

10. ACCOUNTANTS' REPORT



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27 September 2004
The Board of Directors
Wang-Zheng Berhad
18C Jalan 1/64
Off Jalan Kalam Air/Jalan Ipoh
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Dear Sir,

1. INTRODUCTION

This report has been prepared by Messrs. Anuarul Azizan Chew & Co., an approved company auditors, for inclusion in the Prospectus of Wang-Zheng Berhad ("Wang-Zheng" or "the Company") dated 30 September 2004, in connection with the listing and quotation of the entire issued and paid-up share capital of 120,000,000 ordinary shares of RM0.50 each in Wang-Zheng on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

2.1 Background

Wang-Zheng was incorporated in Malaysia as a public limited company under the Companies Act, 1965, on 15 April 2003 under its present name.

2.2 Principal Activities

The principal activity of the Company is that of an investment holding. The details of its subsidiary companies are set out in section 2.5 of this report.

2.3 Changes in Share Capital

At the date of incorporation, the authorised share capital of Wang-Zheng was 100,000 ordinary shares of RM1.00 each. Wang-Zheng had, on 17 November 2003, subdivided the par value of the subscriber's shares to RM0.50 each. On 16 July 2004, Wang-Zheng's authorised share capital was increased to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

10. ACCOUNTANTS' REPORT (CONT'D)

The changes in Wang-Zheng's issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of shares	Par value RM	Consideration	Total RM
15.04.2003	2	1.00 #	Subscriber's shares	2
16.07.2004	80,756,996	0.50	Acquisitions	40,378,500
19.08.2004	12,700,000	0.50	Restricted Issue	46,728,500
19.08.2004	22,043,000	0.50	Rights Issue	57,750,000
*	4,500,000	0.50	Public Issue	60,000,000

Wang-Zheng had, on 17 November 2003 subdivided the par value of the subscriber's shares to RM0.50 each.

* To be completed before the listing of Wang-Zheng on the Second Board of Bursa Securities.

2.4 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire issued and fully paid-up share capital of Wang-Zheng on the Second Board of the Bursa Securities, Wang-Zheng undertook the Listing Scheme which involved the transactions set out below.

2.4.1 Declaration of Dividends

An aggregate of net dividends of RM5,597,500 for the financial year ended 31 December 2003, and an aggregate of net dividends of RM4,751,625 for the four (4) months period ended 30 April 2004, have been declared and paid to the relevant shareholders of Wang Zheng Corporation, Quality Hero, Carefeel Cotton, New Top Win, Modern Alpine and Mey Paper in June/July 2004. Of the aggregate net dividends for the two (2) periods of RM10,349,125, RM3,168,150 was declared and paid to companies within Wang-Zheng Group.

2.4.2 Acquisition of Wang-Zheng Corporation

Pursuant to a conditional Sale And Purchase Agreement entered into between Wang-Zheng as the purchaser, and the shareholders of Wang-Zheng Corporation as the vendor, on 12 December 2003, Wang-Zheng acquired the entire issued and fully paid-up share capital of Wang-Zheng Corporation 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 Wang-Zheng Corporation as at 30 June 2003 of RM23,153,717. The purchase consideration was satisfied by the issuance of 46,307,189 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of Wang-Zheng Corporation was completed on 16 July 2004.

10. ACCOUNTANTS' REPORT (CONT'D)**2.4.3 Acquisition of Quality Hero**

Pursuant to a conditional Sale And Purchase Agreement entered into between Wang-Zheng as the purchaser, and the shareholders of Quality Hero as the vendors, on 12 December 2003, Wang-Zheng acquired the entire issued and fully paid-up share capital of Quality Hero comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,476,107 based on the audited NTA of Quality Hero as at 30 June 2003 of RM3,476,107. The purchase consideration was satisfied by the issuance of 6,952,177 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of Quality Hero was completed on 16 July 2004.

2.4.4 Acquisition of Carefeel Cotton

Wang-Zheng as the purchaser, entered into a conditional Sale And Purchase Agreement with certain shareholders of Carefeel Cotton as the vendors, on 12 December 2003 to acquire 962,500 ordinary shares of RM1.00 each, representing 44% of the issued and fully paid-up share capital of Carefeel Cotton, for a purchase consideration of RM2,781,770 based on the audited NTA of Carefeel Cotton as at 30 June 2003 of RM6,322,204. The purchase consideration was satisfied by the issuance of 5,563,510 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of Carefeel Cotton was completed on 16 July 2004.

2.4.5 Acquisition of New Top Win

Wang-Zheng as the purchaser, entered into a conditional Sale And Purchase Agreement with certain shareholders of New Top Win as the vendors, on 12 December 2003 to acquire 440,000 ordinary shares of RM1.00 each, representing 44% of the issued and fully paid-up share capital of New Top Win, for a purchase consideration of RM8,287,186 based on the audited consolidated NTA of New Top Win as at 30 June 2003 of RM18,834,514. The purchase consideration was satisfied by the issuance of 16,574,285 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of New Top Win was completed on 16 July 2004.

10. ACCOUNTANTS' REPORT (CONT'D)**2.4.6 Acquisition of Modern Alpine**

Wang-Zheng as the purchaser, entered into a conditional Sale And Purchase Agreement with certain shareholders of Modern Alpine as the vendors, on 12 December 2003 to acquire 1,470,000 ordinary shares of RM1.00 each, representing 49% of the issued and fully paid-up share capital of Modern Alpine, for a purchase consideration of RM2,048,247 based on the audited NTA of Modern Alpine as at 30 June 2003 of RM4,180,095. The purchase consideration was satisfied by the issuance of 4,096,471 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of Modern Alpine was completed on 16 July 2004.

2.4.7 Acquisition of Mey Paper

Wang-Zheng as the purchaser, entered into a conditional Sale And Purchase Agreement with certain shareholders of Mey Paper as the vendors, on 12 December 2003 to acquire 350,000 ordinary shares of RM1.00 each, representing approximately 32.94% of the issued and fully paid-up share capital of Mey Paper, for a purchase consideration of RM631,685 based on the audited NTA of Mey Paper as at 30 June 2003 of RM1,917,616. The purchase consideration was satisfied by the issuance of 1,263,364 new Shares in Wang-Zheng at an issue price of approximately RM0.50 per Share.

The Acquisition of Mey Paper was completed on 16 July 2004.

2.4.8 Restricted Issue

Subsequent to the Acquisitions, Wang-Zheng undertook a restricted issue of 12,700,000 new Shares at an issue price of RM0.50 each to certain shareholders of Wang-Zheng.

The new Shares issued pursuant to the Restricted Issue rank pari passu in all respects with the existing issued and fully paid-up Wang-Zheng Shares. The Restricted Issue was completed on 19 August 2004 and resulted in the issued and fully paid-up share capital of Wang-Zheng being enlarged from 80,757,000 Shares after completion of the Acquisitions to 93,457,000 Shares.

2.4.9 Rights Issue

Subsequent to the Restricted Issue, Wang-Zheng undertook a rights issue of 22,043,000 new Shares at an issue price of RM0.50 each, proportionately to all its existing shareholders on the basis of approximately 24 new Shares each for every 100 existing Shares held in Wang-Zheng after completion of the Acquisitions and Restricted Issue. The new Shares issued pursuant to the Rights Issue rank pari passu in all respects with the existing issued and fully paid-up Wang-Zheng Shares. The Rights Issue was completed on 19 August 2004 and resulted in the issued and fully paid-up share capital of Wang-Zheng being enlarged from 93,457,000 Shares after completion of the Acquisitions and Restricted Issue to 115,500,000 Shares.

10. ACCOUNTANTS' REPORT (CONT'D)**2.4.10 Swap Of Wang-Zheng Shares**

Upon completion of the Acquisitions, Restricted Issue and Rights Issue, in aggregate, the vendors of Wang-Zheng Corporation, Quality Hero, Carefeel Cotton, New Top Win, Modern Alpine and Mey Paper hold 115,500,000 Wang-Zheng Shares. Of these shares, certain of the vendors would transfer 54,000,000 Wang-Zheng Shares in aggregate to Wang-Zheng Resources Sdn Bhd ("Wang-Zheng Resources"), in return for 1,000,000 ordinary shares of RM1.00 each in Wang-Zheng Resources. The Swap which is pursuant to a conditional Sale And Purchase Agreement dated 12 December 2003 entered into between Wang-Zheng Resources as the purchaser, and the relevant vendors of the aforesaid companies, would be completed upon the relevant Wang-Zheng Shares being credited into the CDS Account of Wang-Zheng Resources prior to the listing of and quotation for Wang-Zheng Shares on Bursa Securities. The Directors of Wang-Zheng have confirmed that the relevant procedures to enable completion of the Swap have been undertaken where applicable.

2.4.11 Transfers of Carefeel Cotton, New Top Win and Mey Paper from Wang-Zheng Corporation, and Transfers of Modern Alpine and Mey Paper from New Top Win

Wang-Zheng as the purchaser, entered into two (2) Reorganisation Agreements with Wang-Zheng Corporation and New Top Win as the vendors, on 28 July 2004 to acquire the entire equity interests of Wang-Zheng Corporation and New Top Win in Carefeel Cotton, New Top Win, Modern Alpine and/or Mey Paper upon completion of the Acquisitions. The considerations were based on the audited NTA or audited consolidated NTA of the respective companies as at 30 June 2003. The Transfers were completed on 26 August 2004. Upon completion of the Transfers, Carefeel Cotton, New Top Win, Modern Alpine and/or Mey Paper became direct wholly-owned subsidiaries of Wang-Zheng.

2.4.12 Public Issue

Wang-Zheng will issue 4,500,000 new Shares, representing 3.75% of its enlarged issued and fully paid-up share capital at an issue price of RM1.00 per Share.

2.4.13 Offer For Sale

The vendors will offer for sale 44,500,000 Wang-Zheng Shares, representing approximately 37.08% of its enlarged issued and fully paid-up share capital at an offer price of RM1.00 per Share.

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2.4.14 Listing of and Quotation for Wang-Zheng Shares

Wang-Zheng would apply to Bursa Securities for admission to the Official List, and the listing of and quotation for its enlarged issued and fully paid-up share capital on the Second Board of the Bursa Securities.

10. ACCOUNTANTS' REPORT (CONT'D)**2.5 Subsidiary Companies**

The subsidiary companies of Wang-Zheng at the date of this report and their principal activities are as follows:-

Name of company	Date/Place of incorporation	Authorised share capital	Issued and fully paid-up share capital	Effective interest	Principal activities
		RM	RM	%	
Wang-Zheng Corporation	14.12.1987 Malaysia	5,000,000	3,325,000	100	Distributes disposable fibre-based products
Quality Hero	29.05.2000 Malaysia	500,000	250,000	100	Manufactures disposable baby diapers, sanitary napkins and other disposable fibre-based products
Carefeel Cotton	28.06.1993 Malaysia	5,000,000	2,187,500	100	Manufactures cotton jumbo rolls and facial cotton
New Top Win	01.06.1994 Malaysia	1,000,000	1,000,000	100	Imports, processes and distributes various types of paper products
Modern Alpine	11.03.2002 Malaysia	5,000,000	3,000,000	100	Distributes various types of paper products
Mey Paper	25.04.1996 Malaysia	5,000,000	1,062,500	100	Manufactures corrugated carton boxes

2.6 Dividends

An aggregate of net dividends of RM5,597,500 for the financial year ended 31 December 2003 and an aggregate of net dividends of RM4,751,625 for the four (4) months period ended 30 April 2004, have been declared and paid to the relevant shareholders of Wang-Zheng Corporation, Quality Hero, Carefeel Cotton, New Top Win, Modern Alpine and Mey Paper in June/July 2004.

Other than the above, no dividend was declared by the Company and its subsidiary companies in respect of the financial years/period.

10. ACCOUNTANTS' REPORT (CONT'D)

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We are the auditors of Wang-Zheng for the financial periods under review. The financial statements of Wang-Zheng were not subjected to any audit qualification, except for the emphasis of matter in auditors' report for the financial period ended 31 December 2003.

As regards to the emphasis of matter in auditors' report for the financial period ended 31 December 2003, the auditors had draw attention that Wang-Zheng had a deficit in its shareholder's funds of RM7,861 and its current liability exceeded current asset by RM7,861.

The financial statements have been prepared on the basis that Wang-Zheng continues as a going concern is dependent upon its ability to attain future profitable operations and the continuous financial support from its shareholders and creditors.

The financial statements of its subsidiary companies for the relevant years/period under review were audited by other firms of chartered accountants and were not subject to any audit qualification.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared in accordance with applicable approved accounting standards in Malaysia and is consistent with the accounting policies normally adopted by Wang-Zheng and its subsidiary companies, a summary of which is set out in Section 8.2.

10. ACCOUNTANTS' REPORT (CONT'D)**5. SUMMARISED INCOME STATEMENTS****5.1 Wang-Zheng Group – Proforma Consolidated Income Statements**

The summarised proforma consolidated income statements of Wang-Zheng Group as set out below are based on the audited financial statements of Wang-Zheng and its subsidiary companies for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004, which are prepared as if the Wang-Zheng Group had been in existence throughout the years/period covered by this report.

	←———— Years ended 31 December —————→					4 months ended 30 April 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	100,886	117,879	112,050	134,337	153,708	62,597
Profit before depreciation and interest	6,708	7,525	10,320	15,905	20,976	7,767
Depreciation	(1,205)	(1,329)	(1,485)	(1,673)	(2,148)	(631)
Interest income	179	139	257	411	286	70
Interest expense	(819)	(862)	(1,131)	(1,155)	(1,612)	(732)
Profit before taxation	4,863	5,473	7,961	13,488	17,502	6,474
Taxation	2	(1,797)	(2,464)	(3,419)	(5,710)	(1,655)
Profit after taxation	4,865	3,676	5,497	10,069	11,792	4,819
No. of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000	120,000	120,000
Gross earnings per share (Sen)	4.05	4.56	6.63	11.24	14.59	
Net earnings per share (Sen)	4.05	3.06	4.58	8.39	9.83	

Notes to the proforma consolidated income statements of Wang-Zheng

- (a) The proforma consolidated income statements for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 have been prepared on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the Wang-Zheng Group, and in accordance with applicable approved accounting standards issued and adopted in Malaysia for the relevant financial years/period under review. All material inter-company transactions and unrealised profit are eliminated on consolidation.
- (b) The proforma consolidated income statements of Wang-Zheng are prepared for illustrative purposes only and are based on the audited financial statements of Wang-Zheng Group.

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- (c) No taxation has been provided for the financial year ended 31 December 1999 in line with the waiver of tax pursuant to the Income Tax (Amendment) Act 1999. The effective tax rates of Wang-Zheng Group for the financial years ended 2000, 2001 and 2003 were higher than the statutory rate mainly due to certain expenses being disallowed for taxation purposes.

The effective tax rate for the financial year ended 2002 was lower than the statutory tax rate due to the utilisation of capital allowances, unabsorbed business losses and the reversal of deferred taxation relating to temporary differences. Furthermore, the effective tax rate for the financial period ended 2004 was lower than the statutory tax rate of 28.00% mainly due to the incentives given to small and medium scale companies where part of the chargeable income is taxable at a rate of 20.00%

- (d) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of Wang-Zheng Group for the financial years/period respectively divided by the issued and paid-up share capital of 120,000,000 following the Listing Scheme.
- (e) There was no exceptional or extraordinary item in respect of the financial years/period under review.

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5.2 The summarised income statements of Wang-Zheng and its subsidiary companies for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 are as follows:-

5.2.1 Wang-Zheng

The summarised income statements of Wang-Zheng based on the audited financial statements since its incorporation on 15 April 2003 up to the financial period ended 30 April 2004 are set out below:-

	Date of Incorporation to 31 December 2003 RM	4 months ended 30 April 2004 RM
Turnover	-	-
Loss before depreciation and interest	(7,863)	(1,552)
Depreciation	-	-
Interest income	-	-
Interest expense	-	-
Loss before taxation	(7,863)	(1,552)
Taxation	-	-
Loss after taxation	(7,863)	(1,552)
Weighted average number of ordinary shares of RM0.50 each ('000) #	*	*
Gross loss per share (RM)	(1,965.75)	
Net loss per share (RM)	(1,965.75)	

Wang-Zheng had, on 17 November 2003 subdivided the par value of the subscriber's shares to RM0.50 each.

* RM2.00 subdivided into 4 ordinary shares of RM0.50 each.

Notes to the income statements of Wang-Zheng

- (a) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation for the financial periods respectively divided by the weighted average number of ordinary shares in issue for each financial period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods under review.
- (c) Wang-Zheng has not commenced its business operations since its incorporation on 15 April 2003.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.2 Wang-Zheng Corporation**

The summarised income statements of Wang-Zheng Corporation based on the audited financial statements for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	← Years ended 31 December →					4 months ended 30 April
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	26,418	27,634	23,299	37,897	49,723	21,864
Profit before depreciation and interest	1,931	1,181	1,169	3,474	5,036	1,712
Depreciation	(302)	(331)	(340)	(272)	(438)	(128)
Interest income	-	8	83	70	79	27
Interest expense	(64)	(111)	(186)	(183)	(311)	(154)
Profit before taxation	1,565	747	726	3,089	4,366	1,457
Taxation	(29)	(287)	(221)	(774)	(1,374)	(426)
Profit after taxation	1,536	460	505	2,315	2,992	1,031
Weighted average number of ordinary shares of RM1.00 each ('000)	1,700	1,700	1,700	2,466	3,325	3,325
Gross earnings per share (RM)	0.92	0.44	0.43	1.25	1.31	
Net earnings per share (RM)	0.90	0.27	0.30	0.94	0.90	

Notes to the income statements of Wang-Zheng Corporation

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of Wang-Zheng Corporation for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.3 Quality Hero**

The summarised income statements of Quality Hero based on the audited financial statements since its incorporation on 29 May 2000 up to the financial year ended 31 December 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	7 months ended	<---Years ended 31 December--->			4 months ended
	31 December 2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	30 April 2004 RM'000
Turnover	430	3,609	11,378	20,956	7,461
Profit before depreciation and interest	82	869	2,583	4,618	1,625
Depreciation	(128)	(243)	(499)	(691)	(233)
Interest income	-	-	-	-	-
Interest expense	(137)	(203)	(159)	(139)	(33)
(Loss)/Profit before taxation	(183)	423	1,925	3,788	1,359
Taxation	-	-	(210)	(1,668)	(196)
(Loss)/Profit after taxation	(183)	423	1,715	2,120	1,163
Weighted average number of ordinary shares of RM1.00 each ('000)	147	200	200	239	250
Gross (loss)/earnings per share (RM)	(1.24)	2.12	9.63	15.85	
Net (loss)/earnings per share (RM)	(1.24)	2.12	8.58	8.87	

Notes to the income statements of Quality Hero

- (a) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation attributable to shareholders of Quality Hero for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.4 Carefeel Cotton**

The summarised income statements of Carefeel Cotton based on the audited financial statements for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	← Years ended 31 December →					4 months ended 30 April 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Turnover	5,975	6,698	7,100	8,012	7,752	2,880
Profit before depreciation and interest	1,140	1,011	1,435	2,069	2,370	778
Depreciation	(427)	(434)	(470)	(518)	(456)	(81)
Interest income	-	-	-	50	19	5
Interest expense	(130)	(112)	(47)	(74)	(18)	(10)
Profit before taxation	583	465	918	1,527	1,915	692
Taxation	-	(213)	(564)	(332)	(561)	(173)
Profit after taxation	583	252	354	1,195	1,354	519
Weighted average number of ordinary shares of RM1.00 each ('000)	1,750	1,750	1,750	1,750	2,069	2,187
Gross earnings per share (RM)	0.33	0.27	0.52	0.87	0.93	
Net earnings per share (RM)	0.33	0.14	0.20	0.68	0.65	

Notes to the income statements of Carefeel Cotton

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of Carefeel Cotton for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.5 New Top Win**

The summarised income statements of New Top Win based on the audited financial statements for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	←—————Years ended 31 December—————→					4 months ended 30 April 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Turnover	75,934	90,084	83,782	89,760	101,728	43,428
Profit before depreciation and interest	3,336	4,804	6,413	6,161	7,183	2,765
Depreciation	(281)	(272)	(258)	(244)	(400)	(132)
Interest income	179	131	174	214	151	33
Interest expense	(588)	(457)	(671)	(717)	(1,122)	(528)
Profit before taxation	2,646	4,206	5,658	5,414	5,812	2,138
Taxation	11	(1,234)	(1,662)	(1,558)	(1,650)	(565)
Profit after taxation	2,657	2,972	3,996	3,856	4,162	1,573
Weighted average number of ordinary shares of RM1.00 each ('000)	800	800	800	800	946	1,000
Gross earnings per share (RM)	3.31	5.26	7.07	6.77	6.14	
Net earnings per share (RM)	3.32	3.72	5.00	4.82	4.40	

Notes to the income statements of New Top Win

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of New Top Win for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.6 Modern Alpine**

The summarised income statements of Modern Alpine based on the audited financial statements since its incorporation on 11 March 2002 up to the financial year ended 31 December 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	Date of Incorporation to 31 December 2002 RM'000	Year ended 31 December 2003 RM'000	4 months ended 30 April 2004 RM'000
Turnover	11,677	24,495	13,502
Profit before depreciation and interest	957	1,203	668
Depreciation	(37)	(38)	(17)
Interest income	11	16	-
Interest expense	(2)	(4)	(2)
Profit before taxation	929	1,177	649
Taxation	(248)	(377)	(234)
Profit after taxation	681	800	415
Weighted average number of ordinary shares of RM1.00 each ('000)	*	1,940	3,000
Gross earnings per share (RM)	464,500.00	0.61	
Net earnings per share (RM)	340,500.00	0.41	

* Represents RM2.00.

Notes to the income statements of Modern Alpine

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of Modern Alpine for the financial periods/year respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/year under review.

10. ACCOUNTANTS' REPORT (CONT'D)**5.2.7 Mey Paper**

The summarised income statements of Mey Paper based on the audited financial statements for the financial years ended 31 December 1999 to 2003 and the four (4) months period ended 30 April 2004 are set out below:-

	← Years 31 December →					4 months ended 30 April 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Turnover	3,772	5,752	5,652	5,702	6,352	2,736
Profit before depreciation, amortisation and interest	313	452	436	714	575	220
Depreciation	(195)	(164)	(174)	(103)	(125)	(40)
Amortisation	(3)	(3)	(3)	(3)	-	-
Interest income	-	-	-	16	21	5
Interest expense	(46)	(47)	(23)	(20)	(18)	(5)
Profit before taxation	69	238	236	604	453	180
Taxation	20	(63)	(17)	(297)	(80)	(62)
Profit after taxation	89	175	219	307	373	118
Weighted average number of ordinary shares of RM1.00 each ('000)	850	850	850	850	1,005	1,063
Gross earnings per share (RM)	0.08	0.28	0.28	0.71	0.45	
Net earnings per share (RM)	0.10	0.21	0.26	0.36	0.37	

Notes to the results of Mey Paper

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of Mey Paper for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6 SUMMARISED BALANCE SHEETS**6.1 Wang-Zheng Group – Consolidated Balance Sheets**

As the group was in placed with effect from 16 July 2004, it is therefore impractical to present consolidated balance sheets of the Wang-Zheng Group throughout the years/period under review. Accordingly, we set out below the summarised audited balance sheets of Wang-Zheng and its subsidiary companies for the relevant financial years/period under review.

6.1.1 Wang-Zheng

	<----- As at ----->	
	31 December 2003 RM	30 April 2004 RM
ASSET EMPLOYED		
Current assets	2	2
Current liabilities	(7,863)	(9,415)
Net current liabilities	(7,861)	(9,413)
	<u>(7,861)</u>	<u>(9,413)</u>
FINANCED BY		
Share capital	2	2
Accumulated loss	(7,863)	(9,415)
	<u>(7,861)</u>	<u>(9,413)</u>
(NL) per share (RM)	(1,965.25)	(2,353.25)

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.2 Wang-Zheng Corporation

	←----- As at 31 December ----->					As at 30 April
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
ASSETS EMPLOYED						
Property, plant and equipment	1,410	1,401	1,224	1,138	2,173	2,633
Investment in subsidiaries	2,344	2,344	2,344	2,344	2,193	2,193
Other investment	19	19	18	18	18	17
Intangible assets	-	-	-	-	50	50
Current assets	11,856	11,476	15,157	28,153	43,585	48,486
Current liabilities	(10,474)	(9,799)	(12,951)	(22,035)	(35,315)	(39,685)
Net current assets	1,382	1,677	2,206	6,118	8,270	8,801
	<u>5,155</u>	<u>5,441</u>	<u>5,792</u>	<u>9,618</u>	<u>12,704</u>	<u>13,694</u>
FINANCED BY						
Share capital	1,700	1,700	1,700	3,325	3,325	3,325
Share premium	100	100	100	100	100	100
Retained profits	2,737	3,198	3,703	6,018	9,011	10,041
	<u>4,537</u>	<u>4,998</u>	<u>5,503</u>	<u>9,443</u>	<u>12,436</u>	<u>13,466</u>
Deferred and long term liabilities	618	443	289	175	268	228
	<u>5,155</u>	<u>5,441</u>	<u>5,792</u>	<u>9,618</u>	<u>12,704</u>	<u>13,694</u>
NTA per share (RM)	2.67	2.94	3.24	2.84	3.73	4.03

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.3 Quality Hero

	<----- As at 31 December ----->				As at
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	30 April 2004 RM'000
ASSETS EMPLOYED					
Property, plant and equipment	521	5,387	5,390	6,915	6,788
Capital work-in-progress	3,031	-	-	-	-
Current assets	1,169	4,715	12,204	19,357	24,840
Current liabilities	(3,477)	(8,755)	(15,360)	(20,279)	(24,447)
Net current (liabilities)/assets	(2,308)	(4,040)	(3,156)	(922)	393
	1,244	1,347	2,234	5,993	7,181
FINANCED BY					
Share capital	200	200	200	250	250
(Accumulated losses)/ Retained profits	(183)	240	1,955	4,075	5,238
	17	440	2,155	4,325	5,488
Share application monies	-	-	50	-	-
Deferred and long term liabilities	1,227	907	29	1,668	1,693
	1,244	1,347	2,234	5,993	7,181
NTA per share (RM)	0.09	2.20	10.78	17.30	21.95

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.4 Carefeel Cotton

	<----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30 April
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
	RM'000					
ASSETS EMPLOYED						
Property, plant and equipment	2,082	1,914	1,746	1,470	808	744
Current assets	3,485	3,472	4,119	5,463	7,879	7,918
Current liabilities	(2,019)	(1,520)	(1,647)	(1,290)	(1,799)	(1,267)
Net current assets	1,466	1,952	2,472	4,173	6,080	6,651
	3,548	3,866	4,218	5,643	6,888	7,395
FINANCED BY						
Share capital	1,750	1,750	1,750	1,750	2,187	2,187
Retained profits	1,528	1,780	2,134	3,329	4,683	5,203
	3,278	3,530	3,884	5,079	6,870	7,390
Share application monies	-	-	-	437	-	-
Deferred and long term liabilities	270	336	334	127	18	5
	3,548	3,866	4,218	5,643	6,888	7,395
NTA per share (RM)	1.87	2.02	2.22	2.90	3.14	3.38

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.5 New Top Win

	<----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30 April 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Property, plant and equipment	1,761	4,543	4,209	4,314	10,181	10,057
Interest in associated company	459	459	459	459	334	334
Investment in subsidiary company	-	-	-	-	1,530	1,530
Current assets	21,804	17,813	21,935	29,954	36,238	42,515
Current liabilities	(18,944)	(14,847)	(13,455)	(17,934)	(26,389)	(31,269)
Net current assets	2,860	2,966	8,480	12,020	9,849	11,246
	<u>5,080</u>	<u>7,968</u>	<u>13,148</u>	<u>16,793</u>	<u>21,894</u>	<u>23,167</u>
FINANCED BY						
Share capital	800	800	800	800	1,000	1,000
Retained profit	4,051	7,023	11,019	14,875	19,037	20,611
	<u>4,851</u>	<u>7,823</u>	<u>11,819</u>	<u>15,675</u>	<u>20,037</u>	<u>21,611</u>
Share application monies	-	-	200	200	-	-
Deferred and long term liabilities	229	145	1,129	918	1,857	1,556
	<u>5,080</u>	<u>7,968</u>	<u>13,148</u>	<u>16,793</u>	<u>21,894</u>	<u>23,167</u>
NTA per share (RM)	6.06	9.78	14.77	19.59	20.04	21.61

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.6 Modern Alpine

	<--- As at 31 December --->		As at
	2002 RM'000	2003 RM'000	30 April 2004 RM'000
ASSETS EMPLOYED			
Property, plant and equipment	195	163	207
Current assets	6,032	7,286	9,523
Current liabilities	(4,033)	(2,944)	(4,785)
Net current assets	1,999	4,342	4,738
	<u>2,194</u>	<u>4,505</u>	<u>4,945</u>
FINANCED BY			
Share capital	*	3,000	3,000
Retained profits	681	1,481	1,896
	<u>681</u>	<u>4,481</u>	<u>4,896</u>
Share application monies	1,470	-	-
Deferred and long term liabilities	43	24	49
	<u>2,194</u>	<u>4,505</u>	<u>4,945</u>
NTA per share (RM)	340,500.00	1.49	1.63

* Represents RM2.00.

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
6.1.7 Mey Paper

	←----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30 April 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Property, plant and equipment	370	224	148	374	364	326
Intangible assets	9	6	3	-	-	-
Current assets	1,861	2,248	2,960	2,672	3,175	3,824
Current liabilities	(1,365)	(1,508)	(1,960)	(1,182)	(1,416)	(1,935)
Net current assets	496	740	1,000	1,490	1,759	1,889
	<u>875</u>	<u>970</u>	<u>1,151</u>	<u>1,864</u>	<u>2,123</u>	<u>2,215</u>
FINANCED BY						
Share capital	850	850	850	850	1,063	1,063
(Accumulated losses)/ Retained profits	(76)	99	318	624	997	1,115
	<u>774</u>	<u>949</u>	<u>1,168</u>	<u>1,474</u>	<u>2,060</u>	<u>2,178</u>
Share application monies	-	-	-	212	-	-
Deferred and long term liabilities	101	21	(17)	178	63	37
	<u>875</u>	<u>970</u>	<u>1,151</u>	<u>1,864</u>	<u>2,123</u>	<u>2,215</u>
NTA per share (RM)	0.90	1.11	1.37	1.73	1.94	2.05

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
7. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following proforma consolidated cash flow statement has been prepared for illustrative purpose only, based on the audited financial statements of Wang-Zheng Group for the financial period ended 30 April 2004 and on the assumption that the Wang-Zheng Group had been in existence throughout the period under review and on the basis that all the other scheme as detailed in Note 2.4 had been effected on 30 April 2004.

	Company Audited RM'000	Proforma Group After Listing # RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before taxation	(2)	-
Increase in other payables	2	-
Net cash used in operating activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(1,110)
Net cash used in investing activities	<u>-</u>	<u>(1,110)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from restricted issue	-	6,350
Proceeds from rights issue	-	11,021
Proceeds from public issue	-	4,500
Repayment of term loan	-	(1,400)
Estimated listing expenses	-	(1,750)
Net cash from financing activities	<u>-</u>	<u>18,721</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	17,611
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	*	3,434
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>*</u>	<u>21,045</u>
Closing balance of cash and cash equivalents comprise:-		
Deposit placed with licensed banks (excluding deposits pledged)	-	1,015
Cash and bank balances	*	20,037
Overdrafts	-	(7)
	<u>*</u>	<u>21,045</u>

* Represents RM2.00.

Included the utilisation of listing proceeds.

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
8. PROFORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

The following proforma consolidated statements of assets and liabilities of Wang-Zheng Group and the Company which is prepared solely for illustrative purposes is based on the audited financial statements of Wang-Zheng Group and the Company as at 30 April 2004 and on the basis that the Wang-Zheng Group under the scheme as detailed in Note 2.4 had been effected on 30 April 2004. The proforma consolidated statements of assets and liabilities are to be read in conjunction with the notes thereto.

	Note	Company RM	Proforma Group # RM'000
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	8.3	-	21,733
OTHER INVESTMENTS	8.4	-	17
CURRENT ASSETS			
Inventories	8.5	-	29,143
Trade receivables	8.6	-	28,818
Other receivables	8.7	-	2,385
Tax recoverable		-	364
Short term funds	8.8	*	28,658
		*	89,368
LESS: CURRENT LIABILITIES			
Trade payables	8.9	-	8,274
Other payables	8.10	9	2,926
Lease and hire purchase payables	8.11	-	1,220
Bank borrowings	8.12	-	31,078
Taxation		-	1,099
		9	44,597
NET CURRENT (LIABILITIES)/ASSETS		(9)	44,771
		(9)	66,521
FINANCED BY			
SHARE CAPITAL	8.13	*	60,000
SHARE PREMIUM ACCOUNT	8.14	-	450
RESERVE ON CONSOLIDATION		-	3,279
ACCUMULATED LOSSES		(9)	(9)
		(9)	63,720
DEFERRED AND LONG TERM LIABILITIES			
Lease and hire purchase payables	8.11	-	1,187
Bank borrowings	8.12	-	590
Deferred taxation	8.15	-	1,024
		(9)	66,521

* Represents RM2.00.

Included the utilisation of listing proceeds.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES**8.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risks.

The main area of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, where the currency denomination differs from the local currency, Ringgit Malaysia.

(b) Interest Rate Risk

The Group's operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. The Group does not hedge the interest rate risk.

(c) Credit Risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the balance sheet.

(d) Liquidity and Cash Flow Risks

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and refinance.

The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

10. ACCOUNTANTS' REPORT (CONT'D)**8.2 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements of the Group are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and modified by the revaluation of certain property, plant and equipment and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Subsidiary companies and basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the years/period. Subsidiary companies are consolidated using the acquisition method of accounting. Companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

The difference between the consideration paid for equity interest acquired in the subsidiary companies and the fair value of net identifiable assets acquired is treated as goodwill or reserve on consolidation (negative goodwill) where appropriate.

Goodwill arising on consolidation represents the excess of the purchase price over fair value of the net identifiable assets of subsidiary companies acquired as at the date of acquisition. Goodwill on consolidation shall be amortised over a period of five (5) years subject to periodic impairment review.

Reserve on consolidation represents the excess of fair value attributable to the proportionate net identifiable assets of the subsidiary companies at the date of acquisition over the purchase consideration paid for acquiring their equity interests. Reserve on consolidation are written back in income statement over a period of twenty (20) periods.

A subsidiary company is a company in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions with and between subsidiary companies are eliminated.

10. ACCOUNTANTS' REPORT (CONT'D)**(c) Property, Plant and Equipment and Depreciation**

No depreciation is provided on freehold land. All other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line method to write off the cost over its estimated useful life. The principal annual rates used for this purposes are as follows:-

Leasehold land	over the leasehold period
Condominium and buildings	2%
Motor vehicles	20%
Plant and machinery	8% - 20%
Office equipment	10%
Furniture and fittings	10%
Air-conditioners	10%
Signboard	10%
Electrical installation	10%
Renovation	10%
Computers	10%
Telecommunication equipment	10%
Portable cabin	10%

(d) Impairment of assets

The carrying values of 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. An impairment loss is charged to the income statement immediately.

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 been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on a first-in-first-out basis.

10. ACCOUNTANTS' REPORT (CONT'D)**(f) Lease and Hire Purchase**

Finance lease is a lease that transfer substantially all the risks and rewards, incident to ownership of an asset. Operating lease is a lease other than a finance lease. Property, plant and equipment acquired under the finance lease and hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in note 8.2 (c) above. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to income statement over the period of the respective agreements.

(g) Foreign Currency Transactions

Foreign currency transactions are converted in Ringgit Malaysia at the approximate rate ruling at the date of transactions.

Assets and liabilities in foreign currencies in which are outstanding as at balance sheet date are converted into Ringgit Malaysia at the approximate rate of exchange ruling at that date. All exchange differences are taken to the income statements.

The principal closing rates used in translation of foreign currency monetary assets and liabilities are as follows:-

	As at 31 December 2003
1 US Dollar	3.7980
1 Singapore Dollar	2.2300
1 Brunei Dollar	2.2290

(h) Deferred Taxation

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxation 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

10. ACCOUNTANTS' REPORT (CONT'D)

(i) Revenue Recognition

Revenue of the Group from sale of goods is recognised upon delivery of products and customer acceptance, if any, or performance of services.

Rental income is recognised on accrual basis over the period of tenancy, unless its collectivity is in doubt.

Other revenue earned by the Group is recognised on the following basis:-

Interest income - as it accrues taking into account the effective yield on the assets, unless its collectibility is in doubt.

Other income - on receipt basis.

(j) Cash and Cash Equivalents

Cash comprises cash in hand and at bank.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other 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.

(l) Trade and other 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.

(m) Investments

Investments in time-sharing scheme are held on a long term basis and are amortised over its unexpired lease period.

Income arising on these investments is taken to the income statement as and when received.

10. ACCOUNTANTS' REPORT (CONT'D)

(n) Employee benefits

(i) Short term 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.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the period to which they relate.

(iii) Accrued annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, deposits, investments, receivables, payables and borrowings. The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

10. ACCOUNTANTS' REPORT (CONT'D)

8.3 PROPERTY, PLANT AND EQUIPMENT

Proforma Group (RM'000)	Leasehold land and building	Freehold condominiums	Freehold land	Plant and machinery	Motor vehicles	Office equipment	Furniture and fitting	Air- conditioners	Electrical installation	Portable cabin	Renovation	Computers	Signboard	Tele- communication equipment	Factory equipment	Total
Cost																
At 01.01.2004	5,391	1,267	2,934	13,085	4,353	324	558	52	373	17	176	184	2	11	602	29,329
Additions	412	-	-	1,083	110	37	94	-	-	-	-	131	-	-	43	1,910
Disposals and write off	-	-	-	-	(136)	-	-	-	-	-	-	-	-	-	-	(138)
At 30.04.2004	5,803	1,267	2,934	14,168	4,325	361	652	52	373	17	176	315	2	11	645	31,101
Accumulated depreciation and impairment losses																
At 01.01.2004	57	127	-	5,574	2,293	235	91	27	154	6	118	95	1	1	83	8,862
Charge for the period	19	8	-	303	222	8	22	1	10	1	3	10	1	1	21	630
Disposals and write off	-	-	-	-	(124)	-	-	-	-	-	-	-	-	-	-	(124)
At 30.04.2004	76	135	-	5,877	2,391	243	113	28	164	7	121	105	2	2	104	9,368
Net book value																
At 30.04.2004	5,727	1,132	2,934	8,291	1,934	118	539	24	209	10	55	210	-	9	541	21,733
At 31.12.2003	5,334	1,140	2,934	7,511	2,060	89	467	25	219	11	58	89	1	10	518	20,467
Depreciation charge for the year ended 31.12.2003	57	25	-	1,098	742	34	60	5	37	2	26	36	1	3	80	2,186

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
8.4 OTHER INVESTMENT

	Proforma Group RM'000
Investment in timesharing scheme, at cost	19
Less : Accumulated amortisation	(2)
	<u>17</u>

8.5 INVENTORIES

	Proforma Group RM'000
At cost	
Finished goods	26,225
Work in progress	*
Raw materials	3,268
	<u>29,493</u>
Less: Allowance for slow-moving inventories	(350)
	<u>29,143</u>

* Represents RM56.00.

8.6 TRADE RECEIVABLES

	Proforma Group RM'000
Trade receivables	29,131
Less: Allowance for doubtful debts	(313)
	<u>28,818</u>

The Group's normal trade credit terms range from 30 to 210 days.

8.7 OTHER RECEIVABLES

	Proforma Group RM'000
Other receivables	1,325
Deposits and prepayments	989
Staff advance	71
	<u>2,385</u>

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
8.8 SHORT TERM FUNDS

	Proforma Group RM'000
Fixed deposits with licensed bank	8,621
Cash and bank balances	20,037
	<u>28,658</u>
Included in short term funds are as follows:-	
Bank overdrafts	7
Fixed deposits pledged from financial facilities	7,606

8.9 TRADE PAYABLES

	Proforma Group RM'000
Trade payables	<u>8,274</u>

The normal trade credit terms granted to the Group range from 30 to 90 days.

8.10 OTHER PAYABLES

	Proforma Group RM'000
Other payables	2,850
Deposit refundable	35
Audit fee accrued	41
	<u>2,926</u>

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
8.11 LEASE AND HIRE PURCHASE PAYABLES

	Proforma Group RM'000
Future minimum payments:	
Within next twelve months	1,355
After next twelve months	1,322
	<u>2,677</u>
Less: Unexpired interest	(270)
	<u>2,407</u>
 Payable as follows:	
Within next twelve months	1,220
After next twelve months	1,187
	<u>2,407</u>

8.12 BANK BORROWINGS

	Proforma Group RM'000
Secured	
Term loans	590
Bank overdrafts	7
Bills payable	31,071
	<u>31,668</u>
 Repayable within twelve months	31,078
Repayable after twelve months	590
	<u>31,668</u>

The above credit facilities obtained are secured on the following:-

- (a) Legal charge over the properties of the Group and a Director;
- (b) Joint and several guarantee by all the Directors;
- (c) Debenture covering fixed and floating charge against the Group's present and future assets;
- (d) Fixed deposits plus interest thereon on lien to the bank;
- (e) Corporate guarantee;
- (f) Facility Agreement; and

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew

- (g) First party letter of set-off over the fixed deposits pledged by its subsidiary company.

The term loan is repayable by monthly instalments over five (5) years.

Range of interest rates is as follows:-

	Proforma Group % p.a.
Term loans	
Fixed rates	5.25 – 8.50
Floating rates	1.75 above BLR on daily rests
Bills payable	1.50 – 2.00 above BLR on daily rests

8.13 SHARE CAPITAL

	Proforma Group RM'000
Authorised:	
200,000,000 ordinary shares of RM0.50 each As at 30 April 2004	100,000
Issued and fully paid:	
Subscribers' shares – 4 ordinary shares of RM0.50 each As at 30 April 2004	*
Acquisitions	40,378
Restricted Issue	6,350
Rights Issue	11,022
Public Issue	2,250
	60,000

* Represents RM2.00.

10. ACCOUNTANTS' REPORT (CONT'D)
 AnuarulAzizanChew
8.14 SHARE PREMIUM

	Proforma Group RM'000
As at 30 April 2004	-
Arising from Acquisitions	*
Arising from Public Issue	2,250
Estimated listing expenses written off	(1,800)
	<u>450</u>

* Represents RM212.00.

8.15 DEFERRED TAXATION

	Proforma Group RM'000
As at 1 January 2004	824
Recognised in income statement	200
As at 30 April 2004	<u>1,024</u>
Deferred tax liabilities comprise:-	
Accelerated depreciation for tax purposes	156
Arising from excess of capital allowances over book depreciation	868
	<u>1,024</u>

9. NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma consolidated statement of assets and liabilities of Wang-Zheng Group as at 30 April 2004, the net tangible assets per share is calculated as follows:-

Net tangible assets (RM'000)	<u>63,720</u>
Total number of ordinary shares of RM0.50 each in issue ('000)	<u>120,000</u>
Net tangible assets per ordinary share of RM0.50 each (RM)	<u>0.53</u>

10. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 April 2004.


10. ACCOUNTANTS' REPORT (CONT'D)


 AnuarulAzizanChew

11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE 30 APRIL 2004

Other than the declaration of dividends and the completion of Acquisitions of subsidiary companies by Wang-Zheng as referred to in Section 2.4.1 to Section 2.4.7, no events have arisen subsequent to the balance sheet date, which require disclosure in this report.

Yours faithfully,


ANUARUL AZIZAN CHEW & CO.
Firm Number : AF0791
Chartered Accountants


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

11. DIRECTORS' REPORT

WANG-ZHENG BERHAD

(Company No. 612237-K)
18C, Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur

27 September 2004

The Shareholders of
Wang-Zheng Berhad ("Wang-Zheng")
18C Jalan 1/64
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur

Dear Sir/Madam

On behalf of the Board of Directors of Wang-Zheng, I report after due enquiry that between the period from 30 April 2004 (being the date to which the last audited financial statements of Wang-Zheng and its subsidiaries ("Group") have been made up) to 27 September 2004, being a date not earlier than 14 days before the issue of this Prospectus, that:-

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) save as disclosed in the Proforma Consolidated Balance Sheets and the Accountants' Report set out in sections 9.9 and 10 of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully

For and on behalf of the Board of Directors

WANG-ZHENG BERHAD



Goh Kheng Joo
Managing Director and Chief Executive Officer