

Notes on the quarterly report – 30 September 2005

PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134 (Interim Financial Reporting) (formerly known as MASB 26) and Paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2004. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

The accounting policies, method of computation and basis of consolidation adopted for this quarterly financial report is consistent with those adopted for the Group's audited financial statements for the financial year ended 31 December 2004.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2004.

A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

The Group's disposable fibre-based products manufacturing facility, located in Rawang, Selangor Darul Ehsan, was destroyed by a fire on 12 September 2005. The loss of the factory resulted in the writing-off of RM16.4 worth of inventory, plant and equipment. As a result of the fire, the affected subsidiaries, Quality Hero Corporation Sdn Bhd and Carefeel Cotton Industries (M) Sdn Bhd, are outsourcing its manufacturing processes to external manufacturers. Although the Group's expenses will be relatively higher, this step is necessary to minimize disruption of sales of disposable fibre-based products to maintain the Group's market share.

The Group has always been adequately covered by insurance for both material losses and business loss. Its insurance companies are processing the Group's claims and have yet to finalize their report.

A5. Material changes in estimates

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

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A6. Issuances and repayment of debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

A7. Dividend Paid

The Company paid dividend of 3.5 sen gross per share less 25% tax amounting to RM3.024 million during the quarter under review. Payment was made on 12 August 2005.

A8. Segment information

There is no geographical reporting of the Company's results for the quarter ended 30 September 2005.

A9. Valuation of property, plant and equipment

The property, plant and equipment except for freehold land are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

A10. Material events subsequent to the end of the interim period

The Group received RM6.0 million on 21 November 2005 from one of its insurers as an interim settlement for fire consequential losses.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Changes in contingent liabilities

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A13. Capital commitments

There were no capital commitments as at 30 September 2005.

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A14. Comparison with preceding quarter's results

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 banking facilities to finance 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.

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

B1. Review of performance

The Group achieved a revenue of RM140.4 million and loss before tax of RM8.1 million for the 9 months period to date.

B2. Variation of results against preceding quarter

In the preceding corresponding quarter ended 30 September 2004, the Group achieved a revenue of RM39.9 million and profit before tax of RM4.9 million as compared to the current quarter revenue of RM49.4 million and loss before tax of RM13.4 million.

The increase in revenue is mainly due to additional revenue contribution by both disposable fibre-based products and processed paper products as outlined in **A14**. The current quarter loss before tax of RM13.4 million is mainly due to the write off of inventory, plant and equipment of RM16.4 million. The Group also faced increasing cost of raw material, in line with the overall price increases resulting from higher oil price. However, currently, oil prices have retreated from its peak level.

B3. Current year prospects

The Board of Directors foresees relatively higher cost of goods sold in the final quarter of 2005 due to the fire incident, as mentioned in **A4**. This may adversely impact the results of the Group for the 4th quarter ended 31 December 2005. However, the Board is of the opinion that the effect will be managed as best as possible. Among the steps taken are stringent quality control checks to ensure products are of high quality, continuing to negotiate for more favourable rates from both raw material suppliers and outsource manufacturers and procuring new machineries in the shortest possible time to enable the Group to recommence full production of disposable fibre-based products.

B4. Variance of actual and forecast profit

The Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation.

B5. Tax expense

| | Period ended 30 Sept 2005 RM' 000 |
|-----------------------------------|--|
| In respect of the current period: | |
| Income Tax | 1,893 |
| Deferred Tax | -- |
| Total | <u><u>1,893</u></u> |

The effective tax rate for the period under review is higher than the statutory income tax rate of 28% due to the non-availability of group tax relief.

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B6. Unquoted investments and/or properties

The Group has not disposed off any investments in any unquoted investments and/or properties during the financial quarter under review.

B7. Quoted and marketable investments

There were no investments in quoted and marketable securities made during the financial quarter under review.

B8. Status of corporate proposal announced

There was no corporate proposal announced but not completed as at the date of this announcement.

B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

| | Short Term (Secured) RM' 000 | Long Term (Secured) RM' 000 |
|--|------------------------------------|-----------------------------------|
| Trust receipts and bankers' acceptance | 37,453 | - |
| Term loans | 86 | 8,466 |
| Hire purchase | 1,881 | 2,598 |
| Total | <u>39,420</u> | <u>11,064</u> |

B10. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

B11. Changes in material litigation

Neither WZB nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect the financial position of Company or any of its subsidiaries and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of Company or any of its subsidiaries.

B12. Dividends

There was no dividend declared by the company during the quarter under review.

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B13. Basic earnings per share

The basic earning per share for the current quarter and cumulative year to date are computed as follows:-

The basic earnings per share for the current quarter and cumulative year to date are computed as follows:

| | Individual Current Year Quarter 30.9.05 | Cumulative Current Year To Date 30.9.05 |
|---|--|--|
| Profit for the period (RM' 000) | <u>(13,798)</u> | <u>(10,015)</u> |
| Number of ordinary share of RM0.50 each in issue (' 000) | <u>120,000</u> | <u>120,000</u> |
| Basic Earnings Per Share based on number of ordinary shares of RM0.50 each in issue (sen) | <u>(11.50)</u> | <u>(8.35)</u> |

B14. Authorisation for issue

The first quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 25 November 2005.

By order of the Board

MARTIN LEONG TING SIONG
Group Accountant
25 November 2005