



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)



Annual Report 2006



Quality products at affordable prices



皇城集团
WANG-ZHENG BERHAD
(612237-K)

Quality Products At Affordable Prices





皇城集团

WANG-ZHENG BERHAD
(612237-K)

Quality Products At Affordable Prices



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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)

AUDIT COMMITTEE

Loo Choo Hong (Chairman)
Ch'ng Eng Hing
Thang Yuen Mei

COMPANY SECRETARY

Tan Tong Lang (MAICSA 7045482)

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
Lingkaran 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



Corporate Structure



皇城集团
WANG-ZHENG BERHAD
(612237-K)

Manufacturing
and Process of Fibre-based Products

Quality Hero Corporation Sdn. Bhd.



Carefeel Cotton Industries (M) Sdn. Bhd.



New Top Win Corporation Sdn. Bhd.



Mey Paper Industries Sdn. Bhd.



Marketing Arm

Modern Alpine Sdn. Bhd.



Wang-Zheng Corporation Sdn. Bhd.



Profile of Directors

Chung Shan Kwang

Chung Shan Kwang, a Malaysian aged 39, 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 page 19 of this annual report. He has no conviction for offences within the past 10 years

Goh Kheng Jiu

Goh Kheng Jiu, a Malaysian aged 47, 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.

Goh Kheng Jiu 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, Goh Kheng Jiu's 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 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 47, 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 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 47, 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. 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 44, 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 as a marketing executive. He was later appointed as an Executive Director of Wang-Zheng Corporation in 1990. Mr Tan oversees the daily operations of Quality Hero and is responsible for developing of the marketing network for Quality Hero's products. He has also been actively exploring the feasibility of exporting of 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 47, 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 sales of 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 in 1995 as a director. Mr Chai oversees the daily operations of Carefeel Cotton, 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 43, 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, Mr Teh founded New Top Win. With his extensive experience in the processed paper business, Mr Teh is the primary force in the transformation of New Top Win, 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 Directors

Datin Raihanah Begum Binti Abdul Rahman

Datin Raihanah Begum Binti Abdul Rahman, 45, 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 47, 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 42, 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 page 19 of this annual report. He has no conviction for offences within the past 10 years.

Fu Jun

Fu Jun, a Chinese aged 50, 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

Major General (R) Dato Pahlawan Dr Mohanadass Ramasamy, 59, is an Independent Non Executive Director of Wang-Zheng. He was appointed to the Board on 3 April 2006. Amongst his many qualifications Dato' Mohanadass holds a Masters In Health Planning of the University of New South Wales and is a Fellow of the Faculty of Occupational Medicine of the Royal College of Physicians of Ireland. He served the Malaysian Armed Forces from 1975 to 2004, and retired as the Director General of the Armed Forces Health Services. Dato Mohanadass is currently the Chairman of the Malaysian Medical Association Foundation and a Director of SML Healthcare (M) Sdn Bhd.

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 35, 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 41, 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 50, 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 47, 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 47, 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 Trirex 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 37, 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 page 19 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, it is my pleasure to present the third annual report and the Financial Statements of Wang-Zheng Berhad (the Company) and its subsidiaries (Wang-Zheng Group/the Group) for the financial year ended 31 December 2006.

Significant Events for the Year 2006

The year 2006 was an exciting time for the Group. The Group's management and administrative functions moved into its integrated office-cum-factory building in Shah Alam. Administrative functions were streamlined with cost-savings and increased management efficiencies. Concurrently, new machineries were arriving, allowing the Group to resume disposable fibre-based products manufacturing activities at greater efficiencies and capacity compared to before the fire in 2005.

With higher capacities, the Group's disposable fibre-based products sales team has been aggressively expanding its customer base in both the local and overseas markets. The processed paper segment continued to remain the backbone of the Group's sales and earnings with steady improvements. The management's efforts to optimize cost and increase sales have already borne fruit as seen from the much improved operational performance in the first quarter of 2007.

Review of Financial Results

For the financial year ended 31 December 2006, the Group achieved revenue of RM171 million, RM8 million or 4.5% lower than the previous year's group revenue of RM179 million. The Group's profit before tax and profit after tax of RM14.7 million and RM11.7 million respectively, are higher than previous year's results of RM0.1 million and loss after tax of RM1.8 million.

The Group's profit was mainly due to insurance claim received of RM16.7 million. This was in relation to the Group's inventory, plant and machinery lost to the September 2005 fire. The disposable fibre-based segment continued to show losses although at ever lower level due to cost cuttings and improving sales. The arrival of new machineries since the second half of 2006 allow the Group to rely less on outsourced manufacturers.

The Group's processed paper segment continues to grow. Revenue from this segment has grown by 4.7% from the previous year. Cashflows from this segment continues to be strong and remain the backbone of the Group's cash holdings.



Chairman's Statement

Outlook and Future Prospects

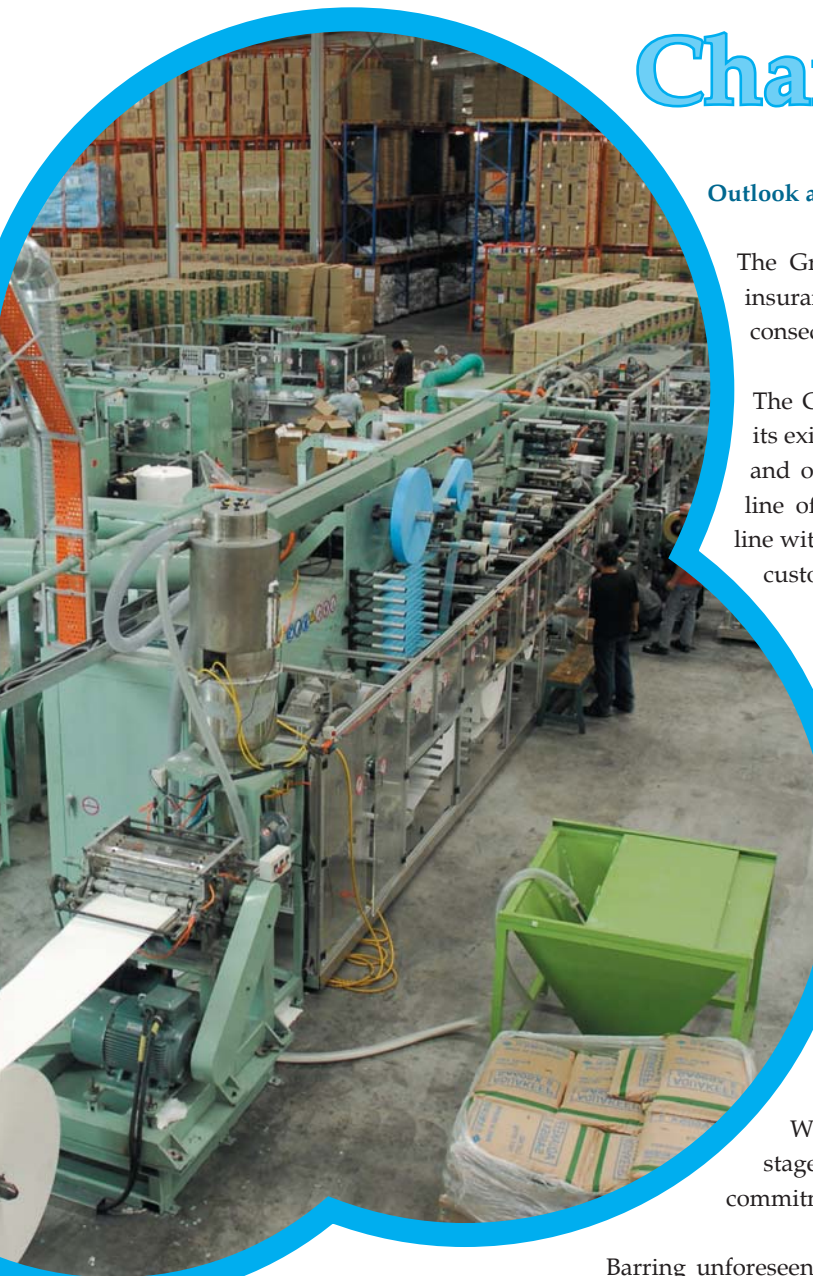
The Group is in negotiation with its insurer on the quantum of insurance claims to be received with regards to business income consequential losses due to the fire.

The Group has acquired two pieces of industrial land adjacent to its existing Shah Alam building. A warehouse is under construction and once completed, it will house part of the Group's expanding line of disposable fibre-based products finished goods. This is in line with the Group's expanding customer base, especially with OEM customers.

The Group is also planning to commence operation in a rented factory in Rawang, which has been completely rebuilt after the fire. The premise's owner has elevated the land to prevent flooding and increased the build up area of the factory to enable the Group's cotton-based products and corrugated carton conversion segment to operate in a centralized location.

Once all these facilities are fully operational, the Group would have fully recovered in terms of manufacturing capacity from the fire losses. The new machines are also more efficient, resulting in less waste and pollution. The Company's subsidiaries are also applying for the ISO 9001:2000 and ISO 14001:2004 standards. One of them, Wang-Zheng Corporation Sdn Bhd is already in the final stages of attaining approval. These are testimonies of the Group's commitment to quality and environmental well-being.

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 recover. With new products and new production lines, 2007 will be a year of expansion. It is envisioned that the full operations will be achieved in 2007. The Group will also be embarking on an aggressive advertising and promotion campaign which includes television advertisements for some of its disposable fibre-based products. As the Group already possess the established of "Carina", the campaign should further raise consumers' awareness of the Group's products' quality.



Chairman's Statement



Earnings per Share

The basic earnings per share for the financial year ended 31 December 2006 stands at 9.77 sen.

Dividend

The Board has proposed to declare a first and final dividend of 2.1 sen per ordinary share, less income tax of 27%, for the financial year ended 31 December 2006 (2005: 3.5 sen per share less income tax of 28%).

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 ("Board") of Wang-Zheng (M) Berhad adopts the best practice of corporate governance in conducting the business and affairs of the Company and the Group. The Board ensures that the highest standards of Corporate Governance are observed to ensure the Group's continued progress and success as these would not only safeguard and enhance shareholders investment and value but at the same time protect the interests of other stakeholders. The Board acknowledges that corporate governance is not merely the adoption of good and acceptable business practices, but a continuous process that requires periodic reassessment and refinement of management practices and systems, and more importantly inculcation of complementing cultures within the Company.

In line with the Listing Requirements of Bursa Malaysia Securities Berhad, the Board wishes to report on the manner the Group has maintained the standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance ("Code").

1. THE BOARD OF DIRECTORS

The Board is collectively responsible for promoting the success of the Group by directing and supervising its affairs. The key responsibilities include the primary responsibilities prescribed under the Best Practices Provision AA I in Part 2 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

a) Board Composition and Balance

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 to ensure that there is balance of power and authority. Wang-Zheng Berhad thus complies with the Bursa Malaysia Listing Requirements on board composition. The profiles of the Directors are set out on pages 4 to 8 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. Chai Tuck Chuen, Mr. Chung Shan Meng, Mr. Fu Jun, Mr. Loo Choo Hong, Mr. Tan Teck Ang and Mr. Teh Hui Guan shall retire by rotation and are standing for re-election at the Annual General Meeting of the Company to be held on 28 June 2007 under Article 91 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 December 2006, the Board met a total of 5 times at the Company's Head Quarters in Shah Alam, Selangor, Malaysia. Details of each Director's attendance at the Board meetings during the financial year are as follows:

Directors	Attendance
Executive Directors	
Goh Kheng Jiu	5/5
Khoo Beng Hwa	5/5
Thang Yuen Mei	5/5
Tan Wan Huat	5/5
Chai Tuck Chuen	5/5
Teh Hui Guan	5/5
Non-Executive Directors	
Chung Shan Kwang	4/5
Datin Raihanah Begum Binti Abdul Rahman	5/5
Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy *	4/4
Tan Teck Ang	5/5
Chung Shan Meng	4/5
Fu Jun	3/5
Loo Choo Hong	4/5
Ch'ng Eng Hing	5/5
Low Yu Keat	5/5
Tan Kar Thye	5/5
Yap Kien Pin	5/5
Chung Shan Hui (alternate to Fu Jun)	3/5

* Mej Jen (B) Dato' Pahlawan (Dr) Mohana Dass A/L Ramasamy was appointed to the Board with effect from 3 April 2006.

The meetings were held on 23/02/2006, 20/04/2006, 25/05/2006, 24/08/2006 and 14/11/2006 respectively.

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) Duties and 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.

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

- i. Chung Shan Kwang (Chairman)
- ii. Low Yu Keat
- iii. Yap Kien Pin

g) Remuneration Committee

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

Corporate Governance Statement

1. THE BOARD OF DIRECTORS (Cont'd)

g) Remuneration Committee (Cont'd)

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

- i. Goh Kheng Jiu (Chairman)
- ii. Tan Kar Thye
- iii. Yap Kien Pin

The remuneration package of Executive Directors during the financial year ended 31 December 2006 comprises a combination of basic salary (inclusive of statutory employer contributions to the Employees Provident Fund), and benefits-in-kind (such as traveling allowance and chauffeurs as applicable).

The composition and range of remuneration package received by the Directors during the financial year is as follows:

Executive Directors	Non - Executive Directors	
Salary and Other Emoluments (RM'000)	Fee (RM'000)	Allowance (RM'000)
1,739	120	29

RM	No Of Directors	
	Executive	Non-Executive
Up to 50,000	--	11
50,001 – 100,000	--	--
100,001 – 150,000	--	--
150,001 and above	6	--

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

All the Directors have attended the Mandatory Accreditation Programme. In addition, every director undergoes continuous training to equip himself with the necessary knowledge, and to keep abreast with developments, to effectively discharge his duties as a director and for that purpose he attends such training in compliance with the requirements as prescribed by Bursa Malaysia Securities Berhad.

2. SHAREHOLDERS AND INVESTORS

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;
- (ii) Shareholders may obtain the Company's latest announcements via the Bursa Malaysia website at www.bursamalaysia.com.my.

Corporate Governance Statement

2. SHAREHOLDERS AND INVESTORS (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. CORPORATE SOCIAL RESPONSIBILITY

Wang – Zheng Group is committed to the communities in the environment it operates. It recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy and community services.

As part and parcel of our Corporate Social Responsibility (CSR) undertaking, Wang-Zheng will continue with its participation in various community programs as we have done throughout the year. Our CSR program has helped to strengthen the good rapport with our customers and the community at large, consistent with the Company's philosophy of sharing our success with the community.

During the year under the review, Wang- Zheng Group has initiated several CSR related project:

- Donation to several volunteer bodies and various associations
- Recruitment of fresh graduates aimed at equipping young graduates with invaluable skills and experience for better employment opportunities in the future.

Wang-Zheng has also emphasized CSR within the organization, by focusing on the following:

- Occupational health and safety at the workplace
- Create awareness among employees on various ways to improve Group's environmental performance
- Looking after its employees: eg successful insurance claims for the unfortunate and monetary support for lost of family members

Corporate Governance Statement

4. 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 2006 can be found from pages 24 to 59.

b) Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control laid out on page 20.

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 auditor is via shareholders' resolution at the AGM on the recommendation of the Board.

5. DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have:

- Overseeing the overall conduct of the Company's business and that of the Group
- Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks
- Reviewing the adequacy and integrity of internal controls system and Management information system in the Company and within the Group
- Adopted suitable accounting policies and apply them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Ensure compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with Bursa Malaysia's Listing Requirements, the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

Corporate Governance Statement

6. ADDITIONAL COMPLIANCE INFORMATION

a) Share Buybacks

There was no share buyback during the financial year.

b) Option , Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year

c) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme.

The company did not sponsor or participate in any ADR or GDR programme during the financial year.

e) Imposition of Sanctions and Penalties

During the FYE 31 December 2006, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

f) Non Audit Fees

There were no non audit fees paid to external auditors for the financial year.

g) Variance in Results, Profit Estimate, Forecast or Projection

There was no material variances between the audited results for the financial year and the unaudited results previously announced on 28/02/2007.

There were no profit estimates, forecast or projection that has been previously announced by the Company during the financial year.

h) Profit Forecast and Profit Guarantees

The Company does not provide any profit forecast or any profit guarantees.

i) 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 Tenancy Agreement dated 16 October 2006 between MMF Haus Sdn Bhd and Carefeel Cotton Industries (M) Sdn Bhd for the rental of a corner detached industrial lot measuring a provisional land area of 20,966 square metres or 225,678 square feet held under H.S.(D) 49155, No. P.T. 1011, Bandar Kundang, Daerah Gombak, Selangor for a monthly rent of RM70,000.00.

Corporate Governance Statement

j) 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 Annual General Meeting to be held on 28 June 2007.

RRPT of a trading or revenue nature of the Group for the financial year ended 31 December 2006 are as follows:

Related Party	WZB Group - Transacting Party	Nature of Transaction with WZB Group	Value of Transaction (RM mil)	Nature of relationship between WZB Group and the Related Party
Xian Jiang Trading Sdn. Bhd. ("XJ")	New Top Win Corporation Sdn. Bhd. ("NTWC")	Trading goods. *	24.5	<ul style="list-style-type: none"> Chung Shan Kwang is Managing Director of XJ and a shareholder of XJ with a shareholding of 32.5%. He is also a Director of NTWC. Chung Shan Meng is a Director and shareholder of XJ with a shareholding of 17.5%. Chung Shan Hui is a Director and shareholder of XJ with a shareholding of 17.5%. Chung Shan Yong is a Director and shareholder of XJ with a shareholding of 17.5%. Chung Shan Kwang, Chung Shan Meng, Chung Shan Hui and Chung Shan Yong are brothers. Goh Kheng Jiu, Khoo Beng Hwa, Thang Yuen Mei and Teh Hui Guan are Directors of NTWC.

k) Revaluation Of Landed Properties

The Company and its subsidiaries have not revalued their landed properties which continue to be stated at cost less accumulated depreciation, except for freehold lands which are stated at cost.

l) Contracts Relating to Loans

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

Statement *On Internal Control*

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires Directors of listed companies to include a statement in their Annual Reports on the state of their internal controls. Set out below is the Board's Internal Control Statement.

Board Responsibility

The Board of Directors recognizes the importance of good practice of corporate governance and is committed to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. The Board is pleased to provide the following statement to outline the nature and scope of internal control of the Group during the year.

The Board of Directors affirms its overall responsibility for the Group's systems of internal controls, risk management, and for reviewing the adequacy and integrity of these systems. Due to the limitations that are inherent in any system of internal control, these systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

Control Environment

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The Board is accountable for ensuring the existence and effectiveness of internal control and provides 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.

Internal Audit

Internal audit team has conducted audit reviews, to address the related internal control weaknesses. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly. Internal audit also test the effectiveness of the internal control on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval.

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.

Risk Management

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. Risk management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarized and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review by the management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

Conclusion

The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, Management continues to take measure to strengthen the control environment.

Audit Committee Report

Report For the Financial Year Ended 31 December 2006

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 5 times during the financial year ended 31 December 2006. The details of the heading attendance of the meetings and the summary of the Audit Committee activities are disclosed under the heading "Attendance of Audit Committee Meetings" 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 April 2005 include the following:

- i. To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the external auditor 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 auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors.
- iv. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.

Audit Committee Report

Report For the Financial Year Ended 31 December 2006

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

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

Audit Committee Report

Report For the Financial Year Ended 31 December 2006

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 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 2006 are as follows:

Meetings attended by the Directors during the financial year ended 31 December 2006

Directors	Attendance
Loo Choo Hong	5/5
Ch'ng Eng Hing	5/5
Thang Yuen Mei	5/5

Notes

The meeting was held on 23/02/2006, 20/04/2006, 25/05/2006, 24/08/2006 and 14/11/2006 at the Company's Head Quarters in Shah Alam, Selangor, Malaysia

8. Activities undertaken by Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2006 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.

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 2006.

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 profit for the financial year		
- attributable to equity holders of the parent	11,722,503	3,186,056

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.

There has not arisen in 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 28% taxation on 120,000,000 ordinary shares, amounting to a total dividend of RM3,024,000 in respect of the previous financial year was paid on 11 August 2006.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 2.1 sen less 27% taxation on 120,000,000 ordinary shares, amounting to a total dividend payable of RM1,839,600 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 2007.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

Issue of Shares and Debentures

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

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:

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

Directors' interests

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 1.1.2006	Acquired	Disposed	At 31.12.2006
Wang-Zheng Resources Sdn. Bhd.				
Direct interest:				
Goh Kheng Jiu	158,485	-	-	158,485
Wang-Zheng Berhad				
Direct interest:				
Ch'ng Eng Hing	20,000	-	-	20,000
Chai Tuck Chuen	2,344,459	-	-	2,344,459
Chung Shan Kwang	3,238,072	-	-	3,238,072
Chung Shan Meng	1,053,133	63,000	-	1,116,133
Fu Jun	20,000	-	-	20,000
Goh Kheng Jiu	3,676,222	279,000	-	3,955,222
Khoo Beng Hwa	2,736,198	-	-	2,736,198
Loo Choo Hong	10,000	-	-	10,000
Low Yu Keat	70,000	-	-	70,000
Tan Kar Thye	10,000	10,000	-	20,000
Tan Teck Ang	996,641	-	-	996,641
Tan Wan Huat	1,664,887	-	-	1,664,887
Teh Hui Guan	1,961,479	-	-	1,961,479
Thang Yuen Mei	1,983,487	261,000	-	2,244,487
Yap Kien Pin	20,000	-	-	20,000
Chung Shan Hui	818,133	213,000	-	1,031,133
Indirect interest:				
Goh Kheng Jiu	54,000,000	2,269,479	-	56,269,479

DIRECTORS' REPORT

Directors' interests (cont'd)

By virtue of his interests 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 Directors in office at the end of the financial year held or dealt with any shares of the Company or its related corporations during the financial year under review.

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.

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 had been 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.

DIRECTORS' REPORT

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.

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
26 April 2007

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

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 35 to 62 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 2006 and of the results of their operations 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
26 April 2007

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 35 to 62 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 26 April 2007)

LEONG TING SIONG @ MARTIN LEONG

Before me,

No. W 181
Maisharah
Binti Abu Hasan

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS TO THE MEMBERS OF WANG-ZHENG BERHAD

We have audited the financial statements set out on pages 34 to 61 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 2006 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: 1886/05/08 (J/PH)
Partner of Firm

KUALA LUMPUR
26 April 2007

BALANCE SHEETS

AS AT 31 DECEMBER 2006

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Non-Current Assets					
Property, plant and equipment	3	46,509,256	25,671,511	10,649	12,171
Investment in subsidiary companies	4	-	-	57,884,038	57,884,038
Investment properties	5	3,998,174	4,023,524	-	-
Other investment	6	16,332	16,762	-	-
		<u>50,523,762</u>	<u>29,711,797</u>	<u>57,894,687</u>	<u>57,896,209</u>
Current Assets					
Inventories	7	47,015,795	38,158,097	-	-
Trade receivables	8	40,643,597	34,874,195	-	-
Other receivables	9	2,134,102	7,225,615	-	12,200
Tax recoverable		1,685,581	1,158,411	37,735	15,233
Amount owing by subsidiary companies	10	-	-	14,354,610	14,354,610
Fixed deposits with licensed banks	11	7,598,825	14,299,690	-	-
Cash and bank balances		11,073,053	8,897,782	538,611	405,507
		<u>110,150,953</u>	<u>104,613,790</u>	<u>14,930,956</u>	<u>14,787,550</u>
Current Liabilities					
Trade payables	12	7,109,939	8,128,747	-	-
Other payables	13	3,303,281	2,506,651	10,536	10,021
Hire purchase payables	14	4,070,918	2,580,056	-	-
Amount owing to subsidiary companies	10	-	-	11,650,840	11,630,727
Amount owing to directors	15	108,000	182,982	108,000	148,800
Borrowings	16	50,981,239	40,347,531	-	-
Tax payable		444,554	197,025	-	-
		<u>66,017,931</u>	<u>53,942,992</u>	<u>11,769,376</u>	<u>11,789,548</u>
Net current assets		<u>44,133,022</u>	<u>50,670,798</u>	<u>3,161,580</u>	<u>2,998,002</u>
		<u>94,656,784</u>	<u>80,382,595</u>	<u>61,056,267</u>	<u>60,894,211</u>
Financed By:					
Share capital	17	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	-	-
Retained profits		16,579,523	1,563,298	218,355	56,299
Total equity attributable to equity holders of the parent		<u>77,417,435</u>	<u>68,718,932</u>	<u>61,056,267</u>	<u>60,894,211</u>
Non-Current Liabilities					
Hire purchase payables	14	7,496,366	3,416,102	-	-
Borrowings	16	8,981,315	7,888,567	-	-
Deferred tax liabilities	18	761,668	358,994	-	-
		<u>17,239,349</u>	<u>11,663,663</u>	<u>-</u>	<u>-</u>
		<u>94,656,784</u>	<u>80,382,595</u>	<u>61,056,267</u>	<u>60,894,211</u>

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	19	170,682,748	178,808,308	4,789,063	4,747,428
Cost of sales		(152,150,593)	(151,715,044)	-	-
Gross profit		18,532,155	27,093,264	4,789,063	4,747,428
Other operating income	20	17,538,561	11,413,835	-	-
Marketing and distribution expenses		(1,413,300)	(5,946,044)	-	-
Administration expenses	21	(17,181,083)	(30,577,393)	(273,371)	(308,441)
Finance costs	22	(2,774,031)	(1,914,215)	-	-
Profit before taxation		14,702,302	69,447	4,515,692	4,438,987
Taxation	23	(2,979,799)	(1,877,022)	(1,329,636)	(1,347,099)
Net profit/(loss) for the financial year		11,722,503	(1,807,575)	3,186,056	3,091,888
- attributable to equity holders of the parent					
Earnings/(Loss) per share					
- attributable to equity holders of the parent (Sen)	24				
Basic		9.77	(1.51)		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

Group	Note	Attributable to Equity Holders of the Parent				Total RM
		Share Capital RM	Non-distributable Share Premium RM	Reserve on Consolidation RM	Distributable Retained Profits RM	
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	25	-	-	-	(3,024,000)	(3,024,000)
At 31 December 2005		60,000,000	837,912	6,317,722	1,563,298	68,718,932
At 1 January 2006		60,000,000	837,912	6,317,722	1,563,298	68,718,932
Effect of adopting FRS 3 31(a)		-	-	(6,317,722)	6,317,722	-
Net profit for the financial year		-	-	-	11,722,503	11,722,503
Dividend	25	-	-	-	(3,024,000)	(3,024,000)
At 31 December 2006		60,000,000	837,912	-	16,579,523	77,417,435

Company	Note	Non- distributable		Distributable	
		Capital RM	Share Premium RM	Share Profits RM	Retained Total RM
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	25	-	-	(3,024,000)	(3,024,000)
At 31 December 2005		60,000,000	837,912	56,299	60,894,211
At 1 January 2006		60,000,000	837,912	56,299	60,894,211
Net profit for the financial year		-	-	3,186,056	3,186,056
Dividend	25	-	-	(3,024,000)	(3,024,000)
At 31 December 2006		60,000,000	837,912	218,355	61,056,267

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash Flows From Operating Activities				
Profit before taxation	14,702,302	69,447	4,515,692	4,438,987
Adjustment for :				
Allowance for doubtful debts	773,433	71,222	-	-
Allowance for doubtful debts written-back	(50,000)	(150,000)	-	-
Bad debts written-off	22,247	45,676	-	-
Bad debts recovered	(36,792)	-	-	-
Inventories written-off	-	8,473,567	-	-
Allowance for slow moving inventories	1,839,278	-	-	-
Amortisation of other investment	430	430	-	-
Depreciation of property, plant and equipment	2,317,751	1,855,176	1,522	1,521
Depreciation of investment properties	25,350	25,349	-	-
Interest expense	2,774,031	1,914,215	-	-
Interest income	(400,973)	(419,900)	-	(40,310)
Dividend income	-	-	(4,789,063)	(4,707,118)
Gain on disposal of property, plant and equipment	(87,999)	(111,977)	-	-
Property, plant and equipment written-off	1	7,753,212	-	-
Unrealised loss on foreign exchange	1,209	6,012	-	-
Operating profit/(loss) before working capital changes	21,880,268	19,532,429	(271,849)	(306,920)
Decrease/(Increase) in working capital				
Inventories	(10,696,976)	(21,102,566)	-	-
Trade and other receivables	(1,387,986)	(7,094,814)	12,200	492
Amount owing by/(to) subsidiary companies	-	-	20,113	(6,754,977)
Trade and other payables	(222,178)	(2,409,846)	515	(6,996)
Amount owing to directors	(74,982)	74,982	(40,800)	40,800
	(12,382,122)	(30,532,244)	(7,972)	(6,720,681)
Cash generated from/(used in) operations	9,498,146	(10,999,815)	(279,821)	(7,027,601)
Interest received	400,973	419,900	-	40,310
Interest paid	(2,774,031)	(1,914,215)	-	-
Tax refund	144,131	-	-	-
Tax paid	(3,000,897)	(4,160,594)	(11,200)	(44,539)
	(5,229,824)	(5,654,909)	(11,200)	(4,229)
Net cash from/(used in) operating activities	4,268,322	(16,654,724)	(291,021)	(7,031,830)

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	26	(11,475,315)	(4,183,827)	-	-
Dividend received		-	-	3,448,125	3,389,125
Proceeds from disposal of property, plant and equipment		88,000	169,500	-	-
Net cash (used in)/from investing activities		(11,387,315)	(4,014,327)	3,448,125	3,389,125
Cash Flows From Financing Activities					
Dividend paid		(3,024,000)	(3,024,000)	(3,024,000)	(3,024,000)
Decrease/(Increase) in fixed deposits pledged		153,766	(1,655,571)	-	-
Repayment of borrowings		(123,526,984)	(101,833,689)	-	-
Repayment of hire purchase payables		(3,229,445)	(1,724,705)	-	-
Drawdown of borrowings		132,373,828	118,076,255	-	-
Net cash from/(used in) financing activities		2,747,165	9,838,290	(3,024,000)	(3,024,000)
Net (decrease)/increase in cash and cash equivalents		(4,371,828)	(10,830,761)	133,104	(6,666,705)
Cash and cash equivalents at beginning 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		13,570,308	17,942,136	538,611	405,507
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		11,073,053	8,897,782	538,611	405,507
Fixed deposits with licensed banks		7,598,825	14,299,690	-	-
		18,671,878	23,197,472	538,611	405,507
Less: Fixed deposits pledged to licensed banks		(5,101,570)	(5,255,336)	-	-
		13,570,308	17,942,136	538,611	405,507

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 under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad.

2. Basis of Preparation and 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 the applicable approved accounting standards in Malaysia.

During the financial year, the Group and the Company have adopted the following applicable Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are mandatory for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Directors of the Group and of the Company anticipate that the application of the above FRSs does not have a significant impact on the financial statements of the Group and of the Company except as disclosed in Note 31 to the financial statements.

The Directors of the Group and of the Company anticipate that the application of the following FRSs which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group and of the Company, except as disclosed in Note 32 to the financial statements:

		Effective date for financial period beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation	15 February 2007

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as stated in Note 2(g)(iv). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 31 December 2006 is stated in Note 3 to the financial statements.

(ii) Depreciation of investment properties

The costs of investment properties of the Group are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the investment properties as stated in Note 2(i). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's investment properties at 31 December 2006 is stated in Note 5 to the financial statements.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (1) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; or
- (2) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiary companies and its associated companies from the date that control effectively commences until the date that control effectively ceases through equity accounting which are made up to the end of the financial year.

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. 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.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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.

(e) Investments in subsidiary companies

Investment in subsidiary companies are stated at cost less impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(h).

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

(f) Other investments

Other investments are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

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

(g) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(g) Property, plant and equipment (cont'd)

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property and accounted for in accordance with Note 2(i).

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and accounted for in accordance with Note 2(i).

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years	
Plant and machinery		5 - 12½ years
Motor vehicles	5 years	
Office equipment and computers		5 - 10 years
Furniture and fittings		8 - 10 years
Air conditioners		8 - 10 years
Electrical installation and renovation		4 - 10 years
Factory equipment		10 years
Signboard		8 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the income statement.

(h) Impairment of assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(h) Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. Properties that are occupied by the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(g).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(j) 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. Basis of Preparation and Significant Accounting Policies (cont'd)

(k) Trade and other receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or an other financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

(l) 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.

(m) 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.

(n) 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.

(o) Income taxes

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(o) Income taxes (cont'd)

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 goodwill 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.

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.

(p) 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:

	2006 RM	2005 RM
United States Dollar	3.5500	3.7800
Singapore Dollar	2.2700	2.2714

(q) 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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (cont'd)

(q) Revenue recognition (cont'd)

(iv) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(r) 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.

(s) 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.

(t) 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 1.1.2006												
- as previously stated	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
- effect of adopting FRS	140	-	(4,200,962)	-	-	-	-	-	-	-	-	(4,200,962)
At 1.1.2006, restated	5,811,085	-	10,581,731	8,234,216	4,502,740	480,215	697,566	9,060	328,981	214,057	1,340	30,860,991
Additions	4,702,288	-	666,723	15,295,885	396,988	310,834	1,379,609	-	84,700	318,471	-	23,155,498
Write off	-	-	-	-	(70,500)	-	-	-	-	-	-	(70,500)
Disposal	-	-	-	-	(270,000)	-	-	-	-	-	-	(270,000)
Other movement	11,248,454	-	(11,248,454)	-	-	-	-	-	-	-	-	-
At 31.12.2006	21,761,827	-	-	23,530,101	4,559,228	791,049	2,077,175	9,060	413,681	532,528	1,340	53,675,989
Accumulated depreciation												
At 1.1.2006												
- as previously stated	188,855	177,438	-	1,300,957	3,105,951	267,034	222,489	4,674	78,286	20,698	536	5,366,918
- effect of adopting FRS 140	-	(177,438)	-	-	-	-	-	-	-	-	-	(177,438)
At 1.1.2006, restated	188,855	-	-	1,300,957	3,105,951	267,034	222,489	4,674	78,286	20,698	536	5,189,480
Charge for the financial year	342,393	-	-	911,438	700,588	79,863	202,787	906	42,775	36,867	134	2,317,751
Write off	-	-	-	-	(70,499)	-	-	-	-	-	-	(70,499)
Disposal	-	-	-	-	(269,999)	-	-	-	-	-	-	(269,999)
At 31.12.2006	531,248	-	-	2,212,395	3,466,041	346,897	425,276	5,580	121,061	57,565	670	7,166,733
Carrying amount												
At 31.12.2006	21,230,579	-	-	21,317,706	1,093,187	444,152	1,651,899	3,480	292,620	474,963	670	46,509,256
At 31.12.2005												
- as previously stated	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
- effect of adopting FRS 140	-	(4,023,524)	-	-	-	-	-	-	-	-	-	(4,023,524)
At 31.12.2005, restated	5,622,230	-	10,581,731	6,933,259	1,396,789	213,181	475,077	4,386	250,695	193,359	804	25,671,511
Depreciation charge for the financial year ended 31.12.2005												
- as previously stated	65,751	25,349	-	826,809	707,909	60,136	70,559	3,279	54,108	66,491	134	1,880,525
- effect of adopting FRS 140	-	(25,349)	-	-	-	-	-	-	-	-	-	(25,349)
At 31.12.2005, restated	65,751	-	-	826,809	707,909	60,136	70,559	3,279	54,108	66,491	134	1,855,176

NOTES TO THE FINANCIAL STATEMENTS

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

Company	Office equipment RM	Total RM
Cost		
At 1.1.2006/31.12.2006	15,213	15,213
Accumulated depreciation		
At 1.1.2006	3,042	3,042
Charge for the financial year	1,522	1,522
At 31.12.2006	4,564	4,564
Carrying amount		
At 31.12.2006	10,649	10,649
At 31.12.2005	12,171	12,171
Depreciation charge for the financial year ended 31.12.2005	1,521	1,521

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

	Group	
	2006 RM	2005 RM
Carrying amount		
Motor vehicles	795,786	1,141,508
Plant and machinery	18,728,561	6,633,594
	19,524,347	7,775,102

(b) The remaining periods of the long term leasehold land range from 81 to 90 years (2005: 82 to 91 years).

(c) Leasehold land and buildings with carrying amount of RM21,230,579 (2005: RM5,622,230) are pledged to licensed banks as security for credit facilities granted to the subsidiary companies as disclosed in Note 16 to the financial statements.

4. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	57,884,038	57,884,038

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
	2006 %	2005 %	
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.

5. Investment Properties

	Group	
	2006 RM	2005 RM
Cost		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 140	4,200,962	4,200,962
At 1 January, as restated	4,200,962	4,200,962
Accumulated depreciation		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 140	177,438	152,089
At 1 January, as restated	177,438	152,089
Charge for the financial year	25,350	25,349
At 31 December	202,788	177,438
Carrying amount	3,998,174	4,023,524
Fair value	4,485,000	4,485,000

Freehold land with carrying amount of RM2,933,535 (2005: RM2,933,535) is pledged to licensed bank as security for credit facilities granted to the subsidiary companies as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

6. Other Investment

	Group	
	2006 RM	2005 RM
Time-sharing scheme, at cost	19,341	19,341
Accumulated amortisation		
At 1 January	(2,579)	(2,149)
Amortised during the financial year	(430)	(430)
At 31 December	(3,009)	(2,579)
	16,332	16,762

7. Inventories

	Group	
	2006 RM	2005 RM
Raw material	7,223,869	6,605,003
Finished goods	39,791,926	31,553,094
	47,015,795	38,158,097

8. Trade Receivables

	Group	
	2006 RM	2005 RM
Trade receivables	41,570,930	35,199,582
Allowance for doubtful debts	(927,333)	(325,387)
	40,643,597	34,874,195

The Group's and the Company's normal trade credit terms range from 30 to 90 days (2005: 30 to 90 days).

9. Other Receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	427,042	5,181,728	-	12,200
Deposits	177,370	2,043,887	-	-
Prepayment	1,529,690	-	-	-
	2,134,102	7,225,615	-	12,200

NOTES TO THE FINANCIAL STATEMENTS

10. Amount Owning by/(to) Subsidiary Companies

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

11. Fixed Deposits with Licensed Banks

The fixed deposits amounted to RM5,101,570 (2005: RM5,255,336) have been pledged to licensed banks as security for banking facilities granted to subsidiary companies as disclosed in Notes 16 and 30 to the financial statements.

The interest rates and maturities of deposits range from 2.4% to 3.7% (2005: 2.4% to 3.7%) per annum and 7 days to 365 days (2005: 7 days to 365 days) respectively.

12. Trade Payables

The normal trade credit terms granted to the Group range from 60 to 90 days (2005: 60 to 90 days).

13. Other Payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	1,241,029	664,284	536	521
Accruals	2,049,152	1,842,367	10,000	9,500
Deposits	13,100	-	-	-
	<u>3,303,281</u>	<u>2,506,651</u>	<u>10,536</u>	<u>10,021</u>

14. Hire Purchase Payables

	Group	
	2006 RM	2005 RM
(a) Minimum hire purchase payments		
Within one year	4,653,372	2,880,960
Between one and five years	8,620,857	3,747,956
	<u>13,274,229</u>	<u>6,628,916</u>
Less : Future finance charges	(1,706,945)	(632,758)
Present value of hire purchase liabilities	<u>11,567,284</u>	<u>5,996,158</u>
(b) Present value of hire purchase liabilities		
Within one year	4,070,918	2,580,056
Between one and five years	7,496,366	3,416,102
	<u>11,567,284</u>	<u>5,996,158</u>

The hire purchase and lease liabilities bear interest at rates between 2.90% and 10.05% (2005: 2.70% and 4.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

15. Amount Owing to Directors

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

16. Borrowings

	Group	
	2006 RM	2005 RM
Secured		
Term loans		
- floating rates	12,398,121	9,014,173
Bill payables	47,564,433	39,221,925
Total borrowings	59,962,554	48,236,098
Analysed as:		
Repayable within twelve months		
Term loans		
- floating rates	3,416,806	1,125,606
Bill payables	47,564,433	39,221,925
	50,981,239	40,347,531
Repayable after twelve months		
Term loans		
- floating rates	8,981,315	7,888,567
	59,962,554	48,236,098

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

- legal charge over the freehold land, freehold building, leasehold land and buildings of the subsidiary companies;
- legal charge over the properties of certain Directors of the Company;
- fixed and floating charge over all present and future assets of a subsidiary company;
- a pledge of fixed deposits by certain subsidiary companies; and
- corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS

16. Borrowings (cont'd)

Maturity of borrowings is as follows:

	Group	
	2006 RM	2005 RM
Within one year	50,981,239	40,347,531
Between one and two years	5,782,840	1,198,004
Between two and five years	137,937	3,223,434
More than five years	3,060,538	3,467,129
	<hr/> 59,962,554	<hr/> 48,236,098

Range of interest rates is as follows:

	Group	
	2006 %	2005 %
Term loans		
- floating rates	7.50 - 8.50	7.25 - 8.00
- fixed rate	6.75	6.75
Bill payables	7.00 - 8.75	6.75 - 8.00

17. Share Capital

	Group/Company	
	2006 RM	2005 RM
Ordinary shares of RM0.50 each		
Authorised	100,000,000	100,000,000
Issued and fully paid	<hr/> 60,000,000	<hr/> 60,000,000

18. Deferred Tax Liabilities

	Group	
	2006 RM	2005 RM
At 1 January	358,994	1,117,268
Recognised in income statement	402,674	(758,274)
At 31 December	<hr/> 761,668	<hr/> 358,994

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred Tax Liabilities (cont'd)

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2006	358,994	358,994
Recognised in income statement	402,674	402,674
At 31 December 2006	761,668	761,668
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

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

	2006 RM	2005 RM
Unused tax losses	1,180,233	155,920
Unabsorbed capital allowances	205,162	664,052
Other deductible temporary differences	201,222	-
	1,586,617	819,972

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.

19. Revenue

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods	170,682,748	178,767,998	-	-
Interest income	-	40,310	-	40,310
Dividend income received from subsidiary companies	-	-	4,789,063	4,707,118
	170,682,748	178,808,308	4,789,063	4,747,428

NOTES TO THE FINANCIAL STATEMENTS

20. Other Operating Income

Included in the other operating income are:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for doubtful debts written-back	50,000	150,000	-	-
Gain on disposal of property, plant and equipment	87,999	112,297	-	-
Insurance claim received	16,748,593	10,206,173	-	-
Interest income	400,973	419,900	-	-
Rental income	151,800	190,240	-	-
Bad debts recovered	36,792	-	-	-

21. Administration Expenses

Included in the administration expenses are:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration				
- statutory	72,000	53,500	10,000	10,000
- others	-	18,000	-	-
- under provision in prior years	(695)	(3,465)	500	-
Allowance for doubtful debts	773,433	71,222	-	-
Amortisation of other investment	430	430	-	-
Bad debts written-off	22,247	45,676	-	-
Directors' remuneration				
- fees	168,000	180,000	108,000	120,000
- salaries, bonus and allowances	1,570,046	1,570,395	25,000	28,800
- over provision in prior year	(12,000)	-	(12,000)	-
- EPF	133,952	157,630	-	-
Depreciation of property, plant and equipment	2,317,751	1,855,176	1,522	1,521
Depreciation of investment properties	25,350	25,349	-	-
Property, plant and equipment written-off	1	7,753,212	-	-
Realised loss on foreign exchange	13,723	64,935	-	-
Unrealised loss on foreign exchange	1,209	6,012	-	-
Rental of premises	356,681	1,310,296	-	-
Allowance for slow moving inventories	1,839,278	-	-	-
Hire of machinery	30,211	-	-	-
Inventories written-off	-	8,473,567	-	-
Loss on disposal of property, plant and equipment	-	320	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. Finance Costs

	Group	
	2006 RM	2005 RM
Interest expense:		
- bill payables	1,801,322	1,526,895
- lease and hire purchase	413,763	182,565
- term loans	557,546	204,755
- bank overdraft	212	-
- others	1,188	-
	<u>2,774,031</u>	<u>1,914,215</u>

23. Taxation

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax provision	2,586,532	2,445,478	1,326,710	1,313,760
(Over)/Under provision in prior year	(9,407)	189,818	2,926	33,339
	<u>2,577,125</u>	<u>2,635,296</u>	<u>1,329,636</u>	<u>1,347,099</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	410,325	(758,274)	-	-
Relating to change in tax rate	(7,651)	-	-	-
	<u>402,674</u>	<u>(758,274)</u>	<u>-</u>	<u>-</u>
Tax expense for the financial year	<u>2,979,799</u>	<u>1,877,022</u>	<u>1,329,636</u>	<u>1,347,099</u>

Income tax of certain subsidiary companies is calculated at the statutory tax 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. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and subsequently to 26% effective from year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

NOTES TO THE FINANCIAL STATEMENTS

23. Taxation (cont'd)

A reconciliation of income tax expense applicable to profit 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation	14,702,302	69,447	4,515,692	4,438,987
Taxation at statutory tax rate of 28%	4,116,645	19,445	1,264,394	1,242,916
Tax incentive for small and medium scale companies at 20% tax rate	(137,044)	(61,177)	-	-
Expenses not deductible for tax purposes	1,132,820	954,865	62,316	70,844
Income not subject to tax	(1,596,606)	-	-	-
Tax effects of expenses that qualify for double deduction	(7,620)	-	-	-
Utilisation of previous unrecognised tax losses and capital allowances	(1,565,890)	-	-	-
Reduction in tax rate used for deferred tax	(7,651)	-	-	-
Deferred tax assets not recognised	1,067,145	795,686	-	-
Reversal of deferred tax assets not recognised	(12,593)	(21,615)	-	-
(Over)/Under provision of taxation in respect of prior years	(9,407)	189,818	2,926	33,339
Tax expense for the financial year	2,979,799	1,877,022	1,329,636	1,347,099

24. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation of RM11,722,503 (2005: RM1,807,575) for the Group and the weighted average number of ordinary shares in issue during the financial year of 120,000,000 (2005: 120,000,000).

(b) Diluted earnings/(loss) per share

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

25. Dividend

	Group/Company	
	2006 RM	2005 RM
Final dividend of 3.5 sen less 28% taxation on 120,000,000 (2005 : 120,000,000) ordinary shares in respect of financial year ended 31.12.2005 (2005 : 31.12.2004)	3,024,000	3,024,000

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 2.1 sen less 27% taxation on 120,000,000 ordinary shares, amounting to a total dividend payable of RM1,839,600 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 2007.

NOTES TO THE FINANCIAL STATEMENTS

26. Purchase of Property, Plant and Equipment

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Aggregate costs	23,155,498	19,004,887	-	-
Less:				
Hire purchase financing	(8,800,571)	(5,964,386)	-	-
Term loan financing	(2,879,612)	(8,856,674)	-	-
	<u>11,475,315</u>	<u>4,183,827</u>	<u>-</u>	<u>-</u>

27. Section 108 Tax Credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its retained profits as at 31 December 2006 without incurring additional tax liability.

28. Staff Costs

	Group	
	2006 RM	2005 RM
Staff costs (excluding Directors)	<u>8,584,952</u>	<u>10,435,853</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 RM687,503 and Nil (2005: 937,531 and Nil).

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	
	2006 RM	2005 RM
Malaysia	162,445,989	170,313,108
Asia (other than Malaysia)	8,236,759	8,045,268
Africa	-	134,388
Australia	-	284,299
Others	-	31,245
	<u>170,682,748</u>	<u>178,808,308</u>

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

30. Contingent Liabilities

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Corporate guarantees to licensed banks for credit facilities granted to subsidiary companies				
- Limit of guarantees	-	-	168,119,058	119,707,708
- Amount utilised	-	-	59,962,554	48,236,098
Banker's guarantees in favour of the local authorities				
- Secured	100,000	100,000	-	-
- Unsecured	230,000	230,000	-	-

31. Effects on Adoption of New and Revised FRSs

The effects on adoption of the following applicable new and revised FRSs in financial year 2006 are set out below:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

FRS 3 and FRS 136 require goodwill acquired in a business combination to be measured at cost and subject to impairment. Goodwill is tested for impairment at the cash-generating unit level annually, as well as when there is indication of impairment.

In accordance with FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises. Prior to 1 January 2006, negative goodwill was capitalised in reserve on consolidation. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM6,317,722 was derecognised with a corresponding increase in retained profits.

NOTES TO THE FINANCIAL STATEMENTS

31. Effects on Adoption of New and Revised FRSs

(b) FRS 140: Investment Property

This FRS requires properties which are owned or held to earn rental income or for capital appreciation or for both to be classified as investment properties and presented as a separate line item in non-current assets.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately.

(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

32. Revised FRSs Not Yet Adopted

Certain new accounting standards and interpretations have been issued and are mandatory for accounting periods as mentioned in Note 2(a) to the financial statements. The Company has assessed those standards and interpretations issued which is applicable to the Company as follows:

(a) FRS 117: Leases

This standard requires the classification of leasehold land as prepaid lease payments. As at 31 December 2006, the carrying amount of the leasehold land of the Group amounting to RM10,207,093.

(b) FRS 124: Related Party Disclosures

This standard requires the identification of related parties and certain related party disclosures as follows:

- (i) Nature of the related party relationship as well as transactions and outstanding balances with the related party; and
- (ii) Key management personnel compensation.

The Company will apply these standards from financial periods beginning on 1 January 2007.

NOTES TO THE FINANCIAL STATEMENTS

33. 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 and Singapore 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	Dollar Singapore RM	Total RM
Group			
2006			
Trade receivables			
Ringgit Malaysia	1,051,343	419,691	1,471,034
Trade payables			
Ringgit Malaysia	61,344	-	61,344
2005			
Trade receivables			
Ringgit Malaysia	1,403,612	289,036	1,692,648
Trade payables			
Ringgit Malaysia	75,596	-	75,596

(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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Instruments (cont'd)

(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.

(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 aggregate fair values of the other financial assets and liabilities carried on the balance sheet are as follows:

	2006		2005	
	Carrying amount RM	Fair Value RM	Carrying amount RM	Fair value RM
GROUP				
Financial assets				
Unquoted investments	16,332	*	16,762	*
Financial liabilities				
Hire purchase payables	7,496,366	7,378,432	3,416,102	3,304,593
Borrowings	8,981,315	8,172,352	7,888,567	7,256,421

* It is not practical to estimate the fair value of the non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

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.

NOTES TO THE FINANCIAL STATEMENTS

34. Comparative Figures

The audited financial statements for the financial year ended 31 December 2006 was prepared in accordance with the then effective applicable approved accounting standards in Malaysia. With the presentation of the financial statements in compliance with Financial Reporting Standards effective from 1 January 2006, certain comparative figures as at 31 December 2005 have been restated as follows:

Group	As previously stated RM	Reclassified RM	Restated RM
Balance sheet			
Property, plant and equipment	29,695,035	(4,023,524)	25,671,511
Investment property	-	4,023,524	4,023,524
Cash flow statement			
Depreciation of property, plant and equipment	1,880,525	(25,349)	1,855,176
Depreciation of investment property	-	25,349	25,349

35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2006 was authorised for issue in accordance with a resolution of the Board of Directors on 26 April 2007.

LIST OF PROPERTIES

AS AT 30 APRIL 2007

		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 @ 30.04.07 (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)	16	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	198,401
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)	16	Freehold	Condominium, currently rented out to unrelated parties.	N/A	135.45	226,270
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)	8	99 years lease expiring on 18.09.2089	Two(2) units of intermediate three (3) storey shophouse. Used to store documents and other filing records.	286.00	429.00	391,911
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)	16	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	201,734
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)	16	Freehold	Condominium, currently rented out to unrelated parties.	N/A	121.70	201,734

LIST OF PROPERTIES

AS AT 30 APRIL 2007

		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 @ 30.04.07 (RM)
New Top Win Corporation Sdn Bhd							
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)	16	Freehold	Condominium, currently rented out to unrelated parties.	N/A	135.45	228,048
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 Rented out to a third party carrying out commercial activities.	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 for use by Wang-Zheng Group.	26,305.00	N/A	16,408,928
9	HS (D) 115080, PT 36415, Mukim Sungai Buloh, Daerah Petaling, Selangor (Mah Sing Industrial Park)	N/A	99 years lease expiring on 11.12.2096	Industrial land currently vacant.		N/A	1,365,818
10	HS (D) 115079, PT 36414, Mukim Sungai Buloh, Daerah Petaling, Selangor (Mah Sing Industrial Park)	N/A	99 years lease expiring on 11.12.2096	Industrial land on which a warehouse building is under construction.		N/A	3,267,572

STATISTICS OF SHAREHOLDINGS

AS AT 15 MAY 2007

	No. of holders	% of shareholders	No. of holdings	% of shares	
1 – 99	2	0.19	100	0.00	(Negligible)
100 – 1,000	363	33.67	242,500	0.20	
1,001 – 10,000	444	41.19	2,157,100	1.79	
10,001 – 100,000	194	17.99	6,811,453	5.68	
100,001 – 5,999,999*	73	6.77	46,905,847	39.09	
6,000,000 AND ABOVE**	2	0.19	63,883,000	53.24	
	1,078	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	4,106,732 (a)	3.42
4 Goh Kheng Jiu	3,955,222	3.30	56,269,479 (b)	46.89
5 Chung Shan Meng	1,116,133	0.93	5,368,738 (c)	4.47
6 Chung Shan Hui	1,031,133	0.86	5,453,738 (d)	4.55

(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	4,106,732 (1)	3.42
Goh Kheng Jiu	3,955,222	3.30	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	937,783 (4)	0.78
Thang Yuen Mei	2,244,487	1.87	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	3,955,222 (8)	3.29
Tan Teck Ang	996,641	0.83	1,664,887 (9)	1.39
Chung Shan Meng	1,116,133	0.93	5,368,738 (10)	4.47
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	-	-
Tan Kar Thye	20,000	0.02	-	-
Yap Kien Pin	20,000	0.02	-	-
Chung Shan Hui (Alternate director to Fu Jun)	1,031,133	0.86	5,453,738 (12)	4.55

STATISTICS OF SHAREHOLDINGS

AS AT 15 MAY 2007

Directors' interests in shares (Cont'd)

- (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	3,955,222	3.30
4. Chung Shan Kwang	3,238,072	2.70
5. Khoo Beng Hwa	2,736,198	2.28
6. Chai Tuck Chuen	2,344,459	1.95
7. Thang Yuen Mei	2,244,487	1.87
8. Chua Lean Hong	2,087,100	1.74
9. Wong Yip Kee	1,866,950	1.56
10. EB Nominees (Tempatan) Sendirian Berhad	1,835,950	1.53
11. Teh Hui Guan	1,761,479	1.47
12. Tan Wan Huat	1,664,887	1.39
13. Chung Shan Meng	1,116,133	0.93
14. Chung Shan Hui	1,031,133	0.86
15. Tan Teck Ang	996,641	0.83
16. Tan Poay Jong	947,500	0.79
17. Mohd Razali Bin Abdul Rahman	904,300	0.75
18. Macro-Link Sdn Bhd	859,933	0.72
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. Chuah Joon Hooi	726,076	0.61
23. Liew Sen Hoi	619,100	0.52
24. Raja Kamaruzaman Bin Raja Abd Hamid	600,000	0.50
25. Chia Joo Hong	580,000	0.48
26. Seet Peng Keong	575,700	0.48
27. Lee Pek Tin	555,400	0.46
28. Sum Kown Cheek	526,000	0.44
29. Amanah Raya Berhad	502,100	0.42
30. Chai Teck Seng	451,669	0.38
Total 30 top holders	100,971,945	84.17

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Wang-Zheng Berhad ("WZB" or "the Company") will be held at Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 28 June 2007, 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 2006 together with the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)
2. To declare a First and Final Dividend of 2.1 sen per share less 27% income tax for the financial year ended 31 December 2006. (Ordinary Resolution 2)
3. To approve the payment of Directors' fees of RM120,000.00 to non-executive directors of the Company for the financial year ended 31 December 2006. (Ordinary Resolution 3)
4. To approve the payment of bonus amounting to RM850,000.00 to the executive directors of WZB Group for the financial year ended 31 December 2006. (Ordinary Resolution 4)
5. To re-elect the following Directors who retire pursuant to Article 91 of the Company's Articles of Association :-
 - a) Mr. Chung Shan Meng (Ordinary Resolution 5)
 - b) Mr. Chai Tuck Chuen (Ordinary Resolution 6)
 - c) Mr. Teh Hui Guan (Ordinary Resolution 7)
 - d) Mr. Tan Teck Ang (Ordinary Resolution 8)
 - e) Mr. Fu Jun (Ordinary Resolution 9)
 - f) Mr. Loo Choo Hong (Ordinary 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. (Ordinary Resolution 11)

As Special Business:

To consider and, if thought fit, to pass the following resolutions:

7. **Authority To Directors To Allot And Issue Shares** (Ordinary 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. **Proposed New and Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** (Ordinary Resolution 13)

"THAT, subject to compliance with all applicable laws, regulations and guidelines, approval be and is hereby given to the Company's subsidiary to enter into Recurrent Related Party Transactions of a revenue or trading nature with related parties as set out in Section 2.1.3 of the Circular to Shareholders dated 6 June 2007 for the purposes of Paragraph 10.09, Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad, subject to the following:-

 - (i) the transactions are necessary for the day to day operations of the Company's subsidiary in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;
 - (ii) the mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:-
 - a) the conclusion of the next Annual General Meeting ("AGM") of the Company,

NOTICE OF ANNUAL GENERAL MEETING

at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

- b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

(iii) disclosure is made in the annual report of the Company of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholder's mandate is in force, where:-

- a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
- b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower;

and amongst other, based on the following information:-

- a) the type of the Recurrent Related Party Transactions made; and
- b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationships with WZB Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. Proposed Amendments to The Articles of Association of The Company

(Special Resolution 1)

"THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 6 June 2007 be and is hereby approved and adopt.

THAT the Directors and Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments as set out in Appendix II of the Circular to Shareholders dated 6 June 2007.

AND THAT the Directors of the Company, be and are hereby authorised to assent to any condition, modification, variation and / or amendments as may be required by Bursa Malaysia Securities Berhad."

- 10. To transact any other business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)
Company Secretary

Kuala Lumpur
Date: 6 June 2007

NOTES ON APPOINTMENT OF PROXY

NOTICE OF ANNUAL GENERAL MEETING

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 20C, 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

Ordinary Resolution 12: Authority to Directors to Allot and Issue Shares

The Proposed Ordinary 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.

Ordinary Resolution 13: Proposed New and Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The Proposed Ordinary Resolution 13, if passed, will provide new mandate for the Company and / or its subsidiaries to enter into recurrent related party transaction of a revenue or trading nature, particulars of which are set out in Section 2.1.3 of the Circular to Shareholders of the Company dated 6 June 2007 dispatched together with the Annual Report. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

Special Resolution 1 : Proposed Amendments To The Articles Of Association Of The Company

The Proposed Special Resolution 1 is in compliance with the recent changes to the Bursa Malaysia Listing Requirements governing the listed companies.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a First and Final Dividend of 2.1 sen per share less 27% income tax for the financial year ended 31 December 2006, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 10 August 2007 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 July 2007.

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 31 July 2007 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 Fourth Annual General Meeting of the Company are:-

i). Mr. Chung Shan Meng	Article 91	(Ordinary Resolution 5)
ii). Mr. Chai Tuck Chuen	Article 91	(Ordinary Resolution 6)
iii). Mr. Teh Hui Guan	Article 91	(Ordinary Resolution 7)
iv). Mr. Tan Teck Ang	Article 91	(Ordinary Resolution 8)
v). Mr. Fu Jun	Article 91	(Ordinary Resolution 9)
vi). Mr. Loo Choo Hong	Article 91	(Ordinary Resolution 10)

The profiles of the Directors standing for re-election for Ordinary Resolutions 5 to 10 are set out on pages 4 to 8 of the Annual Report 2006. 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 Fourth 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 2007, Thursday, at 10.00 a.m.

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WANG-ZHENG BERHAD

(Company No 612237-K)

(Incorporated in Malaysia)

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 Fourth Annual General Meeting of Wang-Zheng Berhad ("WZB" or "the Company") to be held at **Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur** on **Thursday, 28 June 2007** at **10.00 a.m.** and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Resolutions		
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December, 2006 and Reports of the Directors' and Auditors thereon.		
2.	To approve the payment of a First and Final Dividend of 2.1 sen per share less 27% income tax for the financial year ended 31 December 2006.		
3.	To approve the payment of Directors' fees of RM120,000.00 to the non-executive directors of the Company.		
4.	To approve the payment of bonus amounting to RM850,000.00 to the executive directors of WZB Group.		
5.	To re-elect Mr. Chung Shan Meng as Director.		
6.	To re-elect Mr. Chai Tuck Chuen as Director.		
7.	To re-elect Mr. Teh Hui Guan as Director.		
8.	To re-elect Mr. Tan Teck Ang as Director.		
9.	To re-elect Mr. Fu Jun as Director.		
10.	To re-elect Mr. Loo Choo Hong as Director.		
11.	To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors of the Company.		
	As Special Business :-		
12.	To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		
13.	To approve the proposed new and existing shareholders' mandate for Recurrent Related Party Transaction.		
	Special Resolution		
1.	To approve the proposed amendments to the Articles of Association of the Company.		

(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 thisday of , 2007.

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

NUMBER OF SHARES HELD

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 :%

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 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 20C, 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