

Notes on the quarterly report – 30 June 2004

PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation

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

The interim financial statements have been prepared on proforma basis on the assumption that the acquisition of the subsidiary and associated companies, as disclosed in Note A10, were completed on 30 June 2004.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2003. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

The accounting policies, method of computation and basis of consolidation adopted for this quarterly financial report is consistent with those adopted for the Group's audited financial statements for the financial year ended 31 December 2003.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2003.

The audited financial statements of Wang-Zheng Berhad (WZB) were subject to an emphasis of matter in the auditors' report for the financial period ended 31 December 2003. The auditors had highlighted that as at 31 December 2003, WZB had a deficit in its shareholders' funds of RM7,861 and its current liability exceeded current asset by RM7,861. The financial statements have been prepared on the basis that WZB continues as a going concern which is dependent upon its ability to attain future profitable operations and the continuous financial support from its shareholders and creditors.

A3. Seasonal and cyclical factors

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

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

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A5. Material changes in estimates

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

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A6. Issuances and repayment of debt and equity securities

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

A7. Dividend Paid

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

A8. Segment information

There is no geographical reporting of the Company's results for the quarter ended 30 June 2004.

A9. Valuation of property, plant and equipment

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

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

There were no material events subsequent to the end of the current quarter except for the following restructuring exercise in conjunction with and as an integral part of the listing of WZB on the Second Board of Bursa Securities:-

On 16 July 2004:

- (a) WZB acquired the entire issued and fully paid-up share capital of Wang-Zheng Corporation Sdn Bhd (WZC) comprising 3,325,000 ordinary shares of RM1.00 each for a purchase consideration of RM23,153,717 based on the audited consolidated NTA of WZC as at 30 June 2003 of RM23,153,717. The purchase consideration was satisfied by the issuance of 46,307,189 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share;
- (b) WZB acquired the entire issued and fully paid-up share capital of Quality Hero Corporation Sdn Bhd (QHC) comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,476,107 based on the audited NTA of QHC as at 30 June 2003 of RM3,476,107. The purchase consideration was satisfied by the issuance of 6,952,177 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share;
- (c) WZB acquired 44% of the issued and fully paid-up share capital of Carefeel Cotton Industries (M) Sdn Bhd (CCI), representing 962,500 ordinary shares of RM1.00 each 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 satisfied by the issuance of 5,563,510 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share;
- (d) WZB acquired 44% of the issued and fully paid-up share capital of New Top Win Corporation Sdn Bhd (NTW), representing 440,000 ordinary shares of RM1.00 each for a purchase consideration of RM8,287,186 based on the audited consolidated NTA of NTW as at 30 June 2003 of RM18,834,514. The purchase consideration was satisfied by the issuance of 16,574,285 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share;

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- (e) WZB acquired 49% of the issued and fully paid-up share capital of Modern Alpine Sdn Bhd (MA), representing 1,470,000 ordinary shares of RM1.00 each 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 satisfied by the issuance of 4,096,471 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share; and
- (f) WZB acquired approximately 32.94% of the issued and fully paid-up share capital of Mey Paper Industries Sdn Bhd (MPI), representing 350,000 ordinary shares of RM1.00 each for a purchase consideration of RM631,685 based on the audited NTA of MPI as at 30 June 2003 of RM1,917,616. The purchase consideration was satisfied by the issuance of 1,263,364 new ordinary shares of RM0.50 each in WZB at an issue price of approximately RM0.50 per share.

The financial statements for the current quarter ended 30 June 2004 have been prepared on a proforma basis on the assumption that the acquisition of WZC, QHC, CCI, NTW, MA and MPI were completed on 30 June 2004.

A11. Changes in the composition of the Group

Save as disclosed in Note A10, there were no changes in the composition of the Group during the current quarter under review.

The financial statements for the current quarter ended 30 June 2004 have been prepared on a proforma basis on the assumption that the acquisition of WZC, QHC, CCI, NTW, MA and MPI were completed on 30 June 2004.

A12. Changes in contingent liabilities

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

A13. Capital commitments

There were no capital commitments as at 30 June 2004.

A14. Comparison with preceding quarter's results

The Group's restructuring exercise in conjunction with its listing on the Second Board of Bursa Securities has not been completed as at 30 June 2004. As the proforma financial statements of the Group for the current quarter ended 30 June 2004 are drawn up for the first time, no preceding quarter's results are available for comparison.

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

B1. Review of performance

The Group's restructuring exercise in conjunction with its listing on the Second Board of Bursa Securities has not been completed as at 30 June 2004. As such, the financial statements for the current quarter ended 30 June 2004 have been prepared on a proforma basis on the assumption that the acquisition of WZC, QHC, CCI, NTW, MA and MPI were completed on 30 June 2004.

The Group achieved a revenue of RM91.7 million and profit before tax of RM10.0 million for the 6 months period to date.

B2. Variation of results against preceding quarter

There is no comparison with the corresponding period's results because this is the first set of consolidated results of the Group submitted to Bursa Securities.

B3. Current year prospects

Barring any unforeseen circumstances and on the assumption that the current situation remains, the Board expects the Group to continue to achieve satisfactory performance for the current financial year.

B4. Variance of actual and forecast profit

The Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation. The analysis on the variance on profit forecast will only be applicable when the Group announces the results for the final quarter of the financial year ending 31 December 2004.

B5. Tax expense

	Period ended 30 June 2004 RM' 000
In respect of the current period:	
Income Tax	2,672
Deferred Tax	200
Total	<u>2,872</u>

The effective tax rate for the period under review was higher than the statutory income tax rate of 28% mainly due to certain expenses not deductible for income tax purposes.

B6. Unquoted investments and/or properties

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

B7. Quoted and marketable investments

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

B8. Status of corporate proposal announced

Save for the public issue in conjunction with the listing of WZB on the Second Board of Bursa Securities, there were no corporate proposal announced but not completed as at the date of this announcement.

B9. Group borrowings

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

	Short Term (Secured) RM'000	Long Term (Secured) RM'000
Trust receipts and bankers' acceptance	27,048	-
Term loans	569	1,306
Hire purchase	1,051	1,126
Total	<u>28,668</u>	<u>2,432</u>

B10. Off balance sheet financial instrument

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

B11. Changes in material litigation

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

WANG-ZHENG BERHAD
(Company No: 612237-K)

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B12. Dividends

An aggregate of net final dividends of RM5,597,500 for the financial year ended 31 December 2003 and an aggregate of net interim dividends of RM4,751,625 for the four months period ended 30 April 2004, have been declared and paid to the relevant shareholders of WZC, QHC, CCI, NTW, MA and MPI in July 2004.

	RM ('000)
Gross Dividend	14,374
Taxation	4,025
Net Dividend after tax	10,349

B13. Basic earnings per share

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

The basic earnings per share for the current quarter and cumulative year to date are computed as follow:							
				(Proforma)		(Proforma)	
				Individual		Cumulative	
				Current Year		Current Year	
				Quarter		To Date	
				30.6.04		30.6.04	
Profit for the period (RM'000)				3,671		7,085	
Proforma number of ordinary shares of RM0.50 each assumed in issue ('000)				80,757		80,757	
Basic Earnings Per Share based on proforma number of ordinary shares of RM0.50 each assumed in issue (sen)				4.55		8.77	