



We bring quality to your home.

**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)



Wang-Zheng Berhad (612237-K)

ANNUAL REPORT 2004





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Chung Shan Kwang  
(Chairman)

Dato' Abdul Azim Bin Mohd. Zabidi  
(Deputy 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)

Tan Teck Ang  
(Non-Executive Director)

Chung Shan Meng  
(Non-Executive Director)

Fu Jun  
(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  
Independent Non-Executive Director  
(Chairman)

Ch'ng Eng Hing  
Independent Non-Executive Director

Thang Yuen Mei  
Executive Director

### COMPANY SECRETARIES

Sepekar Zanidah Bt Hussin  
(LS 007244)

Wan Lay Sim (MAICSA 7034367)

### REGISTERED OFFICE

18C Jalan 1/64  
Off Jalan Kolam Air / Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 03 - 4041 7403

### CORPORATE OFFICE

Lot No. 8 & 10  
Jalan Pusat BCH 1C  
Bandar Country Homes  
48000 Rawang  
Selangor  
Tel : 03 - 6733 1188  
Fax : 03 - 6733 4100

### AUDITORS

Anuarul Azizan Chew & Co.  
(AF 0791)  
18 Jalan 1/64  
Off Jalan Kolam Air/Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 03 - 4041 7233

### SOLICITORS

Teh & Lee Advocates and Solicitors  
Unit 23-3 3<sup>rd</sup> 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 & 1<sup>st</sup> Floor  
80 Menara Affin  
Jalan Raja Chulan  
50200 Kuala Lumpur.  
Tel : 03 - 2055 9213

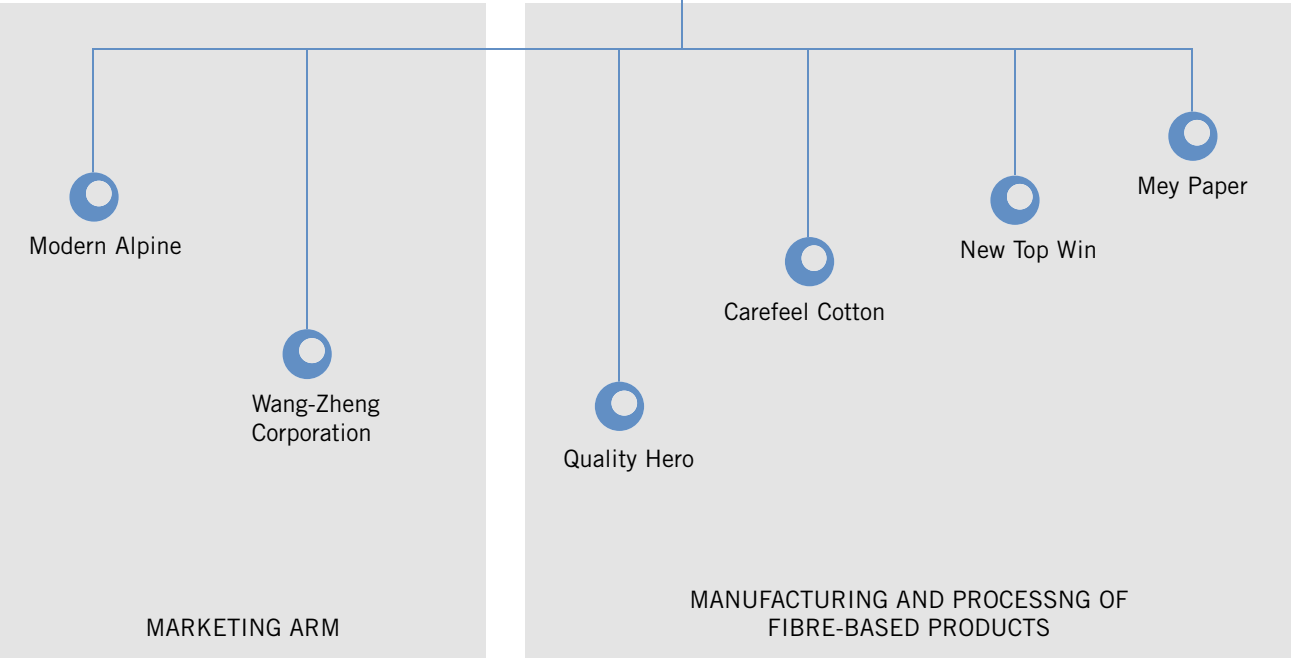
### REGISTRAR

Symphony Share Registrars Sdn. Bhd.  
(378993 - D)  
(formerly known as Malaysian Share Registration Services Sdn. Bhd)  
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  
(formerly known as Malaysia Securities Exchange Berhad)

# CORPORATE STRUCTURE



## PROFILE OF DIRECTORS

### **Chung Shan Kwang**

#### *Chairman*

Chung Shan Kwang, aged 37, is the Non-Executive Chairman of Wang-Zheng Berhad (WZB). He was appointed to the Board and as the Non-Executive Chairman of WZB 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 business, 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.

### **Dato' Abdul Azim Bin Mohd Zabidi**

#### *Deputy Chairman*

Dato' Abdul Azim Bin Mohd Zabidi, a Malaysian aged 46, is the Non-Executive Deputy Chairman of WZB. He was appointed to the Board and as the Non-Executive Deputy Chairman of WZB on 27 July 2004. Dato' Abdul Azim holds a Masters of Arts in Business Law from London Guildhall University, United Kingdom, and is a fellow of the Institute of Chartered Secretaries and Administrators. He has over 16 years of valuable experience in the banking and financial industry, especially in the areas of corporate banking, unit trust management and property fund management. He worked for Bumiputera Commerce Bank Bhd (formerly known as Bank of Commerce (M) Bhd) from 1984 to 1990, and gained experience through his various capacities in its divisions and branches. He rose through the ranks and was appointed as the group head of corporate banking department in September 1989. Dato' Abdul Azim was then seconded to Amanah Property Trust Managers Bhd (formerly known as Commerce Property Trust Managers Berhad) in September 1990 as an assistant general manager. Dato' Abdul Azim left Amanah Property Trust Managers Bhd as a general manager in January 1995, a position he held since March 1992. Subsequently, Dato' Abdul Azim joined Commerce Asset Fund Managers Sdn Bhd as its group general manager where he remained until June 1999.

Presently, Dato' Abdul Azim is the Chairman of Bank Simpanan Nasional Berhad and Permodalan BSN Berhad. He is also a member of the Capital Market Advisory Council of the Securities Commission. Dato' Abdul Azim also served as a member of the National Economic Consultative Council II and the Index Sub-Committee of the Kuala Lumpur Stock Exchange. He was also the president of Federation of Malaysian Unit Trust Managers from 1998 to 2003. He also sits on the board of directors of World Savings Bank Institute.

Dato' Abdul Azim is also serving on the board of directors of Kumpulan Europlus Berhad, Kolej Aman Bhd, Multi Vest Resources Berhad, Pica (M) Corporation Berhad, Trenergy (Malaysia) Bhd, Wijaya Baru Global Berhad, OSK Ventures International Berhad and several other private limited companies.

## Profile of Directors

### **Goh Kheng Jiu**

*Chief Executive Officer, Managing Director*

Goh Kheng Jiu, a Malaysian aged 45, is the Managing Director and Chief Executive Officer of WZB. 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, Mr. Goh'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 centres ranging from hawker stalls to restaurants. Two (2) years later in 1981, he joined Hong Soon Huat Sdn Bhd, a sundry goods trading company, as a sales executive. From 1985 to 1987, Mr. Goh was attached to Unikota Holdings Sdn Bhd as a director. The company was principally involved in manufacturing of tissue paper and sanitary products, and trading of food items. Throughout the years, Mr. Goh acquired in-depth knowledge and experience in the consumer products industry. Foreseeing the potential of the consumer products industry, Mr. Goh, together with Khoo Beng Hwa and Thang Yuen Mei, incorporated Wang-Zheng Corporation Sdn Bhd in December 1987. Mr. Goh is highly instrumental in spearheading the progress and expansion of Wang-Zheng Group. From a small trading company in 1987, Wang-Zheng Group has become a reputable manufacturer and distributor of disposable fiber-based products and processed papers.

### **Khoo Beng Hwa**

*Executive Director*

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

### **Thang Yuen Mei**

*Executive Director*

Thang Yuen Mei, a Malaysian aged 45, is an Executive Director of WZB. 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 centres. Later, in 1987, Mr. Thang, together with Goh Kheng Jiu and Khoo Beng Hwa, established Wang-Zheng Corporation Sdn Bhd. Mr. Thang's responsibilities include overseeing the development of new businesses, and coordinating the administration and financial functions of Wang-Zheng Group.

## Profile of Directors

### **Tan Wan Huat**

#### *Executive Director*

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

### **Chai Tuck Chuen**

#### *Executive Director*

Chai Tuck Chuen, a Malaysian aged 45, is an Executive Director of WZB. 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 Supplies Sdn Bhd, an auto-parts trading company as a marketing executive in 1981. In his 14 years in the company until 1995, Mr. Chai rose through the ranks, and was eventually appointed as an executive director of the company. He subsequently joined Carefeel Cotton Industries (M) Sdn Bhd in 1995 as a director. Mr. Chai oversees the daily operations of Carefeel Cotton, which sells its products to both local and overseas markets.

### **Teh Hui Guan**

#### *Executive Director*

Teh Hui Guan, a Malaysian aged 41, is an Executive Director of WZB. 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 Corporation Sdn Bhd, a paper trading company from 1987 to 1992. He subsequently founded Top Win Enterprise which is also involved in paper trading. Subsequently, in 1994, together with Wang-Zheng Corporation Sdn Bhd, Mr. Teh founded New Top Win Corporation Sdn Bhd. With his extensive experience in the processed paper business, Mr. Teh is the primary force in the transformation of New Top Win, from a small paper trading company, to become one of the top three (3) paper importers, converters and distributors in Malaysia.

### **Tan Teck Ang**

#### *Non-Executive Director*

Tan Teck Ang, a Malaysian aged 45, is a Non-Executive Director of WZB. 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 completing his studies, 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.

## Profile of Directors

### **Chung Shan Meng**

*Non-Executive Director*

Chung Shan Meng, a Malaysian aged 40, is a Non-Executive Director of WZB. 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 of Xian Jiang Trading Sdn Bhd, a company involved in the 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.

### **Fu Jun**

*Non-Executive Director*

Fu Jun, a Chinese aged 48, is a Non-Executive Director of WZB. He was appointed to the Board on 27 July 2004. Mr. Fu obtained a Bachelor of 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.

### **Loo Choo Hong**

*Independent Non-Executive Director*

Loo Choo Hong, a Malaysian aged 33, is an Independent Non-Executive Director of WZB. 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.

### **Ch'ng Eng Hing**

*Independent Non-Executive Director*

Ch'ng Eng Hing, a Malaysian aged 39, is an Independent Non-Executive Director of WZB. 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.



## Profile of Directors

### Low Yu Keat

#### *Independent Non-Executive Director*

Low Yu Keat, a Malaysian aged 48, is an Independent Non-Executive Director of WZB. 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.

### Tan Kar Thye

#### *Independent Non-Executive Director*

Tan Kar Thye, a Malaysian aged 45, is an Independent Non-Executive Director of WZB. 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 engaged in his own business which is involved in furniture manufacturing and construction.

### Yap Kien Pin

#### *Independent Non-Executive Director*

Yap Kien Pin, a Malaysian aged 44, is an Independent Non-Executive Director of WZB. 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 Monteplus 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. Monteplus Marketing Sdn Bhd is principally involved in the distribution of specialized plumbing materials. Mr. Yap also has interests in several private limited companies which are involved in activities ranging from the manufacturing and trading of high-density polypropylene products to trading of building materials and garments, and property investment.



## CHAIRMAN'S Statement



Dear valued shareholders, on behalf of the Board of Directors, I have great pleasure to present the inaugural annual report and Financial Statements of Wang-Zheng Berhad (the Company) and its subsidiaries (Wang-Zheng Group/the Group) for the financial year ended 31 December 2004.

### Initial Public Offering (IPO)

The year 2004 was a very significant milestone in the annals of the Wang-Zheng Group. Wang-Zheng Berhad completed its IPO and was successfully listed on the Second Board of the Bursa Malaysia Securities Berhad on 21 October 2004. During the entire IPO exercise, 49,000,000 ordinary shares of RM0.50 each of the Company were made available for subscription at an issue price of RM1.00 each. Of this, 44,500,000 ordinary shares of

RM0.50 each were offered for sale; 36,000,000 of such shares were offered to Bumiputera investors approved by the Ministry of International Trade & Industry (MITI); 5,500,000 for the Malaysian public and 3,000,000 were offered to identified investors. A further 4,500,000 new ordinary shares of RM0.50 each were issued, of which 4,000,000 new ordinary shares were made available for application by eligible directors and employees and business associates

of the Group, whereas 500,000 of these shares were available for application by Malaysian persons. The IPO was fully subscribed, raising RM21.8715 million for the Group.

### Review of Financial Results

For the financial year ended 31 December 2004, the Group achieved revenue of RM172 million, RM16 million or 10.2% higher than the forecasted group revenue of RM156 million as stated in the Company's

## CHAIRMAN'S Statement

prospectus dated 30 September 2004. The Group's profit before tax and profit after tax of RM19.65 million and RM14.13 million respectively, are in line with our forecasted results of RM19.84 million and RM14.10 million.

Although the Group faced pressure in maintaining the margin for disposable fiber-based products due to increases in raw material prices as a consequence of rising oil prices, the Group managed to expand its customer base, both locally and abroad. Cost was also actively monitored, resulting in increased efficiency, better utilization of resources and greater economies of scale due to increases in production volume to meet rising demand.

### Operations

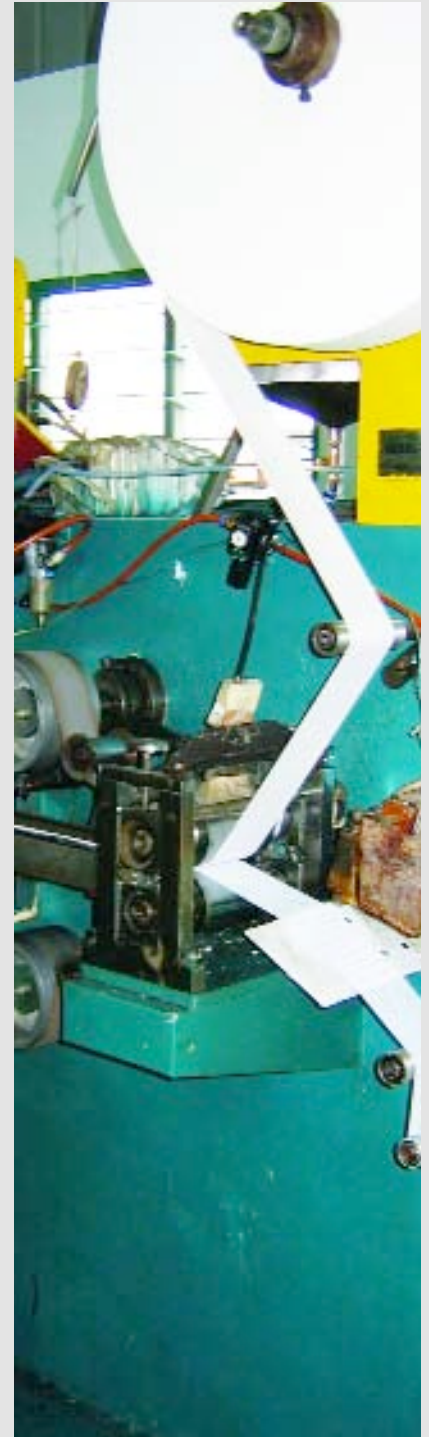
The Group continues to develop its own brands such as Carina, Dry-pro, Q-Basic and Carefeel. The sales team continues to expand the exposure of the Group's brands from sundry shops to the biggest hypermarkets. The production arm strives to maintain standards of high quality to ensure satisfaction from our end-users. However, the Group also derives a significant portion of its disposable fiber-based products sales from being original equipment manufacturer (OEM) to other established household brands. The increasing sales order received from OEM segment reflects increasing confidence in the quality of our products and the competitiveness of our pricing.

### Outlook and Future Prospects

The Group will continue to focus on the disposable fiber-based products and processed paper industries to generate growth and wealth. Building on our existing strength of economies of scale, technological and market know-how, wide-ranging distribution network and efficient work process, the Group is confident of achieving better sales results in the coming year.

The Group will also strive to maintain its current margin but much will depend on the world oil prices. As some of our raw and packaging materials are petroleum-derived products, some of these prices have increased by more than 30% since 2004. Oil prices will also affect the transportation costs incurred by the Group. However, since the price of diesel and petrol sold locally is controlled by the government of Malaysia, the government's decisions on fuel subsidies will ultimately determine local fuel prices.

With general inflation on the rise, the spending power of the average Malaysian person will be less. Although this could result in lesser consumer spending, the fact that the Group's disposable fiber-based products are positioned at the economy segment will mean that the Group is in a much better position as compared to the products in the premium range. Furthermore, as the nature of the Group's major products are considered essential in personal hygiene (disposable fiber-based products) and commercial use (processed paper), the envisaged drop in consumer spending should be minimal in its effect to the Group.



## CHAIRMAN'S Statement

The Group at the same time will continue to strive to minimize its cost by improving manufacturing efficiency, lowering of wastage, negotiating for better financing terms, increasing sales and thereby production volume to enhance economies of scale and improving utilization of existing resources. These cost savings will allow the Group to continue to provide quality goods at affordable prices to the Malaysian public.

Part of the step towards this is the construction of a factory-cum-office building on a 26,305 m<sup>2</sup> industrial land located in Mah Sing Industrial Park, Sungai Buloh. This new factory is envisioned to house the Group's processed paper operations which currently operate out of rented premises. The additional space also allow for placement of new adult diapers and slim-winged sanitary napkin machines to expand the Group's product lines and diversify its income stream. The Group has utilized RM1.11 million of its proceeds to part finance the acquisition of the machineries. RM1.4 million has also been utilized to retire some long term loans of the Group to minimize interest

expenditure. Offering new but related products allow the Group to diversify its source of income and to improve inventory management as the new products consume largely similar materials as the Group's existing products. The marketing arm of the Group is actively promoting its products locally through its experienced sales team. The Group is also aggressively expanding its export market to reach out to a bigger pool of customers and to better manage its geographic risks. Although the current revenue contribution from export is minimal, revenue earned from exports are rising and barring unforeseen circumstances, will become a significant source of income for the Group.

### Dividend

The Board has proposed to declare a first and final dividend of 3.5 sen per ordinary share, less income tax of 28%, for the financial year ended 31 December 2004 (2003: Nil).

### Earnings per Share

The basic earnings per share for the financial year ended 31 December 2004 stands at 11.44 sen.

### Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders and business partners for their support. To our valued loyal customers, we would also like to express our thanks for their continuous support which has carried the Group from its humble beginnings to where it is today. The Group will reward this trust with even higher quality products at affordable prices.

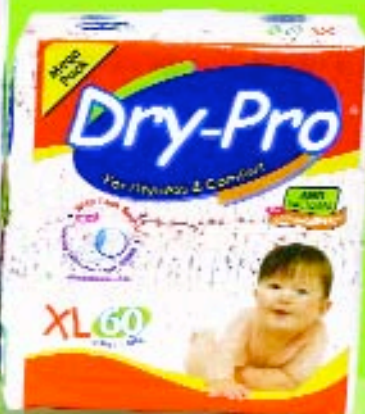
Last but not least, I would like to express my deepest appreciation and gratitude to my fellow colleagues of the Board, the Management and the staff for their continued effort and dedication to the Group. The enthusiasm and professionalism in carrying out your duties to Wang-Zheng Berhad Group will enable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

**Chung Shan Kwang**  
*Chairman.*



# Dry-Pro<sup>TM</sup>

For Dryness & Comfort



## CORPORATE GOVERNANCE STATEMENT

### Introduction

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

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

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

### 1. The Board of Directors

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

#### a) Composition

The Board of Directors consists of 5 Independent Non-Executive Directors, 1 Non-Executive Chairman, 1 Non-Executive Deputy Chairman and 6 Executive Directors and 3 Non-Executive Directors. The roles of the Chairman of the Board and CEO are segregated. Wang-Zheng Berhad thus complies with the Bursa Malaysia Listing Requirements on board composition. The profiles of the Directors are set out on page 4 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.

As all the directors were appointed in 2004, all the directors are standing for re-election at the Annual General Meeting of the Company to be held on 30 June 2005 under Article 90 of the Company's Articles of Association.

## Corporate Governance Statement

### c) Board Meetings

During the financial year ended 31 Dec 2004, the Board met a total of 1 time. Details of each Director's attendance at the Board meetings during the financial year are as follows:

| Directors                            | Attendance |
|--------------------------------------|------------|
| <b>Executive Directors</b>           |            |
| Goh Kheng Jiu                        | 1/1        |
| Khoo Beng Hwa                        | 1/1        |
| Thang Yuen Mei                       | 1/1        |
| Tan Wan Huat                         | 1/1        |
| Chai Tuck Chuen                      | 1/1        |
| Teh Hui Guan                         | 1/1        |
| <b>Non-Executive Directors</b>       |            |
| Chung Shan Kwang                     | 1/1        |
| Dato' Abdul Azim Bin Mohd Zabidi     | 1/1        |
| Tan Teck Ang                         | 1/1        |
| Chung Shan Meng                      | 1/1        |
| Fu Jun                               | 0/1        |
| Loo Choo Hong                        | 1/1        |
| Ch'ng Eng Hing                       | 1/1        |
| Low Yu Keat                          | 1/1        |
| Tan Kar Thye                         | 1/1        |
| Yap Kien Pin                         | 1/1        |
| Chung Shan Hui (alternate to Fu Jun) | 1/1        |

The meeting was held on 29 November 2004.

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.

### d) Responsibilities

The Board assumes the following responsibilities:

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



## Corporate Governance Statement

### 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 comprises 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.

### g) Remuneration Committee

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

There was no meeting held by the committee during the Financial Year ended 31 December 2004.

Details of Directors' remuneration are set out below:

#### a) Aggregate remuneration of Directors categorized into appropriate components:

| Group                   | Fees<br>RM'000 | Salaries and other<br>Emoluments*<br>RM'000 | Total<br>RM'000 |
|-------------------------|----------------|---|-----------------|
| Executive Directors     | 106            | 1,739                                       | 1,845           |
| Non-Executive Directors | 108            | -   | 108             |

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

## Corporate Governance Statement

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

| Range of remuneration | Number of Directors Executive | Number of Directors Non-Executive |
|-----------------------|-------------------------------|-----------------------------------|
| RM100,000 and below   | -                             | 10                                |
| RM100,001 - RM250,000 | 5                             | -                                 |
| RM250,001 and above   | 1                             | -                                 |

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

### h) Training of Directors

Every Director undergoes continuous training to equip himself to effectively discharge his duties as a director and for that purpose he ensures that he attends such training programs as prescribed by the Bursa Malaysia from time to time. The company provides briefings for new members of the Board, to ensure they have a comprehensive understanding on the operations of the group and the Company.

In 2004, all the Directors of Wang-Zheng Berhad have attended and successfully completed the Bursa Malaysia Berhad Mandatory Accreditation Programme as required under Bursa Malaysia, Listing Requirements. With the introduction of BMSB's Continuing Education Program (CEP) in 2004, the Company has made arrangements for Directors to attend accredited program to meet CEP requirements.

## 2. SHAREHOLDERS

### a) Dialogue with Investors

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

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

### 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.

## Corporate Governance Statement

### c) The Annual General Meeting

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, a brief presentation on the Wang-Zheng Berhad Group's financial performance and prospects will be made, 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 BMSB at the end of the meeting day. A press conference will be held immediately after the AGM to allow the Directors and the Management to meet members of the media to clarify or explain any issue raised.

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

### 3. ACCOUNTABILITY AND AUDIT

#### a) Financial Reporting

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

The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors before releasing to Bursa Malaysia. The details of the Company and the Group's financial statements for the financial year ended 31 December 2004 can be found from page 39.

#### b) Internal Control

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

#### c) Relationship with the Auditors

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

## Statement on Internal Control

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

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

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

The Group's overall internal control system includes:

(i) **Control Environment**

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

(ii) **Information and Communication**

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

(iii) **Audit Committee**

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

Its terms of reference, together with the Audit Committee Report, are disclosed in page 20 of the Annual Report.

(iv) **Risk Management**

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

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

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

## AUDIT COMMITTEE REPORT

### Terms of Reference of Audit Committee

#### 1. Composition of the Audit Committee / Membership

The audit committee is appointed by the Board of Directors 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 Malaysia, 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 1 time during the financial year ended 31 December 2004. The details of the attendance of the meetings and the summary of the Audit Committee activities are disclosed under the heading "Attendance of Audit Committee Meetings" on page 22. 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

- 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 Company;
- 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 of the committee, whenever deemed necessary.

## Audit Committee Report

### 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 2004 are as follows:

Meetings attended by the Directors  
during the Financial year ended 31 December 2004

| Directors      | Attendance |
|----------------|------------|
| Loo Choo Hong  | 1/1        |
| Ch'ng Eng Hing | 1/1        |
| Thang Yuen Mei | 1/1        |

Notes

\*The meeting was held on 29 November 2004.

### 8. Activities undertaken by Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2004 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

## Audit Committee Report

- (vi) review the effectiveness of the Group's system of internal control;
- (vii) review the Company's compliance with Bursa Malaysia Securities Berhad Listing Requirements, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements; and
- (viii) consider and recommend to the Board for approval the audit fees payable to internal and external auditors.

### 9. Other compliance information

- (i) Utilization of proceeds:

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

| Description                  | Proposed Amount<br>RM'000 | Utilized Amount<br>RM'000 |
|------------------------------|---------------------------|---------------------------|
| Working capital              | 17,562                    | 14,619                    |
| Capital Expenditure          | 1,110                     | 1,110                     |
| Repayment of bank borrowings | 1,400                     | 1,400                     |
| Listing expenses             | 1,800                     | 1,412                     |
| <b>Total</b>                 | <b>21,872</b>             | <b>18,541</b>             |

- (ii) Share buybacks:

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

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

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

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

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

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

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

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

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



## Audit Committee Report

(vii) Variation in results:

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

(viii) Profit guarantees:

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

(ix) Material contracts:

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

- (1) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and the vendors of Wang-Zheng Corporation Sdn. Bhd. ("WZC") for the acquisition of the entire issued and fully paid-up share capital of WZC comprising 3,325,000 ordinary shares of RM1.00 each for a purchase consideration of RM23,153,717 based on the audited consolidated Net Tangible Assets ("NTA") of WZC as at 30 June 2003 of RM23,153,717. The purchase consideration was to be satisfied by the issuance of 46,307,189 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;
- (2) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and the vendors of Quality Hero Corporation Sdn. Bhd. ("QH") for the acquisition of the entire issued and fully paid-up share capital of QH comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,476,107 based on the audited consolidated NTA of QH as at 30 June 2003 of RM3,476,107. The purchase consideration was to be satisfied by the issuance of 6,952,177 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;
- (3) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and certain vendors of Carefeel Cotton Industries Sdn. Bhd. ("CCI") for the acquisition of 962,500 ordinary shares of RM1.00 each, representing 44% of the issued and fully paid-up share capital of CCI, for a purchase consideration of RM2,781,770 based on the audited NTA of CCI as at 30 June 2003 of RM6,322,204. The purchase consideration was to be satisfied by the issuance of 5,563,510 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;
- (4) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and certain vendors of NTWC for the acquisition of 440,000 ordinary shares of RM1.00 each, representing 44% of the issued and fully paid-up share capital of NTWC, for a purchase consideration of RM8,287,186 based on the audited consolidated NTA of NTWC as at 30 June 2003 of RM18,834,514. The purchase consideration was to be satisfied by the issuance of 16,574,285 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;
- (5) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and certain vendors of Modern Alpine Sdn. Bhd. ("MA") for the acquisition of 1,470,000 ordinary shares of RM1.00 each, representing 49% of the issued and fully paid-up share capital of MA for a purchase consideration of RM2,048,247 based on the audited NTA of MA as at 30 June 2003 of RM4,180,095. The purchase consideration was to be satisfied by the issuance of 4,096,471 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;

## Audit Committee Report

- (6) A conditional Sale And Purchase Agreement dated 12 December 2003 between WZB and certain vendors of Mey Paper Industries Sdn. Bhd. ("MP") for the acquisition of 350,000 ordinary shares of RM1.00 each, representing 32.94% of the issued and fully paid-up share capital of MP, for a purchase consideration of RM631,685 based on the audited NTA of MP as at 30 June 2003 of RM1,917,616. The purchase consideration was to be satisfied by the issuance of 1,263,364 new Shares in WZB at an issue price of approximately RM0.50 per Share. The transaction was completed on 16 July 2004;
  - (7) Two (2) Reorganisation Agreements dated 28 July 2004 between WZB as the purchaser, and WZC and NTWC as the vendors, for the acquisition of the entire equity interest of WZC and NTWC in CCI, NTWC, MA and/or MP upon completion of the Acquisitions, based on the audited NTA or audited consolidated NTA of the respective companies as at 30 June 2003;
  - (8) Deed of Assignment dated 12 June 2003 between Mass Paper Industries Sdn Bhd, as the assignor, and Wang-Zheng Corporation, as the assignee, for the assignment of the trademark application in relation to "CAREFEEL" held under application no. 93/09780 together with the goodwill of the business attached to the trademarks, by the assignor to the assignee for a total consideration of RM10.00;
  - (9) Deed of Assignment dated 12 June 2003 between Mass Paper Industries Sdn Bhd, as the assignor, and Wang-Zheng Corporation, as the assignee, for the assignment of all those trademark applications in relation to "CARINA" held under application no. 89/02701, 89/03464, 88/05957, 92/07964, 94/04242, and 88/2376 together with the goodwill of the business attached to the trademarks, by the assignor to the assignee for a total consideration of RM10.00;
  - (10) Deed of Assignment dated 12 June 2003 between Mass Paper Industries Sdn Bhd, as the assignor, and Wang-Zheng Corporation, as the assignee, for the assignment of the trademark application in relation to "CARINA" held under application no. 89/07624 together with the goodwill of the business attached to the trademarks, by the assignor to the assignee for a total consideration of RM10.00;
  - (11) Deed of Assignment dated 12 June 2003 between Mass Paper Industries Sdn Bhd, as the assignor, and Wang-Zheng Corporation, as the assignee, for the assignment of all those trademark applications in relation to "COSMEX" held under application no. 96/00252 and 95/13145 together with the goodwill of the business attached to the trademarks, by the assignor to the assignee for a total consideration of RM10.00;
  - (12) Tenancy Agreement dated 10 April 2003 between MMF Haus Sdn Bhd, as the landlord and Wang-Zheng Corporation, as the tenant, for the tenancy at Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor. The agreement is for a term of two (2) years commencing on 1 April 2003 and expiring on 31 March 2005 at a monthly rental of RM40,000; and
  - (13) Tenancy Renewal Letter dated 6 October 2003 between Malaya Plywood And Veneer Factory Sdn Bhd, as the landlord, and New Top Win, as the tenant, for Lot 23118, Jalan Kepong, Mukim Batu, Kuala Lumpur. The renewed tenancy is for a term of two (2) years commencing on 1 November 2003 and expiring on 31 October 2005 at a monthly rental of RM25,800.
- (x) Recurrent related party transactions ("RRPT"):

The Company is seeking approval from shareholders for the Proposed General Mandate pursuant to Chapter 10.09 of the Listing Requirements and Practice Note 12/2001 of the Listing Requirements at the forthcoming Extraordinary General Meeting to be held on 30 June 2005.

The Board is also seeking the approval of the shareholders of WZB to ratify the Recurrent Related Party Transaction entered into by the Company's subsidiaries, from 21 October 2004 until the date of the forthcoming EGM at which the resolution pertaining to the Proposed Shareholders' Mandate are to be passed.

## Audit Committee Report

The abovementioned ratification of the said Recurrent Related Party Transaction and the extension of time for seeking the said ratification was approved by Bursa Malaysia on 20 October 2004.

RRPT of a trading or revenue nature of the Group for the financial year ended 31 December 2004 are as follows:

| No. | Related Party                       | WZB Group transacting in each transaction  | Nature of Transaction with WZB Group | Value of Transaction (RM) | Nature of relationship between WZB Group and the Related Party  |
|-----|-------------------------------------|--|--------------------------------------|---------------------------|---|
| 1.  | Xian Jiang Trading Sdn. Bhd. ("XJ") | New Top Win Corporation Sdn. Bhd. ("NTWC") | Trading goods. *                     | 20,271,345                | <ul style="list-style-type: none"> <li>~ Chung Shan Kwang is an Executive Director of XJ.</li> <li>~ Chung Shan Kwang is a Shareholder of XJ with Shareholdings of 32.5 %.</li> <li>~ Khoo Beng Hwa, Goh Kheng Jiu, Thang Yuen Mei, Teh Hui Guan and Chung Shan Kwang are directors of NTWC.</li> <li>~ Chung Shan Meng is Chairman and Managing Director of XJ.</li> <li>~ Chung Shan Meng is a shareholder of XJ with Shareholdings of 17.5%.</li> <li>~ Chung Shan Kwang and Chung Shan Meng are brothers.</li> <li>~ Goh Kheng Jiu and Teh Hui Guan are brother-in-laws.</li> </ul> |
| 2.  | MMF Haus Sdn. Bhd. ("MMF")          | Wang-Zheng Corporation Sdn. Bhd. ("WZC")   | Factory rental payable to MMF **     | 240,000                   | <ul style="list-style-type: none"> <li>~ Chung Shan Kwang, Chung Shan Meng and Chung Shan Hui are Directors of MMF.</li> <li>~ Chung Shan Kwang, Chung Shan Meng and Chung Shan Hui are brothers.</li> <li>~ Khoo Beng Hwa, Tan Wan Huat, Chai Tuck Chuen, Tan Teck Ang, Thang Yuen Mei, Teh Hui Guan, Chung Shan Kwang, Chung Shan Meng and Goh Kheng Jiu are Directors of WZC.</li> <li>~ Goh Kheng Jiu and Teh Hui Guan are brother-in-laws.</li> <li>~ Tan Wan Huat and Tan Teck Ang are brothers.</li> </ul>   |

## Audit Committee Report

| No. | Related Party                      | WZB Group transacting in each transaction    | Nature of Transaction with WZB Group  | Value of Transaction (RM) | Nature of relationship between WZB Group and the Related Party   |
|-----|------------------------------------|--|---------------------------------------|---------------------------|--|
| 3.  | MMF Haus Sdn. Bhd. ("MMF")         | Carefeel Cotton Industries Sdn. Bhd. ("CCI") | Factory rental payable to MMF ***     | 240,000                   | <ul style="list-style-type: none"> <li>~ Chung Shan Kwang, Chung Shan Meng and Chung Shan Hui are Directors of MMF.</li> <li>~ Chung Shan Kwang, Chung Shan Meng and Chung Shan Hui are brothers.</li> <li>~ Khoo Beng Hwa, Tan Wan Huat, Chai Tuck Chuen, Goh Kheng Jiu and Chung Shan Kwang are Directors of CCI.</li> </ul> |
| 4.  | Wang-Zheng Motor Sdn. Bhd. ("WZM") | New Top Win Corporation Sdn. Bhd. ("NTWC")   | Office rental / receivable from WZM # | 60,000                    | <ul style="list-style-type: none"> <li>~ Goh Kheng Jiu, Chung Shan Kwang and Khoo Beng Hwa are Directors of WZM.</li> <li>~ Goh Kheng Jiu, Teh Hui Guan, Thang Yuen Mei, Khoo Beng Hwa and Chung Shan Kwang are Directors of NTWC.</li> <li>~ Goh Kheng Jiu and Teh Hui Guan are brother-in-laws.</li> </ul>                   |

Notes:-

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

\*\* WZC rents from MMF a factory at RM20,000/- per month based on market value.

\*\*\* CCI rents from MMF a factory at RM20,000/- per month based on market value.

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

(xi) Contracts relating to loans:

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

## DIRECTORS' REPORT

for the financial year ended 31 December 2004

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 2004.

### 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<br>RM      | Company<br>RM  |
|---|------------------|----------------|
| Profit/(Loss) after taxation                    | 14,127,790       | (3,726)        |
| Pre-acquisition profit                          | (7,725,054)      | -              |
| <b>Net profit/(loss) for the financial year</b> | <b>6,402,736</b> | <b>(3,726)</b> |

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 during the financial year nor 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

No dividend has been paid or declared by the Company since the end of the previous financial period.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004 of 3.5 sen gross per share less 28% taxation on 120,000,000 ordinary shares amounting to RM3,024,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

### Reserves and Provisions

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

## Directors' Report

for the financial year ended 31 December 2004

### Issue of Shares and Debentures

During the financial year, the issued and paid-up share capital of the Company was increased from RM2 to RM60,000,000 by additional allotment of 119,999,996 ordinary shares of RM0.50 each at par as follows:

| Date of allotment | Number of shares issued | Consideration RM  | Purposes   |
|-------------------|-------------------------|-------------------|--|
| 16.7.2004         | 46,307,189              | 23,153,594        | Settlement of consideration for the acquisition of shares in Wang-Zheng Corporation Sdn. Bhd.  |
| 16.7.2004         | 6,952,177               | 3,476,089         | Settlement of consideration for the acquisition of shares in Quality Hero Corporation Sdn. Bhd.  |
| 16.7.2004         | 5,563,510               | 2,781,755         | Settlement of consideration for the acquisition of shares in Carefeel Cotton Industries (M) Sdn. Bhd.                                      |
| 16.7.2004         | 16,574,285              | 8,287,143         | Settlement of consideration for the acquisition of shares in New Top Win Corporation Sdn. Bhd.   |
| 16.7.2004         | 4,096,471               | 2,048,235         | Settlement of consideration for the acquisition of shares in Modern Alpine Sdn. Bhd.   |
| 16.7.2004         | 1,263,364               | 631,682           | Settlement of consideration for the acquisition of shares in Mey Paper Industries Sdn. Bhd.  |
| 19.8.2004         | 12,700,000              | 6,350,000         | Restricted issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses. |
| 19.8.2004         | 22,043,000              | 11,021,500        | Rights issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses.     |
| 21.10.2004        | 4,500,000               | 2,250,000         | Public issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses.     |
|                   | <b>119,999,996</b>      | <b>59,999,998</b> |  |

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There was no issue of debentures during the financial year under review.

## Directors' Report

for the financial year ended 31 December 2004

### Directors

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

|   |                           |
|---|---------------------------|
| Goh Kheng Jiu                                 | (Appointed on 16.07.2004) |
| Chung Shan Kwang                              | (Appointed on 16.07.2004) |
| Dato' Abdul Azim Bin Mohd Zabidi              | (Appointed on 27.07.2004) |
| Khoo Beng Hwa                                 | (Appointed on 27.07.2004) |
| Thang Yuen Mei                                | (Appointed on 27.07.2004) |
| Tan Wan Huat                                  | (Appointed on 27.07.2004) |
| Chai Tuck Chuen                               | (Appointed on 27.07.2004) |
| Teh Hui Guan                                  | (Appointed on 27.07.2004) |
| Tan Teck Ang                                  | (Appointed on 27.07.2004) |
| Fu Jun  | (Appointed on 27.07.2004) |
| Loo Choo Hong                                 | (Appointed on 27.07.2004) |
| Ch'ng Eng Hing                                | (Appointed on 27.07.2004) |
| Low Yu Keat (f)                               | (Appointed on 27.07.2004) |
| Tan Kar Thye                                  | (Appointed on 27.07.2004) |
| Yap Kien Pin                                  | (Appointed on 27.07.2004) |
| Chung Shan Meng                               | (Appointed on 27.07.2004) |
| Chung Shan Hui (Alternate Director to Fu Jun) | (Appointed on 26.11.2004) |
| Wong Kok Wey                                  | (Resigned on 16.07.2004)  |
| Leong Fok Yuan                                | (Resigned on 16.07.2004)  |

### Directors' interest

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

|                                       | No. of ordinary shares of RM0.50 each |            |            |                  |
|---------------------------------------|---------------------------------------|------------|------------|------------------|
|                                       | At<br>1.1.2004                        | Acquired   | Disposed   | At<br>31.12.2004 |
| <b>Wang-Zheng Resources Sdn. Bhd.</b> |                                       |            |            |                  |
| Direct interest:-                     |                                       |            |            |                  |
| Goh Kheng Jiu                         | -                                     | 158,485    | -          | 158,485          |
| <b>Wang-Zheng Berhad</b>              |                                       |            |            |                  |
| Direct interest:-                     |                                       |            |            |                  |
| Goh Kheng Jiu                         | -                                     | 18,962,513 | 15,286,291 | 3,676,222        |
| Chung Shan Kwang                      | -                                     | 11,654,835 | 9,836,763  | 1,818,072        |
| Dato' Abdul Azim Bin Mohd Zabidi      | -                                     | 9,620,000  | 4,078,700  | 5,541,300        |
| Khoo Beng Hwa                         | -                                     | 13,291,095 | 10,554,897 | 2,736,198        |
| Thang Yuen Mei                        | -                                     | 8,170,425  | 6,586,938  | 1,583,487        |
| Tan Wan Huat                          | -                                     | 8,138,782  | 6,473,895  | 1,664,887        |
| Chai Tuck Chuen                       | -                                     | 9,160,429  | 6,835,970  | 2,324,495        |
| Teh Hui Guan                          | -                                     | 9,625,939  | 8,094,460  | 1,531,479        |

## Directors' Report

for the financial year ended 31 December 2004

### Directors' interest (Cont'd)

|                            | No. of ordinary shares of RM0.50 each |            |           | At<br>31.12.2004 |
|----------------------------|---------------------------------------|------------|-----------|------------------|
|                            | At<br>1.1.2004                        | Acquired   | Disposed  |                  |
| Tan Teck Ang               | -                                     | 5,110,211  | 4,113,570 | 996,641          |
| Chung Shan Meng            | -                                     | 3,923,473  | 3,180,340 | 743,133          |
| Fu Jun                     | -                                     | 20,000     | -         | 20,000           |
| Loo Choo Hong              | -                                     | 20,000     | -         | 20,000           |
| Ch'ng Eng Hing             | -                                     | 20,000     | -         | 20,000           |
| Low Yu Keat (f)            | -                                     | 20,000     | -         | 20,000           |
| Tan Kar Thye               | -                                     | 20,000     | -         | 20,000           |
| Yap Kien Pin               | -                                     | 20,000     | -         | 20,000           |
| Chung Shan Hui             | -                                     | 613,133    | -         | 613,133          |
| <b>Indirect interest:-</b> |                                       |            |           |                  |
| Goh Kheng Jiu              | -                                     | 54,000,000 | -         | 54,000,000       |

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

### Directors' Benefits

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any 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 the director is a member, or with a company in which the director has a substantial financial interest.

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

### 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 book value in the ordinary course of business were written down to an amount which they might be expected so to realise.



## Directors' Report

for the financial year ended 31 December 2004

### Other Statutory Information (Cont'd)

- (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.
- (d) At the date of this report:-
- (i) there are no charges on the assets of the Company and its subsidiary companies which have arisen since the end of the financial year to secure the liabilities of any other person; and
  - (ii) there are no contingent liabilities in respect of the Company and its subsidiary companies which have arisen since the end of the financial year.

### Staff Information

The total number of employees (excluding directors) of the Group and of the Company at the end of the financial year were 484 and Nil (2003: Nil and Nil) respectively.

### Significant Event

The significant event is disclosed in Note 28 to the financial statements.

### Auditors

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

Signed in accordance with a resolution of the directors.

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CHUNG SHAN KWANG

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GOH KHENG JIU

KUALA LUMPUR  
26 April 2005

## STATEMENT BY DIRECTORS

pursuant to section 169 (15) of the companies act, 1965

We, CHUNG SHAN KWANG and GOH KHENG JIU, 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 60 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 2004 and of their results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the directors.

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**CHUNG SHAN KWANG**

KUALA LUMPUR  
26 April 2005

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**GOH KHENG JIU**

## STATUTORY DECLARATION

pursuant to section 169 (16) of the companies act, 1965

I, GOH KHENG JIU, being the director 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 60 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 GOH KHENG JIU at        )  
Kuala Lumpur in the Federal Territory    )  
this 26 April 2005                            )

Before me,

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**GOH KHENG JIU**

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**MOHD RADZI BIN YASIN**  
(No: W 327)  
Commissioner for Oaths

## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 35 to 60 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 2004 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.

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**ANUARUL AZIZAN CHEW & CO.**

Firm Number: AF 0791  
Chartered Accountants

KUALA LUMPUR  
26 April 2005

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**TEE GUAN PIAN**

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

# BALANCE SHEETS

as at 31 December 2004

|                                      | Note | Group<br>2004<br>RM | Company<br>2004<br>RM | Company<br>2003<br>RM |
|--------------------------------------|------|---------------------|-----------------------|-----------------------|
| <b>Non-Current Assets</b>            |      |                     |                       |                       |
| Property, plant and equipment        | 3    | 20,381,408          | 13,692                | -                     |
| Investment in subsidiary companies   | 4    | -                   | 40,378,498            | -                     |
| Other investment                     | 5    | 17,192              | -                     | -                     |
|                                      |      | 20,398,600          | 40,392,190            | -                     |
| <b>Current Assets</b>                |      |                     |                       |                       |
| Inventories                          | 6    | 25,529,098          | -                     | -                     |
| Trade receivables                    | 7    | 33,509,211          | -                     | -                     |
| Other receivables                    | 8    | 1,468,695           | 12,692                | -                     |
| Tax recoverable                      |      | 1,130,322           | -                     | -                     |
| Amount owing by subsidiary companies | 9    | -                   | 13,527,968            | -                     |
| Fixed deposits with licensed banks   | 10   | 17,987,297          | 6,624,866             | -                     |
| Cash and bank balances               |      | 14,385,365          | 447,346               | 2                     |
|                                      |      | 94,009,988          | 20,612,872            | 2                     |
| <b>Current Liabilities</b>           |      |                     |                       |                       |
| Trade payables                       | 11   | 9,990,481           | -                     | -                     |
| Other payables                       | 12   | 3,054,763           | 17,017                | 7,863                 |
| Lease and hire purchase payables     | 13   | 1,121,456           | -                     | -                     |
| Amount owing to subsidiary companies | 9    | -                   | 53,522                | -                     |
| Amount owing to directors            | 14   | 108,000             | 108,000               | -                     |
| Borrowings                           | 15   | 21,910,181          | -                     | -                     |
| Taxation                             |      | 1,694,234           | 200                   | -                     |
|                                      |      | 37,879,115          | 178,739               | 7,863                 |
| Net current assets/(liabilities)     |      | 56,130,873          | 20,434,133            | (7,861)               |
|                                      |      | 76,529,473          | 60,826,323            | (7,861)               |

## Balance Sheets

as at 31 December 2004

|                                       | Note | Group<br>2004<br>RM | Company<br>2004<br>RM | Company<br>2003<br>RM |
|---------------------------------------|------|---------------------|-----------------------|-----------------------|
| <b>Financed By:</b>                   |      |                     |                       |                       |
| Share capital                         | 16   | 60,000,000          | 60,000,000            | 2                     |
| Share premium                         |      | 837,912             | 837,912               | -                     |
| Reserve on consolidation              |      | 6,317,722           | -                     | -                     |
| Retained profits/(Accumulated losses) |      | 6,394,873           | (11,589)              | (7,863)               |
| Shareholders' funds                   |      | 73,550,507          | 60,826,323            | (7,861)               |
| <b>Non-Current Liabilities</b>        |      |                     |                       |                       |
| Lease and hire purchase payables      | 13   | 635,021             | -                     | -                     |
| Borrowings                            | 15   | 1,226,677           | -                     | -                     |
| Deferred tax liabilities              | 17   | 1,117,268           | -                     | -                     |
|                                       |      | 2,978,966           | -                     | -                     |
|                                       |      | 76,529,473          | 60,826,323            | (7,861)               |

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

## INCOME STATEMENTS

for the financial year ended 31 December 2004

|   | Note | Group<br>Year ended<br>2004<br>RM | Company<br>Year ended<br>2004<br>RM | Company<br>Period ended<br>2003<br>RM |
|---|------|-----------------------------------|-------------------------------------|---------------------------------------|
| Revenue   | 18   | 171,849,720                       | 126,085                             | -                                     |
| Cost of sales                                   |      | (134,137,776)                     | -                                   | -                                     |
| Gross profit                                    |      | 37,711,944                        | 126,085                             | -                                     |
| Other operating income                          |      | 648,795                           | -                                   | -                                     |
| Marketing and distribution expenses             |      | (4,925,091)                       | -                                   | -                                     |
| Administration expenses                         |      | (12,075,375)                      | (129,611)                           | (7,863)                               |
| Net profit/(loss) from operations               | 19   | 21,360,273                        | (3,526)                             | (7,863)                               |
| Finance costs                                   | 20   | (1,710,068)                       | -                                   | -                                     |
| Profit/(Loss) before taxation                   |      | 19,650,205                        | (3,526)                             | (7,863)                               |
| Taxation  | 21   | (5,522,415)                       | (200)                               | -                                     |
| Profit/(Loss) after taxation                    |      | 14,127,790                        | (3,726)                             | (7,863)                               |
| Pre-acquisition profit                          |      | (7,725,054)                       | -                                   | -                                     |
| Net profit/(loss) for the financial year/period |      | 6,402,736                         | (3,726)                             | (7,863)                               |
| Earning per share (Sen)<br>Basic                | 22   | 11.44                             |                                     |                                       |

For the purposes of presentation and comparison, the Consolidated Income Statement has been drawn up for the entire period of 12 months, and the results of the subsidiary companies prior to the effective formation of the Group have been treated as pre-acquisition profit.

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2004

| Group   | Share<br>Capital<br>RM | ◀Non-distributable▶    |                                   | ◀Distributable▶                                      | Total<br>RM       |
|---|------------------------|------------------------|-----------------------------------|--|-------------------|
|   |                        | Share<br>Premium<br>RM | Reserve on<br>Consolidation<br>RM | Retained<br>Profit/<br>(Accumulated<br>Losses)<br>RM |                   |
| At 1 January 2004                                 | 2                      | -                      | -                                 | (7,863)  | (7,861)           |
| Issued during the financial year                  | 59,999,998             | 2,250,000              | -                                 | -  | 62,249,998        |
| Listing expenses                                  | -                      | (1,412,088)            | -                                 | -  | (1,412,088)       |
| Arising on acquisition of<br>subsidiary companies | -                      | -                      | 6,317,722                         | -  | 6,317,722         |
| Net profit for the financial year                 | -                      | -                      | -                                 | 6,402,736  | 6,402,736         |
| <b>At 31 December 2004</b>                        | <b>60,000,000</b>      | <b>837,912</b>         | <b>6,317,722</b>                  | <b>6,394,873</b>                                     | <b>73,550,507</b> |

| Company                          | Share<br>Capital<br>RM | ◀Non-distributable▶    |                        | ◀Distributable▶             | Total<br>RM       |
|----------------------------------|------------------------|------------------------|------------------------|-----------------------------|-------------------|
|                                  |                        | Share<br>Premium<br>RM | Share<br>Premium<br>RM | Accumulated<br>Losses<br>RM |                   |
| At date of incorporation         | 2                      | -                      | -                      | -                           | 2                 |
| Loss for the financial period    | -                      | -                      | -                      | (7,863)                     | (7,863)           |
| <b>At 31 December 2003</b>       | <b>2</b>               | <b>-</b>               | <b>-</b>               | <b>(7,863)</b>              | <b>(7,861)</b>    |
| At 1 January 2004                | 2                      | -                      | -                      | (7,863)                     | (7,861)           |
| Issued during the financial year | 59,999,998             | 2,250,000              | -                      | -                           | 62,249,998        |
| Listing expenses                 | -                      | (1,412,088)            | -                      | -                           | (1,412,088)       |
| Net loss for the financial year  | -                      | -                      | -                      | (3,726)                     | (3,726)           |
| <b>At 31 December 2004</b>       | <b>60,000,000</b>      | <b>837,912</b>         | <b>837,912</b>         | <b>(11,589)</b>             | <b>60,826,323</b> |

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

## CASH FLOW STATEMENTS

for the financial year ended 31 December 2004

|   | Group<br>Year ended<br>2004<br>RM | Company<br>Year ended<br>2004<br>RM | Company<br>Period ended<br>2003<br>RM |
|---|-----------------------------------|-------------------------------------|---------------------------------------|
| <b>Cash Flows From Operating Activities</b>                   |                                   |                                     |                                       |
| Profit/(Loss) before taxation                                 | 19,650,205                        | (3,526)                             | (7,863)                               |
| Adjustment for:-  |                                   |                                     |                                       |
| Pre-acquisition results                                       | (9,475,663)                       | -                                   | -                                     |
| Allowance for doubtful debts                                  | 150,000                           | -                                   | -                                     |
| Allowance for doubtful debts written back                     | (9,000)                           | -                                   | -                                     |
| Amotisation of other investment                               |                                   |                                     |                                       |
| - charge for the financial year/period                        | 430                               | -                                   | -                                     |
| - pre-acquisition   | (143)                             | -                                   | -                                     |
|   | 287                               | -                                   | -                                     |
| Depreciation of property, plant and equipment                 |                                   |                                     |                                       |
| - charge for the financial year/period                        | 1,976,201                         | 1,521                               | -                                     |
| - pre-acquisition   | (955,405)                         | -                                   | -                                     |
|   | 1,020,796                         | 1,521                               | -                                     |
| Interest expense  |                                   |                                     |                                       |
| - charge for the financial year/period                        | 1,710,068                         | -                                   | -                                     |
| - pre-acquisition   | (874,812)                         | -                                   | -                                     |
|   | 835,256                           | -                                   | -                                     |
| Interest income   |                                   |                                     |                                       |
| - credit for the financial year/period                        | (192,466)                         | -                                   | -                                     |
| - pre-acquisition   | 54,850                            | -                                   | -                                     |
|   | (137,616)                         | -                                   | -                                     |
| (Gain)/Loss on disposal of property, plant and equipment      |                                   |                                     |                                       |
| - (credit)/charge for the financial year/period               | (39,976)                          | -                                   | -                                     |
| - pre-acquisition   | 23,264                            | -                                   | -                                     |
|   | (16,712)                          | -                                   | -                                     |
| <b>Operating profit/(loss) before working capital changes</b> | <b>12,017,553</b>                 | <b>(2,005)</b>                      | <b>(7,863)</b>                        |
| Decrease/(Increase) in working capital                        |                                   |                                     |                                       |
| Inventories   | 4,368,065                         | -                                   | -                                     |
| Receivables   | 3,785,536                         | (12,692)                            | -                                     |
| Amount owing by/(to) subsidiary company                       | -                                 | (13,474,446)                        | -                                     |
| Payables  | (4,223,018)                       | 9,154                               | 7,863                                 |
| Amount owing to director                                      | 108,000                           | 108,000                             | -                                     |
|   | 4,038,583                         | (13,369,984)                        | 7,863                                 |
| <b>Cash from/(used in) operations</b>                         | <b>16,056,136</b>                 | <b>(13,371,989)</b>                 | <b>-</b>                              |



## Cash Flow Statements

for the financial year ended 31 December 2004

|  | Group<br>Year ended<br>2004<br>RM | Company<br>Year ended<br>2004<br>RM | Company<br>Period ended<br>2003<br>RM |
|--|-----------------------------------|-------------------------------------|---------------------------------------|
| Interest received  | 137,616                           | -                                   | -                                     |
| Interest paid  | (835,256)                         | -                                   | -                                     |
| Tax paid   | (3,145,327)                       | -                                   | -                                     |
|  | (3,842,967)                       | -                                   | -                                     |
| Net cash from/(used in) operating activities                                   | 12,213,169                        | (13,371,989)                        | -                                     |
| <b>Cash Flows from Investing Activities</b>                                    |                                   |                                     |                                       |
| Purchase of property, plant and equipment                                      | (605,723)                         | (15,213)                            | -                                     |
| Proceeds from sale of property,<br>plant and equipment                         | 17,500                            | -                                   | -                                     |
| Acquisition of subsidiary companies  | 4(c) 6,900,436                    | -                                   | -                                     |
| Net cash from/(used in) investing activities                                   | 6,312,213                         | (15,213)                            | -                                     |
| <b>Cash Flows from Financing Activities</b>                                    |                                   |                                     |                                       |
| Proceeds from issue of shares  | 19,621,500                        | 19,621,500                          | 2                                     |
| Share premium on issue of shares<br>(net of listing expenses)                  | 837,912                           | 837,912                             | -                                     |
| Decrease in fixed deposits   | (3,599,765)                       | -                                   | -                                     |
| Repayment of bank borrowings   | (52,099,165)                      | -                                   | -                                     |
| Repayment of hire purchase and<br>lease payables                               | (673,671)                         | -                                   | -                                     |
| Drawdown of bank borrowings  | 46,160,702                        | -                                   | -                                     |
| Net cash from financing activities   | 10,247,513                        | 20,459,412                          | 2                                     |
| <b>Net increase in cash and cash equivalents</b>                               | <b>28,772,895</b>                 | <b>7,072,210</b>                    | <b>2</b>                              |
| <b>Cash and cash equivalents at beginning<br/>of the financial year/period</b> | <b>2</b>                          | <b>2</b>                            | <b>-</b>                              |
| <b>Cash and cash equivalents at end<br/>of the financial year/period</b>       | <b>28,772,897</b>                 | <b>7,072,212</b>                    | <b>2</b>                              |
| Cash and cash equivalents at end of the<br>financial year/period comprises:    |                                   |                                     |                                       |
| Cash and bank balances   | 14,385,365                        | 447,346                             | 2                                     |
| Fixed deposits with licensed banks   | 17,987,297                        | 6,624,866                           | -                                     |
|  | 32,372,662                        | 7,072,212                           | 2                                     |
| Less: Fixed deposits pledged to licensed banks                                 | (3,599,765)                       | -                                   | -                                     |
|  | 28,772,897                        | 7,072,212                           | 2                                     |

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 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. Significant Accounting Policies

### (a) Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The following new standards issued by the Malaysian Accounting Standards Board (MASB) became effective in the current financial year:

|         |  |
|---------|--|
| MASB 31 | Accounting for Government Grants and Disclosure of Government Assistance |
| MASB 32 | Property Development Activities  |

However, MASB 31 and MASB 32 are not adopted as they are not applicable to the Group and to the Company.

### (b) Basis of consolidation

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

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

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

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

### (c) Goodwill or reserve arising on consolidation

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. Significant Accounting Policies (cont'd)

#### (d) Investments

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

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

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

#### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

#### (f) Impairment

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

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. Significant Accounting Policies (cont'd)

#### (g) Inventories

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

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

Cost being determined principally on the first-in first-out method. The cost of work-in-progress and finished goods included the cost of raw materials and an applicable portion of labour and manufacturing overheads.

#### (h) Receivables

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

#### (i) Payables

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

#### (j) Lease and hire purchase

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

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease 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 lease 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.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statements 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 leased and hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

#### (k) Borrowings

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. Significant Accounting Policies (cont'd)

#### (l) Income tax

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

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the balance sheet and its tax base at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from 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.

#### (m) Borrowing costs

Borrowing costs are recognised as an expense in the income statements in the financial year in which they are incurred.

#### (n) Cash and cash equivalents

Cash and cash equivalent 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 equivalent are presented net of pledged deposits.

#### (o) 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:-

|                      | 2004<br>RM |
|----------------------|------------|
| United States Dollar | 3.7956     |
| Singapore Dollar     | 2.3185     |
| Brunei Dollar        | 2.3185     |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. Significant Accounting Policies (cont'd)

#### (p) 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.

#### (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) Rental income/interest income

Rental income and interest income are recognised as they accrue.

##### (iii) Dividend income

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

#### (r) 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 realise 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

for the financial year ended 31 December 2004

### 3. Property, Plant and Equipment

| Group                               | Leasehold land and buildings<br>RM | Freehold land and building<br>RM | Plant and machinery<br>RM | Motor vehicles<br>RM | Office equipment and computers<br>RM | Furniture and fitting<br>RM | Air-conditioners<br>RM | Electrical installation and renovation<br>RM | Factory equipment<br>RM | Signboard<br>RM | Total<br>RM |
|-------------------------------------|------------------------------------|----------------------------------|---------------------------|----------------------|--------------------------------------|-----------------------------|------------------------|--|-------------------------|-----------------|-------------|
| <b>Cost</b>                         |                                    |                                  |                           |                      |                                      |                             |                        |  |                         |                 |             |
| At 1.1.2004-                        |                                    |                                  |                           |                      |                                      |                             |                        |  |                         |                 |             |
| Acquisition of subsidiary companies | 5,803,005                          | 4,200,962                        | 13,417,056                | 4,363,999            | 583,853                              | 694,776                     | 53,610                 | 548,640                                      | 679,409                 | 1,970           | 30,347,280  |
| Additions                           | 8,080                              | -                                | 273,300                   | 87,040               | 80,454                               | 15,644                      | -                      | 98,820                                       | 89,385                  | -               | 652,723     |
| Disposal                            | -                                  | -                                | -                         | (44,000)             | (1,850)                              | -                           | -                      | -  | -                       | -               | (45,850)    |
| At 31.12.2004                       | 5,811,085                          | 4,200,962                        | 13,690,356                | 4,407,039            | 662,457                              | 710,420                     | 53,610                 | 647,460                                      | 768,794                 | 1,970           | 30,954,153  |
| <b>Accumulated depreciation</b>     |                                    |                                  |                           |                      |                                      |                             |                        |  |                         |                 |             |
| At 1.1.2004-                        |                                    |                                  |                           |                      |                                      |                             |                        |  |                         |                 |             |
| Acquisition of subsidiary companies | 86,029                             | 139,416                          | 5,965,558                 | 2,476,800            | 359,135                              | 126,167                     | 29,047                 | 291,578                                      | 121,716                 | 964             | 9,596,410   |
| Charge for the year                 | 37,075                             | 12,673                           | 469,150                   | 351,286              | 38,852                               | 36,941                      | 2,276                  | 29,567                                       | 42,909                  | 67              | 1,020,796   |
| Disposal                            | -                                  | -                                | -                         | (43,999)             | (462)                                | -                           | -                      | -  | -                       | -               | (44,461)    |
| At 31.12.2004                       | 123,104                            | 152,089                          | 6,434,708                 | 2,784,087            | 397,525                              | 163,108                     | 31,323                 | 321,145                                      | 164,625                 | 1,031           | 10,572,745  |
| <b>Carrying amount</b>              |                                    |                                  |                           |                      |                                      |                             |                        |  |                         |                 |             |
| At 31.12.2004                       | 5,687,981                          | 4,048,873                        | 7,255,648                 | 1,622,952            | 264,932                              | 547,312                     | 22,287                 | 326,315                                      | 604,169                 | 939             | 20,381,408  |

| Company                         | Office Equipment<br>RM | Total<br>RM |
|---------------------------------|------------------------|-------------|
| <b>Cost</b>                     |                        |             |
| At 1.1.2004                     | -                      | -           |
| Additions                       | 15,213                 | 15,213      |
| At 31.12.2004                   | 15,213                 | 15,213      |
| <b>Accumulated depreciation</b> |                        |             |
| At 1.1.2004                     | -                      | -           |
| Charge for the financial year   | 1,521                  | 1,521       |
| At 31.12.2004                   | 1,521                  | 1,521       |
| <b>Carrying amount</b>          |                        |             |
| At 31.12.2004                   | 13,692                 | 13,692      |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

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

| Carrying amount        | Group<br>RM<br>2004 |
|------------------------|---------------------|
| Motor vehicles         | 1,831,996           |
| Plant and machinery    | 2,098,782           |
| Factory equipment      | 250,400             |
| Furniture and fittings | 28,985              |
|                        | 4,210,163           |

(b) Certain motor vehicles of the Group with carrying amount of RM40,002 is held in trust under the name of third parties.

(c) The remaining periods of the long term leasehold land range from 83 to 91 years.

(d) The leasehold land and buildings of the Group with carrying amount of RM5,687,981 has been pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 15 to the financial statements.

### 4. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

|                          | Company    |            |
|--------------------------|------------|------------|
|                          | 2004<br>RM | 2003<br>RM |
| Unquoted shares, at cost | 40,378,498 | -          |



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 4. Investment in Subsidiary Companies (cont'd)

(b) The subsidiary companies and shareholdings therein are as follows:-

| Name of Company                          | Equity Interest |           | Principal Activities   |
|--|-----------------|-----------|--|
|  | 2004<br>%       | 2003<br>% |  |
| <b>Direct holding-</b>                   |                 |           |  |
| Wang-Zheng Corporation Sdn. Bhd.         | 100             | -         | Distributes disposable fibre-based products  |
| Quality Hero Corporation Sdn. Bhd.       | 100             | -         | Manufactures disposable baby diapers, sanity napkins and other disposable fibre-based products |
| Carefeel Cotton Industries (M) Sdn. Bhd. | 100             | -         | Manufactures cotton jumbo rolls and facial cotton  |
| New Top Win Corporation Sdn. Bhd.        | 100             | -         | Imports, processes and distributes various types of paper products                             |
| Modern Alpine Sdn. Bhd.                  | 100             | -         | Distributes various types of paper products  |
| Mey Paper Industries Sdn. Bhd.           | 100             | -         | Manufactures corrugated carton boxes   |

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

(c) Acquisition of subsidiary companies

The effect of the acquisition on the financial results of the Group during the financial year is as follows:-

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 4. Investment in Subsidiary Companies (cont'd)

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

The summary of effects of the acquisition on the financial position of the Group as at 31 December 2004 is as follows:-

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

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary companies is as follows:-

|  | Group<br>2004<br>RM |
|--|---------------------|
| <b>Net assets acquired:-</b>                           |                     |
| Property, plant and equipment                          | 20,750,870          |
| Other investment                                       | 17,479              |
| Inventories  | 29,897,162          |
| Receivables  | 39,088,944          |
| Fixed deposits with licensed banks                     | 4,029,348           |
| Cash and bank balances                                 | 2,871,088           |
| Payables   | (17,268,262)        |
| Hire purchase payables                                 | (2,383,748)         |
| Provision for taxation                                 | (181,939)           |
| Bank borrowings  | (29,075,321)        |
| Deferred taxation                                      | (1,049,401)         |
|  | 46,696,220          |
| Reserve on consolidation                               | (6,317,722)         |
|  | 40,378,498          |
| Total purchase consideration                           | 40,378,498          |
| Less: Portion discharged by                            |                     |
| - Issuance of the Company's shares                     | (40,378,498)        |
|  | -                   |
| Discharged by cash                                     | -                   |
| Less: Cash and cash equivalent of subsidiary companies | 6,900,436           |
|  | 6,900,436           |
| Cash inflow on acquisition, net of cash acquired       | 6,900,436           |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 5. Other Investment

|                              | Group<br>2004<br>RM |
|------------------------------|---------------------|
| Time-sharing scheme, at cost | 19,341              |
| Accumulated amortisation     | (2,149)             |
|                              | 17,192              |

### 6. Inventories

|                  | Group<br>2004<br>RM |
|------------------|---------------------|
| <b>At cost</b>   |                     |
| Raw material     | 4,981,556           |
| Work-in-progress | 30,672              |
| Finished goods   | 20,516,870          |
|                  | 25,529,098          |

### 7. Trade Receivables

|                              | Group<br>2004<br>RM |
|------------------------------|---------------------|
| Trade receivables            | 33,913,376          |
| Allowance for doubtful debts | (404,165)           |
|                              | 33,509,211          |

The Group and the Company's normal trade credit terms range from 30 to 90 days (2003: 30 to 90 days).

### 8. Other Receivables

|                   | Group<br>2004<br>RM | Company<br>2004<br>RM | 2003<br>RM |
|-------------------|---------------------|-----------------------|------------|
| Other receivables | 1,148,980           | 12,692                | -          |
| Deposits          | 319,715             | -                     | -          |
|                   | 1,468,695           | 12,692                | -          |

### 9. Amount Owning by/(to) Subsidiary Companies

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 10. Fixed Deposits with Licensed Banks

The fixed deposits amounted to RM3,599,765 have been pledged to licensed banks as security for banking facilities granted to the Group.

The interest rates and maturities of deposits range from 2.2% to 2.7% per annum and 1 to 30 days respectively.

### 11. Trade Payables

The normal trade credit terms granted to the Group range from 60 to 90 days.

### 12. Other Payables

|                | Group<br>2004<br>RM | Company<br>2004<br>RM | 2003<br>RM   |
|----------------|---------------------|-----------------------|--------------|
| Other payables | 1,413,569           | 3,010                 | 7,363        |
| Accruals       | 1,641,194           | 14,007                | 500          |
|                | <b>3,054,763</b>    | <b>17,017</b>         | <b>7,863</b> |

### 13. Lease and Hire Purchase Payables

|  | Group<br>2004<br>RM |
|--|---------------------|
| (a) Minimum lease and hire purchase payments             |                     |
| Within one year  | 1,235,801           |
| Between one and five years                               | 707,476             |
|  | <b>1,943,277</b>    |
| Less: Future finance charges                             | (186,800)           |
| Present value of hire purchase liabilities               | <b>1,756,477</b>    |
| (b) Present value of lease and hire purchase liabilities |                     |
| Within one year  | 1,121,456           |
| Between one and five years                               | 635,021             |
|  | <b>1,756,477</b>    |

The hire purchase and lease liabilities bear interest at rates between 3.3% to 5.0% per annum.

### 14. Amount Owing to Directors

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 15. Borrowings

|                                       | Group<br>2004<br>RM |
|---------------------------------------|---------------------|
| <b>Secured</b>                        |                     |
| Term loans                            |                     |
| - floating rates                      | 795,423             |
| - fixed rates                         | 1,101,119           |
| Bill payables                         | 21,240,316          |
| <b>Total borrowings</b>               | <b>23,136,858</b>   |
| <b>Repayable within twelve months</b> |                     |
| Term loans                            |                     |
| - floating rates                      | 404,075             |
| - fixed rates                         | 265,790             |
| Bill payables                         | 21,240,316          |
|                                       | <b>21,910,181</b>   |
| <b>Repayable after twelve months</b>  |                     |
| Term loans                            |                     |
| - floating rates                      | 391,348             |
| - fixed rates                         | 835,329             |
|                                       | <b>1,226,677</b>    |

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

- (a) legal charge over the land and buildings of subsidiary companies;
- (b) legal charge over the properties of certain directors;
- (c) corporate guarantee by the Company and certain subsidiary companies;
- (d) joint and several guarantee by certain directors of the Company; and
- (e) a pledge of fixed deposits of certain subsidiary companies.

Maturity of borrowings is as follows:-

|                            | Group<br>2004<br>RM |
|----------------------------|---------------------|
| Within one year            | 21,910,181          |
| Between one and two years  | 1,071,418           |
| Between two and five years | 155,259             |
|                            | <b>23,136,858</b>   |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 15. Borrowings (cont'd)

Ranges of interest rates are as follows:

|                  | Group<br>2004<br>% |
|------------------|--------------------|
| Term loans       |                    |
| - floating rates | 7.25% - 7.75%      |
| - fixed rate     | 5.25% - 6.75%      |
| Bill payables    | 6.75% - 7.50%      |

### 16. Share Capital

|   | Group/Company |            |
|---|---------------|------------|
|   | 2004<br>RM    | 2003<br>RM |
| Ordinary shares:  |               |            |
| <b>Authorised</b>                                       |               |            |
| At 1 January/date of incorporation of RM1 each          | 100,000       | 100,000    |
| Upon sub division of RM0.50 each                        | 100,000       | 100,000    |
| Created during the financial year/period of RM0.50 each | 99,900,000    | -          |
| At 31 December of RM0.50 each                           | 100,000,000   | 100,000    |
| <b>Issued and fully paid</b>                            |               |            |
| At 1 January/date of incorporation of RM1 each          | 2             | 2          |
| Upon sub division of RM0.50 each                        | 2             | 2          |
| Issued during the financial year/period of RM0.50 each  | 59,999,998    | -          |
| At 31 December of RM0.50 each                           | 60,000,000    | 2          |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 16. Share Capital (cont'd)

During the financial year, the issued and paid-up share capital of the Company was increased from RM2 to RM60,000,000 by additional allotment of 119,999,996 ordinary shares of RM0.50 each at par as follows:

| Date of allotment | Number of shares issued | Consideration RM  | Purposes   |
|-------------------|-------------------------|-------------------|--|
| 16.7.2004         | 46,307,189              | 23,153,594        | Settlement of consideration for the acquisition of shares in Wang-Zheng Corporation Sdn. Bhd.  |
| 16.7.2004         | 6,952,177               | 3,476,089         | Settlement of consideration for the acquisition of shares in Quality Hero Corporation Sdn. Bhd.  |
| 16.7.2004         | 5,563,510               | 2,781,755         | Settlement of consideration for the acquisition of shares in Carefeel Cotton Industries (M) Sdn. Bhd.                                      |
| 16.7.2004         | 16,574,285              | 8,287,143         | Settlement of consideration for the acquisition of shares in New Top Win Corporation Sdn. Bhd.   |
| 16.7.2004         | 4,096,471               | 2,048,235         | Settlement of consideration for the acquisition of shares in Modern Alpine Sdn. Bhd.   |
| 16.7.2004         | 1,263,364               | 631,682           | Settlement of consideration for the acquisition of shares in Mey Paper Industries Sdn. Bhd.  |
| 19.8.2004         | 12,700,000              | 6,350,000         | Restricted issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses. |
| 19.8.2004         | 22,043,000              | 11,021,500        | Rights issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses.     |
| 21.10.2004        | 4,500,000               | 2,250,000         | Public issue for the purpose of working capital, repayment of bank borrowings, capital expenditure and settlement of listing expenses.     |
|                   | <u>119,999,996</u>      | <u>59,999,998</u> |  |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 17. Deferred Tax Liabilities

|                                     | Group<br>2004<br>RM |
|-------------------------------------|---------------------|
| At 1 January 2004                   | -                   |
| Acquisition of subsidiary companies | 823,940             |
| Recognised in income statement      | 293,328             |
| <hr/>                               |                     |
| At 31 December 2004                 | 1,117,268           |

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

Deferred tax liabilities of the Group:-

|                                     | Accelerated<br>capital<br>allowances<br>RM | Total<br>RM |
|-------------------------------------|--|-------------|
| At 1 January 2004                   | -  | -           |
| Acquisition of subsidiary companies | 823,940                                    | 823,940     |
| Recognised in income statement      | 293,328                                    | 293,328     |
| <hr/>                               |  |             |
| At 31 December 2004                 | 1,117,268                                  | 1,117,268   |

### 18. Revenue

|                 | Group<br>Year ended<br>2004<br>RM | Company<br>Year ended<br>2004<br>RM | Company<br>Period ended<br>2003<br>RM |
|-----------------|-----------------------------------|-------------------------------------|---------------------------------------|
| Sales of goods  | 171,723,634                       | -                                   | -                                     |
| Interest income | 126,086                           | 126,085                             | -                                     |
| <hr/>           |                                   |                                     |                                       |
|                 | 171,849,720                       | 126,085                             | -                                     |



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 19. Net Profit/(Loss) from Operations

Net profit/(loss) from operations is derived after charging/(crediting):

|  | Group<br>Year ended<br>2004<br>RM | Company<br>Year ended<br>2004<br>RM | Period ended<br>2003<br>RM |
|--|-----------------------------------|-------------------------------------|----------------------------|
| Allowance for doubtful debts                         | 150,000                           | -                                   | -                          |
| Allowance for doubtful debts<br>written back         | (9,000)                           | -                                   | -                          |
| Amortisation of other investment                     | 430                               | -                                   | -                          |
| Auditors' remuneration                               |                                   |                                     |                            |
| - statutory  | 47,100                            | 10,000                              | 500                        |
| - others   | 24,500                            | -                                   | -                          |
| Directors' remuneration                              |                                   |                                     |                            |
| - fees   | 214,000                           | 108,000                             | -                          |
| - salaries, bonus and allowances                     | 1,588,576                         | -                                   | -                          |
| - contribution to Employees<br>Provident Fund        | 150,761                           | -                                   | -                          |
| Depreciation of property, plant<br>and equipment     | 1,976,201                         | 1,521                               | -                          |
| Loss on disposal of property,<br>plant and equipment | 787                               | -                                   | -                          |
| Realised loss on foreign exchange                    | 634                               | -                                   | -                          |
| Rental of premises                                   | 1,453,900                         | -                                   | -                          |
| Interest income                                      | (192,466)                         | -                                   | -                          |
| Insurance compensation                               | (203,152)                         | -                                   | -                          |
| Realised gain on foreign exchange                    | (29,089)                          | -                                   | -                          |
| Gain on disposal of property,<br>plant and equipment | (40,763)                          | -                                   | -                          |
| Rental income  | (180,540)                         | -                                   | -                          |

### 20. Finance Costs

|                           | Group<br>2004<br>RM |
|---------------------------|---------------------|
| Interest expense:-        |                     |
| - bill payables           | 1,419,511           |
| - lease and hire purchase | 158,867             |
| - term loans              | 131,690             |
|                           | 1,710,068           |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 21. Taxation

|   | Group<br>Year<br>ended<br>2004<br>RM | Company<br>Year<br>ended<br>2004<br>RM | Company<br>Period<br>ended<br>2003<br>RM |
|---|--------------------------------------|--|--|
| Tax expense for the financial year/period:                    |                                      |  |  |
| Current tax provision   | 5,331,242                            | 200                                    | -  |
| Over provision in prior year/period                           | (102,155)                            | -                                      | -  |
|   | 5,229,087                            | 200                                    | -  |
| Deferred tax:   |                                      |  |  |
| Relating to origination and reversal of temporary differences | 293,328                              | -                                      | -  |
|   | 5,522,415                            | 200                                    | -  |

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

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

|  | Group<br>Year<br>ended<br>2004<br>RM | Company<br>Year<br>ended<br>2004<br>RM | Company<br>Period<br>ended<br>2003<br>RM |
|--|--------------------------------------|--|--|
| Profit/(Loss) before taxation                                      | 19,650,205                           | (3,526)                                | (7,863)                                  |
| Taxation at statutory tax rate of 28% (2003: 28%)                  | 5,502,057                            | (987)                                  | -  |
| Tax incentive for small and medium scale companies at 20% tax rate | (153,530)                            | -                                      | (1,572)                                  |
| Expenses not deductible for tax purposes                           | 276,043                              | 1,187                                  | (1,572)                                  |
| Over provision of taxation in respect of prior years               | (102,155)                            | -                                      | -  |
|  | 5,522,415                            | 200                                    | -  |

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 22. Earnings Per Share

#### (a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation of RM6,402,736 for the Group and the weighted average number of ordinary shares in issue during the financial year of 55,979,752.

#### (b) Fully diluted earnings per share

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

### 23. Financial Instruments

#### (a) Financial risk management objectives and policies

The Group/Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group/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/Company does not trade in financial instruments.

#### (b) Foreign currency exchange risk

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

#### (c) Interest rate risk

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

#### (d) Credit risk

The Group/Company's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group/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/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/Company also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 23. Financial Instruments (cont'd)

#### (f) Fair values

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

### 24. Contingent Liability

|   | Group<br>2004<br>RM | Company<br>2004<br>RM | 2003<br>RM |
|---|---------------------|-----------------------|------------|
| Unsecured<br>Corporate guarantees to financial<br>institution for facilities granted to<br>subsidiary companies | -                   | 47,057,708            | -          |

### 25. Significant Related Party Transactions

|  | Group<br>2004<br>RM |
|--|---------------------|
| Purchase of trading goods from Xian Jiang Trading Sdn. Bhd., a company in which the directors, Chung Shan Kwang and Chung Shan Meng have interest                          | 20,271,345          |
| Factory rental payable to MMF Haus Sdn. Bhd., a company in which the directors, Chung Shan Kwang and Chung Shan Meng have interest   | 480,000             |
| Office rental receivable from Wang-Zheng Motor Sdn. Bhd., a company in which the directors, Chung Shan Kwang, Goh Kheng Jiu, Thang Yuen Mei and Teh Hui Guan have interest | 60,000              |

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 26. Staff Costs

Group  
2004  
RM

|                                   |                  |
|-----------------------------------|------------------|
| Staff costs (excluding directors) | <b>7,737,462</b> |
|-----------------------------------|------------------|

Included in the staff costs above is contribution made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM566,473.

The total number of employees (excluding directors) of the Group and of the Company at the end of the financial year were 484 and Nil (2003: Nil and Nil) respectively.

### 27. Proposed Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004 of 3.5 sen gross per share less 28% taxation on 120,000,000 ordinary shares amounting to RM3,024,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

### 28. Significant Event

During the financial year, in conjunction with the floatation of the Company's shares on Bursa Malaysia Securities Berhad, the Company increased its issued and paid-up share capital from RM2 to RM60,000,000 as disclosed in Note 16 to the financial statements.

On 19 October 2004, the entire issued and paid-up share capital of the Company comprising 120,000,000 ordinary shares of RM0.50 each was listed on the Second Board of Bursa Malaysia Securities Berhad.

### 29. Segment Information - Group

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

### 30. Comparative figures

No comparative figures are presented for the Group as this is the first set of consolidated financial statements.

The comparative figures of the income statement, statement of changes in equity and cash flow statement for the Company are for the financial period from 15 April 2003 (date of incorporation) to 31 December 2003. As they reflect the results for less than one year, they are not comparable to the current financial year's results.

### 31. Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 26 April 2005.

## LIST OF PROPERTIES

as at 30 April 2005

|   | Aprox.<br>age of<br>building<br><br>(Years) | Tenure/Date<br>of expiry of<br>lease  | Description<br>and existing<br>use   | Land<br>area<br><br>(sqm) | Built-up<br>area<br><br>(sqm) | Unaudited<br>Net book<br>value @<br>30.04.05<br>(RM) |
|---|---|---------------------------------------|--|---------------------------|-------------------------------|--|
| 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)   | 14  | Freehold                              | Condominium, currently rented out to unrelated parties.  | N/A                       | 121.70                        | 208,694  |
| 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) | 14  | Freehold                              | Condominium, currently rented out to unrelated parties.  | N/A                       | 135.45                        | 236,363  |
| 3 Lot No. 8 & 10, Jalan Pusat BCH 1C, Bandar Country Homes, 48000 Rawang ("Lot No. 8 & 10") (held under H5(D) 36700 & 36701, PT140 & 141, Bandar Kundang, Daerah Gombak, Selangor)                                  | 6   | 99 years lease expiring on 18.09.2089 | Two(2) units of intermediate three (3) storey shophouse. Used as sales and administrative office of Wang-Zheng Corporation | 286.00                    | 429.00                        | 408,708  |
| 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  | 14  | Freehold                              | Condominium, currently rented out to unrelated parties.  | N/A                       | 121.70                        | 200,867  |
| 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) | 14  | Freehold                              | Condominium, currently rented out to unrelated parties.  | N/A                       | 121.70                        | 200,867  |

## List Of Properties

as at 30 April 2005

| Aprox. Tenure/Date  | Description Land<br>age of<br>building<br>(Years) | Land<br>of expiry of<br>lease                  | Built-up<br>and existng<br>use   | Unaudited<br>area<br>(sqm) | area<br>(sqm) | Net book<br>value @<br>30.04.05<br>(RM) |
|---|---|--|--|----------------------------|---------------|---|
| 6 No. 4D, Storey No.4, Downtown,<br>Condominium 10, Changkat Raja Chulan,<br>Bukit Ceylon, Kuala Lumpur (held under<br>Master Title Geran 25917 - formerly CT<br>14612, Lot 29, Section 57, Kuala Lumpur,<br>Wilayah Persekutuan) | 14  | Freehold                                       | Condominium,<br>currently rented<br>out to unrelated<br>parties.   | N/A                        | 135.45        | 227,067                                 |
| 7 No.47, Jalan Pahang, 53000<br>Kuala Lumpur (held under Geran<br>10942, Lot 71, Section 86, Kuala Lumpur,<br>Wilayah Persekutuan)  | N/A   | Freehold                                       | Commercial land<br>Currently rented<br>to Wang-Zheng<br>Motor Sdn Bhd,<br>a company in<br>which certain of<br>the directors<br>have interests. | -                          | N/A           | 2,933,535                               |
| 8 HS(D) 115081, PT 36416, Mukim Sungai<br>Buloh, Daerah Petaling, Selangor<br>("HS(D)115081") (Mah Sing Industrial Park)  | N/A   | 99 years<br>lease<br>expiring on<br>11.12.2096 | Industrial land.<br>Constructing an<br>office-cum-factory<br>building for use<br>byWang-Zheng<br>Group   | -                          | N/A           | 5,257,356                               |

## STATISTICS OF SHAREHOLDINGS

As at 20 May 2005

|                       | No. of holders | % of s/holders | No. of holdings | % of shares |            |
|-----------------------|----------------|----------------|-----------------|-------------|------------|
| 1 - 99                | 2              | 0.19           | 100             | 0.00        | Negligible |
| 100 - 1,000           | 287            | 27.76          | 268,000         | 0.22        |            |
| 1,001 - 10,000        | 502            | 48.55          | 2,337,300       | 1.95        |            |
| 10,001 - 100,000      | 178            | 17.21          | 5,428,054       | 4.52        |            |
| 100,001 - 5,999,999*  | 63             | 6.09           | 48,083,546      | 40.07       |            |
| 6,000,000 AND ABOVE** | 2              | 0.19           | 63,883,000      | 53.24       |            |
|                       | 1,034          | 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 | -                         | 0.00  |
| 2 Lembaga Tabung Angkatan Tentera | 9,883,000  | 8.24  | -                         | 0.00  |
| 3 Goh Kheng Jiu                   | 3,676,222  | 3.06  | 55,961,479 <sup>(a)</sup> | 46.63 |

(a) Deemed interest through direct shareholdings of his brother-in-law, by virtue of his substantial shareholdings in Wang-Zheng Resources Sdn Bhd.

### Directors' interests in shares

|   | Direct    | %    | Indirect                  | %     |
|---|-----------|------|---------------------------|-------|
| Chung Shan Kwang                              | 1,918,072 | 1.60 | 3,409,332 <sup>(1)</sup>  | 2.84  |
| Dato' Abdul Azim bin Mohd Zabidi              | 2,583,000 | 2.15 | -                         | 0.00  |
| Goh Kheng Jiu                                 | 3,676,222 | 3.06 | 55,961,479 <sup>(2)</sup> | 46.63 |
| Khoo Beng Hwa                                 | 2,736,198 | 2.28 | 743,783 <sup>(3)</sup>    | 0.62  |
| Thang Yuen Mei                                | 1,983,487 | 1.65 | 481,736 <sup>(4)</sup>    | 0.40  |
| Tan Wan Huat                                  | 1,664,887 | 1.39 | 996,641 <sup>(5)</sup>    | 0.83  |
| Chai Tuck Chuen                               | 2,324,459 | 1.94 | 451,669 <sup>(6)</sup>    | 0.38  |
| Teh Hui Guan                                  | 1,961,479 | 1.63 | 3,676,222 <sup>(7)</sup>  | 3.06  |
| Tan Teck Ang                                  | 996,641   | 0.83 | 1,664,887 <sup>(8)</sup>  | 1.39  |
| Chung Shan Meng                               | 963,133   | 0.80 | 3,504,338 <sup>(9)</sup>  | 2.92  |
| Fu Jun  | 20,000    | 0.02 | -                         | 0.00  |
| Loo Choo Hong                                 | 10,000    | 0.01 | -                         | 0.00  |
| Ch'ng Eng Hing                                | 20,000    | 0.02 | -                         | 0.00  |
| Low Yu Keat                                   | 20,000    | 0.02 | -                         | 0.00  |
| Tan Kar Thye                                  | -         | 0.00 | -                         | 0.00  |
| Yap Kien Pin                                  | 20,000    | 0.02 | -                         | 0.00  |
| Chung Shan Hui (Alternate director to Fu Jun) | 723,133   | 0.6  | 3,744,338 <sup>(10)</sup> | 3.12  |



## Statistics of Shareholding

As at 20 May 2005

### Directors' interests in shares (cont'd)

- (1) Deemed interest through direct shareholdings of his siblings and mother and by virtue of his substantial shareholdings in Macro-Link Sdn Bhd
- (2) Deemed interest through direct shareholdings of his brother-in-law, by virtue of his substantial shareholdings in Wang-Zheng Resources Sdn Bhd.
- (3) Deemed interest through direct shareholdings of his sibling
- (4) Deemed interest through direct shareholdings of his sibling and spouse
- (5) Deemed interest through direct shareholdings of his sibling
- (6) Deemed interest through direct shareholdings of his sibling
- (7) Deemed interest through direct shareholdings of his brother-in-law
- (8) Deemed interest through direct shareholdings of his sibling
- (9) Deemed interest through direct shareholdings of his siblings and mother
- (10) Deemed interest through direct shareholdings of his siblings and mother

### Thirty largest shareholders

|   | No. of<br>shares | % of<br>shares |
|---|------------------|----------------|
| 1 Wang-Zheng Resources Sdn Bhd              | 54,000,000       | 45.00          |
| 2 Lembaga Tabung Angkatan Tentera           | 9,883,000        | 8.24           |
| 3 Universal Trustee (Malaysia) Berhad       | 4,352,100        | 3.63           |
| 4 Amanah Raya Berhad                        | 4,020,500        | 3.35           |
| 5 Goh Kheng Jiu                             | 3,676,222        | 3.06           |
| 6 Khoo Beng Hwa                             | 2,736,198        | 2.28           |
| 7 EB Nominees (Tempatan) Sendirian Berhad   | 2,563,000        | 2.14           |
| 8 Chai Tuck Chuen                           | 2,324,459        | 1.94           |
| 9 Chua Lean Hong                            | 2,171,100        | 1.81           |
| 10 Thang Yuen Mei                           | 1,983,487        | 1.65           |
| 11 Teh Hui Guan                             | 1,961,479        | 1.63           |
| 12 Chung Shan Kwang                         | 1,918,072        | 1.60           |
| 13 Tan Wan Huat                             | 1,664,887        | 1.39           |
| 14 Mohd Razali Bin Abdul Rahman             | 1,067,000        | 0.89           |
| 15 Tan Teck Ang                             | 996,641          | 0.83           |
| 16 Chung Shan Meng                          | 963,133          | 0.80           |
| 17 Wong Yip Kee                             | 901,000          | 0.75           |
| 18 Macro-Link Sdn Bhd                       | 859,933          | 0.72           |
| 19 Chung Shan Yong                          | 763,133          | 0.64           |
| 20 Chuah Joon Hooi                          | 761,076          | 0.63           |
| 21 Khoo Beng Keong                          | 743,783          | 0.62           |
| 22 Chung Shan Hui                           | 723,133          | 0.60           |
| 23 Ng Chooi Guan                            | 644,400          | 0.54           |
| 24 Lee Piang Koon                           | 622,540          | 0.52           |
| 25 Raja Kamaruzaman Bin Raja Abd Hamid      | 600,000          | 0.50           |
| 26 Chia Joo Hong                            | 580,000          | 0.48           |
| 27 Chai Teck Seng                           | 451,669          | 0.38           |
| 28 Lim Kok Lan                              | 399,000          | 0.33           |
| 29 Boon Ming Motor & Cycle Parts Co Sdn Bhd | 391,000          | 0.33           |
| 30 Ng Hook                                  | 376,400          | 0.31           |

**TOTAL 30 top holders**

**105,098,345**

**87.58**

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second 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, Malaysia on Thursday, 30 June 2005 at 10.00 a.m. for the following purposes :-

### AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2004. **(Resolution 2)**
3. To approve the payment of Directors' fees of RM108,000.00 for the year ended 31 December 2004. **(Resolution 3)**
4. Dato' Abdul Azim Bin Mohd Zabidi retires in accordance with Article 90 of the Company's Articles of Association and does not wish to be re-elected to the Board. **(Resolution 4)**
5. To re-elect the following Directors who retires in accordance with Article 90 of the Company's Articles of Association :-
  - i) Mr. Chung Shan Kwang **(Resolution 5)**
  - ii) Mr. Goh Kheng Jiu **(Resolution 6)**
  - iii) Mr. Chung Shan Meng **(Resolution 7)**
  - iv) Mr. Khoo Beng Hwa **(Resolution 8)**
  - v) Mr. Thang Yuen Mei **(Resolution 9)**
  - vi) Mr. Tan Wan Huat **(Resolution 10)**
  - vii) Mr. Chai Tuck Chuen **(Resolution 11)**
  - viii) Mr. Teh Hui Guan **(Resolution 12)**
  - ix) Mr. Tan Teck Ang **(Resolution 13)**
  - x) Mr. Fu Jun **(Resolution 14)**
  - xi) Mr. Loo Choo Hong **(Resolution 15)**
  - xii) Mr. Ch'ng Eng Hing **(Resolution 16)**
  - xiii) Ms. Low Yu Keat **(Resolution 17)**
  - xiv) Mr. Tan Kar Thye **(Resolution 18)**
  - xv) Mr. Yap Kien Pin **(Resolution 19)**
6. To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 20)**

### As Special Business :

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

7. Authority to Directors to issue and allot shares  
 "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised 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."  
**(Resolution 21)**
8. To transact any other business of the Company for which due notice have been given.

## Notice of Annual General Meeting

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2004, if approved by shareholders, will be payable on 12 August 2005 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 29 July 2005.

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 29 July 2005 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.

By Order of the Board,

**SEPEKAR ZANIDAH HUSSIN (LS007244)**

**WAN LAY SIM (MAICSA 7034367)**

Company Secretaries

Kuala Lumpur

8 June 2005

*Notes on appointment of proxy :-*

1. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*
3. *In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia at least 48 hours before the time for holding the Meeting or any adjournment thereof.*

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 1. Resolution 21 : Authority to Directors to Allot and Issue Shares

The Proposed Resolution 21, if passed, would enable the Directors to issue up to maximum of 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.

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

|                          |                        |
|--------------------------|------------------------|
| i) Mr. Chung Shan Kwang  | <b>(Resolution 5)</b>  |
| ii) Mr. Goh Kheng Jiu    | <b>(Resolution 6)</b>  |
| iii) Mr. Chung Shan Meng | <b>(Resolution 7)</b>  |
| iv) Mr. Khoo Beng Hwa    | <b>(Resolution 8)</b>  |
| v) Mr. Thang Yuen Mei    | <b>(Resolution 9)</b>  |
| vi) Mr. Tan Wan Huat     | <b>(Resolution 10)</b> |
| vii) Mr. Chai Tuck Chuen | <b>(Resolution 11)</b> |
| viii) Mr. Teh Hui Guan   | <b>(Resolution 12)</b> |
| ix) Mr. Tan Teck Ang     | <b>(Resolution 13)</b> |
| x) Mr. Fu Jun            | <b>(Resolution 14)</b> |
| xi) Mr. Loo Choo Hong    | <b>(Resolution 15)</b> |
| xii) Mr. Ch'ng Eng Hing  | <b>(Resolution 16)</b> |
| xiii) Ms. Low Yu Keat    | <b>(Resolution 17)</b> |
| xiv) Mr. Tan Kar Thye    | <b>(Resolution 18)</b> |
| xv) Mr. Yap Kien Pin     | <b>(Resolution 19)</b> |

The profile of the Directors standing for re-election for Resolutions 5 to 19 are shown on page 4 to 8 of the Annual Report 2004.

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

The Second 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, Malaysia on Thursday, 30 June 2005 at 10.00 a.m.

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## Proxy form

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. / Company No. \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him / her, \_\_\_\_\_  
 of \_\_\_\_\_  
 NRIC No. / Passport No. / Company No. \_\_\_\_\_

as my / our proxy to vote and act on my / our behalf at the Second Annual General Meeting of the Company to be held at **Sri Damansara Club Berhad of Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur, Malaysia on Thursday, 30th June, 2005 at 10.00 a.m. and at any adjournment thereof.**

| NO. | RESOLUTIONS  | FOR | AGAINST |
|-----|--|-----|---------|
| 1.  | To receive and adopt the Audited Financial Statements for the year ended 31 December, 2004 and Reports of the Directors' and Auditors thereon. |     |         |
| 2.  | To approve the payment of a Final Dividend of 3.5 sen gross per share less 28% income tax for the financial year ended 31 December 2004.       |     |         |
| 3.  | To approve the payment of Directors' fees of RM108,000.00.   |     |         |
| 4.  | Dato' Abdul Azim Bin Mohd Zabidi retires as Director.  |     |         |
| 5.  | To re-elect Mr. Chung Shan Kwang as Director.  |     |         |
| 6.  | To re-elect Mr. Goh Kheng Jiu as Director.   |     |         |
| 7.  | To re-elect Mr. Chung Shan Meng as Director.   |     |         |
| 8.  | To re-elect Mr. Khoo Beng Hwa as Director.   |     |         |
| 9.  | To re-elect Mr. Thang Yuen Mei as Director.  |     |         |
| 10. | To re-elect Mr. Tan Wan Huat as Director.  |     |         |
| 11. | To re-elect Mr. Chai Tuck Chuen as Director.   |     |         |
| 12. | To re-elect Mr. Teh Hui Guan as Director.  |     |         |
| 13. | To re-elect Mr. Tan Teck Ang as Director.  |     |         |
| 14. | To re-elect Mr. Fu Jun as Director.  |     |         |
| 15. | To re-elect Mr. Loo Choo Hong as Director.   |     |         |
| 16. | To re-elect Mr. Ch'ng Eng Hing as Director.  |     |         |
| 17. | To re-elect Ms. Low Yu Keat as Director.   |     |         |
| 18. | To re-elect Mr. Tan Kar Thye as Director.  |     |         |
| 19. | To re-elect Mr. Yap Kien Pin as Director.  |     |         |
| 20. | To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors of the Company.  |     |         |
| 21. | As special business, to approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.                                   |     |         |

Please indicate with "X" where appropriate against each resolution how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting in the resolutions as he / she may think fit.

|                    |
|--------------------|
| NO. OF SHARES HELD |
|--------------------|

\_\_\_\_\_  
 Signature of Shareholder(s)  
 (If shareholder is a corporation, this part should be executed under seal)

Date : \_\_\_\_\_

### NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
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4. The instrument appointing a proxy must be deposited at the Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia at least 48 hours before the time for holding the Meeting or any adjournment thereof.

*Fold here*

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Please affix  
postage stamp  
here

The Registrar Of The Company  
**WANG-ZHENG BERHAD**  
C/O Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi Purpose,  
Capital Square, No. 8,  
Jalan Munshi Abdullah,  
50100 Kuala Lumpur.

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