 SEP 2017</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>30 SEP 2016</u> RM'000
Profit for the period	2,424	1,515	8,945	12,262
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,424</u>	<u>1,515</u>	<u>8,945</u>	<u>12,262</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,424</u>	<u>1,515</u>	<u>8,945</u>	<u>12,262</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 third financial quarter ended 30 September 2017

Condensed Consolidated Statement of Financial Position as at 30 September 2017

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

	As At End Of Current Quarter 30 SEP 2017 RM'000	(Audited) Preceding Financial Year-Ended 31 DEC 2016 RM'000
<b>Non-Current Assets</b>		
Property, plant and equipment	36,922	38,741
Investment property	7,903	5,292
Other investments	88	48
	44,913	44,081
<b>Current Assets</b>		
Inventories	52,698	49,889
Trade receivables	57,105	71,509
Other receivables, deposits and prepayments	2,694	4,212
Fixed deposits with licensed banks	57,800	51,941
Cash and bank balances	50,292	64,123
	220,589	241,674
<b>TOTAL ASSETS</b>	<b>265,502</b>	<b>285,755</b>
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	80,000	80,000
Share premium	6,677	6,677
Treasury shares	(650)	(650)
Retained profits	98,681	94,493
<b>Total equity</b>	<b>184,708</b>	<b>180,520</b>
<b>Non-Current Liabilities</b>		
Borrowings	10,797	12,838
Deferred taxation	1,893	1,893
	12,690	14,731
<b>Current Liabilities</b>		
Trade payables	7,679	8,010
Other payables	8,541	9,064
Amount owing to directors	-	198
Short term borrowings	51,033	72,278
Taxation	851	954
	68,104	90,504
<b>Total Liabilities</b>	<b>80,794</b>	<b>105,235</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>265,502</b>	<b>285,755</b>
<b>Net Asset per share attributable to ordinary equity holders of the parent (RM)</b>	<b>1.16</b>	<b>1.14</b>

(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 for the quarter ended 30 September 2017**

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

	Cumulative Current Year 30 SEP 2017 RM'000	Cumulative Preceding Year 30 SEP 2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	12,125	16,903
Adjustments for:		
Bad debt written off	-	11
Depreciation of property, plant and equipment	3,400	2,142
Loss on disposal of investment in subsidiary	-	187
Gain on disposal of property, plant and equipment	(315)	(153)
Gain on disposal of other investment	-	(5,889)
Impairment on trade receivables	-	1,800
Interest expense	2,022	2,879
Interest income	(2,761)	(2,489)
Reversal of impairment on trade receivables	(274)	(186)
Unrealised loss on foreign exchange	1,220	427
Operating profit before working capital changes	15,417	15,632
(Increase)/Decrease in working capital:		
Inventories	(2,809)	(17,091)
Trade and other receivables	14,976	1,727
Trade and other payables	(854)	(2,493)
Amount owing to directors	(198)	(49)
Cash generated from (used in) operations	26,532	(2,274)
Interest received	2,761	2,489
Interest paid	(2,022)	(2,879)
Income tax refunded	347	-
Income tax paid	(3,630)	(2,963)
<b>Net cash generated from (used in) operating activities</b>	23,988	(5,627)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	403	288
Proceeds from disposal of other investment	-	22,695
Purchase of investment properties	(2,542)	-
Purchase of property, plant and equipment	(1,740)	(984)
Acquisition of other investments	(40)	-
Net cash inflow from liquidation of a subsidiary company	-	733
<b>Net cash (used in) generated from investing activities</b>	(3,919)	22,732

**Condensed Consolidated Statement of Cash Flows for the quarter ended 30 September 2017**

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

	<b>Cumulative Current Year 30 SEP 2017 RM'000</b>	<b>Cumulative Preceding Year 30 SEP 2016 RM'000</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(4,757)	(4,758)
Net repayment of bank borrowings	(23,286)	(22,088)
<b>Net cash used in financing activities</b>	<b>(28,043)</b>	<b>(26,846)</b>
Net increase in cash and cash equivalents	(7,974)	(9,741)
Cash and cash equivalents at beginning of financial year	116,066	111,003
Cash and cash equivalents at end of financial period	<b>108,092</b>	<b>101,262</b>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits with licensed banks	57,800	51,417
Cash and bank balances	50,292	49,845
	<b>108,092</b>	<b>101,262</b>

(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 third financial quarter ended 30 September 2017

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 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	Retained Profit RM'000	
<b>Balance as at 1 January 2017</b>	80,000	6,677	(650)	94,493	180,520
Profit for the period	-	-	-	8,945	8,945
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the period	-	-	-	8,945	8,945
Dividends	-	-	-	(4,757)	(4,757)
<b>Balance as at 30 September 2017</b>	<b>80,000</b>	<b>6,677</b>	<b>(650)</b>	<b>98,681</b>	<b>184,708</b>
<b>Balance as at 1 January 2016</b>	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)
<b>Balance as at 30 September 2016</b>	<b>80,000</b>	<b>6,677</b>	<b>(650)</b>	<b>90,643</b>	<b>176,670</b>

(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 – 30 September 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:

		Effective date for financial periods beginning on or after
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 – 30 September 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 30 September 2017 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2017	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2017	1,418,900	649,578

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

### A7. Dividend paid

A Final Single Tier Dividend of 6% or 3.0 sen per share in respect of the financial year ended 31 December 2016 proposed on 27 April 2017 was approved by the shareholders during the Annual General Meeting on 14 June 2017 and had been paid on 14 July 2017.

**Notes on the quarterly report – 30 September 2017**

**A8. Segment information**

Details segmental analysis for the period ended 30 September 2017 are as follows:

**(a) Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	178,257
Asia (other than Malaysia)	23,257
Total	<u>201,514</u>

**(b) Business segment**

	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	133,151	68,363	-	-	201,514
Inter-segment	59,968	26,472	-	(86,440)	-
Total revenue	<u>193,119</u>	<u>94,835</u>	-	<u>(86,440)</u>	<u>201,514</u>
<b>Results</b>					
Segment results	6,574	5,662	(850)	-	11,386
Interest income	1,370	1,089	302	-	2,761
Finance costs	(1,766)	(256)	-	-	(2,022)
Profit before taxation	<u>6,178</u>	<u>6,495</u>	<u>(548)</u>	-	<u>12,125</u>
Taxation	(1,386)	(1,712)	(82)	-	(3,180)
Net profit for the financial period	<u>4,792</u>	<u>4,783</u>	<u>(630)</u>	-	<u>8,495</u>
<b>Assets</b>					
Additions to non- current assets	1,667	2,615	-	-	4,282
Segment assets	<u>150,063</u>	<u>119,286</u>	<u>85,940</u>	<u>(89,787)</u>	<u>265,502</u>
<b>Liabilities</b>					
Segment liabilities	<u>76,321</u>	<u>33,025</u>	<u>233</u>	<u>(28,785)</u>	<u>80,794</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.

**Notes on the quarterly report – 30 September 2017**

**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 2017.

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

**B1. Review of performance**

	Individual Period			Cumulative Period		
	Current Year Quarter 30.09.2017 RM'000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Changes (RM'000 / %)	Current Year To- date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM'000	Changes (RM'000 / %)
Revenue	72,013	68,688	3,325 / 4.8%	201,514	221,496	(19,982) / -9.0%
Operating Profit	2,963	4,171	(1,208) / -29.0%	11,386	17,293	(5,907) / -34.2%
Profit Before Tax	3,317	4,123	(806) / -19.5%	12,125	16,903	(4,778) / -28.3%
Profit After Tax	2,424	1,515	909 / 60.0%	8,945	12,262	(3,317) / -27.1%
Profit Attributable to Ordinary Equity Holders of the Parent	2,424	1,515	909 / 60.0%	8,945	12,262	(3,317) / -27.1%

The Group recorded revenue of RM72.0 million for the current quarter, an increase of RM3.3 million as compared to approximately RM68.7 million in the preceding year corresponding quarter, mainly due to increase sales in disposable fibre-based products segment, especially to overseas market.

The Group recorded a lower profit before tax of RM3.3 million for the current quarter, a decrease of RM0.8 million as compared to RM4.1 million in the preceding year corresponding quarter, mainly due to higher operating expenses resulted by higher maintenance of machinery expenses in the disposable fibre-based products segment.

**Notes on the quarterly report – 30 September 2017**

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

	Current Quarter 30/9/2017	Immediate Preceding Quarter 30/6/2017	Changes (Amount / %)
	RM'000	RM'000	RM'000 / %
Revenue	72,013	62,266	9,747 / 15.7%
Operating Profit	2,963	3,819	(859) / -22.4%
Profit Before Tax	3,317	4,122	(805) / -19.5%
Profit After Tax	2,424	3,593	(1,169) / -32.5%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,424	3,593	(1,169) / -32.5%

The Group's profit before tax decreased to RM3.3 million for the current quarter as compared to RM4.1 million in the immediate preceding quarter for the period ended 30 June 2017, mainly due to higher operating expenses resulted by higher maintenance of machinery expenses in 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 remaining quarter 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 30.09.2017 RM'000	Current year to date 30.09.2017 RM'000
Estimated tax payable:		
Current	895	3,242
(Over)/Under provision in prior year	(2)	62
<b>Total</b>	<b>893</b>	<b>3,180</b>

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.

**Notes on the quarterly report – 30 September 2017**

**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	48,299	-	48,299
Term loans	2,502	10,618	13,120
Hire purchase	232	179	411
<b>Total</b>	<b>51,033</b>	<b>10,797</b>	<b>61,830</b>

**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.

**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 30.09.2017 RM'000	3 months Ended 30.09.2016 RM'000	9 months Ended 30.09.2017 RM'000	9 months Ended 30.09.2016 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	2,424	1,515	8,945	12,262
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.53	0.96	5.64	7.73
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 2017**

**B12. Disclosure of Realised and Unrealised Profits (Unaudited)**

	Quarter Ended	
	30.09.2017	31.12.2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	148,085	143,493
- Unrealised	673	(2,041)
	<u>148,758</u>	<u>141,452</u>
Less: Consolidation adjustments	(50,077)	(46,959)
Total Group retained profits as per consolidated accounts	<u>98,681</u>	<u>94,493</u>

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

	Quarter Ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Interest income	(2,761)	(2,489)
Interest expense	2,022	2,879
Bad debts written off	-	11
Depreciation of property, plant and equipment	3,400	2,142
Impairment on trade receivables	-	1,800
Reversal of impairment on trade receivables	(274)	(186)
Loss on disposal of investment in subsidiary	-	187
(Gain) on disposal of property, plant and equipment	(315)	(153)
(Gain) on disposal of other investment	-	(5,889)
Unrealised loss on foreign exchange	1,220	427

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 2017.