

**Notes on the quarterly report – 31 December 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 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 except for the listing of WZB on the Second Board of Bursa Securities on 21 October 2004, involving a public issue of 4,500,000 new ordinary shares of RM0.50 each in WZB at an issue price of RM1.00 per share.

**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 31 December 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.

**A11. Changes in the composition of the Group**

Save as disclosed in Note A6, there were no changes in the composition of the Group during the current quarter under review.

**A12. Changes in contingent liabilities**

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

**A13. Capital commitments**

There were no capital commitments as at 31 December 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 was completed on 21 October 2004. As the proforma financial statements of the Group for the current quarter ended 31 December 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 achieved a revenue of RM171.7 million and profit before tax of RM18.9 million for the financial year ended 31 December 2004.

**B2. Variation of results against preceding quarter**

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

**B3. Next financial year prospects**

The Malaysian government forecasted a lower level of economic growth in 2005 as compared to 2004. With the government continuing to adopt a surplus budget, the Malaysian economy will depend more on the private sector for growth.

The Group's performance will depend on the robustness of the nation's economy due to the consumer-related nature of the Group's products. Rising oil and other commodities prices will continue to remain a factor in determining profit margin. Oil prices will affect the Group's margin in terms of transportation costs and plastic packaging costs. However, the Group's management will continue to take proactive steps to increase its revenue and maintain the level of profitability.

The Group's new factory building has commenced construction work and is expected to be completed by the fourth quarter of 2005. Although the new factory may not contribute significantly to the Group's results in 2005, it will house new machineries to cater for new products and increased capacities to generate greater economies of scale. The new factory will also enable the Group to reduce its operating costs as certain subsidiaries which are currently operating from rented properties will be able to operate from the new factory.

The Group is also aggressively pursuing new and greater penetration of export markets for its products. This serves to diversify the Group's earning stream and reduce its reliance on any single geographical economic performance.

**B4. Variance of actual and forecast profit**

For the financial year ending 31 December 2004, the Group reports an unaudited net profit after tax of RM14.127 million. The result thus meets the net profit forecast of RM14.102 million.

The result was achieved amid a challenging economy environment with rising oil and other commodities prices and tightening government spending. Although rising raw material prices resulted in lower margin, the Group managed to mitigate the effects through cost minimization and increasing customer base.

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**B5. Tax expense**

	<b>Year ended 31 Dec 2004 RM' 000</b>
In respect of the current period:	
Income Tax	4,442
Deferred Tax	294
Total	<u>4,736</u>

The effective tax rate for the year under review was lower than the statutory income tax rate of 28% mainly due to differences between depreciation taken up in the financial statements and capital allowances calculated under income tax computations.

**B6. Unquoted investments and/or properties**

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

**B7. Quoted and marketable investments**

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

**B8. Status of corporate proposal announced**

There 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	21,305	-
Term loans	1,557	-
Hire purchase	1,121	587
Total	<u>23,983</u>	<u>587</u>

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**B10. Off balance sheet financial instrument**

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

**B11. Changes in material litigation**

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

**B12. Dividends**

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

The dividend payments are part of the restructuring exercise undertaken by WZB as an integral part of the listing of WZB on the Second Board of Bursa Securities.

**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) Individual Current Year Quarter 31.12.04	(Proforma) Cumulative Current Year To Date 31.12.04
Profit for the period (RM'000)	<u>3,329</u>	<u>14,127</u>
Proforma number of ordinary shares of RM0.50 each assumed in issue ('000)	<u>120,000</u>	<u>120,000</u>
Basic Earnings Per Share based on proforma number of ordinary shares of RM0.50 each assumed in issue (sen)	<u>2.77</u>	<u>11.77</u>

**Notes on the quarterly report – 31 December 2004**

**B14. Authorisation for issue**

The first quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 28 February 2005.

By order of the Board

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GOH KHENG JIU  
Managing Director  
Chief Executive Officer  
28 February 2005