



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

CONSOLIDATED FINANCIAL RESULTS AND NOTES
4th QUARTER ENDED 31 DECEMBER 2019

Condensed Consolidated Income Statement for the quarter ended 31 December 2019

(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 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2018</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Dec 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Dec 2018</u> RM'000
Revenue	68,476	71,113	268,471	260,325
Cost of sales	(66,621)	(62,775)	(238,536)	(228,650)
Gross profit	1,855	8,338	29,935	31,675
Other income	1,015	1,247	4,488	3,307
Marketing and distribution expenses	7,714	(864)	(2,204)	(2,419)
Administration expenses	(7,776)	(6,627)	(18,630)	(17,455)
Operating Profit	2,808	2,094	13,589	15,108
Interest income	932	1,249	4,225	3,834
Finance costs	(245)	(732)	(2,821)	(2,639)
Profit before tax	3,495	2,611	14,993	16,303
Income tax expense	(917)	(772)	(3,776)	(5,952)
Profit for the period	<u>2,578</u>	<u>1,839</u>	<u>11,217</u>	<u>10,351</u>
Profit attributed to:				
Equity holders of the parent	<u>2,578</u>	<u>1,839</u>	<u>11,217</u>	<u>10,351</u>
	<u>2,578</u>	<u>1,839</u>	<u>11,217</u>	<u>10,351</u>
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	<u>1.63</u>	<u>1.16</u>	<u>7.07</u>	<u>6.53</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 December 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 Dec 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2018</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Dec 2019</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31 Dec 2018</u> RM'000
Profit for the period	2,578	1,839	11,217	10,351
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	<u>2,578</u>	<u>1,839</u>	<u>11,217</u>	<u>10,351</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<u>2,578</u>	<u>1,839</u>	<u>11,217</u>	<u>10,351</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 fourth financial quarter ended 31 December 2019

Condensed Consolidated Statement of Financial Position as at 31 December 2019

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

	As At End Of Current Quarter 31 Dec 2019 RM'000	(Audited) Preceding Financial Year-Ended 31 Dec 2018 RM'000
Non-Current Assets		
Property, plant and equipment	38,660	32,880
Right of use asset	2,706	-
Investment property	10,339	9,290
Other investments	26	31
	51,731	42,201
Current Assets		
Inventories	42,431	50,882
Trade receivables	55,274	55,606
Other receivables, deposits and prepayments	1,559	5,991
Tax recoverable	71	-
Fixed deposits with licensed banks	73,830	75,074
Cash and bank balances	43,594	45,419
	216,759	232,972
TOTAL ASSETS	268,490	275,173
Equity		
Equity attributable to equity holders of the parent		
Share capital	86,677	86,677
Treasury shares	(650)	(650)
Retained profits	108,507	103,542
Total equity	194,534	189,569
Non-Current Liabilities		
Borrowings	-	7,555
Lease liabilities	1,753	-
Deferred taxation	2,248	1,922
	4,001	9,477
Current Liabilities		
Trade payables	6,620	8,473
Other payables	6,511	8,002
Short term borrowings	55,807	58,939
Taxation	-	713
Lease liabilities	1,017	-
	69,955	76,127
Total Liabilities	73,956	85,604
TOTAL EQUITY AND LIABILITIES	268,490	275,173
Net Asset per share attributable to ordinary equity holders of the parent (RM)	1.23	1.20

(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 December 2019

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

	Cumulative Current Year 31 Dec 2019 RM'000	(Audited) Cumulative Preceding Year 31 Dec 2018 RM'000
Cash flows from operating activities		
Profit before tax		
- Continuing operations	14,993	16,303
- Discontinued operations	70	-
Adjustments for:		
Amortisation of other investment	4	-
Bad debt written off	61	92
Depreciation of property, plant and equipment	3,475	4,048
Depreciation of investment properties	91	-
Depreciation of right of use asset	1,872	-
Loss on disposal of a subsidiary company	813	-
Gain on disposal of property, plant and equipment	(31)	-
Impairment on slow moving inventories	74	-
Impairment loss on trade receivables	410	1,987
Impairment loss on other investments	-	57
Interest expense	2,821	2,639
Interest income	(4,225)	(3,834)
Inventories written down	-	7
Reversal of impairment on slow moving inventories	(920)	-
Reversal of impairment on trade receivables	(722)	(2,442)
Unrealised loss (gain) on foreign exchange	280	(207)
Operating profit before working capital changes	19,066	18,650
(Increase)/Decrease in working capital:		
Inventories	9,641	(5,814)
Trade and other receivables	6,350	1,563
Trade and other payables	(4,859)	10,973
Cash generated from operations	30,198	25,372
Interest received	4,225	3,834
Interest paid	(2,821)	(2,639)
Income tax refunded	180	83
Income tax paid	(4,472)	(6,030)
Net cash generated from operating activities	27,310	20,620
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	31	1
Purchase of investment properties	(1,140)	(1,387)
Purchase of property, plant and equipment	(9,784)	(675)
Purchase rights-of-use assets	(4,578)	-
Net cash outflow from disposal of a subsidiary company	(762)	-
Net cash used in investing activities	(16,233)	(2,061)

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

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

	Cumulative Current Year 31 Dec 2019 RM'000	Cumulative Preceding Year 31 Dec 2018 RM'000
Cash flows from financing activities		
Dividend paid	(6,343)	(6,343)
Drawdown of lease liabilities	2,770	-
Net repayment of bank borrowings	(10,687)	(13,376)
Net cash used in financing activities	<u>(14,260)</u>	<u>(19,719)</u>
Net decrease in cash and cash equivalents	(3,183)	(1,160)
Effect of exchange rate fluctuations on cash held	114	6
Cash and cash equivalents at beginning of financial year	120,493	105,103
Cash and cash equivalents at end of financial year	<u>117,424</u>	<u>103,949</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	73,830	75,074
Cash and bank balances	43,594	45,419
	<u>117,424</u>	<u>120,493</u>
Less: Fixed Deposits not for short term funding requirements	-	(16,544)
	<u>117,424</u>	<u>103,949</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 fourth financial quarter ended 31 December 2019

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

(The figures presented here have not been audited)

	----- Attributable to Equity Holders of the Parent -----		Retained Profit RM'000	Total RM'000
	Non-distributable	Distributable		
	Share Capital RM'000	Treasury Shares RM'000		
Balance as at 1 January 2019	86,677	(650)	103,542	189,569
Effect of adoption of MFRS 16			(30)	(30)
Prior year adjustment on taxation			70	70
Profit for the period	-	-	11,217	11,217
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	11,217	11,217
Dividends	-	-	(6,343)	(6,343)
Effect of Disposal of a subsidiary			51	51
Balance as at 31 December 2019	86,677	(650)	108,507	194,534
Balance as at 1 January 2018	86,677	(650)	100,293	186,320
Effect of adoption of MFRS 9			(759)	(759)
Profit for the period	-	-	10,351	10,351
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	-	10,351	10,351
Dividends	-	-	(6,343)	(6,343)
Balance as at 31 December 2018	86,677	(650)	103,542	189,569

(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 December 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 2018. 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 2018.

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 December 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 were no material changes in estimates of amounts reported in the current quarter under review.

A6. Issuances and repayment of debt and equity securities

There has 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 2019 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 September 2019	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 December 2019	1,418,900	649,578

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

A7. Dividend paid

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

Notes on the quarterly report – 31 December 2019

A8. Segment information

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

(a) **Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	244,413
Asia (other than Malaysia)	24,058
Total	<u>268,471</u>

(b) **Business segments**

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Total Operations RM'000	Elimination of Discontinued Operations RM'000	Consolidation RM'000
Revenue							
External customer	181,970	91,546	-	-	273,516	(5,045)	268,471
Inter-segment	90,096	42,478	-	(132,574)	-	-	-
Total revenue	<u>272,066</u>	<u>134,024</u>	<u>-</u>	<u>(132,574)</u>	<u>273,516</u>	<u>(5,045)</u>	<u>268,471</u>
Results							
Segment results	7,125	7,858	(486)	(838)	13,659	(70)	13,589
Interest income	2,313	1,416	496	-	4,225	-	4,225
Finance costs	(2,565)	(256)	-	-	(2,821)	-	(2,821)
Profit before taxation	6,873	9,018	10	(838)	15,063	(70)	14,993
Taxation	(1,785)	(1,819)	(182)	-	(3,786)	(10)	(3,776)
Net profit (loss) for the financial period	<u>5,088</u>	<u>7,199</u>	<u>(172)</u>	<u>(838)</u>	<u>11,277</u>	<u>(60)</u>	<u>11,217</u>
Assets							
Additions to non- current assets	737	10,187	-	-	10,924	-	10,924
Segment assets	<u>142,543</u>	<u>125,617</u>	<u>86,353</u>	<u>(86,023)</u>	<u>268,490</u>	<u>-</u>	<u>268,490</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.

Notes on the quarterly report – 31 December 2019

A11. Material events subsequent to the end of the interim period

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

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 December 2019.

Notes on the quarterly report – 31 December 2019

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

B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Changes (RM'000 / %)	Current Year To- date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018 RM'000	Changes (RM'000 / %)
Revenue	68,476	71,113	(2,637) / -3.7%	268,471	260,325	8,146 / 3.1%
Operating Profit	2,808	2,094	714 / 34.1%	13,589	15,108	(1,519) / -10.1%
Profit Before Tax	3,495	2,611	884 / 33.9%	14,993	16,303	(1,310) / -8.0%
Profit After Tax	2,578	1,839	739 / 40.2%	11,217	10,351	866 / 8.4%
Profit Attributable to Ordinary Equity Holders of the Parent	2,578	1,839	739 / 40.2%	11,217	10,351	866 / 8.4%

The Group recorded revenue of RM68.5 million for the current quarter, a decrease of approximately RM2.6 million as compared to RM71.1 million in the preceding year corresponding quarter mainly due to decrease sales in processed paper products as a result of sales quantity decreased during the quarter under review.

The Group recorded a higher profit before tax of RM3.5 million for the current quarter, an increase of RM0.9 million as compared to RM2.6 million in the preceding year corresponding quarter mainly due to lower operating expenses and finance costs.

B2. Variation of results against immediate preceding quarter

	Current Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Changes (Amount / %) RM'000 / %
Revenue	68,476	75,401	(6,925) / -9.2%
Operating Profit	2,808	4,383	(1,575) / -35.9%
Profit Before Tax	3,495	4,633	(1,138) / -24.6%
Profit After Tax	2,578	3,316	(738) / -22.2%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	2,578	3,316	(738) / -22.2%

The Group's profit before tax decreased to RM3.5 million for the current quarter as compared to RM4.6 million in the immediate preceding quarter for the period ended 30 September 2019 mainly due to decrease revenue during the quarter under review.

Notes on the quarterly report – 31 December 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 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 31.12.2019 RM'000	Current year to date 31.12.2019 RM'000
Estimated tax payable:		
Current	993	3,539
(Over) Under provision in prior year	(515)	(202)
Deferred Tax	439	439
Total	<u>917</u>	<u>3,776</u>

The effective tax rate for the current quarter under review is higher than the statutory income tax rate mainly due to certain expenses which are not allowable for tax purpose. However, the effective tax rate for the financial year to date under review is lower than the statutory income tax rate mainly due to certain interest income are exempted from tax deduction.

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	55,742	-	55,742
Hire purchase	65	-	65
Total	<u>55,807</u>	<u>-</u>	<u>55,807</u>

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 December 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 31.12.2019 RM'000	3 months Ended 31.12.2018 RM'000	12 months Ended 31.12.2019 RM'000	12 months Ended 31.12.2018 RM'000
a) Profit attributable to equity holders of the parent (RM'000)	2,578	1,839	11,217	10,351
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.63	1.16	7.07	6.53
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	
	31.12.2019 RM'000	31.12.2018 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	153,285	148,786
- Unrealised	1,968	1,715
	155,253	150,501
Less: Consolidation adjustments	(46,746)	(46,959)
Total Group retained profits as per consolidated accounts	108,507	103,542

Notes on the quarterly report – 31 December 2019

B13. Notes to the statement of comprehensive income

	Quarter Ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Interest income	(4,225)	(3,834)
Interest expense	2,821	2,639
Bad debts written off	61	92
Depreciation and amortization	5,442	4,048
Impairment on slow moving inventories	74	-
Impairment on trade receivables	410	1,987
Impairment on other investment	-	57
Inventories written down	-	7
Reversal of impairment on slow moving inventories	(920)	-
Reversal of impairment on trade receivables	(722)	(2,442)
Loss on disposal of a subsidiary company	813	-
Gain on disposal of property, plant and equipment	(31)	-
Unrealised loss (gain) on foreign exchange	280	(207)

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 2019.

B14. Authorisation for issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 25 February 2020.