

Condensed Consolidated Income Statements for the third quarter ended 30 September 2005

(The figures presented here have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30 September 05 RM'000	Preceding year Corresponding Quarter 30 September 04 RM'000	Current Year To date 30 September 05 RM'000	Preceding year Corresponding Period 30 September 04 RM'000
Revenue	49,448	39,873	140,364	131,558
Operating expenses	(61,955)	(34,962)	(146,984)	(116,130)
Other operating income	(541)	107	(221)	453
(Loss)/Profit from operations	(13,048)	5,018	(6,841)	15,881
Finance costs	(325)	(108)	(1,281)	(1,014)
Investing results	0	0	0	0
(Loss)/Profit before tax	(13,373)	4,910	(8,122)	14,867
Taxation	(425)	(1,197)	(1,893)	(4,069)
Net (loss)/profit for the period	(13,798)	3,713	(10,015)	10,798
EPS - Basic (sen)	(11.50)	3.09	(8.35)	9.00
- Diluted (sen)	N/A	N/A	N/A	N/A

Revenue increased by about RM9.0 million quarter-on-quarter (q-o-q) and year-on-year (y-o-y). This is due to increased sales contribution from both disposable fibre-based products and processed paper products. Increases in disposable fibre-based products sales is mainly attributable to increased penetration to both lower-trade and modern-trade segment; whereas sales of processed paper increased mainly due to aggressive marketing activities resulting in new clientele.

Operating expenses increased by RM27 million q-o-q and RM30.8 million y-o-y. This is mainly due to inventory, plant and equipment written off amounting to RM16.4 million. The write-off was due to a fire incident on 12 September 2005. Operating expenses was also affected by higher raw material prices due to increases in oil prices. The remaining increases are in line with the increased expenses associated with generating higher revenue. Finance cost increased mainly due to higher utilisation of trade line banking facilities for the financing of additional inventory acquisition to generate additional revenue.

Lower tax expenses are due to lower profit margin, caused by higher raw material prices and losses due to fire.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements of WZB and its subsidiaries for the financial year ended 31 December 2004 and the accompanying explanatory notes attached

Condensed Consolidated Balance Sheets as at 30 September 2005

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

	(Unaudited) As at end of Current Quarter 30 September 05 RM'000	Audited As at preceding Financial Year-End 31 Dec 04 RM'000
Property, plant & equipment	12,124	20,381
Intangible assets	0	0
Deferred tax assets	0	0
Investment in Subsidiaries and Associates	0	0
Other Investments	18	18
Current assets		
Inventories	29,589	25,529
Trade receivables	30,549	33,509
Other receivables, deposits and prepayments	27,711	1,469
Tax recoverable	1,852	1,130
Cash & bank balances	20,230	32,372
	109,931	94,009
Current liabilities		
Trade payables	4,256	9,990
Other payables	5,554	3,163
Short term borrowings	39,420	23,031
Taxation	126	1,694
	49,356	37,878
Net current assets	60,575	56,131
	72,717	76,530
Share capital	60,000	60,000
Share premium account	838	838
Reserve on consolidation	6,318	6,318
(Accumulated Loss)/Retained profits	(6,644)	6,395
Shareholders' fund	60,512	73,551
Minorities interest	0	0
Long term liabilities		
Borrowings	11,064	1,862
Deferred taxation	1,141	1,117
	72,717	76,530
Net Tangible Asset per share (sen)	50	61

Lower book value of property, plant and equipment is mainly due to plant and machinery written-off due to fire amounting to approximately RM7.7 million. Increase in other receivables, deposits and prepayments of RM26.2 million is mainly deposits made for renovation and construction works to be done at the Group's new factory-cum-office building and for new machineries for the Group's upcoming new products. The deposits paid also contributed to the decrease in cash and bank balances. Similarly, the increase in short-term borrowings is mainly to fund additional inventory acquisition in view of higher revenue level. Accumulated Loss arose due to the write-off of RM16.4 million of inventory, plant and equipment.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements of WZB and its subsidiaries for the financial year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Cash Flow Statement as at 30 September 2005

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

	Cumulative Current Year 30 September 05 RM'000	Cumulative Preceding Year 30 September 04 RM'000
Cash flows from operating activities		
(Loss) / Profit before tax	(8,122)	4,910
Adjustments for:		
Non-cash items	9,048	438
Non-operating items	1,022	79
Operating profit before working capital changes	<u>1,948</u>	<u>5,427</u>
(Increase)/Decrease in working capital:		
Inventories	(4,060)	5,799
Trade and other receivables	(23,282)	(1,214)
Trade and other payables	(3,343)	1,026
Cash used in operations	<u>(28,737)</u>	<u>11,038</u>
Tax paid	(4,322)	(1,133)
Net cash (used in) /generated from operating activities	<u>(33,059)</u>	<u>9,905</u>
Cash flows from investing activities		
Dividend paid	(3,024)	-
Acquisition of shares in subsidiary (Note A)	-	(33,578)
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment (Note B)	(629)	(279)
Interest received	259	29
Net cash used in investing activities	<u>(3,394)</u>	<u>(33,827)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	-	40,379
Proceeds from Restricted Issue	-	6,350
Proceeds from Rights Issue	-	11,021
Net drawdown of bank borrowings	25,591	(7,924)
Interest paid	(1,281)	(108)
Net cash generated from financing activities	<u>24,310</u>	<u>49,718</u>
Net (decrease) / increase in cash and cash equivalents	(12,143)	25,796
Cash and cash equivalents at beginning of financial period	28,773	*
Cash and cash equivalents at end of financial period	<u><u>16,630</u></u>	<u><u>25,796</u></u>

Cash and cash equivalents at end of financial period comprise:

Cash & bank balances	16,168	23,388
Deposits in the licensed banks	4,062	3,205
Bank overdrafts	-	(797)
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	20,230	25,796
Less: Deposits pledged to financial institutions	(3,600)	(3,600)
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	16,630	22,196
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*Denotes RM2

Note A:

During the period ended 30 September 2004, the group acquired 6 subsidiaries and associated companies as an integral part of the restructuring exercise in conjunction with its listing on the Second Board of Bursa Securities. The fair value of assets acquired and liabilities assumed were as follows:

	RM '000
Cash	6,801
Intangible asset	50
Investments	18
Inventories	30,106
Accounts receivable	33,353
Property, plant and equipment	20,749
Payables	(12,216)
Short term borrowings	(28,668)
Long term debts	(3,481)
Less: Reserve on consolidation	(6,333)
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Total purchase consideration	40,379
Less: Cash of the subsidiaries and associated company	(6,801)
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Cash flow on acquisition net of cash acquired	33,578
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The acquisition was satisfied wholly with the issuance of Wang-Zheng Berhad shares of RM0.50 each.

Note B:

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM 831K, of which RM202K was acquired by means of finance leases. Cash payments of RM629K were made to purchase property, plant and equipment.

Non-cash item consist mainly of plant and equipment written off due to fire and depreciation. Increase in inventory is mainly due to acquisition of processed paper inventory in view of favourable prices. Cash outflow in trade and other receivables mainly reflects payment of deposits for renovation and construction work on the Group's new office-cum-factory building. The Group's expanded operational activities is funded by trade line banking facilities, resulting in increased borrowings.

The relevant subsidiary companies are in the process of securing the release of fixed deposits as security for certain banking facilities granted to them. All such banking facilities will be on a 'clean' basis, secured by corporate guarantees.

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements of WZB and its subsidiaries for the financial year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the third quarter ended 30 September 2005

(The figures presented here have not been audited)

	Share Capital RM'000	Non-distributable Share Premium RM'000	Reserves on Consolidation RM'000	Distributable Retained Profit / (Accumulated Loss) RM'000	Total RM'000
Balance as at 1 January 2005	60,000	838	6,318	6,395	73,551
Loss for the period				(10,015)	(10,015)
Dividend in respect of FY31.12.2004 at 3.5 sen gross less 28% taxation on 120,000,000 ordinary shares amounting to RM3,024,000				(3,024)	(3,024)
Balance as at 30 September 2005	60,000	838	6,318	(6,644)	60,512

Condensed Consolidated Statements of Changes in Equity for the third quarter ended 30 September 2005

(The figures presented here have not been audited)

	Share Capital RM'000	Non-distributable Share Premium RM'000	Reserves on Consolidation RM'000	Distributable Retained Profit RM'000	Total RM'000
Balance as at 1 Jan 2004	*	-	-	(7)	(7)
Issue of ordinary shares pursuant to the acquisition of subsidiary and associated companies	40,379	-	-	-	40,379
Issue of ordinary shares pursuant to the restricted issue	6,350				6,350
Issue of ordinary shares pursuant to the rights issue	11,021				11,021
Reserves on consolidation arising from the acquisition of subsidiary companies	-	-	6,333	-	6,333
Loss for the period	-	-	-	3,713	3,713
Balance as at 30 September 2004	<u>57,750</u>	<u>-</u>	<u>6,333</u>	<u>3,706</u>	<u>67,789</u>

* Represents RM2

Notes:

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements of WZB and its subsidiaries for the financial year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.