



皇城集团

WANG - ZHENG BERHAD Group of Companies

Wang - Zheng Corporation Sdn. Bhd. (166952-D)

Quality Hero Corporation Sdn. Bhd. (515368-M)

Carefeel Cotton Industries (M) Sdn. Bhd. (268247-U)

New Top Win Corporation Sdn. Bhd. (302387-H)

Mey Paper Industries Sdn. Bhd. (385113-X)

Modern Alpine Sdn. Bhd. (573608-P)



Quality products at affordable prices



Absolute Pure Softness... 100% Pure Cotton



皇城集团

WANG-ZHENG BERHAD

(612237-K)

Quality Products At Affordable Prices



皇城集团

WANG-ZHENG BERHAD

(612237-K)

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Corporate Information



Board of Directors

Chung Shan Kwang
(Chairman)

Goh Kheng Jiu
(Chief Executive Officer, Managing Director)

Khoo Beng Hwa
(Executive Director)

Thang Yuen Mei
(Executive Director)

Tan Wan Huat
(Executive Director)

Chai Tuck Chuen
(Executive Director)

Teh Hui Guan
(Executive Director)

Datin Raihanah Begum Binti Abdul Rahman
(Non-Executive Director)

Tan Teck Ang
(Non-Executive Director)

Chung Shan Meng
(Non-Executive Director)

Fu Jun
(Non-Executive Director)

Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass
A/L Ramasamy
(Independent Non-Executive Director)

Loo Choo Hong
(Independent Non-Executive Director)

Ch'ng Eng Hing
(Independent Non-Executive Director)

Low Yu Keat
(Independent Non-Executive Director)

Tan Kar Thye
(Independent Non-Executive Director)

Yap Kien Pin
(Independent Non-Executive Director)

Chung Shan Hui
(Alternate Director to Fu Jun)

AUDIT COMMITTEE

Loo Choo Hong (Chairman)
(Independent Non-Executive Director)

Ch'ng Eng Hing
(Independent Non-Executive Director)

Thang Yuen Mei
(Executive Director)

COMPANY SECRETARY

Lim Lay Fong (MAICSA 7007624)

REGISTERED OFFICE

20C, Jalan 1/64,
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur
Tel: 03-4041 7403

CORPORATE OFFICE

No.1 Jalan Utarid U5/19,
Section U5, 40150,
Shah Alam,
Selangor Darul Ehsan.
Tel: 03-7801 3333
Fax: 03-7801 3336

SOLICITORS

Teh & Lee Advocates and Solicitors
Unit 23-3 3rd Floor
The Boulevard
Mid Valley City
Lingkara Syed Putra
59200 Kuala Lumpur
Tel: 03-2283 2800

PRINCIPAL BANKERS

Hong Leong Bank Berhad
(97141-X)
1 Jalan Ambong Kiri Dua
Kepong Baru
52100 Kuala Lumpur
Tel: 03-6250 8335

Affin Bank Berhad (25046-T)
Ground, Mezzanine & 1st Floor,
80 Menara Affin
Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2055 9213

REGISTRAR

Symphony Share Registrars Sdn Bhd
(378993-D)
Level 26 Menara Multi Purpose
Capital Square
8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia
Securities Berhad



- Quality Hero Corporation Sdn. Bhd.
- Carefeel Cotton Industries (M) Sdn. Bhd.
- New Top Win Corporation Sdn. Bhd.
- Mey Paper Industries Sdn. Bhd.
- Modern Alpine Sdn. Bhd.
- Wang-Zheng Corporation Sdn. Bhd.

MARKETING ARM

MANUFACTURING AND PROCESSING OF FIBRE-BASED PRODUCTS



Profile of Directors

Chung Shan Kwang

Chung Shan Kwang, a Malaysian aged 37, is the Non-Executive Chairman of Wang-Zheng. He was appointed to the Board and as the Non-Executive Chairman of Wang-Zheng on 16 July 2004. Mr Chung graduated with a Diploma In Engineering from Tunku Abdul Rahman College (now known as University Tunku Abdul Rahman). He was embarking on a career in engineering when he was required to assist in the management of his family's business interests. Mr Chung is presently the chairman and director of companies involved in diversified businesses, ranging from distribution of food and consumer products, trading of used motor vehicles to provision of consultancy services in securing property leases. His vast business experience and contacts have greatly contributed to the growth of Wang-Zheng Group.

He is the brother of Chung Shan Meng and Chung Shan Hui and has no conflict of interest with the Company other than those disclosed in pages 24 and 25 of this annual report. He has no conviction for offences within the past 10 years.

Goh Kheng Jiu

Goh Kheng Jiu, a Malaysian aged 46, is the Managing Director and Chief Executive Officer of Wang-Zheng. He was appointed to the Board and as the Managing Director and Chief Executive Officer of Wang-Zheng on 16 July 2004. Mr Goh oversees the daily operations and strategizes the business directions of Wang-Zheng Group.

Mr. Goh completed his studies in 1978 when he obtained the General Certificate Of Education. After a six (6) months' stint as a clerk-of-work with Tan Swan Brothers Sdn Bhd, a property developer, Mr. Goh involvement in the consumer products industry commenced in 1979 when he, together with Thang Yuen Mei, started their own business of producing and distributing noodles to food centers ranging from hawker stalls to restaurants. Two (2) years later in 1981, he joined Hong Soon Huat Sdn Bhd, a sundry goods trading company, as a sales executive. From 1985 to 1987, Mr Goh was attached to Unikota Holdings Sdn Bhd as a director. The company was principally involved in manufacturing of tissue paper and sanitary products and trading of food items. Throughout the years, Mr Goh acquired in-depth knowledge and experience in the consumer products industry. Foreseeing the potential of the consumer products industry, Mr Goh, together with Khoo Beng Hwa and Thang Yuen Mei, incorporated Wang-Zheng Corporation Sdn Bhd in December 1987. Mr Goh is highly instrumental in spearheading the progress and expansion of Wang-Zheng Group. From a small trading company in 1987, Wang-Zheng Group has become a reputable manufacturer and distributor of disposable fibre-based products and processed papers.

He is the brother-in-law of Teh Hui Guan, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Khoo Beng Hwa

Khoo Beng Hwa, a Malaysian aged 45, is an Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Khoo started his career when he joined a shipping company in Singapore from 1979 to 1981 as a sailor. Subsequently, he was attached to Hong Soon Huat Sdn Bhd, a sundry goods trading company, as a sales executive from 1982 to 1984. He subsequently joined Unikota Holdings Sdn Bhd in 1985. The company was principally involved in manufacturing of tissue paper and sanitary products and trading of food items. He left the company in 1987 when Mr Khoo founded Wang-Zheng Corporation Sdn Bhd together with Goh Kheng Jiu in December 1987. Under the resourceful stewardship of Mr Goh and Mr Khoo, Wang-Zheng Group successfully developed an extensive distribution network for its products throughout the country.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Profile of Directors

Thang Yuen Mei

Thang Yuen Mei, a Malaysian aged 46, is an Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Thang has over two (2) decades of business and management experience under his belt. After obtaining the General Certificate Of Education in 1978, Mr Thang ventured into the food business in 1979. Together with Goh Kheng Jiu, Mr Thang started their own business of producing and distributing noodles to food centers. Later, in 1987, Mr Thang, together with Goh Kheng Jiu and Khoo Beng Hwa, established Wang-Zheng Corporation Sdn Bhd. Mr Thang's responsibilities include overseeing the development of new businesses and coordinating the administration and financial functions of Wang-Zheng Group.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Tan Wan Huat

Tan Wan Huat, a Malaysian aged 42, is an Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. He graduated from University Of Newcastle, Australia with a Diploma In Civil Engineering in 1986. Upon completion of his studies, Mr Tan joined Wang-Zheng Corporation Sdn Bhd as a marketing executive. He was later appointed as an Executive Director of Wang-Zheng Corporation Sdn Bhd in 1990. Mr Tan oversees the daily operations of Wang-Zheng Corporation Sdn Bhd and is responsible for developing of the marketing network for Wang-Zheng Corporation Sdn Bhd's products. He has also been actively exploring the feasibility of exporting the products of the company.

He is the brother of Tan Teck Ang, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Chai Tuck Chuen

Chai Tuck Chuen, a Malaysian aged 46, is an Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. After completing his studies in 1978 and being involved in the sales industry under various companies for three (3) years, Mr Chai joined Techskill Auto Parts Trading Supplies Sdn Bhd, an auto-parts trading company as a marketing executive in 1981. In his 14 years in the company until 1995, Mr Chai rose through the ranks, and was eventually appointed as an executive director of the company. He subsequently joined Carefeel Cotton Industries (M) Sdn Bhd in 1995 as a director. Mr Chai oversees the daily operations of Carefeel Cotton Industries (M) Sdn Bhd, which sells its products to both local and overseas markets.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Teh Hui Guan

Teh Hui Guan, a Malaysian aged 41, is an Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Upon completing his studies in 1980, Mr Teh assisted in the management of his family's business which is involved in trading of sundry products. Mr Teh became involved in the processed paper business when he was subsequently engaged as a sales executive in Springfield Corp Sdn Bhd, a paper trading company from 1987 to 1992. He subsequently founded Top Win Enterprise which is also involved in trading paper. Subsequently, in 1994, together with Wang-Zheng Corporation Sdn Bhd, Mr Teh founded New Top Win Corporation Sdn Bhd. With his extensive experience in the processed paper business, Mr Teh is the primary force in the transformation of New Top Win Corporation Sdn Bhd, from a small paper trading company, to become one of the top five (5) paper importers, converters and distributors in Malaysia.

He is the brother-in-law of Goh Kheng Jiu, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.



Profile of Director

Datin Raihanah Begum Binti Abdul Rahman

Datin Raihanah Begum Binti Abdul Rahman, a Malaysian aged 44, is a Non-Executive Director of Wang-Zheng. She was appointed to the Board on 15 August 2005. Datin Raihanah holds a degree from the Chartered Insurance Institute of United Kingdom and Malaysia and has been an associate member of the said Institutes since 1989. Datin Raihanah is currently the Chairman of Health IT Solutions Sdn Bhd. She was a lecturer with Malaysian Insurance Institute in 1998 and prior to that, she was the acting Chief Executive Officer of Malene Insurance Brokers Sdn Bhd from 1988 to 1997. From 1984 to 1988, she held a managerial position in American Malaysian Insurance Sdn Bhd.

She has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Tan Teck Ang

Tan Teck Ang, a Malaysian aged 46, is a Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Tan is an established entrepreneur with business interests in construction and property development. After obtaining the General Certificate Of Education in 1978, he joined Soon Chong Construction as a site supervisor. Subsequently, he joined Multi-Builders Sdn Bhd, a building contractor, as a director in 1982. Mr Tan was later appointed as the managing director of the company in 1989. He has been holding the position since. Mr Tan also sits on the board of directors of Mascarena Sdn Bhd, a real estate developer, since his appointment in 2003.

He is the brother of Tan Wan Huat, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Chung Shan Meng

Chung Shan Meng, a Malaysian aged 40, is a Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Chung graduated with a Bachelor Of Electrical And Electronic Engineering (Honours) from National University Of Singapore, Singapore in 1990. After his graduation, he was attached to Infineon Pte Ltd (previously known as Siemens Semiconductor Pte Ltd) from 1990 to 1992 as an electrical and electronic engineer. He then joined Thomson Electronics Pte Ltd in 1993 and assumed a similar position in the company. A year later, he left the company to join Hewlett-Packard Pte Ltd, also as an electrical and electronic engineer, which he served until 1996. In 1996, Mr Chung was appointed as the chairman and managing director in Xian Jiang Trading Sdn Bhd, a company involved in import, export and distribution of food and consumer items, in which he has substantial shareholding. Apart from Xian Jiang Trading Sdn Bhd, Mr Chung is also involved in and sits on the board of directors of several private limited companies which are involved in activities ranging from trading of general goods and food items, to trading of electrical goods and pyrotechnics products, and property letting.

He is the brother of Chung Shan Kwang and Chung Shan Hui and has no conflict of interest with the Company other than those disclosed in pages 24 and 25 of this annual report. He has no conviction for offences within the past 10 years.

Fu Jun

Fu Jun, a Chinese aged 48, is a Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Fu obtained a Bachelor In Economics from Hunan University, China in 2002. In 1979, he joined the Township Party Committee on Li Ling City, Hunan as its secretary. Subsequently between 1983 and 1987, he was appointed as the head and secretary of the Party Committee of the Foreign Trade Bureau Of Li Ling City, Hunan. During the same period, he also served as the vice-director of the Economic Committee of Li Ling City, Hunan. In 1988, he was appointed as the vice-general manager of the Hunan Arts And Crafts Import And Export Group. With the wealth of knowledge and contacts he acquired throughout the years, Mr Fu set out to start his own business in 1990 under the name Macro-Link Group Limited. The company is principally involved in import, export and distribution of consumer and general goods, and investment holding. He has been the president and chief executive officer of the company since 1990 till present. Mr Fu also has interest in various private limited companies in countries outside Malaysia which are involved in various businesses.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Profile of Directors

Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy

Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy, a Malaysian aged 58, is an Independent Non-Executive Director of Wang-Zheng. He was appointed to the Board on 3 April 2006. Among his many qualifications, Dato' Mohana Dass received his Master in Health Planning (New South Wales) in 1991 and he is also appointed as a Fellow of the Faculty of Occupational Medicine (FFOM) Ireland in 2000. Dato' Mohana Dass joined the Ministry of Health as House Officer in April 1974 and thereafter served as a Medical Officer in the State of Kedah. In September 1975, Dato' Mohana Dass joined the Malaysian Armed Forces and held various military health appointments, initially as a Clinical Medical Officer and then to management appointments. In September 1994, he was appointed Commanding Officer of the Armed Forces Hospital Lumut and served in the capacity until March 2002. In 1994, he also served the United Nations as the Chief Medical Officer of the UN Operations in Somalia. From 2002 to 2004, Dato' Mohana Dass was the Director General of Health Services, Malaysian Armed Forces. During this appointment, he was responsible for the provision of medical and health services for the Armed Forces personnel and families through 3 base hospitals, 2 mobile field hospitals and 40 medical centres throughout Malaysia.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Loo Choo Hong

Loo Choo Hong, a Malaysian aged 33, is an Independent Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. He passed the examinations of the Chartered Association Of Certified Accountants, United Kingdom (now known as Association Of Chartered Certified Accountants) in 1998, and is currently a member of the accountancy body. He is also a member of the Malaysian Institute Of Accountants. He commenced his career as an audit assistant in Yap, Goh And Associates in 1998. He left the firm as an audit supervisor in 2001 when he joined K.H. Kwong & Company, his present employer, as an audit and tax manager.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Ch'ng Eng Hing

Ch'ng Eng Hing, a Malaysian aged 39, is an Independent Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. After his graduation from University Of Leicester, United Kingdom in 1994 with a LLB (Honours), Mr Ch'ng practiced as a barrister-at-law at Middle Temple, United Kingdom. He joined the Malaysian Bar Council as a member in 1996. Upon completion of his studies in 1996, up till 1998, Mr Ch'ng was attached to Cheang & Ariff as a legal assistant. Mr Ch'ng is currently a partner of a legal firm, Frank Ch'ng And Associates, which he founded in 1999. Mr Ch'ng was also actively involved in the Club Volkswagen Beetle Malaysia where he served as its legal adviser in 1997, and as its honorary secretary in 2000.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Low Yu Keat

Low Yu Keat, a Malaysian aged 48, is an Independent Non-Executive Director of Wang-Zheng. She was appointed to the Board on 27 July 2004. She is a member of the Institute Of Chartered Secretaries And Administrators, and has over 25 years of experience in finance, human resources and administration under her belt. She started her career as a company secretary with Company Management Sdn Bhd where she was attached to from 1976 to 1981. Subsequently, in 1981, she joined Bridgecon Engineering Sdn Bhd (now known as Bridgecon Berhad, a company listed on Bursa Securities in 1994), as an administration assistant. She rose through the ranks over her 15 years tenure at the company. From an administration assistant, she was promoted to become the administration manager in 1987. She was subsequently appointed to head the group human resource and administration department in 1995, a position she held until 1997. After being a homemaker from 1997 to 1999, Ms Low joined her spouse's sports apparel company, Garoos Sports (M) Sdn Bhd in 1999, where she has served as an executive director since 2000.

She has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Profile of Directors

Tan Kar Thye

Tan Kar Thye, a Malaysian aged 45, is an Independent Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Tan obtained a Certificate Of Interior Design from Osaka Interior, Malaysia in 1980. Mr Tan commenced his career as a sales executive in 1980 with Hilton Furniture Sdn Bhd, and was subsequently promoted to the position of a sales manager in 1983. Mr Tan has accumulated years of experience in the interior design and furniture industry. At present, Mr Tan is involved in his own business involved in furniture manufacturing and construction.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Yap Kien Pin

Yap Kien Pin, a Malaysian aged 45, is an Independent Non-Executive Director of Wang-Zheng. He was appointed to the Board on 27 July 2004. Mr Yap graduated with a Bachelor Of Science In Mechanical Engineering from Montana State University, USA in 1985. Upon graduation till 1987, he was attached to Tririx Corporation Sdn Bhd as a management executive. Subsequently, he joined Montepius Marketing Sdn Bhd in 1988 as a technical manager. Over the years, he rose through the ranks and is presently, the managing director of the company. He has held the position since 1996. Montepius Marketing Sdn Bhd is principally involved in the distribution of specialized plumbing materials. Mr. Yap also has interests in several private limited companies involved in activities ranging from the manufacturing and trading of high-density polypropylene products to trading of building materials and garments, and property investment.

He has no relationship with any Director and /or major shareholder of the company, has no conflict of interest with the Company and has no conviction for offences within the past 10 years.

Chung Shan Hui

Chung San Hui, a Malaysian aged 36, is the alternate director to Fu Jun. He was appointed to the Board on 26 November 2004. Mr Chung graduated with a Bachelor of Chemical Engineering (Honours Degree) from the University of Birmingham, England in 1993. He joined Berger Paints Sdn Bhd as a Process Engineer in 1994 before leaving in 1995. He was appointed a director of MMF Haus Sdn Bhd in 1996 and has been serving in the position ever since.

He is the brother of Chung Shan Kwang and Chung Shan Meng and has no conflict of interest with the Company other than those disclosed in pages 24 and 25 of this annual report. He has no conviction for offences within the past 10 years.

Chairman's Statement

On behalf of the Board of Directors of Wang-Zheng Berhad, I present the second annual report and Financial Statements of Wang-Zheng Berhad (the Company) and its subsidiaries (Wang-Zheng Group/the Group) for the financial year ended 31 December 2005.

Summary of Events for the Year 2005

The year of 2005 was a challenging year for the Group. The general economic sentiment was affected by several macro-economy policies and events such as the Malaysian Ringgit (Ringgit) being depegged from the American Dollar (USD), rising interest rates, threat of ever increasing oil and other commodities' prices as well as continued political instability in the Middle East. More specifically, the Group's factory in Rawang was destroyed in a pre-dawn fire on 12 September 2005. The loss of the factory affected the Group's disposable fibre-based product segment significantly. The Group has had to outsource from third parties, thus increasing costs but keeping market share losses as low as possible.



Nonetheless, 2005 was a year of breakthroughs for the Group as well. Prior to the fire incident, the Group's disposable fibre-based product segment registered significant growths in terms of revenue. The Group's market share was growing, especially in the disposable baby diapers, cotton products and processed paper segment.

The Group also completed its factory building on a 26,305 m² piece of industrial land located in Mah Sing Industrial Park in Shah Alam and commenced installation works of disposable adult diaper and premium sanitary napkin production lines as well as paper processing lines there. The whole office-cum-factory complex will allow for a consolidation of the Group's administrative and management activities.

Review of Financial Results

For the financial year ended 31 December 2005, the Group achieved revenue of RM179 million, RM7 million or 4.1% higher than the previous year's group revenue of RM172 million. The Group's profit before tax and loss after tax of RM0.07 million and RM1.81 million respectively, are lower than previous year's results of RM19.65 million and profit after tax of RM14.13 million.

The net loss incurred in the current financial year was mainly due to the fire incident. As a result of it, the Group wrote-off more than RM16 million worth of inventories, plant and machineries. The Group's disposable fibre-based products segment incurred significant losses in terms of lost sales for the final quarter of 2005. Additional expenses were also incurred in outsourcing to third parties the manufacturing activities of the affected products and terminating the employment of excess factory workers.

The outsourcing to third parties, although relatively costly, is nonetheless necessary to minimize the Group's loss of market share. It allows the Group to maintain its foothold in the market which can be easily expanded when the Group resumes its manufacturing activities in the near future. Similarly, while terminating the employment of excess workers result in higher one-off expenses, the Group will enjoy significant savings in the longer term.

Nonetheless, due to the prudent management style of the Board, the Group is sufficiently insured and the insurance compensation is more than sufficient to cover such write-offs and will enable the Group to recover in the near future.



Chairman's Statement

Review of Financial Results (Cont'd)

The Group's processed paper segment continues to grow from strength to strength. Revenue from this segment has grown by 8.2% from the previous year. Cashflows from this segment continues to be strong and remain the backbone of the Group's strong cash position.

Operations

With outsourcing, the Group continues to maintain the presence of its own brands such as Carina, Dry-pro, Q-Basic and Carefeel in the market. The sales team continues to maintain contact and services its existing customers to the best of their ability. The production arm has been trimmed and focuses on ensuring the quality of the outsourced products to continue with the Group's vision of providing quality products at affordable prices.

Towards the end of 2005, the Group's processed paper segment began to prepare to shift its operations to the new factory building in Shah Alam. From currently scattered locations, this segment will soon be housed under a single building, resulting in higher efficiencies due to reduction in redundant administrative roles and application of synergistic practices. The Group continues its practice of active stock management and stocked up its inventories when global paper prices hit a bottom during the final months of 2005.



Outlook and Future Prospects

In April 2006, the Group has received RM11.8 million as further compensation on losses incurred in the September 2005 fire. The final compensation, which has yet to be finalized, is to be received once the Group's new disposable fibre-based production lines arrive. The Group is also in discussion with its insurer on the business loss compensation

The Group is seeking approval from its shareholders to purchase a piece of industrial land in Rawang from which its disposable fibre-based products segment operated prior to the fire incident. If approved, the Group intends to build a factory building on the land to house the new generation of production lines for its disposable fibre-based products. The Group has received strong support from its bankers who offered financing facilities for the Group's proposed land acquisition, building construction and the acquisition of production lines.

The management is weighing the option of using the Group's own funds, bank borrowings or a mixture of both, in order to optimize funds utilization. The management continues to be in negotiation with the Group's bankers.

The Rawang land is strategically located along a main road and is near to the North-South highway, Rawang town and Bandar Country Homes commercial centre. If approved, the factory complex will provide a sufficiently large place to operate the Group's disposable fibre-based products manufacturing activities.

It is envisioned that the Rawang complex will mainly concentrate on cotton products whereas the Shah Alam factory will focus mainly on disposable diapers (adult and baby), sanitary napkins and processed paper. As raw materials for cotton products differ significantly from disposable diapers and sanitary napkin, such divisions result in better control and higher efficiency in terms of inventory management.



Outlook and Future Prospects (Cont'd)

The Group is also in the process of acquiring two smaller pieces of industrial land which are adjoining to its existing factory in Shah Alam. It is envisioned that a warehouse will be constructed on these 2 pieces of land to store the Group's finished goods from the disposable fibre-based segment. This would also result in tighter inventory controls and allow the Group to keep a higher level of stock which is in line with the Group's target to resume its market share expansion and introduction of new products such as the disposable adult diaper and premium sanitary napkins in the first half of 2006.

The Group's processed paper segment is poised for further growth in both revenue and profitability. Operating from its own premises has resulted in savings in rental expenses of more than RM1 million a year. With a bigger space from which to operate from, the Group was able to capitalize and stock up on processed paper when global prices were low. Since then, the prices have increased on an average of 10%.

Barring unforeseen circumstances, the processed paper segment is expected to perform strongly in the coming year. A leaner operating structure from a single large location as opposed to the previous smaller and scattered locations has resulted in significant reduction in operating expenditure. Meanwhile, the disposable fibre-based segment is on a strong-footing to recovery. With new products and new production lines, 2006 will be a year of consolidation for this segment. It is envisioned that the full manufacturing capacity will be seen in 2007.

Earnings per Share

The basic loss per share for the financial year ended 31 December 2005 stands at 1.51 sen.



Dividend

The Board has proposed to declare a first and final dividend of 3.5 sen per ordinary share, less income tax of 28%, for the financial year ended 31 December 2005 (2004: 3.5 sen per share less income tax of 28%).

The Group is able to continue to distribute dividends due to its strong cash position and the significant compensation received from its insurers. The Board is committed to maximize shareholders' return by prudently managing the Group and rewarding shareholders without affecting the Group's ability to grow.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders and business partners for their continued support. To our valued loyal customers who have continued to support us, you have our sincerest gratitude. With newer factories and production lines, we will be able to provide you with even higher quality products at affordable prices.

Last but not least, I would like to express my deepest appreciation and gratitude to my fellow colleagues of the Board, the Management and the staff for their continued effort and dedication to the Group. The enthusiasm and professionalism in carrying out your duties to Wang-Zheng Berhad Group will enable the Group to prosper and generate increasingly better returns to all our stakeholders.

Chung Shan Kwang
Chairman.

Corporate Governance Statement

Introduction

The Board of Directors ("the Board") of Wang-Zheng Berhad is committed to ensuring the highest standards of Corporate Governance are practiced throughout the organization as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of Wang-Zheng Berhad.

This statement sets out the commitment of the Board of Wang-Zheng towards good Corporate Governance principles and the extent to which it has complied with the Best Practices of the Malaysian Code of Corporate Governance ("the Code") throughout the financial year.

Wang -Zheng is principally an investment holding company. Its subsidiaries are principally involved in the manufacturing and processing of fibre-based products, which include disposable baby diapers, sanitary protection and tissue products, cotton products and processed papers.

1. The Board of Directors

Wang-Zheng Berhad is led and managed by an experienced Board comprising members with wide range of experience in relevant fields such as the Fast-Moving-Consumer-Goods (FMCG) Industry, paper industry, accounting, medical etc. Together the Directors bring a broad range of skills, experiences, and knowledge required to successfully direct and supervise the company's business activities which are vital to the success of the Group.

a) Composition

The Board of Directors consists of 6 Independent Non-Executive Directors, 1 Non-Executive Chairman, 6 Executive Directors and 4 Non-Executive Directors. The roles of the Chairman of the Board and CEO are segregated. Wang-Zheng Berhad thus complies with the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements on board composition. The profiles of the Directors are set out on pages 6 to 10 of this Annual Report.

b) Re-election of Directors

An election of Directors will take place each year where one-third of the Directors shall retire from office at each Annual General Meeting and shall be eligible to offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

Mr. Chung Shan Kwang, Mr. Goh Kheng Jiu, Mr. Khoo Beng Hwa, Mr. Thang Yuen Mei and Mr. Tan Wan Huat shall retire by rotation and are standing for re-election at the Annual General Meeting of the Company to be held on 28 June 2006 under Article 91 of the Company's Articles of Association.

Datin Raihanah Begum Binti Abdul Rahman and Dato' Mohana Dass A/L Ramasamy, who were appointed on 15 August 2005 and 3 April 2006 respectively, shall retire and are standing for re-election at the Annual General Meeting of the Company to be held on 28 June 2006 under Article 90 of the Company's Articles of Association.

Corporate Governance Statement

1. The Board of Directors (Cont'd)

c) Board Meetings

During the financial year ended 31 Dec 2005, the Board met a total of 6 times. Details of each Director's attendance at the Board meetings during the financial year are as follows:

Directors	Attendance
Executive Directors	
Goh Kheng Jiu	6/6
Khoo Beng Hwa	6/6
Thang Yuen Mei	6/6
Tan Wan Huat	5/6
Chai Tuck Chuen	5/6
Teh Hui Guan	6/6
Non-Executive Directors	
Chung Shan Kwang	5/6
Dato' Abdul Azim Bin Mohd Zabidi*	3/3
Datin Raihanah Begum Binti Abdul Rahman#	2/3
Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy@	N/A
Tan Teck Ang	5/6
Chung Shan Meng	5/6
Fu Jun	3/6
Loo Choo Hong	6/6
Ch'ng Eng Hing	6/6
Low Yu Keat	6/6
Tan Kar Thye	6/6
Yap Kien Pin	5/6
Chung Shan Hui (alternate to Fu Jun)	5/6

* Dato' Abdul Azim retired from the Board with effect from 30.06.05

Datin Raihanah was appointed to the Board with effect from 15.08.05

@ Dato' Mohana was appointed to the Board with effect from 03.04.06

The meetings were held on 28 February 2005, 26 April 2005, 27 May 2005, 26 August 2005, 5 September 2005 and 25 November 2005 in Kuala Lumpur, Malaysia.

The agenda and issues discussed were prepared and circulated before each meeting. Minutes of the Board meetings are maintained by the Company Secretary.

All Directors have access to the advice of the Company Secretary, independent professional advisors, and internal/external auditors as and when appropriate at the Company's expense.

Corporate Governance Statement

1. The Board of Directors (Cont'd)

d) Responsibilities

The Board assumes the following responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management
- Developing and implementing an investor relations program or shareholder communications policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

e) Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. Prior to each Board meeting, the directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Guidelines are in place concerning the content presentation and delivery of papers to the Board for each Board meeting so that the directors have access to all information within the Company, whether as full board or in their individual capacity, in furtherance of their duties.

The directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that the Board procedures are followed.

f) Nomination Committee

In line with the Best Practices of the Code of Corporate Governance, the Board has set up a Nomination Committee. This would comprise a majority of Independent Non-Executive Directors and will be responsible for identifying and recommending to the Board suitable nominees for appointment. The Nomination Committee will also consider the required mix of skills and experience and other qualities of the nominees, prior to Board's approval.

During the Financial Year ended 31 December 2005, 2 meetings were held which were attended by all members of the Nomination Committee. The Committee's members consist of Mr. Chung Shan Kwang (Chairman), Mdm. Low Yu Keat and Mr. Yap Kien Ping.

g) Remuneration Committee

In line with the Best Practices of the Code of Corporate Governance, the Board has set up a Remuneration Committee comprising a majority of Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

During the Financial Year ended 31 December 2005, 1 meeting was held which was attended by all members of the Remuneration Committee. The Committee's members consist of Mr. Goh Kheng Jiu (Chairman), Mr. Tan Kar Thye and Mr. Yap Kien Pin.

Corporate Governance Statement

1. The Board of Directors (Cont'd)

g) Remuneration Committee (Cont'd)

Details of Directors' remuneration are set out below:

a) Aggregate remuneration of Directors categorized into appropriate components:

Group	Fees RM'000	Salaries and other Emoluments* RM'000	Total RM'000
Executive Directors	106	1,739	1,845
Non-Executive Directors	120	29	149

* Other emoluments include bonus and the Company's contribution to Employer Provident Fund (EPF).

b) The number of Directors whose total remuneration falls into the respective ranges is as follows:

Range of remuneration	Number of Directors Executive	Number of Directors Non-Executive
Less than RM50,000	--	10
RM100,001 - RM150,000	5	--
RM250,001 and above	1	--

The remuneration of an Executive Director will be linked to corporate and individual performance. The remuneration of Non-Executive Directors is related to their level of responsibilities and would be subject to the approval of the Board.

h) Training of Directors

Every Director undergoes continuous training to equip himself to effectively discharge his duties as a director and for that purpose he ensures that he attends such training programs as prescribed by the Bursa Securities from time to time. The Board attended a Risk Management Workshop conducted in 2005. Datin Raihanah completed the Mandatory Accreditation Programme in February 2006. The Company also provides briefings for new members of the Board, to ensure they have a comprehensive understanding on the operations of the group and the Company.

2. SHAREHOLDERS

a) Dialogue with Investors

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:

- (i) the Annual Report;
- (ii) the various disclosures and announcements made to Bursa Securities including the Quarterly Results and Annual Results

Corporate Governance Statement

2. SHAREHOLDERS (Cont'd)

b) Investors Relations

Along with good corporate governance practices, the company has embarked on appropriate corporate policies to provide greater disclosure and transparency through all its communications with the public, the shareholders and the investors.

The Company strives to promote and encourage bilateral communications with its shareholders through participation at its general meetings and also ensure timely dissemination of any information to the investors, analysts and the public at large. We always maintain and promote transparency in our business activities and to continually keep the shareholders and the public well-informed on the Company's activities.

c) General Meetings

The Annual General Meeting (AGM) is an important forum where communications with shareholders are effectively conducted. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

At the AGM, the Group Accountant will conduct a brief presentation on Wang-Zheng Berhad Group's financial performance and prospects, while shareholders are given ample time and opportunity to ask for more information on the audited financial statements or other matters concerning the Company. The Chairman and the Board members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

The Company also maintains a website at <http://www.qualityhero.com> from which shareholders and stakeholders can access for information.

3. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Directors are responsible to ensure that the financial statements prepared are drawn up in accordance with the provision of the Companies Acts, 1965; and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates.

The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors before releasing to Bursa Securities. The details of the Company and the Group's financial statements for the financial year ended 31 December 2005 can be found from pages 26 to 59.

b) Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control laid out on page 19.

c) Relationship with the Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. Annual appointment or re-appointment of the external auditors is via shareholders' resolution at the AGM on the recommendation of the Board.

Statement On Internal Control

Paragraph 15.27(b) of the Bursa Securities, Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board is responsible to maintain a sound internal control system in the Group and is pleased to provide the statement which outlines the nature and scope of internal control for the Group during the financial year.

The Board of Directors is ultimately responsible for the overall systems of internal control, which also included the review of its effectiveness. This is vital to ensure that they are consistent with the overall Company's objectives. Because of the limitations that are inherent in any system of internal control, such systems are designed to mitigate rather than eliminate risks.

Accordingly, these systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's overall internal control system includes:

(i) Control Environment

The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The CEO and Executive Directors are accountable for ensuring the existence and effectiveness of internal control and provide leadership and direction to senior management on the manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism.

(ii) Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Company.

(iii) Audit Committee

The Board has established the Audit Committee. The present Audit Committee comprises three (3) members of the Board, two (2) of whom are independent directors.

Its terms of reference, together with the Audit Committee Report, are disclosed from pages 20 to 25 of the Annual Report.

(iv) Risk Management

Apart from the above, the Group is in the process of formalizing its existing risk management system to ensure that all high risks are adequately addressed at various levels within the Group.

Certain control weaknesses have been identified and are being addressed by the Board and Audit Committee so as to ensure that the integrity of internal controls can be enhanced in the future. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Group's Annual Report. The management of the Group continues to take measures to strengthen the internal control environment.

Furthermore, the Board recognizes that the development of the system of internal controls is an ongoing process for identifying, evaluating and managing the risk faced by the Group. The Board maintains an ongoing commitment to strengthen the Group's internal control function and processes.

Audit Committee Report

Terms of Reference of Audit Committee

1. Composition of the Audit Committee / Membership

The audit committee is appointed by the Board of Directors from amongst its members and consists of three members, the majority of whom are Independent Directors. The Committee includes one member who is a member of the Malaysian Institute of Accountants. In the event of any vacancy in the Audit Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three months. The Board of Directors will review the term of office and the performance of an Audit committee and each of its members at least once in every three years.

No alternate Director was appointed as a member of the Audit Committee.

The present members of the Audit Committee of the Company are:

- i. Loo Choo Hong (Independent Non-Executive Director, Audit Committee Chairman)
- ii. Ch'ng Eng Hing (Independent Non - Executive Director)
- iii. Thang Yuen Mei (Executive Director)

2. Meetings and Quorum of the Audit Committee

The Audit Committee met 6 times during the financial year ended 31 December 2005. The details of the attendance of the meetings and the summary of the Audit Committee activities are disclosed under the heading "Attendance of Audit Committee Meetings" on page 22 and "Activities undertaken by Audit Committee" on page 23. The Audit committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative from the external auditors.

Upon the request of the auditor, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

The quorum of the Audit Committee is at least two persons, the majority of members present are Independent Directors. The Company Secretary shall act as secretary of the Audit Committee.

3. Functions of the Audit Committee

The duties and responsibilities of the Audit Committee as stated in the Audit Committee Charter formalized by the Board on 26/4/2005 include the following:

- i. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the external auditors before the audit commence, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To discuss with the external auditors on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors.

Audit Committee Report

3. Functions of the Audit Committee (Cont'd)

- iv. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment.
- v. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- vi. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);
- vii. To review the external auditor's management letter and the management's response;
- viii. To do the following where the internal audit function is outsourced:
 - Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken in the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function; and
 - Inform itself of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- ix. To consider any related party transactions that may arise within the Company or the Group;
- x. To consider the major findings of internal investigations and the management's response;
- xi. To consider other topics as defined by the Board.

4. Rights of the Audit Committee

The Audit Committee has ensured that, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure determined by the Board:

- i. It has authority to investigate any matter within its terms of reference;
- ii. It has the resources which are required to perform its duties;
- iii. It has full and unrestricted access to any information pertaining to the listed issuer;
- iv. It has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- v. It is able to obtain independent professional or other advice; and

Audit Committee Report

4. Rights of the Audit Committee (Cont'd)

- vi. It is able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

5. Procedure of Audit Committee

The Audit Committee regulates its own procedures which include:

- i. The calling of meetings;
- ii. The notice to be given of such meetings;
- iii. The keeping of minutes; and
- iv. The custody, protection and inspection of such minutes.

6. Review of the Audit Committee

The Board of Directors has ensured that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

7. Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2005 are as follows:

Meetings attended by the Directors during the Financial year ended 31 December 2005

Directors	Attendance
Loo Choo Hong	6/6
Ch'ng Eng Hing	6/6
Thang Yuen Mei	6/6

Notes

The meetings were held on 28 February 2005, 7 March 2005, 26 April 2005, 27 May 2005, 25 August 2005 and 25 November 2005 in Kuala Lumpur, Malaysia.

Audit Committee Report

8. Activities undertaken by Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2005 include the following:

- (i) review the Group's year end audited financial statement presented by the external auditors and recommend the same to the Board for approval;
- (ii) review the quarterly financial result announcements;
- (iii) review audit plan of internal and external auditors;
- (iv) review related party transactions within the Group;
- (v) review the risk assessment framework and reports submitted by the internal auditors and recommend the same to the Board for approval
- (vi) review the effectiveness of the Group's system of internal control;
- (vii) review the Company's compliance with Bursa Malaysia Securities Berhad Listing Requirements, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements; and
- (viii) consider and recommend to the Board for approval the audit fees payable to internal and external auditors.

9. Other compliance information

- (i) Utilization of proceeds:

The gross proceeds of the Public Issues amounting to RM21.872 million have been utilized for the following purposes to-date:

Description	Proposed Amount RM'000	Utilized Amount RM'000
Working capital	17,562	17,950
Capital Expenditure	1,110	1,110
Repayment of bank borrowings	1,400	1,400
Listing expenses	1,800	1,412
Total	21,872	21,872

- (ii) Share buybacks:

During the financial year, there were no share buyback by the Company.

- (iii) Options, warrants or convertible securities exercised:

There was no issuance of options, warrants or convertible securities during the financial year.

Audit Committee Report

9. Other compliance information

- (iv) American Depository Receipt (ADR) or Global Depository Receipt (GDR) programs:

During the financial year, the Company did not sponsor any ADR or GDR programs.

- (v) Sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies:

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

- (vi) Non-audit fees paid to external auditors for the financial year:

No non-audit fee was paid to the external auditors during the financial year.

- (vii) Variation in results:

There were no variation in excess of 10% between the results of the Group and those of unaudited results announced.

- (viii) Profit guarantees:

During the financial year, there were no profit guarantees given by the Company.

- (ix) Material contracts:

Save as disclosed below, there are no other material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests:

- (1) The conditional Sale and Purchase Agreement dated 10 May 2006 between Carefeel Cotton Industries (M) Sdn Bhd and MMF Haus Sdn Bhd (MMF) for the acquisition of a corner detached industrial lot measuring a provisional land area of 20,966 square meters or 225,678 square feet held under H.S.(D) 49155, No. P.T. 1011, Bandar Kundang, Daerah Gombak, Selangor for a total cash consideration of RM4,500,000. Chung Shan Kwang, Chung Shan Meng and Chung Shan Hui are Directors and shareholders of MMF with shareholdings of 15.58%, 16.25% and 6.92% respectively. A factory building is proposed to be constructed on the said land to house some of the Group's disposable fibre-based products' manufacturing lines which were destroyed in a fire on 12 September 2005.

- (x) Recurrent related party transactions ("RRPT"):

The Company is seeking approval from shareholders for the Proposed General Mandate pursuant to Chapter 10.09 of the Listing Requirements and Practice Note 12/2001 of the Listing Requirements at the forthcoming Extraordinary General Meeting to be held on 28 June 2006.

Audit Committee Report

9. Other compliance information (Cont'd)

(x) Recurrent related party transactions ("RRPT"): (Cont'd)

RRPT of a trading or revenue nature of the Group for the financial year ended 31 December 2005 are as follows:

No.	Related Party	WZB Group transacting in each transaction	Nature of Transaction with WZB Group	Value of Transaction (RM)	Nature of relationship between WZB Group and the Related Party
1.	Xian Jiang Trading Sdn. Bhd. ("XJ")	New Top Win Corporation Sdn. Bhd. ("NTWC")	Trading goods. *	26,000,000	<p>Chung Shan Kwang is the Managing Director of XJ and a shareholder of XJ with Shareholdings of 32.5 %.</p> <p>Khoo Beng Hwa, Goh Kheng Jiu, Thang Yuen Mei, Teh Hui Guan and Chung Shan Kwang are directors of NTWC.</p> <p>Chung Shan Meng is a Director of XJ and a shareholder of XJ with Shareholdings of 17.5%.</p> <p>Chung Shan Hui is a Director and shareholder of XJ with a shareholding of 17.5%.</p> <p>Chung Shan Yong is a Director and shareholder of XJ with shareholding of 17.5%.</p> <p>Chung Shan Kwang, Chung Shan Meng, Chung Shan Hui and Chung Shan Yong are brothers.</p> <p>Goh Kheng Jiu and Teh Hui Guan are brother-in-laws.</p>
2.	Wang-Zheng Motor Sdn. Bhd. ("WZM")	New Top Win Corporation Sdn. Bhd. ("NTWC")	Office rental / receivable from WZM #	60,000	<p>Goh Kheng Jiu, Chung Shan Kwang and Khoo Beng Hwa are Directors of WZM.</p> <p>Chung Shan Kwang, Goh Kheng Jiu, Thang Yuen Mei, Khoo Beng Hwa., Tan Wan Huat and Teh Hui Guan, are shareholders of WZM with shareholdings of 24.8%, 19.0%, 12.8%, 4.4%, 3.2% and 10.4% respectively.</p> <p>Teh Hui Peng, brother of Teh Hui Guan, is a shareholder of WZM with a shareholding of 8.0%.</p> <p>Goh Kheng Jiu, Teh Hui Guan, Thang Yuen Mei, Khoo Beng Hwa and Chung Shan Kwang are Directors of NTWC.</p> <p>Goh Kheng Jiu and Teh Hui Guan are brother-in-laws.</p>

Notes:-

* Purchase trading goods from XJ by NTWC based on prevailing market price.

WZM rents from NTWC an office at RM5,000/- per month based on market value.

(xi) Contracts relating to loans:

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are stated in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Net (loss)/profit for the financial year	(1,807,575)	3,091,888

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 33 to the financial statements.

There has not arisen during the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Group and of the Company for the current financial year.

Dividends

During the financial year, a final dividend of 3.5 sen less taxation on 120,000,000 ordinary shares, amounting to total dividend of RM3,024,000 in respect of the previous financial year was paid on 12 August 2005.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3.5 sen less 28% taxation on 120,000,000 ordinary shares, amounting to a total dividend payable of RM3,024,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

DIRECTORS' REPORT

Directors

The directors who served since the date of the last report are as follows:

Goh Kheng Jiu	
Chung Shan Kwang	
Khoo Beng Hwa	
Thang Yuen Mei	
Tan Wan Huat	
Chai Tuck Chuen	
Teh Hui Guan	
Tan Teck Ang	
Fu Jun	
Loo Choo Hong	
Ch'ng Eng Hing	
Low Yu Keat	
Tan Kar Thye	
Yap Kien Pin	
Chung Shan Meng	
Chung Shan Hui (alternate director to Fu Jun)	
Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy	(appointed on 3.4.2006)
Datin Raihanah Begum Binti Abdul Rahman	(appointed on 15.8.2005)
Dato' Abdul Azim Bin Mohd Zabidi	(resigned on 30.6.2005)

Directors' interest

Details of holdings and deemed interests in the share capital of the Company or its related corporations by the directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	No. of ordinary shares of RM0.50 each			At 31.12.2005
	At 1.1.2005	Acquired	Disposed	
Wang-Zheng Resources Sdn. Bhd.				
Direct interest:				
Goh Kheng Jiu	158,485	-	-	158,485
Wang-Zheng Berhad				
Direct interest:				
Goh Kheng Jiu	3,676,222	-	-	3,676,222
Chung Shan Kwang	1,818,072	1,420,000	-	3,238,072
Khoo Beng Hwa	2,736,198	-	-	2,736,198
Thang Yuen Mei	1,583,487	400,000	-	1,983,487
Tan Wan Huat	1,664,887	-	-	1,664,887
Chai Tuck Chuen	2,324,459	20,000	-	2,344,459
Teh Hui Guan	1,531,479	430,000	-	1,961,479
Tan Teck Ang	996,641	-	-	996,641
Chung Shan Meng	743,133	310,000	-	1,053,133
Fu Jun	20,000	-	-	20,000
Loo Choo Hong	20,000	-	10,000	10,000
Ch'ng Eng Hing	20,000	-	-	20,000
Low Yu Keat	20,000	50,000	-	70,000
Tan Kar Thye	20,000	10,000	20,000	10,000
Yap Kien Pin	20,000	-	-	20,000
Chung Shan Hui	623,133	195,000	-	818,133
Indirect interest:				
Goh Kheng Jiu	54,000,000	-	-	54,000,000

DIRECTORS' REPORT

Directors' interest (cont'd)

By virtue of his interest in the shares of the Company, Goh Kheng Jiu is also deemed to have interest in the shares of all the subsidiary companies to the extent the Company has an interest.

None of the other director in office at the end of the financial year held or dealt with any shares of the Company and its related corporations.

Directors' Benefits

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value in the ordinary course of business were written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
 - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) No contingent or other liabilities have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.

Other Statutory Information *(cont'd)*

- (d) At the date of this report, there does not exist:
- (i) any charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - (ii) any contingent liabilities in respect of the Group and of the Company which have arisen since the end of the financial year.

Significant Event

The significant event is disclosed in Note 33 to the financial statements.

Staff Information

The total number of employees (excluding directors) of the Group and of the Company at the end of the financial year were 424 and Nil (2004: 484 and Nil) respectively.

Auditors

The auditors, Anuarul Azizan Chew & Co., have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors.

CHUNG SHAN KWANG

THANG YUEN MEI

KUALA LUMPUR

20 April 2006

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, CHUNG SHAN KWANG and THANG YUEN MEI, being two of the directors of WANG- ZHENG BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 34 to 59 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of their results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the directors.

CHUNG SHAN KWANG

THANG YUEN MEI

KUALA LUMPUR

20 April 2006

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, LEONG TING SIONG @ MARTIN LEONG, being the officer primarily responsible for the financial management of WANG-ZHENG BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 59 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed LEONG TING SIONG)
@ MARTIN LEONG at KUALA LUMPUR)
in the Federal Territory this 20 April 2006)

LEONG TING SIONG @ MARTIN LEONG

Before me,

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 34 to 59 of Wang-Zheng Berhad.

The financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results and the cash flows of the Group and of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 4 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of consolidated financial statements and have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

ANUARUL AZIZAN CHEW & CO.
Firm Number: AF 0791
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

KUALA LUMPUR

20 April 2006

BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Note	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Non-Current Assets					
Property, plant and equipment	3	29,695,035	20,381,408	12,171	13,692
Investment in subsidiary companies	4	-	-	57,884,038	57,884,038
Other investment	5	16,762	17,192	-	-
		29,711,797	20,398,600	57,896,209	57,897,730
Current Assets					
Inventories	6	38,158,097	25,529,098	-	-
Trade receivables	7	34,874,195	33,509,211	-	-
Other receivables	8	7,225,615	1,468,695	12,200	12,692
Tax recoverable		1,158,411	1,130,322	15,233	-
Amount owing by subsidiary companies	9	-	-	14,354,610	10,753,156
Fixed deposits with licensed banks	10	14,299,690	17,987,297	-	6,624,866
Cash and bank balances		8,897,782	14,385,365	405,507	447,346
		104,613,790	94,009,988	14,787,550	17,838,060
Current Liabilities					
Trade payables	11	8,128,747	9,990,481	-	-
Other payables	12	2,506,651	3,054,763	10,021	17,017
Hire purchase payables	13	2,580,056	1,121,456	-	-
Amount owing to subsidiary companies	9	-	-	11,630,727	14,784,250
Amount owing to directors	14	182,982	108,000	148,800	108,000
Borrowings	15	40,347,531	21,910,181	-	-
Taxation		197,025	1,694,234	-	200
		53,942,992	37,879,115	11,789,548	14,909,467
Net current assets		50,670,798	56,130,873	2,998,002	2,928,593
		80,382,595	76,529,473	60,894,211	60,826,323
Financed By:					
Share capital	16	60,000,000	60,000,000	60,000,000	60,000,000
Share premium		837,912	837,912	837,912	837,912
Reserve on consolidation		6,317,722	6,317,722	-	-
Retained profits/(Accumulated losses)		1,563,298	6,394,873	56,299	(11,589)
Shareholders' funds		68,718,932	73,550,507	60,894,211	60,826,323
Non-Current Liabilities					
Hire purchase payables	13	3,416,102	635,021	-	-
Borrowings	15	7,888,567	1,226,677	-	-
Deferred tax liabilities	17	358,994	1,117,268	-	-
		11,663,663	2,978,966	-	-
		80,382,595	76,529,473	60,894,211	60,826,323

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Revenue	18	178,808,308	171,849,720	4,747,428	126,085
Cost of sales		(151,715,044)	(134,137,776)	-	-
Gross profit	19	27,093,264	37,711,944	4,747,428	126,085
Other operating income		11,413,835	648,795	-	-
Marketing and distribution expenses		(5,946,044)	(4,925,091)	-	-
Administration expenses	20	(30,577,393)	(12,075,375)	(308,441)	(129,611)
Profit/(Loss) from operations		1,983,662	21,360,273	4,438,987	(3,526)
Finance costs	21	(1,914,215)	(1,710,068)	-	-
Profit/(Loss) before taxation		69,447	19,650,205	4,438,987	(3,526)
Taxation	22	(1,877,022)	(5,522,415)	(1,347,099)	(200)
(Loss)/Profit after taxation		(1,807,575)	14,127,790	3,091,888	(3,726)
Pre-acquisition profit		-	(7,725,054)	-	-
Net (loss)/profit for the financial year		(1,807,575)	6,402,736	3,091,888	(3,726)
(Loss)/Earning per share (Sen) Basic	23	(1.51)	11.44		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

Group	Note	<u>Non-distributable</u>			<u>Distributable</u>	Total RM
		Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Retained Profits/ (Accumulated Losses) RM	
At 1 January 2004		2	-	-	(7,863)	(7,861)
Issued during the financial year		59,999,998	2,250,000	-	-	62,249,998
Listing expenses		-	(1,412,088)	-	-	(1,412,088)
Arising on acquisition of subsidiary companies		-	-	6,317,722	-	6,317,722
Net profit for the financial year		-	-	-	6,402,736	6,402,736
At 31 December 2004		60,000,000	837,912	6,317,722	6,394,873	73,550,507
At 1 January 2005		60,000,000	837,912	6,317,722	6,394,873	73,550,507
Net loss for the financial year		-	-	-	(1,807,575)	(1,807,575)
Dividend	24	-	-	-	(3,024,000)	(3,024,000)
At 31 December 2005		60,000,000	837,912	6,317,722	1,563,298	68,718,932

Company	Note	<u>Non-distributable</u>		<u>Distributable</u>	Total RM
		Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	
At 1 January 2004		2	-	(7,863)	(7,861)
Issued during the financial year		59,999,998	2,250,000	-	62,249,998
Listing expenses		-	(1,412,088)	-	(1,412,088)
Net loss for the financial year		-	-	(3,726)	(3,726)
At 31 December 2004		60,000,000	837,912	(11,589)	60,826,323
At 1 January 2005		60,000,000	837,912	(11,589)	60,826,323
Net profit for the financial year		-	-	3,091,888	3,091,888
Dividend	24	-	-	(3,024,000)	(3,024,000)
At 31 December 2005		60,000,000	837,912	56,299	60,894,211

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	69,447	19,650,205	4,438,987	(3,526)
Adjustment for :				
Pre-acquisition results	-	(9,475,663)	-	-
Allowance for doubtful debts	71,222	150,000	-	-
Allowance for doubtful debts written back	(150,000)	(9,000)	-	-
Bad debts written off	45,676	-	-	-
Inventories written off	8,473,567	-	-	-
Amortisation of other investment				
- charge for the financial year	430	430	-	-
- pre-acquisition	-	(143)	-	-
	430	287	-	-
Depreciation of property, plant and equipment				
- charge for the financial year	1,880,525	1,976,201	1,521	1,521
- pre-acquisition	-	(955,405)	-	-
	1,880,525	1,020,796	1,521	1,521
Interest expense				
- charge for the financial year	1,914,215	1,710,068	-	-
- pre-acquisition	-	(874,812)	-	-
	1,914,215	835,256	-	-
Interest income				
- credit for the financial year	(419,900)	(192,466)	(40,310)	-
- pre-acquisition	-	54,850	-	-
	(419,900)	(137,616)	(40,310)	-
Dividend income	-	-	(4,707,118)	-
(Gain)/Loss on disposal of property, plant and equipment				
- credit for the financial year	(111,977)	(39,976)	-	-
- pre-acquisition	-	23,264	-	-
	(111,977)	(16,712)	-	-
Property, plant and equipment written off	7,753,212	-	-	-
Unrealised loss on foreign exchange	6,012	-	-	-
Operating profit/(loss) before working capital changes	19,532,429	12,017,553	(306,920)	(2,005)

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Decrease/(Increase) in working capital					
Inventories		(21,102,566)	4,368,065	-	-
Receivables		(7,094,814)	3,785,536	492	(12,692)
Amount owing by/(to) subsidiary companies		-	-	(6,754,977)	(13,474,446)
Payables		(2,409,846)	(4,223,018)	(6,996)	9,154
Amount owing to directors		74,982	108,000	40,800	108,000
		(30,532,244)	4,038,583	(6,720,681)	(13,369,984)
Cash (used in)/from operations		(10,999,815)	16,056,136	(7,027,601)	(13,371,989)
Interest received		419,900	137,616	40,310	-
Interest paid		(1,914,215)	(835,256)	-	-
Tax paid		(4,160,594)	(3,145,327)	(44,539)	-
		(5,654,909)	(3,842,967)	(4,229)	-
Net cash (used in)/from operating activities		(16,654,724)	12,213,169	(7,031,830)	(13,371,989)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	25	(4,183,827)	(605,723)	-	(15,213)
Dividend received		-	--	3,389,125	
Proceeds from disposal of property, plant and equipment		169,500	17,500	-	-
Acquisition of subsidiary companies	4(c)	-	6,900,436	-	-
Net cash (used in)/from investing activities		(4,014,327)	6,312,213	3,389,125	(15,213)
Cash Flows From Financing Activities					
Proceeds from issue of shares		-	19,621,500	-	19,621,500
Share premium on issue of shares (net of listing expenses)		-	837,912	-	837,912
Dividend paid		(3,024,000)	-	(3,024,000)	-
Increase in fixed deposits pledged		(1,655,571)	(3,599,765)	-	-
Repayment of borrowings		(101,833,689)	(52,099,165)	-	-
Repayment of hire purchase payables		(1,724,705)	(673,671)	-	-
Drawdown of borrowings		118,076,255	46,160,702	-	-
Net cash from/(used in) financing activities		9,838,290	10,247,513	(3,024,000)	20,459,412

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Net (decrease)/increase in cash and cash equivalents	(10,830,761)	28,772,895	(6,666,705)	7,072,210
Cash and cash equivalents at beginning of the financial year	28,772,897	2	7,072,212	2
Cash and cash equivalents at end of the financial year	17,942,136	28,772,897	405,507	7,072,212
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	8,897,782	14,385,365	405,507	447,346
Fixed deposits with licensed banks	14,299,690	17,987,297	-	6,624,866
	23,197,472	32,372,662	405,507	7,072,212
Less: Fixed deposits pledged to licensed banks	(5,255,336)	(3,599,765)	-	-
	17,942,136	28,772,897	405,507	7,072,212

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are stated in Note 4 of the financial statements.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad.

2. Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting recognised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with goodwill and exchange differences which were not previously recognised in the consolidated income statement.

(c) Goodwill or reserve arising on consolidation

Goodwill or reserve arising on consolidation represents the difference between the cost of the acquisition over the fair value of the net identifiable assets of subsidiary companies acquired at the date of acquisition. Goodwill or reserve is not amortised. Goodwill or reserve is stated at cost less impairment losses, if any. Goodwill will be reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

(d) Investments

Investments in subsidiary companies are stated at cost unless, in the opinion of the Directors, a permanent diminution in value of the investment has arisen.

Other investment is held on a long term basis and is amortised over its unexpired lease period.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (cont'd)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(f).

Freehold land and construction-in-progress are not depreciated. Long term leasehold land is amortised over the remaining lease periods. All other property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost of these assets to their residual value over the estimated useful lives at the following annual rates:

Buildings	2%
Plant and machinery	8% - 20%
Motor vehicles	20%
Office equipment and computers	10% - 20%
Furniture and fittings	10%
Air conditioners	10%
Electrical installation and renovation	10% - 25%
Factory equipment	10%
Signboard	10%

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in income statements.

(f) Impairment

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(g) Inventories

Inventories are valued at the lower of cost and net recognised value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads.

Net recognised value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (cont'd)

(h) Trade and other receivables

Trade and other receivables are carried at anticipated recognised values. Bad debts are written off when identified. Doubtful debts are provided based on specific review of the receivables.

(i) Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(j) Hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Company's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for assets acquired under hire purchase is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the income statement on a straight line basis over the term of the relevant lease.

(k) Borrowings

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the income statement in the period in which they are incurred.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the balance sheet and its tax base at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from good will or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (cont'd)

(l) Income tax (cont'd)

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(m) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date and exchange differences are taken to the income statements. All exchange rate differences are taken to the income statements.

The closing exchange rates used for each unit of the main foreign currencies in the Group are:

	2005 RM	2004 RM
United States Dollar	3.7800	3.7956
Singapore Dollar	2.2714	2.3185
Brunei Dollar	-	2.3185

(n) Revenue recognition

(i) Goods sold

Revenue from sales of goods and services is recognised when significant risk and rewards have been transferred to the buyer, net of sales taxes and discounts.

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(iii) Rental income/Interest income

Rental income and interest are recognised as it accrues unless ability to collect is in doubt.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (cont'd)

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(q) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, marketable securities, other investments, receivables, payables and borrowings. Financial instruments are recognised in the balance sheet when the Group/Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group/Company has a legally enforceable right to offset and intends to settle either on a net basis or to recognise the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment

Group	Long term leasehold land and buildings RM	Freehold land and buildings RM	Construction-in-progress RM	Plant and machinery RM	Motor vehicles RM	Office equipment and computers RM	Furniture and fittings RM	Air-conditioners RM	Electrical installation and renovation RM	Factory equipment RM	Signboard RM	Total RM
Cost												
At 1.1.2005	5,811,085	4,200,962	-	13,690,356	4,407,039	662,457	710,420	53,610	647,460	768,794	1,970	30,954,153
Additions	-	-	10,581,731	7,190,100	626,917	91,637	63,075	-	180,928	270,499	-	19,004,887
Write off	-	-	-	(12,631,240)	(262,216)	(271,279)	(75,929)	(44,550)	(499,407)	(825,236)	(630)	(14,610,487)
Disposal	-	-	-	(15,000)	(269,000)	(2,600)	-	-	-	-	-	(286,600)
At 31.12.2005	5,811,085	4,200,962	10,581,731	8,234,216	4,502,740	480,215	697,566	9,060	328,981	214,057	1,340	35,061,953
Accumulated depreciation												
At 1.1.2005	123,104	152,089	-	6,434,708	2,784,087	397,525	163,108	31,323	321,145	164,625	1,031	10,572,745
Charge for the financial year	65,751	25,349	-	826,809	707,909	60,136	70,559	3,279	54,108	66,491	134	1,880,525
Write off	-	-	-	(5,960,560)	(159,048)	(188,547)	(11,178)	(29,928)	(296,967)	(210,418)	(629)	(6,857,275)
Disposal	-	-	-	-	(226,997)	(2,080)	-	-	-	-	-	(229,077)
At 31.12.2005	188,855	177,438	-	1,300,957	3,105,951	267,034	222,489	4,674	78,286	20,698	536	5,366,918
Carrying amount												
At 31.12.2005	5,622,230	4,023,524	10,581,731	6,933,259	1,396,789	213,181	475,077	4,386	250,695	193,359	804	29,695,035
At 31.12.2004	5,687,981	4,048,873	-	7,255,648	1,622,952	264,932	547,312	22,287	326,315	604,169	939	20,381,408
Depreciation charge for the financial year ended 31.12.2004												
	37,075	12,673	-	469,150	351,286	38,852	36,941	2,276	29,567	42,909	67	1,020,796

Company	Office equipment RM	Total RM
Cost		
At 1.1.2005/31.12.2005	15,213	15,213
Accumulated depreciation		
At 1.1.2005	1,521	1,521
Charge for the financial year	1,521	1,521
At 31.12.2005	3,042	3,042
Carrying amount		
At 31.12.2005	12,171	12,171
At 31.12.2004	13,692	13,692
Depreciation charge for the financial year ended 31.12.2004		
	1,521	1,521

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment (cont'd)

- (a) Property, plant and equipment of the Group acquired under hire purchase are as follows:

Carrying amount	Group	
	2005 RM	2004 RM
Motor vehicles	1,141,508	1,831,996
Plant and machinery	6,633,594	2,098,782
Factory equipment	-	250,400
Furniture and fittings	-	28,985
	<u>7,775,102</u>	<u>4,210,163</u>

- (b) Certain motor vehicles of the Group with carrying amount of RMNil (2004: RM40,002) is held in trust under the name of third parties.
- (c) The remaining periods of the long term leasehold land range from 82 to 91 years.
- (d) Property, plant and equipment pledged to licensed banks as security for credit facilities granted to the subsidiary companies as disclosed in Note 15 to the financial statements are as follows:

Carrying amount	Group	
	2005 RM	2004 RM
Leasehold land and buildings	5,622,230	5,687,981
Freehold land	2,933,535	2,933,535
	<u>8,555,765</u>	<u>8,621,516</u>

- (e) On 12 September 2005, a fire occurred in three subsidiary companies' factories and destroyed certain inventories, factory equipments, machineries and buildings. Consequently, property, plant and equipment with a carrying amount of RM7,753,212 was written off.

4. Investment in Subsidiary Companies

- (a) Investment in subsidiary companies

Unquoted shares, at cost	Company	
	2005 RM	2004 RM
	<u>57,884,038</u>	<u>57,884,038</u>

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (cont'd)

(b) The Subsidiary companies and Shareholdings therein are as follows:

Name of company	Equity interest		Principal activities
	2005 %	2004 %	
Direct holding			
Wang-Zheng Corporation Sdn. Bhd.	100	100	Distributes disposable fibre-based products
Quality Hero Corporation Sdn. Bhd.	100	100	Manufactures disposable baby diapers, sanity napkins and other disposable fibre-based products
Carefeel Cotton Industries (M) Sdn. Bhd.	100	100	Manufactures cotton jumbo rolls and facial cotton
New Top Win Corporation Sdn. Bhd.	100	100	Imports, processes and distributes various types of paper products
Modern Alpine Sdn. Bhd.	100	100	Distributes various types of paper products
Mey Paper Industries Sdn. Bhd.	100	100	Manufactures corrugated carton boxes

All the subsidiary companies are incorporated in Malaysia and are not audited by Anuarul Azizan Chew & Co.

(c) Acquisition of subsidiary companies

The effect of the acquisition on the financial statements of the Group in the previous financial year is as follows:

	Group 2004 RM
Financial results	
Revenue	80,020,070
Cost of sales	(60,450,983)
Gross profit	19,569,087
Other operating income	262,781
Marketing and distribution	(2,400,923)
Administration expenses	(6,417,630)
Net profit from operations	11,013,315
Finance cost	(835,256)
Profit before taxation	10,178,059
Taxation	(3,771,597)
Net profit for the financial year	6,406,462

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (cont'd)

(c) Acquisition of subsidiary companies (cont'd)

	Group 2004 RM
Financial position	
Property, plant and equipment	20,367,716
Investment in time-sharing scheme	17,192
Inventories	25,529,098
Receivables	34,965,213
Fixed deposits placed with licensed banks	11,362,431
Cash and bank balances	13,938,019
Tax recoverable	1,130,322
Payables	(26,502,672)
Bank borrowings	(23,136,858)
Hire purchase payables	(1,756,477)
Taxation	(1,694,034)
Deferred tax liabilities	(1,117,268)
Reserve on consolidation	(6,317,722)
	<hr/> 46,784,960 <hr/>

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary companies in the previous financial year is as follows:

	Group 2004 RM
Net assets acquired:	
Property, plant and equipment	20,750,870
Other investment	17,479
Inventories	29,897,162
Receivables	53,819,672
Fixed deposits with licensed banks	4,029,348
Cash and bank balances	2,871,088
Payables	(14,493,450)
Hire purchase payables	(2,383,748)
Provision for taxation	(181,939)
Bank borrowings	(29,075,321)
Deferred tax liabilities	(1,049,401)
	<hr/> 64,201,760 <hr/>
Share of net assets acquired	64,201,760
Reserve on consolidation	(6,317,722)
	<hr/> 57,884,038 <hr/>
Total purchase consideration	57,884,038
Less: Portion discharged by	
- Issuance of the Company's shares	(40,378,498)
- Amount owing to subsidiary companies	(17,505,540)
	<hr/> - <hr/>
Discharged by cash	-
Less: Cash and cash equivalent of subsidiary companies	6,900,436
	<hr/> 6,900,436 <hr/>
Cash inflow on acquisition, net of cash acquired	6,900,436

NOTES TO THE FINANCIAL STATEMENTS

5. Other Investment

	Group	
	2005 RM	2004 RM
Time-sharing scheme, at cost	19,341	19,341
Accumulated amortisation		
At 1 January	(2,149)	-
Acquisition of subsidiary companies	-	(1,862)
Amortised during the financial year	(430)	(287)
At 31 December	(2,579)	(2,149)
	16,762	17,192

6. Inventories

	Group	
	2005 RM	2004 RM
At cost		
Raw material	6,605,003	4,981,556
Finished goods	31,553,094	20,516,870
Work-in-progress	-	30,672
	38,158,097	25,529,098

7. Trade Receivables

	Group	
	2005 RM	2004 RM
Trade receivables	35,199,582	33,913,376
Allowance for doubtful debts	(325,387)	(404,165)
	34,874,195	33,509,211

The Group and the Company's normal trade credit terms range from 30 to 90 days (2004: 30 to 90 days).

8. Other Receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	5,181,728	1,148,980	12,200	12,692
Deposits	2,043,887	319,715	-	-
	7,225,615	1,468,695	12,200	12,692

NOTES TO THE FINANCIAL STATEMENTS

9. Amount Owing by/(to) Subsidiary Companies

These represent unsecured interest free advances with no fixed term of repayment.

10. Fixed Deposits with Licensed Banks

The fixed deposits amounted to RM5,255,336 (2004: RM3,599,765) have been pledged to licensed banks as security for banking facilities granted to subsidiary companies as disclosed in Notes 15 and 31 to the financial statements.

The interest rates and maturities of deposits range from 2.4% to 3.7% (2004: 2.2% to 2.7%) per annum and 7 to 365 (2004: 1 to 30 days) respectively.

11. Trade Payables

The normal trade credit terms granted to the Group range from 60 to 90 days (2004: 60 to 90 days).

12. Other Payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	664,284	1,413,569	521	3,010
Accruals	1,842,367	1,641,194	9,500	14,007
	<u>2,506,651</u>	<u>3,054,763</u>	<u>10,021</u>	<u>17,017</u>

13. Hire Purchase Payables

	Group	
	2005 RM	2004 RM
(a) Minimum hire purchase payments		
Within one year	2,880,960	1,235,801
Between one and five years	3,747,956	707,476
	<u>6,628,916</u>	<u>1,943,277</u>
Less : Future finance charges	(632,758)	(186,800)
Present value of hire purchase liabilities	<u>5,996,158</u>	<u>1,756,477</u>
(b) Present value of hire purchase liabilities		
Within one year	2,580,056	1,121,456
Between one and five years	3,416,102	635,021
	<u>5,996,158</u>	<u>1,756,477</u>

The hire purchase and lease liabilities bear interest at rates between 2.7% and 4.50% (2004: 3.3% and 5.0%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

14. Amount Owing to Directors

This represents unsecured interest free advances with no fixed term of repayment.

15. Borrowings

	2005 RM	Group 2004 RM
Secured		
Term loans		
- floating rates	9,014,173	795,423
- fixed rates	-	1,101,119
Bill payables	39,221,925	21,240,316
	<hr/>	<hr/>
Total borrowings	48,236,098	23,136,858
	<hr/>	<hr/>
Analysed as:		
Repayable within twelve months		
Term loans		
- floating rates	1,125,606	404,075
- fixed rates	-	265,790
Bill payables	39,221,925	21,240,316
	<hr/>	<hr/>
	40,347,531	21,910,181
	<hr/>	<hr/>
Repayable after twelve months		
Term loans		
- floating rates	7,888,567	391,348
- fixed rates	-	835,329
	<hr/>	<hr/>
	7,888,567	1,226,677
	<hr/>	<hr/>
	48,236,098	23,136,858
	<hr/>	<hr/>

The above credit facilities obtained from licensed banks are secured by the following:

- (a) legal charge over the freehold land, leasehold land and buildings of subsidiary companies;
- (b) legal charge over the properties of certain directors;
- (c) fixed and floating charge over all present and future assets of a subsidiary company;
- (d) joint and several guarantee by certain directors of the Company;
- (e) a pledge of fixed deposits of certain subsidiary companies; and
- (f) corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS

15. Borrowings (cont'd)

Maturity of borrowings is as follows:

	Group	
	2005 RM	2004 RM
Within one year	40,347,531	21,910,181
Between one and two years	1,198,004	1,071,418
Between two and five years	3,223,434	155,259
More than five years	3,467,129	-
	48,236,098	23,136,858

Ranges of interest rates are as follows:

	Group	
	2005 RM	2004 RM
Term loans		
- floating rates	7.25 - 8.00	7.25 - 7.75
- fixed rate	6.75	5.25 - 6.75
Bill payables	6.75 - 8.00	6.75 - 7.50

16. Share Capital

Ordinary shares:

Authorised

	Group/Company	
	2005 RM	2004 RM
At 1 January of RM0.50/RM1 each	100,000,000	100,000
Upon sub division of RM0.50 each	-	100,000
Created during the financial year of RM0.50 each	-	99,900,000
At 31 December of RM0.50 each	100,000,000	100,000,000

Issued and fully paid

At 1 January of RM0.50/RM1 each	60,000,000	2
Upon sub division of RM0.50 each	-	2
Issued during the financial year of RM0.50 each	-	59,999,998
At 31 December of RM0.50 each	60,000,000	60,000,000

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred Tax Liabilities

	2005 RM	Group	2004 RM
At 1 January	1,117,268		-
Acquisition of subsidiary companies	-		823,940
Recognised in income statement	(758,274)		293,328
At 31 December	358,994		1,117,268

The components and movements of deferred tax liabilities of the Group during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2005	1,117,268	1,117,268
Recognised in income statement	(758,274)	(758,274)
At 31 December 2005	358,994	358,994
At 1 January 2004	-	-
Acquisition of subsidiary companies	823,940	823,940
Recognised in income statement	293,328	293,328
At 31 December 2004	1,117,268	1,117,268

Deferred tax assets of the Group have not been recognised in respect of following items:

	2005 RM	2004 RM
Accelerated capital allowances	(22,826)	23,075
Unused tax losses	155,920	-
Unabsorbed capital allowances	664,052	-
	797,146	23,075

The unused tax losses and unabsorbed capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other companies in the Group and they have arisen in companies that have a recent history of business losses.

NOTES TO THE FINANCIAL STATEMENTS

18. Revenue

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	178,767,998	171,723,634	-	-
Interest income	40,310	126,086	40,310	126,085
Dividend income	-	-	4,707,118	-
	178,808,308	171,849,720	4,747,428	126,085

19. Other Operating Income

Included in the other operating income are:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts written back	150,000	9,000	-	-
Gain on disposal of property, plant and equipment	112,297	40,763	-	-
Insurance claim received	10,206,173	203,152	-	-
Interest income	419,900	192,466	-	-
Realised gain on foreign exchange	-	29,089	-	-
Rental income	190,240	180,540	-	-

20. Administration Expenses

Included in the administration expenses are:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts	71,222	150,000	-	-
Amortisation of other investment	430	430	-	-
Auditors' remuneration				
- statutory	53,500	47,100	10,000	10,000
- others	18,000	24,500	-	-
- over provision in prior year	(3,465)	-	-	-
Directors' remuneration				
- fees	180,000	214,000	120,000	108,000
- salaries, bonus and allowances	1,570,395	1,588,576	28,800	-
- EPF	157,630	150,761	-	-
Bad debts written off	45,676	-	-	-
Depreciation of property, plant and equipment	1,880,525	1,976,201	1,521	1,521

NOTES TO THE FINANCIAL STATEMENTS

20. Administration Expenses (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Inventories written off	8,473,567	-	-	-
Loss on disposal of property, plant and equipment	320	787	-	-
Property, plant and equipment written off	7,753,212	-	-	-
Realised loss on foreign exchange	64,935	634	-	-
Unrealised loss on foreign exchange	6,012	-	-	-
Rental of premises	1,310,296	1,453,900	-	-

21. Finance Costs

	Group	
	2005 RM	2004 RM
Interest expense:		
- bill payables	1,526,895	1,419,511
- lease and hire purchase	182,565	158,867
- term loans	204,755	131,690
	<u>1,914,215</u>	<u>1,710,068</u>

22. Taxation

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax provision	2,445,478	5,331,242	1,313,760	200
Over/(Under) provision in prior year	189,818	(102,155)	33,339	-
	<u>2,635,296</u>	<u>5,229,087</u>	<u>1,347,099</u>	<u>200</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(758,274)	293,328	-	-
Tax expense for the financial year	<u>1,877,022</u>	<u>5,522,415</u>	<u>1,347,099</u>	<u>200</u>

Income tax of certain subsidiary companies is calculated at a rate of 20% on the first RM500,000 and 28% on the balance of chargeable income of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

22. Taxation (cont'd)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation	69,447	19,650,205	4,438,987	(3,526)
Taxation at statutory tax rate of 28%	19,445	5,502,057	1,242,916	(987)
Tax incentive for small and medium scale companies at 20% tax rate	(61,177)	(153,530)	-	-
Expenses not deductible for tax purposes	954,865	276,043	70,844	1,187
Deferred tax assets not recognised	795,686	-	-	-
Reversal of deferred tax assets not recognised	(21,615)	-	-	-
Under/(Over)provision of taxation in respect of prior years	189,818	(102,155)	33,339	-
Tax expense for the financial year	1,877,022	5,522,415	1,347,099	200

23. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The earnings per share has been calculated based on the consolidated (loss)/profit after taxation of RM1,807,575 (2004: RM6,402,736) for the Group and the weighted average number of ordinary shares in issue during the financial year of 120,000,000 (2004: 55,979,752).

(b) Diluted (loss)/earnings per share

There is no diluted (loss)/earnings per share as the Company does not have any dilutive potential ordinary shares as at financial year end.

24. Dividend

	Group/Company	
	2005 RM	2004 RM
Final dividend of 3.5 sen less taxation on 120,000,000 ordinary shares in respect of financial year ended 31.12.2004	3,024,000	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3.5 sen less 28% taxation on 120,000,000 ordinary shares, amounting to a total dividend payable of RM3,024,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

25. Purchase of Property, Plant and Equipment

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Aggregate costs	19,004,887	652,723	-	15,213
Less:				
Hire purchase financing	(5,964,386)	(47,000)	-	-
Term loan financing	(8,856,674)	-	-	-
	<u>4,183,827</u>	<u>605,723</u>	<u>-</u>	<u>15,213</u>

26. Staff Costs

	Group	
	2005 RM	2004 RM
Staff costs (excluding directors)	<u>10,435,853</u>	<u>7,737,462</u>

Included in the staff costs above is contribution made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM937,531 and Nil (2004: RM566,473).

The total number of employees (excluding directors) of the Group and of the Company at the end of the financial year were 424 and Nil (2004: 484 and Nil) respectively.

27. Prior Year Adjustment

This represents adjustment made for the additional investment in subsidiary companies pursuant to the Reorganisation Agreement entered on 28 July 2004 with two of the subsidiary companies amounting to RM17,505,540 which has been omitted in previous financial year. The fundamental error has been adjusted retrospectively and the corresponding comparative figures have been restated. The prior year adjustment has no impact on the Group's financial statements. The effects of adjustment on the fundamental error to the Company's financial statements are as follows:

	As previously stated RM	Prior year adjustment RM	As restated RM
Company			
Balance Sheet			
Investment in subsidiary companies	40,378,498	17,505,540	57,884,038
Amount owing by subsidiary companies	13,527,968	(2,774,812)	10,753,156
Amount owing to subsidiary companies	(53,522)	(14,730,728)	(14,784,250)

NOTES TO THE FINANCIAL STATEMENTS

28. Significant Related Party Transactions

	Group	
	2005 RM	2004 RM
Purchase of trading goods from Xian Jiang Trading Sdn. Bhd., a company in which the directors, Chung Shan Kwang and Chung Shan Meng have interest	25,689,122	20,271,345
Factory rental payable to MMF Haus Sdn. Bhd., a company in which the directors, Chung Shan Kwang and Chung Shan Meng have interest	360,000	480,000
Office rental receivable from Wang-Zheng Motor Sdn. Bhd., a company in which the directors, Chung Shan Kwang, Goh Kheng Jiu, Thang Yuen Mei and Teh Hui Guan have interest	60,000	60,000
	Company	
	2005 RM	2004 RM
Dividend received from subsidiary companies	4,707,118	-

The Directors of the Company are of the opinion that the related party transactions are carried out in the normal course of business and at terms mutually agreed between the parties.

29. Segment Information - Group

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

(a) Business segment

The principal businesses of the Group are those of manufacturing and distribution of disposable fibre-based products and paper products which are substantially within a single business segment, as such, segmental reporting is deemed not necessary.

(b) Geographical segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers. Segment assets and segment capital expenditure are based on geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS

29. Segment Information - Group (cont'd)

(b) Geographical segments (cont'd)

Revenue by geographical location of customers

	Group	
	2005 RM	2004 RM
Malaysia	170,313,108	164,645,294
Asia (other than Malaysia)	8,045,268	6,187,366
Africa	134,388	457,896
Australia	284,299	484,419
Others	31,245	74,745
	178,808,308	171,849,720

Carrying amount of segment assets and segment capital expenditure are not disclosed as all the assets are located principally in Malaysia.

30. Contingent Asset

Three of the subsidiary companies have filed claims for the fire consequential loss as disclosed in Note 33 to the financial statements. As at balance sheet date, an interim settlement for the above claim in respect of loss of profitability, labour wages and others amounting to RM9,391,617 was received. The balance of insurance claim receivable has not been included in these financial statements as the quantum of the final insurance claim has not been determined.

31. Contingent Liability

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Limit of guarantees				
Corporate guarantees to licensed banks for credit facilities granted to subsidiary companies	-	-	119,707,708	12,224,708
Amount utilised by subsidiary companies				
Banker's guarantees in favour of the local authorities				
- Secured	100,000	100,000	-	-
- Unsecured	230,000	-	-	-
Corporate guarantees to licensed banks for credit facilities granted to subsidiary companies	-	-	48,236,098	2,444,565

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Instruments

(a) Financial risk management objectives and policies

The Group and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risks. The Group and the Company does not trade in financial instruments.

(b) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk on sales and purchases and that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Brunei Dollar. The Group and the Company maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

Functional Currency	Financial Assets/(Liabilities) Held in Non-Functional Currency		
	United States Dollar RM	Singapore Dollar RM	Total RM
Group 2005			
Trade receivables			
Ringgit Malaysia	1,403,612	289,036	1,692,648
Trade payables			
Ringgit Malaysia	75,596	-	75,596
2004			
Trade receivables			
Ringgit Malaysia	979,340	288,736	1,268,076
Trade payables			
Ringgit Malaysia	184,466	-	184,466

(c) Interest rate risk

The Group and the Company finances its operation through operating cash flows and borrowings. Interest rate exposure arises from the Group's and the Company's borrowings and deposits. The Group and the Company seeks to achieve the desired interest rate profile by maintaining a prudent mix of fixed and floating rate borrowings.

(d) Credit risk

The Group's and the Company's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group's and the Company's management reporting procedures and action will be taken for long outstanding debts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Instruments (cont'd)

(e) Liquidity and cash flow risk

The Group and the Company actively manages its debt maturity profile, operating cash flows and maintains a flexible and cost effective borrowing structure to ensure that all refinancing, repayment and funding needs are met. The Group and the Company also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

(f) Fair values

- (i) The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.
- (ii) It is not practical to estimate the fair values of inter-company balances as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Board of Directors does not anticipate the carrying amounts recorded at the balance sheets to be significantly different from the values that would eventually be received or settled.
- (iii) The fair values of the long term borrowings are estimated using the discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Company and the Group, the carrying values of the long term borrowings approximate their fair values.

33. Significant Event

On 12 September 2005, a fire occurred in three subsidiary companies' factories and destroyed certain inventories, factory equipments, machineries and buildings with a carrying amount of RM16,226,779. However, these assets have been adequately insured and the insurance claim received/receivable is disclosed in Notes 19 and 30 to the financial statements.

34. Comparative Figures

Certain comparative figures have been restated to reflect the prior year adjustment as disclosed in Note 27 to the financial statements.

35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Board of Directors on 20 April 2006.

List of Properties

		Aprox. age of building (Years)	Tenure/Date of expiry of lease	Description and existing use	Land area (sqm)	Built-up area (sqm)	Unaudited Net book value @ 30.04.06 (RM)
Wang-Zheng Corporation Sdn Bhd							
1	No. 5C, Storey No.5, Downtown Condominium, 10, Changkat Raja Chulan, Bukit Ceylon, Kuala Lumpur (held under Master Title Geran 25917 - formerly CT 14612, Lot 29, Section 57, Kuala Lumpur, Wilayah Persekutuan)	15	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	203,163
2	No. 5D, Storey No.5, Downtown Condominium, 10, Changkat Raja Chulan, Bukit Ceylon, Kuala Lumpur (held under Master Title Geran 25917 - formerly CT 14612, Lot 29, Section 57, Kuala Lumpur, Wilayah Persekutuan)	15	Freehold	Condominium, currently rented out to unrelated parties.	N/A	135.45	231,701
3	Lot No. 8 & 10, Jalan Pusat BCH 1C, Bandar Country Homes, 48000 Rawang ("Lot No. 8 & 10") (held under HS(D)36700 & 36701, PT140 & 141, Bandar Kundang, Daerah Gombak, Selangor)	7	99 years lease expiring on 18.09.2089	Two(2) units of intermediate three (3) storey shophouse. Used as the sales and administrative office of Wang-Zheng Corporation Sdn Bhd before being left vacant after the completion of the Group's office-cum- factory building in Shah Alam in 2006.	286.00	429.00	400,309
New Top Win Corporation Sdn Bhd							
4	No. 2B, Storey No.2, Downtown Condominium, 10, Changkat Raja Chulan, Bukit Ceylon, Kuala Lumpur (held under Master Title Geran 25917 - formerly CT 14612, Lot 29, Section 57, Kuala Lumpur, Wilayah Persekutuan)	15	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	185,447

List of Properties

		Aprox. age of building (Years)	Tenure/Date of expiry of lease	Description and existng use	Land area (sqm)	Built-up area (sqm)	Unaudited Net book value @ 30.04.06 (RM)
5	No. 4C, Storey No.4, Downtown Condominium, 10, Changkat Raja Chulan, Bukit Ceylon, Kuala Lumpur (held under Master Title Geran 25917 - formerly CT 14612, Lot 29, Section 57, Kuala Lumpur, Wilayah Persekutuan	15	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	185,447
6	No.4D, Storey No.4, Downtown Condominium, 10, Changkat Raja Chulan, Bukit Ceylon, Kuala Lumpur (held under Master Title Geran 25917 - formerly CT 14612, Lot 29, Section 57, Kuala Lumpur, Wilayah Persekutuan)	15	Freehold	Condominium, currently rented out to unrelated parties.	N/A	135.45	209,722
7	No.47, Jalan Pahang, 53000 Kuala Lumpur (held under Geran 10942, Lot 71, Section 86, Kuala Lumpur, Wilayah Persekutuan)	N/A	Freehold	Commercial land Currently rented to Wang-Zheng Motor Sdn Bhd, a company in which certain of the directors have interests.	1,595.93	N/A	2,933,535
8	HS(D) 115081, PT 36416, Mukim Sungai Buloh, Daerah Petaling, Selangor ("HS(D) 115081") (Mah Sing Industrial Park)	< 1 year	99 years lease expiring on 11.12.2096	Industrial land on which an office-cum-factory building has been constructed in 2006 for use by Wang-Zheng Group.	26,305.00	N/A	16,248,161

STATISTICS OF SHAREHOLDINGS (As at 16 May 2006)

	No. of holders	% of shareholders	No. of holdings	% of shares	
1 - 99	2	0.18	100	0.00	(Negligible)
100 - 1,000	316	28.91	259,000	0.21	
1,001 - 10,000	498	45.56	2,374,400	1.98	
10,001 - 100,000	200	18.31	6,639,754	5.53	
100,001 - 5,999,999*	75	6.86	46,843,746	39.04	
6,000,000 AND ABOVE**	2	0.18	63,883,000	53.24	
	1,093	100.00	120,000,000	100.00	

REMARK : * - Less than 5% of issued holdings
** - 5% and above of issued holdings

Substantial Shareholders

	Direct	%	Indirect	%
1 Wang-Zheng Resources Sdn Bhd	54,000,000	45.00	-	-
2 Lembaga Tabung Angkatan Tentera	9,883,000	8.24	-	-
3 Chung Shan Kwang	3,238,072	2.70	3,830,332 (a)	3.19
4 Goh Kheng Jiu	3,676,222	3.06	56,269,479 (b)	46.89
5 Chung Shan Meng	1,116,133	0.93	5,092,338 (c)	4.24
6 Chung Shan Hui	881,133	0.73	5,327,338 (d)	4.44

- (a) Deemed interest through direct shareholdings of brothers, parent, sister-in-law and deemed interest in the shares held by Macro-Link Sdn Bhd pursuant to Section 6A of the Companies Act.
 (b) Deemed interest through direct shareholdings of spouse, brother-in-law and substantial shareholdings in Wang-Zheng Resources Sdn Bhd.
 (c) Deemed interest through direct shareholdings of brothers, parent and sister-in-law.
 (d) Deemed interest through direct shareholdings of spouse, brothers and parent.

Directors' interests in shares

	Direct	%	Indirect	%
Chung Shan Kwang	3,238,072	2.70	3,830,332 (1)	3.19
Goh Kheng Jiu	3,676,222	3.06	56,269,479 (2)	46.89
Datin Raihanah Begum Binti Abdul Rahman	-	-	2,520,000 (3)	2.1
Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy	-	-	-	-
Khoo Beng Hwa	2,736,198	2.28	776,783 (4)	0.65
Thang Yuen Mei	2,083,487	1.74	611,736 (5)	0.51
Tan Wan Huat	1,664,887	1.39	996,641 (6)	0.83
Chai Tuck Chuen	2,344,459	1.95	451,669 (7)	0.38
Teh Hui Guan	1,961,479	1.63	3,676,222 (8)	3.06
Tan Teck Ang	996,641	0.83	1,664,887 (9)	1.39
Chung Shan Meng	1,116,133	0.93	5,092,338 (10)	4.24
Fu Jun	20,000	0.02	859,933 (11)	0.72
Loo Choo Hong	10,000	0.01	-	-
Ch'ng Eng Hing	20,000	0.02	-	-
Low Yu Keat	70,000	0.06	-	-

STATISTICS OF SHAREHOLDINGS

Directors' interests in shares (Cont'd)

	Direct	%	Indirect	%
Tan Kar Thye	20,000	0.02	-	-
Yap Kien Pin	20,000	0.02	-	-
Chung Shan Hui (Alternate director to Fu Jun)	881,133	0.73	5,327,338 ⁽¹²⁾	4.44

- (1) Deemed interest through direct shareholdings of brothers, parent, sister-in-law and deemed interest in the shares held by Macro-Link Sdn Bhd pursuant to Section 6A of the Companies Act.
- (2) Deemed interest through direct shareholdings of spouse, brother-in-law and substantial shareholdings in Wang-Zheng Resources Sdn Bhd.
- (3) Deemed interest through direct shareholdings of spouse.
- (4) Deemed interest through direct shareholdings of brother.
- (5) Deemed interest through direct shareholdings of brother and spouse.
- (6) Deemed interest through direct shareholdings of brother.
- (7) Deemed interest through direct shareholdings of brother.
- (8) Deemed interest through direct shareholdings of brother-in-law.
- (9) Deemed interest through direct shareholdings of brother.
- (10) Deemed interest through direct shareholdings of brothers, parent and sister-in-law.
- (11) Deemed interest through substantial shareholdings in Macro-Link Sdn Bhd.
- (12) Deemed interest through direct shareholdings of spouse, brothers and parent.

Thirty largest shareholders

	No. of shares	% of shares
1. Wang-Zheng Resources Sdn Bhd	54,000,000	45.00
2. Lembaga Tabung Angkatan Tentera	9,883,000	8.24
3. Goh Kheng Jiu	3,676,222	3.06
4. Chung Shan Kwang	3,238,072	2.70
5. Khoo Beng Hwa	2,736,198	2.28
6. EB Nominees (Tempatan) Sendirian Berhad	2,455,000	2.05
7. Chua Lean Hong	2,409,100	2.01
8. Chai Tuck Chuen	2,344,459	1.95
9. Thang Yuen Mei	2,083,487	1.74
10. Teh Hui Guan	1,961,479	1.63
11. Tan Wan Huat	1,664,887	1.39
12. Wong Yip Kee	1,272,900	1.06
13. Chung Shan Meng	1,116,133	0.93
14. Chuah Joon Hooi	1,065,076	0.89
15. Tan Teck Ang	996,641	0.83
16. Mohd Razali Bin Abdul Rahman	904,300	0.75
17. Chung Shan Hui	881,133	0.73
18. Macro-Link Sdn Bhd	859,933	0.73
19. Chung Shan Yong	813,133	0.68
20. Khoo Beng Keong	776,783	0.65
21. Lee Piang Koon	772,540	0.64
22. Sum Kown Cheek	702,000	0.59
23. Lee Pek Tin	693,400	0.58
24. Raja Kamaruzaman Bin Raja Abd Hamid	600,000	0.50
25. Liew Sen Hoi	599,100	0.50
26. Chia Joo Hong	580,000	0.48
27. Lim Kok Lan	562,500	0.47
28. Tan Poay Jong	465,000	0.39
29. Chai Teck Seng	451,669	0.38
30. Mercsec Nominees (Tempatan) Sdn Bhd	450,000	0.38
Total 30 top holders	101,014,145	84.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on 28 June 2006, Wednesday, at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2005. **(Resolution 2)**
3. To approve the payment of Directors' fees of RM108,000.00 for the financial year ended 31 December 2005. **(Resolution 3)**
4. To re-elect the following Directors who retire pursuant to Article 90 of the Company's Articles of Association :-
 - a) Datin Raihanah Begum Binti Abdul Rahman **(Resolution 4)**
 - b) Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy **(Resolution 5)**
5. To re-elect the following Directors who retire pursuant to Article 91 of the Company's Articles of Association :-
 - a) Mr. Chung Shan Kwang **(Resolution 6)**
 - b) Mr. Goh Kheng Jiu **(Resolution 7)**
 - c) Mr. Khoo Beng Hwa **(Resolution 8)**
 - d) Mr. Thang Yuen Mei **(Resolution 9)**
 - e) Mr. Tan Wan Huat **(Resolution 10)**
6. To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 11)**
7. **As Special Business:**
To consider and, if thought fit, to pass the following Ordinary Resolution:
Authority to Directors to Allot and Issue Shares **(Resolution 12)**
"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue."
8. To transact any other business of the Company for which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Lim Lay Fong (MAICSA 7007624)
Company Secretary

Kuala Lumpur
Date: 6 June 2006

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting is entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor or a person approved by the Registrar of Companies.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
4. The Form of Proxy or other instruments of appointment must be deposited at the Registered Office of the Company at 20-C, Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 12: Authority to Directors to Allot and Issue Shares

The Proposed Resolution 12, if passed, would enable the Directors to issue shares up to an amount not exceeding 10% of the issued share capital of the Company as at the date of its Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2005, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 11 August 2006 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 28 July 2006.

A Depositor shall qualify for entitlement only in respect of :-

- (a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 28 July 2006 in respect of transfer; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Third Annual General Meeting of the Company are:-

i).	Datin Raihanah Begum Binti Abdul Rahman	Article 90	(Resolution 4)
ii).	Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy	Article 90	(Resolution 5)
iii).	Mr. Chung Shan Kwang	Article 91	(Resolution 6)
iv).	Mr. Goh Kheng Jiu	Article 91	(Resolution 7)
v).	Mr. Khoo Beng Hwa	Article 91	(Resolution 8)
vi).	Mr. Thang Yuen Mei	Article 91	(Resolution 9)
vii).	Mr. Tan Wan Huat	Article 91	(Resolution 10)

The profile of the Directors standing for re-election for Resolutions 4 to 10 are set out on pages 6 to 9 of the Annual Report 2005. The shareholdings of the abovenamed Directors in the Company are disclosed on page 62 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement.

The Third Annual General Meeting of the Company will be held at Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on 28 June 2006, Wednesday, at 10.00 a.m.

FORM OF PROXY

I / We (Full Name in Block Letters)
 NRIC No. / Passport No. / Company No
 of
 being a member / members of WANG-ZHENG BERHAD, hereby appoint
 NRIC No. / Passport No.
 of
 and/or
 of
 NRIC No. / Passport No.

as my / our proxy to vote and act on my / our behalf at the Third Annual General Meeting of the Company to be held at **Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur, Malaysia** on **Wednesday, 28 June 2006** at **10.00 a.m.** and at any adjournment thereof.

	Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December, 2005 and Reports of the Directors' and Auditors thereon.		
2.	To approve the payment of a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2005.		
3.	To approve the payment of Directors' fees of RM108,000.00.		
4.	To re-elect Datin Raihanah Begum Binti Abdul Rahman as Director.		
5.	To re-elect Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy as Director.		
6.	To re-elect Mr. Chung Shan Kwang as Director.		
7.	To re-elect Mr. Goh Kheng Jiu as Director.		
8.	To re-elect Mr. Khoo Beng Hwa as Director.		
9.	To re-elect Mr. Thang Yuen Mei as Director.		
10.	To re-elect Mr. Tan Wan Huat as Director.		
11.	To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors of the Company.		
12.	As special business, to approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this day of, 2006.

Signature :
 (If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy

No. of Shares:

Percentage :%

Second Proxy

No. of Shares:

Percentage :%

NUMBER OF SHARES HELD	
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NOTES:

1. A member entitled to attend and vote at the general meeting is entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor or a person approved by the Registrar of Companies.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
4. The Form of Proxy or other instruments of appointment must be deposited at the Registered Office of the Company at 20-C, Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Please affix
postage stamp
here

The Company Secretary
WANG-ZHENG BERHAD
20C, Jalan 1/64,
Off Jalan Kolam Air/Jalan Ipoh,
51200 Kuala Lumpur.

FOLD HERE
