
4. INFORMATION ON WANG-ZHENG GROUP

4.1 History And Development Of Wang-Zheng Group

Wang-Zheng Group commenced operations when Wang-Zheng Corporation was incorporated in 1987. During its early years, Wang-Zheng Corporation was involved in the distribution and wholesale of fast-moving consumer products such as canned and dried foods, and household items. Under the resourceful stewardship of the Executive Directors of Wang-Zheng, Wang-Zheng Corporation successfully developed an extensive distribution network for its products in both West and East Malaysia. Over the years, with the growth of Wang-Zheng Group, Wang-Zheng Corporation evolved to become the principal marketing arm of Wang-Zheng Group.

Through their close contact with the customers, which range from the small family-run mom-and-pop stores to merchants comprising wholesalers, retail chains of supermarkets and hypermarkets, pharmacies, medical halls and departmental stores, the Executive Directors of Wang-Zheng, gained intimate knowledge of the needs of their target markets and the consumers at large.

Prior to 1994, finished cotton products were mostly imported from Japan. In 1994, upon realizing the significant potential of the cotton products sector, Wang-Zheng Corporation acquired Carefeel Cotton, and imported Japanese technology and used Korean expertise to manufacture cotton jumbo rolls for subsequent processing into facial cotton. Wang-Zheng Group, through Carefeel Cotton, is one of the pioneers which has manufactured its own cotton jumbo rolls in Malaysia. At present, Wang-Zheng Group markets its facial cotton under the brand names Carefeel, Carina and Cosmex.

Wang-Zheng Group expanded into the processed paper business in 1994 via its investment in New Top Win. Under the stewardship of Teh Hui Guan, who founded New Top Win in 1994, New Top Win has since expanded and is at present, among the top five (5) paper importers, converters and distributors in the country.

With the acquisition of Quality Hero pursuant to the Listing Scheme, Wang-Zheng Group became involved in the manufacturing of disposable baby diapers, sanitary protection products, tissues and other cotton products, thus expanding further into the disposable fibre-based products sector.

16 years after the incorporation of Wang-Zheng Corporation in 1987, with its involvement in various disposable fibre-based products and processed papers, Wang-Zheng Group has established a solid presence in its target sectors of the fibre-based products industry.

4.2 Incorporation And Commencement Of Business

Wang-Zheng was incorporated in Malaysia under the Companies Act, 1965 on 15 April 2003 as a public limited company. Wang-Zheng is principally an investment holding company whilst the principal activities of its subsidiaries are detailed in section 4.5. Wang-Zheng does not have any associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.3 Share Capital And Changes In Share Capital

The present authorised share capital of Wang-Zheng is RM100,000,000 comprising 200,000,000 Shares. The issued and fully paid-up share capital of Wang-Zheng is RM57,750,000 comprising 115,500,000 Shares.

Details of the changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
15.4.2003	2	* 1.00	Cash	2
16.7.2004	80,756,996	0.50	Full purchase consideration for the Acquisitions	40,378,500
19.8.2004	34,743,000	0.50	Cash: Restricted Issue and Rights Issue	57,750,000

Note:-

* Wang Zheng had, on 17 November 2003, filed an application with the CCM to subdivide the par value of the subscribers' shares to RM0.50 each.

4.4 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 Bursa Securities, Wang-Zheng proposed to undertake the Listing Scheme which includes the transactions set out below.

4.4.1 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 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.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.4.2 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 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 shareholdings of the vendors of Wang-Zheng Corporation in Wang-Zheng pursuant to the Acquisition Of Wang-Zheng Corporation are set out below.

Vendor	No. Of Ordinary Shares Held In Wang-Zheng Corporation	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	618,450	18.60	4,306,591	8,613,138
Khoo Beng Hwa	472,150	14.20	3,287,828	6,575,621
Thang Yuen Mei	279,300	8.40	1,944,912	3,889,804
Tan Wan Huat	272,650	8.20	1,898,605	3,797,189
Chai Tuck Chuen	246,050	7.40	1,713,375	3,426,732
Macro-Link Sdn Bhd	212,800	6.40	1,481,838	2,963,660
Tan Teck Ang	179,550	5.40	1,250,301	2,500,588
Chung Shan Hui	149,625	4.50	1,041,917	2,083,823
Chung Shan Kwang	149,625	4.50	1,041,917	2,083,823
Chung Shan Meng	149,625	4.50	1,041,917	2,083,823
Chung Shan Yong	149,625	4.50	1,041,917	2,083,823
Choo Kok Cheng	133,000	4.00	926,149	1,852,288
Tijiat Seng Exim (1970) Pte Ltd	133,000	4.00	926,149	1,852,288
Chai Teck Seng	99,750	3.00	694,612	1,389,216
Khoo Beng Keong	79,800	2.40	555,689	1,111,373
	3,325,000	100.00	23,153,717	46,307,189

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

4.4.3 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 shareholdings of the vendors of Quality Hero in Wang-Zheng pursuant to the Acquisition Of Quality Hero are set out below.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Vendor	No. Of Ordinary Shares Held In Quality Hero	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	46,500	18.60	646,556	1,293,105
Khoo Beng Hwa	35,500	14.20	493,607	987,209
Thang Yuen Mei	21,000	8.40	291,993	583,983
Tan Wan Huat	20,500	8.20	285,041	570,079
Chai Tuck Chuen	18,500	7.40	257,232	514,461
Macro-Link Sdn Bhd	16,000	6.40	222,471	444,939
Tan Teck Ang	13,500	5.40	187,710	375,418
Chung Shan Hui	11,250	4.50	156,425	312,848
Chung Shan Kwang	11,250	4.50	156,425	312,848
Chung Shan Meng	11,250	4.50	156,425	312,848
Chung Shan Yong	11,250	4.50	156,425	312,848
Choo Kok Cheng	10,000	4.00	139,044	278,087
Tjiat Seng Exim (1970) Pte Ltd	10,000	4.00	139,044	278,087
Chai Teck Seng	7,500	3.00	104,283	208,565
Khoo Beng Keong	6,000	2.40	83,426	166,852
	250,000	100.00	3,476,107	6,952,177

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

4.4.4 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 shareholdings of the following vendors of Carefeel Cotton in Wang-Zheng pursuant to the Acquisition Of Carefeel Cotton are set out below.

Vendor	No. Of Ordinary Shares Held In Carefeel Cotton	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	170,625	7.80	493,132	986,259
Khoo Beng Hwa	96,250	4.40	278,177	556,351
Thang Yuen Mei	70,000	3.20	202,311	404,619
Tan Wan Huat	70,000	3.20	202,311	404,619
Macro-Link Sdn Bhd	262,500	12.00	758,664	1,517,321
Khoo Beng Keong	118,125	5.40	341,399	682,794
Lee Piang Koon	175,000	8.00	505,776	1,011,547
	962,500	44.00	2,781,770	5,563,510

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

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.4.5 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 shareholdings of the following vendors of New Top Win in Wang-Zheng pursuant to the Acquisition Of New Top Win are set out below.

Vendor	No. Of Ordinary Shares Held In New Top Win	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	78,000	7.80	1,469,092	2,938,168
Khoo Beng Hwa	44,000	4.40	828,719	1,657,428
Thang Yuen Mei	32,000	3.20	602,704	1,205,403
Tan Wan Huat	32,000	3.20	602,704	1,205,403
Khoo Beng Keong	14,000	1.40	263,683	527,364
Teh Hui Guan	160,000	16.00	3,013,523	6,027,013
Chuah Joon Hooi	80,000	8.00	1,506,761	3,013,506
	440,000	44.00	8,287,186	16,574,285

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

4.4.6 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 shareholdings of the following vendors of Modern Alpine in Wang-Zheng pursuant to the Acquisition Of Modern Alpine are set out below.

Vendor	No. Of Ordinary Shares Held In Modern Alpine	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	1	*	1	3
Chung Shan Kwang	599,999	20.00	836,018	1,672,026
Lee Piang Koon	300,000	10.00	418,009	836,015
Soh Lay Ching	150,000	5.00	209,005	418,007
Oon Kim Koi	150,000	5.00	209,005	418,007
Tham Ming Chait	150,000	5.00	209,005	418,007
Teh Hui Peng	120,000	4.00	167,204	334,406
	1,470,000	49.00	2,048,247	4,096,471

Note:-

* Negligible.

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

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.4.7 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 shareholdings of the following vendors of Mey Paper in Wang-Zheng pursuant to the Acquisition Of Mey Paper are set out below.

Vendor	No. Of Ordinary Shares Held In Mey Paper	% Interest	Purchase Consideration (RM)	No. Of Wang-Zheng Shares Issued
Goh Kheng Jiu	82,875	7.80	149,574	299,146
Khoo Beng Hwa	46,750	4.40	84,375	168,749
Thang Yuen Mei	34,000	3.20	61,364	122,727
Tan Wan Huat	34,000	3.20	61,364	122,727
Khoo Beng Keong	14,875	1.40	26,846	53,693
Thang Lok	87,500	8.23	157,921	315,841
Chua Meng Huat	50,000	4.71	90,241	180,481
	350,000	32.94	631,685	1,263,364

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

4.4.8 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 the following shareholders of Wang-Zheng.

Shareholder	No. Of Wang-Zheng Shares Issued
Chai Tuck Chuen	2,500,000
Tan Teck Ang	1,000,000
Chung Shan Hui	600,000
Chung Shan Kwang	5,200,000
Chung Shan Meng	600,000
Chung Shan Yong	600,000
Chai Teck Seng	600,000
Teh Hui Guan	1,600,000
	12,700,000

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.

4.4.9 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.

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.4.10 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, the following vendors would transfer 54,000,000 Wang-Zheng Shares in aggregate to 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 the completion of the Swap have been undertaken where applicable.

Vendor	No. Of Wang-Zheng Shares Held After Acquisitions, Restricted Issue And Rights Issue	No. Of Wang-Zheng Shares To Be Swapped	No. Of Wang-Zheng Shares Held After Swap	No. Of Shares Held In Wang-Zheng Resources Before Swap	No. Of Shares In Wang-Zheng Resources To Be Issued Pursuant To Swap	No. Of Shares Held In Wang-Zheng Resources After Swap
Goh Kheng Jiu	17,462,513	8,558,191	8,904,322	-	158,485	158,485
Khoo Beng Hwa	12,291,095	5,819,397	6,471,698	-	107,767	107,767
Thang Yuen Mei	7,670,425	3,631,638	4,038,787	-	67,253	67,253
Tan Wan Huat	7,538,782	3,569,295	3,969,487	-	66,098	66,098
Chai Tuck Chuen	7,960,429	3,768,970	4,191,459	-	69,796	69,796
Macro-Link Sdn Bhd	6,087,760	2,882,327	3,205,433	-	53,376	53,376
Tan Teck Ang	4,790,211	2,267,970	2,522,241	-	41,999	41,999
Chung Shan Hui	3,703,473	1,753,440	1,950,033	-	32,471	32,471
Chung Shan Kwang	11,454,835	5,423,463	6,031,372	-	100,434	100,434
Chung Shan Meng	3,703,473	1,753,440	1,950,033	-	32,471	32,471
Chung Shan Yong	3,703,473	1,753,440	1,950,033	-	32,471	32,471
Choo Kok Cheng	2,632,851	1,246,548	1,386,303	-	23,084	23,084
Tijat Seng Exim (1970) Pte Ltd	2,632,851	1,246,548	1,386,303	-	23,084	23,084
Chai Teck Seng	2,716,155	1,285,986	1,430,169	-	23,815	23,815
Khoo Beng Keong	3,141,656	1,487,473	1,654,183	-	27,546	27,546
Lee Piang Koon	2,283,333	1,081,093	1,202,240	-	20,020	20,020
Teh Hui Guan	9,425,939	4,462,860	4,963,079	-	82,646	82,646
Chuah Joon Hooi	3,724,279	1,763,303	1,960,976	-	32,654	32,654
Soh Lay Ching	516,599	244,618	271,981	-	4,530	4,530
	113,440,132	54,000,000	59,440,132	-	1,000,000	1,000,000

4.4.11 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.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Company	NTA As At 30.6.2003 (RM)	% Acquired	Purchase Consideration (RM)
<u>Acquisition From Wang-Zheng Corporation</u>			
Carefeel Cotton	* 6,322,204	56	3,540,434
New Top Win	** 18,834,514	56	10,547,328
Mey Paper	* 1,917,616	33.53	642,965
			14,730,727
<u>Acquisition From New Top Win</u>			
Modern Alpine	* 4,180,095	51	2,131,848
Mey Paper	* 1,917,616	33.53	642,965
			2,774,813

Note:-

* Based on audited financial statements as at 30 June 2003.

** Based on audited consolidated financial statements as at 30 June 2003.

4.4.12 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. The details of the Public Issue have been set out in section 2.4.

4.4.13 Offer For Sale

The following persons 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. The details of the Offer For Sale have been set out in section 2.4.

Vendor	No. Of Wang-Zheng Shares	% Of Enlarged Issued And Fully Paid-Up Share Capital
Goh Kheng Jiu	6,728,100	5.61
Khoo Beng Hwa	4,735,500	3.94
Thang Yuen Mei	2,955,300	2.46
Tan Wan Huat	2,904,600	2.42
Chai Tuck Chuen	3,067,000	2.56
Macro-Link Sdn Bhd	2,345,500	1.95
Tan Teck Ang	1,845,600	1.54
Chung Shan Hui	1,426,900	1.19
Chung Shan Kwang	4,413,300	3.68
Chung Shan Meng	1,426,900	1.19
Chung Shan Yong	1,426,900	1.19
Choo Kok Cheng	1,014,400	0.84
Tjiat Seng Exim (1970) Pte Ltd	1,014,400	0.84
Chai Teck Seng	1,046,500	0.87
Khoo Beng Keong	1,210,400	1.01
Lee Piang Koon	879,700	0.73
Teh Hui Guan	3,631,600	3.03
Chuah Joon Hooi	1,434,900	1.20
Soh Lay Ching	199,000	0.17
Oon Kim Koi	199,000	0.17
Tham Ming Chait	199,000	0.17
Teh Hui Peng	159,200	0.13
Thang Lok	150,400	0.12
Chua Meng Huat	85,900	0.07
	44,500,000	37.08

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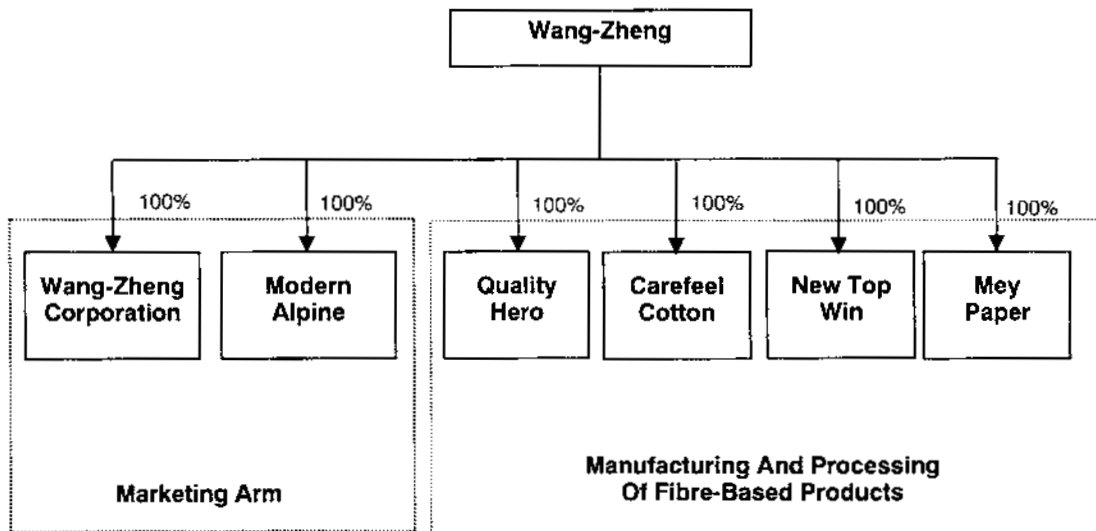
4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.4.14 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 Bursa Securities.

4.5 Group Structure

The corporate structure of Wang-Zheng Group is set out below:-



Details of the subsidiaries of Wang-Zheng are summarized below:-

Company	Date And Place Of Incorporation	Issued And Fully Paid-Up Share Capital (RM)	Effective Equity Interest (%)	Principal Activity
Wang-Zheng Corporation (166952-D)	14.12.1987 Malaysia	3,325,000	100	Distributes disposable fibre-based products
Quality Hero (515368-M)	29.5.2000 Malaysia	250,000	100	Manufactures disposable baby diapers, sanitary napkins and other disposable fibre-based products
Carefeel Cotton (268247-U)	28.6.1993 Malaysia	2,187,500	100	Manufactures cotton jumbo rolls and facial cotton
New Top Win (302387-H)	1.6.1994 Malaysia	1,000,000	100	Imports, processes and distributes various types of paper products
Modern Alpine (573608-P)	11.3.2002 Malaysia	3,000,000	100	Distributes various types of paper products
Mey Paper (385113-X)	25.4.1996 Malaysia	1,062,500	100	Manufactures corrugated carton boxes

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.5.1 Wang-Zheng Corporation

4.5.1.1 Background And History

Wang-Zheng Corporation was incorporated in Malaysia under the Companies Act, 1965 on 14 December 1987 as a private limited company. Wang-Zheng Corporation commenced business since inception.

Wang-Zheng Corporation started in 1987 as a small trading company involved in fast-moving consumer products such as canned and dried foods, and household items. As Wang-Zheng Group diversified into manufacturing and processing, and expanded over the years, Wang-Zheng Corporation evolved to become the principal marketing arm of Wang-Zheng Group.

4.5.1.2 Principal Activity And Product

Wang-Zheng Corporation is principally engaged in the distribution of disposable fibre-based products which are manufactured by Quality Hero and Carefeel Cotton. The products include disposable baby diapers, sanitary napkins, panty liners, facial cotton, cotton buds, cotton wool buds and cotton balls. Its customers include domestic merchants comprising wholesalers, retail chains of supermarkets and hypermarkets, pharmacies, medical halls and departmental stores.

4.5.1.3 Substantial Shareholder

As at the date of this Prospectus, Wang-Zheng Corporation is a wholly-owned subsidiary of Wang-Zheng.

4.5.1.4 Share Capital

The authorised share capital of Wang-Zheng Corporation is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM3,325,000 comprising 3,325,000 ordinary shares of RM1.00 each.

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

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
14.12.1987	7	1.00	Cash	7
16.4.1990	349,993	1.00	Cash	350,000
21.10.1992	50,000	1.00	Cash	400,000
25.4.1994	300,000	1.00	Cash	700,000
12.9.1996	1,000,000	1.00	Cash	1,700,000
1.7.2002	425,000	1.00	Cash	2,125,000
15.7.2002	1,200,000	1.00	Cash	3,325,000

4.5.1.5 Subsidiary And Associated Company

As at the date hereof, Wang-Zheng Corporation does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.5.2 Quality Hero

4.5.2.1 Background And History

Quality Hero was incorporated in Malaysia under the Companies Act, 1965 on 29 May 2000 as a private limited company. Quality Hero commenced business on 1 October 2000.

From the initial investment in machineries for the manufacturing of sanitary napkins, tissues and serviettes, Quality Hero rapidly expanded to also manufacture disposable baby diapers and cotton products in 2001. Its products are principally marketed by Wang-Zheng Corporation for distribution in the local market. Quality Hero also exports its products on a relatively small scale. For the financial year ended 31 December 2003, approximately 93% and 7% of its turnover were generated from the local market and export market respectively.

4.5.2.2 Principal Activity And Product

Quality Hero is principally engaged in the manufacturing of disposable baby diapers under its own brand names Q-basics and Dry-pro. The company also manufactures other disposable fibre-based products such as sanitary napkins, panty liners, tissues, serviettes, and cotton products which include cotton buds, cotton wool rolls, cotton balls and zig-zag cotton under its own brand names Carefeel, Carina, Cosmex and Kuali. Quality Hero also acts as OEMs for various local and foreign brands.

4.5.2.3 Substantial Shareholder

As at the date of this Prospectus, Quality Hero is a wholly-owned subsidiary of Wang-Zheng.

4.5.2.4 Share Capital

The authorised share capital of Quality Hero is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

The changes in Quality Hero's issued and fully paid-up share capital since incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
29.5.2000	2	1.00	Cash	2
26.7.2000	199,998	1.00	Cash	200,000
18.3.2003	50,000	1.00	Cash	250,000

4.5.2.5 Subsidiary And Associated Company

As at the date hereof, Quality Hero does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.5.3 Carefeel Cotton****4.5.3.1 Background And History**

Carefeel Cotton was incorporated in Malaysia under the Companies Act, 1965 on 28 June 1993 as a private limited company. Carefeel Cotton commenced business since inception.

In 1994, Carefeel Cotton imported Japanese technology and used Korean expertise to manufacture cotton jumbo rolls for subsequent processing into facial cotton. The cotton jumbo rolls are also sold to Quality Hero for further processing into other cotton-based products.

For the financial year ended 31 December 2003, approximately 48% of its turnover was generated from sales to Singapore and other countries. Its remaining sales are principally contributed by sales to Wang-Zheng Corporation, a principal marketing arm of Wang-Zheng Group.

4.5.3.2 Principal Activity And Product

Carefeel Cotton is principally engaged in manufacturing of cotton jumbo rolls and facial cotton. Whilst the facial cotton is principally manufactured under its own brand names Carefeel, Carina and Cosmex, Carefeel Cotton also acts as OEMs for various local and foreign brands.

4.5.3.3 Substantial Shareholder

As at the date of this Prospectus, Carefeel Cotton is a wholly-owned subsidiary of Wang-Zheng.

4.5.3.4 Share Capital

The authorised share capital of Carefeel Cotton is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM2,187,500 comprising 2,187,500 ordinary shares of RM1.00 each.

The changes in Carefeel Cotton's issued and fully paid-up share capital since incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
28.6.1993	4	1.00	Cash	4
23.5.1994	1,274,996	1.00	Cash	1,275,000
7.9.1994	150,000	1.00	Cash	1,425,000
15.12.1994	75,000	1.00	Cash	1,500,000
18.8.1998	250,000	1.00	Cash	1,750,000
9.4.2003	437,500	1.00	Cash	2,187,500

4.5.3.5 Subsidiary And Associated Company

As at the date hereof, Carefeel Cotton does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.5.4 New Top Win

4.5.4.1 Background And History

New Top Win was incorporated in Malaysia under the Companies Act, 1965 on 1 June 1994 as a private limited company. New Top Win commenced business since inception.

New Top Win started off as a small paper trading company. The company subsequently became involved in paper processing in 1996. Over the years, with the strong financial backing from Wang-Zheng Group, New Top Win transformed into a significant paper importer, converter and distributor. The company is presently one of the top five (5) paper importers, converters and distributors in Malaysia.

4.5.4.2 Principal Activity And Product

New Top Win is principally engaged in importing, processing and distributing various types of paper products. Its customers are principally large printing and publishing companies. New Top Win's processed papers are mainly used by these customers for printing books and publishing magazines.

4.5.4.3 Substantial Shareholder

As at the date of this Prospectus, New Top Win is a wholly-owned subsidiary of Wang-Zheng.

4.5.4.4 Share Capital

The authorised share capital of New Top Win is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

The changes in New Top Win's issued and fully paid-up share capital since incorporation are as follows -

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
1.6.1994	400	1.00	Cash	400
12.1.1995	399,600	1.00	Cash	400,000
26.5.1997	400,000	1.00	Cash	800,000
9.4.2003	200,000	1.00	Cash	1,000,000

4.5.4.5 Subsidiary And Associated Company

As at the date hereof, New Top Win does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.5.5 Modern Alpine****4.5.5.1 Background And History**

Modern Alpine was incorporated in Malaysia under the Companies Act, 1965 on 11 March 2002 as a private limited company. Modern Alpine commenced business since inception. Modern Alpine acts as a marketing and distribution channel of New Top Win.

4.5.5.2 Principal Activity And Product

Modern Alpine is principally engaged in the marketing and distribution of various types of paper. Being one of the marketing and distribution channel of New Top Win, its products are solely sourced from New Top Win. It sells to local bookstores, photocopy shops, and small printing and publishing houses.

4.5.5.3 Substantial Shareholder

As at the date of this Prospectus, Modern Alpine is a wholly-owned subsidiary of Wang-Zheng.

4.5.5.4 Share Capital

The authorised share capital of Modern Alpine is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each.

The changes in Modern Alpine's issued and fully paid-up share capital since incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
11.3.2002	2	1.00	Cash	2
9.5.2003	2,999,998	1.00	Cash	3,000,000

4.5.5.5 Subsidiary And Associated Company

As at the date hereof, Modern Alpine does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.5.6 Mey Paper****4.5.6.1 Background And History**

Mey Paper was incorporated in Malaysia under the Companies Act, 1965 on 25 April 1996 as a private limited company. Mey Paper commenced business on 1 May 1996.

Mey Paper was established to tap into the vast packaging market as well as to fulfil Carefeel Cotton's packaging requirements. Currently, close to 90% of its products are manufactured to cater for external demand. The remaining 10% is used internally by Wang-Zheng Group.

4.5.6.2 Principal Activity And Product

Mey Paper is principally engaged in manufacturing of corrugated carton boxes for small and medium size companies in the domestic market. It is also a support vendor of carton boxes of Wang-Zheng Group.

4.5.6.3 Substantial Shareholder

As at the date of this Prospectus, Mey Paper is a wholly-owned subsidiary of Wang-Zheng.

4.5.6.4 Share Capital

The authorised share capital of Mey Paper is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM1,062,500 comprising 1,062,500 ordinary shares of RM1.00 each.

The changes in Mey Paper's issued and fully paid-up share capital since incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
25.4.1996	5	1.00	Cash	5
18.5.1996	299,996	1.00	Cash	300,001
18.5.1996	249,999	1.00	Others (due to transfer of assets into company)	550,000
25.3.1997	200,000	1.00	Cash	750,000
2.6.1998	100,000	1.00	Cash	850,000
9.4.2003	212,500	1.00	Cash	1,062,500

4.5.6.5 Subsidiary And Associated Company

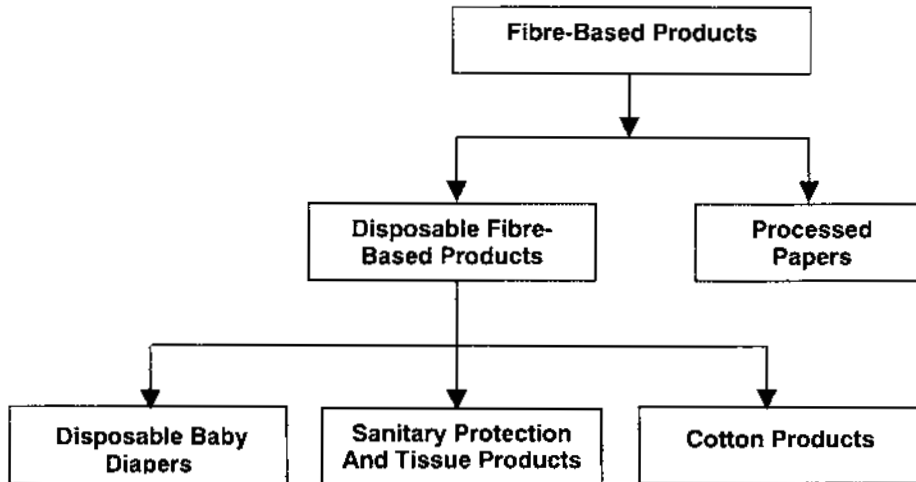
As at the date hereof, Mey Paper does not have any subsidiary or associated company.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6 Business Overview

4.6.1 Principal Products



Wang-Zheng Group is principally engaged in the manufacturing, processing and distribution of fibre-based products. Whilst the products are mainly manufactured under its own brand names, Wang-Zheng Group also acts as OEMs for various local and foreign brands. For the financial year ended 31 December 2003, approximately 8% of its revenue was generated from products manufactured for OEM customers.

Wang-Zheng Group places emphasis on disposable fibre-based products which contribute higher profit margins than processed papers. For the financial year ended 31 December 2003, approximately 55% of the net profit of Wang-Zheng Group was contributed by sales of disposable fibre-based products.

4.6.1.1 Disposable Fibre-Based Products

Wang-Zheng Group manufactures a wide range of disposable fibre-based products. Its products include disposable baby diapers, sanitary protection and tissue products, and cotton products. In response to the different needs and preferences of its target customers, different features are emphasized and various packaging sizes are available. Cotton products manufactured by Wang-Zheng Group include facial cotton, cotton buds, cotton wool rolls, cotton balls and zig-zag cotton.

4.6.1.2 Processed Papers

The processed papers processed and distributed by Wang-Zheng Group include wood-free paper and art paper. Its products are principally sold to local publishing and printing companies. Amongst others, the papers are subsequently used for printing and publishing textbooks, magazines, and catalogues, and used as writing and printing paper by corporations and households. Sales of corrugated carton boxes to small and medium size companies in the domestic market also contribute marginally to the revenue of the processed papers category.

4.6.1.3 Miscellaneous Items

In addition to the manufacturing and distribution of the aforementioned fibre-based products, Wang-Zheng Group, via Wang-Zheng Corporation, also sells various other brands of consumer and household items. These consumer items include air freshener products, aluminium foil, polyethylene cling film and zip-seal bag. Contribution of these miscellaneous items to the profit after taxation of Wang-Zheng Group is relatively insignificant.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6.2 Technology

Wang-Zheng Group places strong emphasis on the need to keep itself abreast with contemporary technologies in order to stay efficient and competitive. The Directors and senior management of Wang-Zheng Group attend local and international trade fairs and seminars relevant to the disposable fibre-based products and processed papers industries to keep themselves abreast with amongst others, the modernisation of technology. Its products are manufactured via highly-mechanized operations, supervised and maintained by skilled and semi-skilled labour.

Wang-Zheng Group utilizes Italian technology for the manufacture of disposable baby diapers, and technologies from Japan and Thailand for the manufacturing of sanitary protection and tissue products. Taiwanese technologies are used for the paper processing activities of New Top Win.

Carefeel Cotton became one of the pioneers in manufacturing cotton jumbo rolls in Malaysia when the company imported Japanese technology in 1994. Prior to 1994, finished cotton products were mostly imported from Japan. With the assistance of its then Korean partners cum technical experts, Carefeel Cotton commenced production of the cotton jumbo rolls, which were subsequently processed into other cotton products. Today, Carefeel Cotton is one of the two (2) established local manufacturers of cotton jumbo rolls (*source: Frost & Sullivan*). For production of finished cotton products, Wang-Zheng Group utilises technologies from Japan, Switzerland and Italy.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.6.3 Principal And Major Approvals, Licenses And Permits**

Details of the approvals obtained by Wang-Zheng for the Listing Scheme from the relevant authorities, together with the conditions imposed and status of compliance with the conditions, are set out in section 6.1.

The other principal and major approvals, licenses and permits required and obtained for the operations of Wang-Zheng Group are set out below.

Name Of Subsidiary	Authority	Description	Date Of Issue	Expiry Date	Major Conditions Imposed	Status Of Compliance
Wang-Zheng Corporation	Selayang Municipal Council	Business license	31.12.2003	31.12.2004	The license is to be displayed at the business premise and to be renewed upon expiration date.	In compliance
Quality Hero	Royal Customs And Excise Malaysia	Manufacturer's license under the Sales Tax Act (CJ2)	23.8.2000	-	New license is required when a partner withdraws or a new partner is added to the partnership, or a registered company takes over a licensed business or company which is not a registered company, or when a business is leased.	To be complied, if applicable
	Selayang Municipal Council	Business license	31.12.2003	31.12.2004	The license is to be displayed at the business premise and to be renewed upon expiration date.	In compliance
	Royal Customs And Excise Malaysia	Free of sales tax (CJ 5), approval for the import or purchase of materials and components used in the manufacture of goods	4.3.2004	5.3.2005	If goods acquired under this authority are sold or used or disposed of otherwise than by use in manufacture or by disposal with the approval of the proper authority to another license manufacturer, the sale value of such goods must be included in the appropriate return and sales tax paid.	In compliance
	Ministry Of Finance	Import tax exemption for raw materials	27.5.2003	3.8.2005	The relevant raw materials/components cannot be removed from the store and factory premises that have been approved for sub-contractual purposes, without the prior written approval of the Customs Authority.	In compliance

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Name Of Subsidiary	Authority	Description	Date Of Issue	Expiry Date	Major Conditions Imposed	Status Of Compliance
	MITI	Manufacturing license under the Industrial Coordination Act	8.3.2004	-	License is only granted for Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor. Usage of the site is subject to the approvals of the relevant state authority and the Department Of Environment.	In compliance (Note 1)
					Disposal of shares in the company is required to be notified to MITI.	To be complied, if applicable
					The company is required to train Malaysians to enable transfer of technology and expertise to all levels of employees.	In compliance (Note 2)
					The company is required to implement its project as approved, subject to the aforementioned conditions, and in compliance with other rules and regulations of Malaysia.	In compliance
Carefeel Cotton	Royal Customs And Excise Malaysia	Manufacturer's license under the Sales Tax Act (GJ2)	1.11.1994	-	New license is required when a partner withdraws or a new partner is added to the partnership, or a registered company takes over a licensed business or company, which is not a registered company, or when a business is leased.	To be complied, if applicable
	Department Of Health And Safety	Certificate of fitness to operate steam boiler	9.6.2003	14.7.2004	-	-
	Selayang Municipal Council	Business license	31.12.2003	31.12.2004	The license is to be displayed at the business premise and to be renewed upon expiration date.	In compliance
	Selayang Municipal Council	License for business premise	31.12.2003	31.12.2004	-	-
	Selayang Municipal Council	License for advertisement board	31.12.2003	31.12.2004	-	-

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Name Of Subsidiary	Authority	Description	Date Of Issue	Expiry Date	Major Conditions Imposed	Status Of Compliance
	MITI	Manufacturing license under the Industrial Coordination Act	29.3.2004	-	License is only granted for Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor. Usage of the site is subject to the approvals of the relevant state authority and the Department Of Environment.	In compliance where applicable (Note 3)
					Disposal of shares in the company is required to be notified to MITI.	To be complied, if applicable
					The company is required to train Malaysians to enable transfer of technology and expertise to all levels of employees.	In compliance (Note 2)
					The company is required to implement its project as approved, subject to the aforementioned conditions, and in compliance with other rules and regulations of Malaysia.	In compliance
New Top Win	Kuala Lumpur City Council	Warehouse license	2.1.2004	31.12.2004	The license is to be displayed.	In compliance
Mey Paper	Royal Customs And Excise Malaysia	Sales tax license for sheet board, glue, testliner/whitener and medium paper (CJ 2)	20.10.2003	19.4.2004	-	-
	Shah Alam City Council	Industrial license	20.7.2004	31.12.2004	-	-

Note 1: For Carefeel Cotton, approval of the state authority was obtained via SSIC Berhad's letter dated 24 February 2004, whilst approval for its water treatment process was approved by the Department Of Environment via its letter dated 29 September 1994.

Note 2: Malaysians are employed for all its levels of employees. In-house trainings, discussions and meetings are also scheduled for employees of Wang-Zheng Group to enable efficient and safe usage of plant and machineries.

Note 3: For Quality Hero, approval of the state authority was obtained via SSIC Berhad's letter dated 24 February 2004. Quality Hero would continue to comply with all relevant environmental regulations where applicable.

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6.4 Brand Names, Patents, Trademarks, Licenses, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights

The disposable fibre-based products of Wang-Zheng Group are marketed using various brand names. Its own brand names include Carefeel, Carina, Cosmex, Dry-pro, Kuali and Q-basics. Certain of the brand names have been registered with the Intellectual Property Corporation of Malaysia. Details of the registered brand names are set out below.

Brand Name	Type Of Intellectual Property Right	Issuing Body	Trademark Registration No.	Registration Date	Expiry Date	Conditions Imposed
Carefeel	Class 3 registered trademark for CAREFEEL (facial cotton, cotton buds, cotton wool, shampoo and conditioners)	Intellectual Property Corporation of Malaysia	93/09780 *	11.12.1993	11.12.2010	-
Carina	Class 3 registered trademark for CARINA (facial cotton, cotton bud, cotton wool, shampoo and hair conditioners)	Intellectual Property Corporation of Malaysia	89/02701 #	16.5.1989	16.5.2010	-
	Class 5 registered trademark for CARINA (sanitary napkins)	Intellectual Property Corporation of Malaysia	89/03464 #	13.6.1989	13.6.2010	-
	Class 5 registered trademark for CARINA (sanitary napkins, moth ball and air freshener)	Intellectual Property Corporation of Malaysia	88/05957 #	9.11.1988	9.11.2009	-
	Class 5 registered trademark for CARINA (diapers and absorbent pads for incontinence)	Intellectual Property Corporation of Malaysia	92/07964 *	12.11.1992	12.11.2009	-
	Class 16 registered trademark for CARINA (facial tissue of paper, serviettes, toilet roll and paper napkin)	Intellectual Property Corporation of Malaysia	88/02376 *	23.05.1988	-	-

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Brand Name	Type Of Intellectual Property Right	Issuing Body	Trademark Registration No.	Registration Date	Expiry Date	Conditions Imposed
	Class 16 registered trademark for CARINA (diapers made from cellulose and paper for baby use)	Intellectual Property Corporation of Malaysia	94/04242 *	28.5.1994	28.5.2011	-
Cosmex	Class 16 registered trademark for COSMEX (diaper part made from cellulose and paper for baby use, facial tissue, toilet roll, paper plate and paper cup)	Intellectual Property Corporation of Malaysia	95/13145 #	9.12.1995	9.12.2012	-
	Class 18 registered trademark for COSMEX (luggage bags, handbags, purses and sports bags made of leather and imitations of leather)	Intellectual Property Corporation of Malaysia	96/00252 #	6.1.1996	6.1.2013	-

Note:-

- * Assignment of trademark to Wang-Zheng Corporation has been submitted and is pending registration.
- # Assignment of trademark to Wang-Zheng Corporation has been successfully registered.

In addition to the trademarks registered above, the following trademark applications have also been submitted to the Intellectual Property Corporation of Malaysia:-

- (i) Drypro: class 16: diaper pants made from cellulose and paper for baby use, facial tissue, toilet roll, paper plate and paper cup, on 1 March 2002;
 - (ii) Q-basics: class 16: diaper pants made from cellulose and paper for baby use, facial tissue, toilet roll, paper plate and paper cup, on 1 March 2002; and
 - (iii) Kuai: class 16: facial tissues of paper, serviettes, toilet roll and napkins of paper, on 5 June 2003.
- Applications to register "Carina" have also been submitted to the relevant intellectual property authorities in Brunei, China, Indonesia, Singapore and Thailand. These trademarks have yet to be registered. Nonetheless, the Directors of Wang-Zheng confirm that they would use their best endeavor to register the said trademarks.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.6.5 Production Capacities And Output**

Wang-Zheng Group had, over the past few years, implemented a capital investment program to continuously increase its production capacity. Based on the latest audited financial statements as at 30 April 2004, cost and net book value of plant and machineries, and factory equipment of Wang-Zheng Group stood at RM13.8 million and RM7.8 million respectively. A summary of the manufacturing plant and machineries of Wang-Zheng Group, together with its maximum and utilised capacities, is set out below.

Product Type	Company	No. Of Plant Or Machineries	Maximum Capacity Per Year ^	Utilised Capacity As At 31.8.2004 ^
Disposable baby diapers	Quality Hero #	• 3 disposable baby diapers production lines	• 216.0 million pieces ***	• 55%
Sanitary protection and tissue products	Quality Hero #	• 2 sanitary napkin production lines	• 50.4 million pieces **	• 71%
		• 1 panty liner production line	• 18.0 million pieces *	• 29%
		• 1 box tissue production line	• 3.2 million boxes **	• 75%
		• 5 serviettes production lines	• 2.8 million packets **	• 100%
Cotton products	Quality Hero #	• 10 cotton bud production lines	• 20.4 million packets **	• 65%
	Carefeel Cotton #	• 2 facial cotton production lines	• 660.0 tonnes **	• 55%
Processed papers	New Top Win ##	• 1 rolls converter production line	• 200 tonnes *	• 100%
		• 2 rewinder production lines	• 500 tonnes *	• 100%
	Mey Paper ###	• 1 corrugated carton box production line	• 2.88 million cartons **	• 100%

Note:-

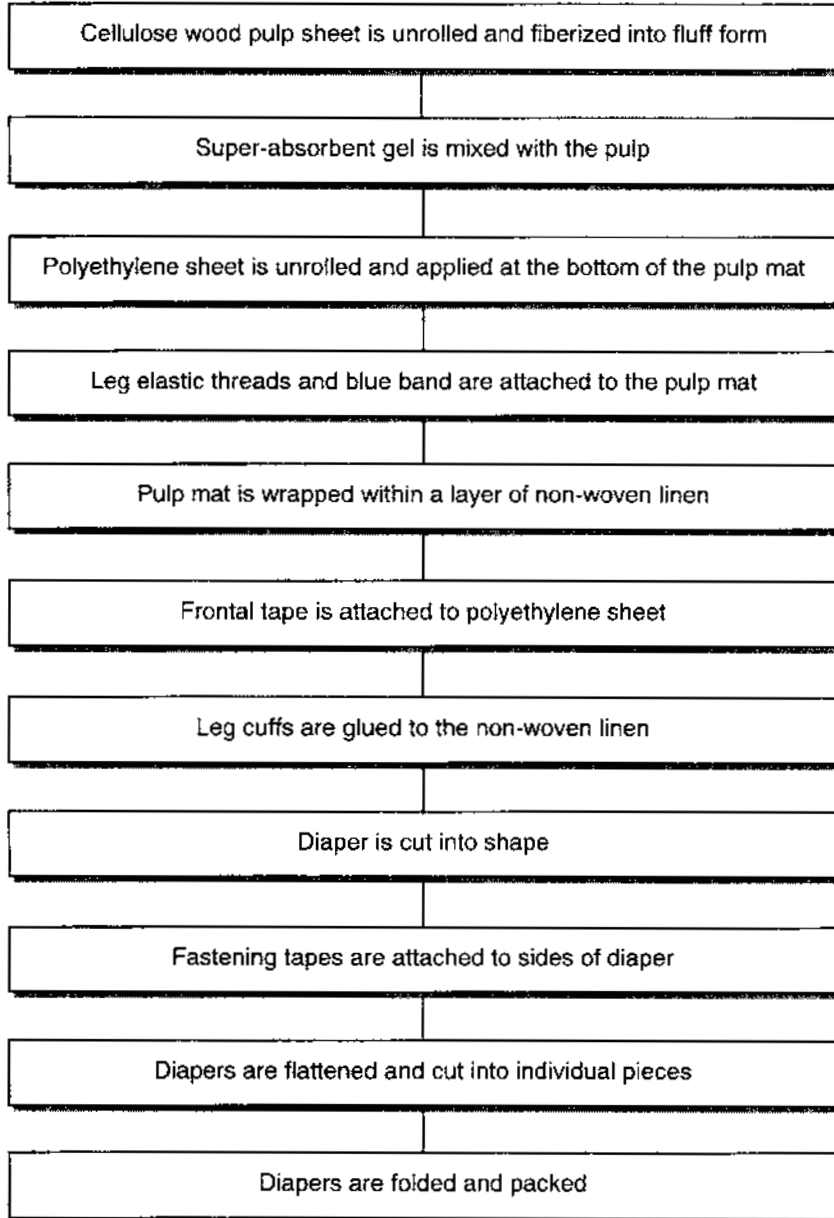
- ^ Based on capacities of existing plant and machineries based on the normal number of shifts. In periods of increased demand, additional shifts are operated where practical.
- * Based on the normal operations of one (1) shift per day.
- ** Based on the normal operations of two (2) shifts per day.
- *** Based on the normal operations of three (3) shifts per day.
- # Factory at Rawang.
- ## Factory at Kepong.
- ### Factory at Shah Alam.

The Directors of Wang-Zheng believe that the cost of production is sufficiently low through economies of scale achieved. Additional capital expenditure would be incurred where deemed necessary.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.6.6 Manufacturing And Processing Activities**

The overview of manufacturing and processing activities of disposable baby diapers, sanitary protection and tissue products, cotton products and processed papers for printing and publishing companies, are set out below.

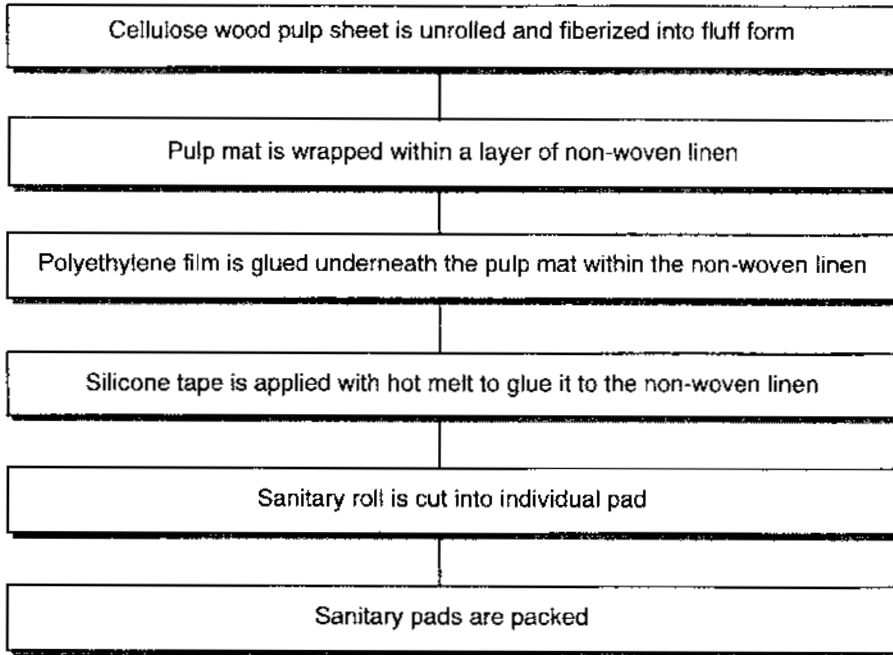
4.6.6.1 Disposable Baby Diapers

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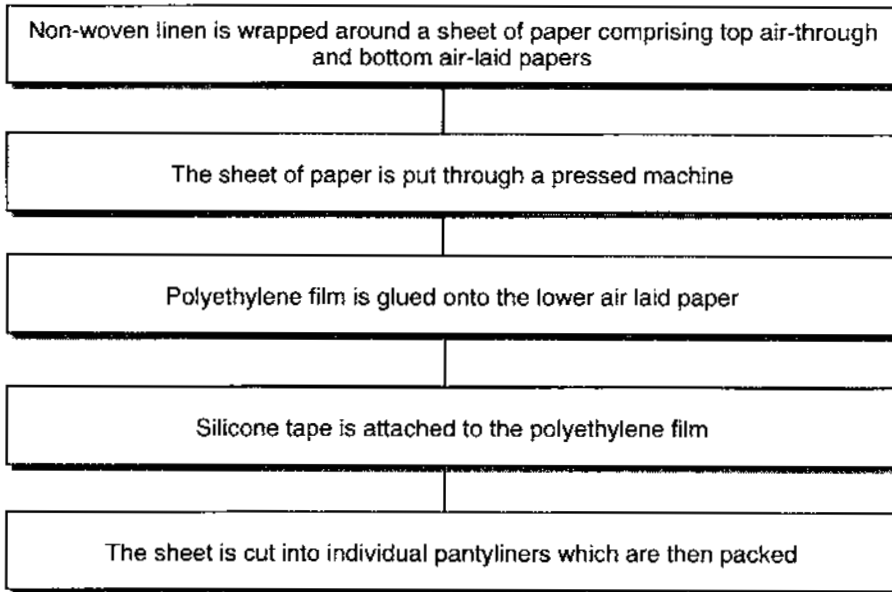
4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6.6.2 Sanitary Protection Products

i) Sanitary Napkins



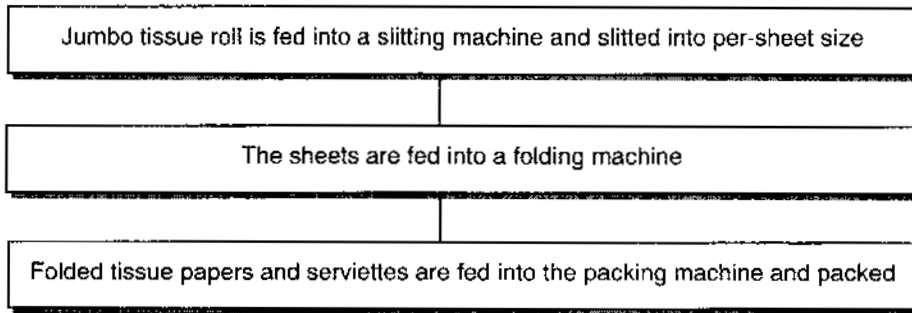
ii) Pantyliners



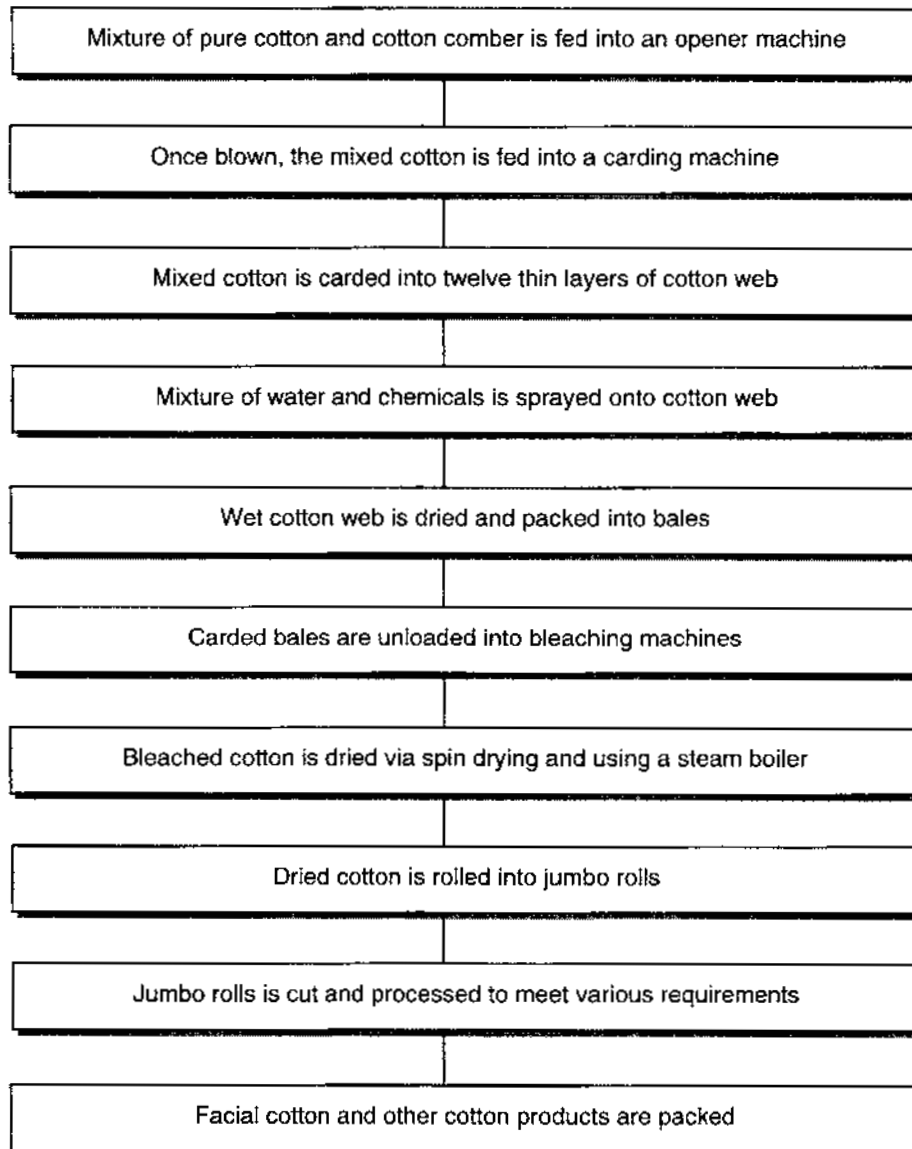
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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

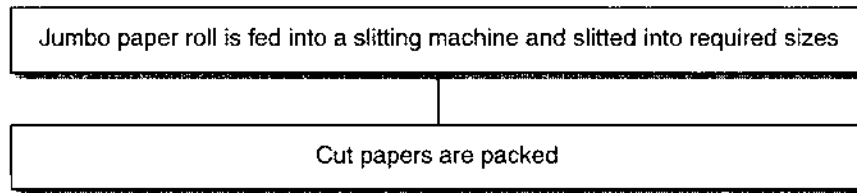
iii) Tissues Products



4.6.6.3 Cotton Products



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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.6.6.4 Processed Papers****4.6.7 New And Proposed Products**

Via product R&D, new lines of products are continuously developed and manufactured. Wang-Zheng Group introduced its latest range of disposable baby diapers with improved features such as leg-cuffs and higher absorbency under the brand name Dry-pro in 2003. The Directors of Wang-Zheng believe that Dry-pro with added features at affordable prices, will appeal to the more sophisticated customers within the mainstream market. Wang-Zheng Group also expects to expand its range of products to include amongst others, adult incontinence products, slim-winged and ultra-slim sanitary napkins, round-shaped, embossed facial cotton, and cotton buds with pointed or flat ends.

4.6.8 Principal Markets And Major Customers

The products of Wang-Zheng Group are distributed both within and outside Malaysia. Nevertheless, in view of the significant demand locally, Wang-Zheng Group has focused and expects to continue to focus on selling its products to local consumers. For the financial year ended 31 December 2003, local sales generated approximately 96% of total revenue and 93% of total profits of Wang-Zheng Group. Locally, Wang-Zheng's products are principally distributed through Wang-Zheng Corporation and Modern Alpine, the two (2) marketing arms of Wang-Zheng Group to a wide range of customers. The customers for its disposable fibre-based products include wholesalers, retail chains of supermarkets and hypermarkets, pharmacies, medical halls, departmental stores and OEM customers. For its processed papers, its principal customers are large printing and publishing companies.

Whilst current emphasis is placed on the local market, Wang-Zheng Group, principally via Carefeel Cotton, also exports its products to amongst others, retail chains and OEM customers in Singapore, Australia, Brunei and China. For the financial year ended 31 December 2003, exports contributed approximately 4% of total revenue of Wang-Zheng Group. Items exported include disposable baby diapers, sanitary protection products and cotton products.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Based on the latest annual audited financial statements for the financial year ended 31 December 2003, the top ten (10) customers of Wang-Zheng Group are as follows:-

Customers (Country)	Items Sold	% Of Total Sales	Length Of Relationship (Year)
Penerbitan Pelangi Sdn Bhd, Malaysia	Processed papers	6.01	9
Kian Onn Agencies Sdn Bhd, Malaysia	Disposable baby diapers, sanitary protection products and cotton buds	2.17	9
Pentagrass Enterprise, Malaysia	Processed papers	1.38	5
Watson's Personal Care Stores Pte Ltd, Singapore	Facial cotton	0.78	7
Watson's Personal Care Stores Sdn Bhd, Malaysia	Disposable baby diapers, sanitary protection products and cotton buds	0.59	9
Totoku (M) Sdn Bhd, Malaysia	Corrugated carton boxes	0.53	5
Creststar Printing Sdn Bhd, Malaysia	Processed papers	0.40	4
Daily Farm International (H.K.) Ltd, Hong Kong	Facial cotton	0.31	2
NTUC Fairprice Co-Operative, Singapore	Facial cotton	0.22	5
Gentle-Bright Corp. Sdn Bhd, Malaysia	Disposable baby diapers, sanitary protection products and cotton buds	0.15	6
		12.54	

For the financial year ended 31 December 2003, the top ten (10) customers of Wang-Zheng Group account for only approximately 12.54% of total revenue. Given its large customer base of approximately 4,800 customers, Wang-Zheng Group is not overly dependent on any single customer. The Directors of Wang-Zheng are of the opinion that Wang-Zheng Group has well-established business relationship with its customers, and are confident that Wang-Zheng Group is able to secure repeat orders from its customers.

4.6.9 Supplies And Major Suppliers

The principal material supplies purchased by Wang-Zheng Group are set out below.

Product Type	Material Supplies	Source Of Material Supplies
Disposable baby diapers	Fluff pulp, tissue jumbo rolls, non-woven linen, polyethylene film, super absorbent polymer (SAP) powder, tapes and hot melt	USA, Finland, Indonesia, Italy, Vietnam, Taiwan, Malaysia, Singapore and Korea
Sanitary protection and tissue products	Fluff pulp, polyethylene film, tapes and hot melt for sanitary products, and tissue jumbo rolls	USA, Finland, Indonesia, Italy, Vietnam, Taiwan and Malaysia
Cotton products	Raw cotton, noil cotton, local cotton comber, chemicals and packing materials	Mexico, Pakistan and Malaysia
Processed papers	Paper jumbo rolls and paper sheets	Malaysia, Indonesia, Korea, USA and Japan

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Based on the latest annual audited financial statements for the financial year ended 31 December 2003, the top ten (10) suppliers of Wang-Zheng Group are as follows:-

Supplier (Country)	Item Supplied	% Of Total Purchases	Length Of Relationship (Year)
Sabah Forest Industries Sdn Bhd, Malaysia	Paper jumbo rolls and paper sheets ⁴	24.60	5
P.T. Indah Kiat Pulp & Paper TBK, Indonesia	Paper jumbo rolls and paper sheets ⁴	11.94	5
P.T. Fajar Surya Wisisa TBK, Indonesia	Paper jumbo rolls and paper sheets ⁴	6.64	3
Daiei Paper USA Corp, USA	Untreated fluff pulp ^{1,2}	3.72	3
PT Fabrik Kertas Tjim Kimia TBK, Indonesia	Paper jumbo rolls and paper sheets ⁴	3.35	3
PT Pindo Deli Pulp & Paper Mills TBK, Indonesia	Paper jumbo rolls and paper sheets ⁴	2.10	5
Bilt Graphic Papers Limited, Singapore	Paper jumbo rolls and paper sheets ⁴	1.91	2
Itochu Pulp And Paper Asia Pte Ltd, Singapore	Super absorbent polymer ¹	1.85	3
PT Kertas Laces (PERSERO), Indonesia	Woodfree paper ⁴	0.86	5
Es-Mk Pte Ltd, Singapore	Napkin paper ² and tissues ¹	0.62	7
		57.59	

Note:-

- ¹ For manufacturing of disposable baby diapers.
- ² For manufacturing of sanitary protection and tissue products.
- ³ For manufacturing cotton products.
- ⁴ For processing into processed papers.

The principal material supplies purchased by Wang-Zheng Group include fluff pulp, raw cotton, and paper jumbo rolls and paper sheets. For the financial year ended 31 December 2003, purchases of these material supplies represented approximately 84% of total purchases of Wang-Zheng Group. The supplies of fluff pulp and raw cotton are principally procured from USA and Finland, and cotton manufacturers in Mexico and Pakistan respectively. Wang-Zheng Group principally procures its paper jumbo rolls and paper sheets from paper mills in Malaysia and Indonesia.

Whilst there are few long-term contractual agreements between Wang-Zheng Group and its suppliers, which is consistent with the industry norm, where deemed appropriate, Wang-Zheng Group signs forward contracts with its suppliers to hedge against fluctuations in the commodity price of its material supplies. With its good working relationships with its suppliers and its established track record for purchase and payment commitments, Wang-Zheng Group has access to a regular supply of material supplies at competitive prices from its suppliers. It is confident that its suppliers will support the increase in material supplies requirements arising from the expected increase in its future output. Reliable supply of quality inputs translates into minimal disruption in its operations, thus avoiding losses that may occur from idle capacity and breaches of contracts. The Directors of Wang-Zheng believe that Wang-Zheng Group is not overly dependent on any single supplier.

The vertical integration of Wang-Zheng Group via its involvement in the production of cotton jumbo rolls has enabled Wang-Zheng Group to be relatively independent and creates the required synergy to achieve economies of scale for its cotton products.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6.10 Quality Control Procedures

Wang-Zheng Group is committed to ensure consistency and reliability of quality of its products. It has established and implemented a mixture of automated and manual quality control measures at various stages of production. The entire manufacturing and processing process, from the acceptance of raw material supplies to the production process and the final transportation of finished products, are carefully monitored and controlled in order to meet all the requirements of its customers. For instance, for the manufacturing of disposable baby diapers and sanitary protection products, work-in-progress that does not meet the set requirements would be detected and rejected. At the laboratory and quality control department, samples are taken from finished products and subjected to various testing procedures to ensure the finished products adhere to the required specifications. Amongst others, testing of content of super absorbent polymer and rewet test for disposable baby diapers, and testing of gum and release tape strength for sanitary protection products, are performed.

The Directors of Wang-Zheng believe that the quality control procedures employed by Wang-Zheng Group have resulted in and will continue to result in high customers satisfaction and repeat orders.

4.6.11 Research And Development

As part of its business operations, Wang-Zheng Group has always been and is involved in continuous product and process R&D to meet the requirements of its end users and to improve the efficiency of its manufacturing and processing activities.

In product R&D, emphasis is placed on the development of new lines of products and continuous improvement of the quality of the products of Wang-Zheng Group. For instance, in response to the demand for better protection from leakage by end users, Wang-Zheng Group introduced its new range of disposable baby diapers with improved features such as leg-cuffs and higher absorbency under the brand name Dry-pro in 2003. Wang-Zheng Group is also in the midst of developing adult incontinence products, and slim-winged and ultra thin sanitary napkins to complement its current range of products. These products are scheduled to be introduced to the market in 2005.

Process R&D involves a consistent effort by Wang-Zheng Group in seeking ways to improve its manufacturing and processing activities. Process R&D results in increased efficiency, productivity and effectiveness of plant and machineries and improved utilization of material supplies and human resources. For instance, in 2002, Quality Hero implemented auto-splicing, a process that automatically replaces the material supplies once they are used up. Auto-splicing results in smooth continuous production which in turn, leads to reduced downtime.

Wang-Zheng Group also consults regularly with its suppliers of material supplies and technology for new and improved material supplies, and up-to-date innovations and manufacturing and processing activities.

4.6.12 Interruptions In Business

Operations were temporarily ceased for approximately one (1) week for cleaning, when the factories at Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor were flooded in 2003. In response, Wang-Zheng Group undertook additional precautionary measures by improving its drainage systems and raising the floor levels of the buildings. Hence, the Directors of Wang-Zheng are of the opinion that future material adverse effect on the operations of Wang-Zheng Group due to flood is remote.

Wang-Zheng Group did not experience any other interruption in the business which had a significant effect on its operations during the past twelve (12) months prior to the date of this Prospectus.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.6.13 Employees**

As at 31 August 2004, Wang-Zheng Group has a total of 459 employees. The breakdown of the employees by categories is as follows:-

Category Of Employees	Malaysian	Non-Malaysian	Total	Average Years In Service
Managerial and professional	24	-	24	6
Technical and supervisory	27	3	30	5
Clerical and related occupations	59	3	62	4
General workers	33	-	33	2
Factory workers	219	* 91	310	2
	362	97	459	

Note:-

* Include 60 contractual non-Malaysian factory workers.

The Directors and senior management of Wang-Zheng Group attend local and international trade fairs and seminars relevant to the disposable fibre-based products and processed papers industries to keep themselves abreast with the modernisation of technology as well as the latest demand, developments and progress of the industries. In-house trainings, discussions and meetings are also scheduled for employees of Wang-Zheng Group to enable efficient and safe usage of plant and machineries and to promote waste minimization. Hence, Wang-Zheng Group's employees are equipped with the necessary skills and expertise to enable smooth and efficient production processes.

The Directors of Wang-Zheng are of the opinion that the dedicated, efficient and trained employees are instrumental to the success of Wang-Zheng Group. The Directors and management of Wang-Zheng Group have good working relationships with the employees. Employees of Wang-Zheng Group do not belong to any union. There has been no industrial dispute in the past between the Directors and management, and the employees of Wang-Zheng Group.

4.6.14 Key Achievements/Milestones/Awards

Its success in securing contract manufacturing for several major retail groups and direct selling companies, is a testimony of the track record of Wang-Zheng Group in consistently producing high quality products that meet requirements of its customers. Other key achievements/milestones/awards of Wang-Zheng Group include the following:-

- i) becoming one of the pioneers which has manufactured its own cotton jumbo rolls in Malaysia in 1994 (*source: Frost & Sullivan*). Manufacturing its own cotton jumbo rolls have resulted in lower cost of cotton products for the Malaysian consumers. Prior to 1994, finished cotton products were mostly imported from Japan (*source: Frost & Sullivan*); and
- ii) the award of the "SMI-Sin Chew Daily Emerging SMI Award for 2003" on 23 September 2003 by SMI Association Of Malaysia, to Quality Hero, for recognition of its growth since its incorporation in 2000 and its growth potential.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.6.15 Modes Of Marketing/Distributions/Sales

An extensive distribution network that reaches its target markets is critical to the performance of a manufacturer of consumer products. The Executive Directors of Wang-Zheng have been distributing consumer products for many years. With their extensive experience and business contacts, Wang-Zheng Group has successfully developed an extensive distribution network. Its sales force of approximately 30 personnel maintain constant and close contact with their customers, which range from the small family-run mom-and-pop stores to merchants comprising wholesalers, retail chains of supermarkets and hypermarkets, pharmacies, medical halls and departmental stores. Distribution of products of its own brands is conducted through these customers. Amongst others, its products are sold to Carrefour, Daily Farm International, Georgetown, Giant, Guardian, Jaya Jusco, Makro, Mydin, Pasaraya Hiong Kong, Tesco and Watson. The OEM products are sold by its local and overseas OEM customers.

In view of potential of the internet especially in helping to penetrate overseas markets, Wang-Zheng Group also markets its products through its websites <http://www.qualityhero.com> and <http://www.carefeelcotton.com>.

4.6.16 Location Of Business

Principal Assets

The land and buildings of Wang-Zheng Group are set out in section 8.1.

Production Facilities

The production facilities of Wang-Zheng Group are located at the following locations:-

Quality Hero and Carefeel Cotton
Lot 5406 Batu 22 Jalan Kundang
48000 Rawang
Selangor

New Top Win
Lot 23118 Jalan Kepong
Mukim Batu
Kuala Lumpur

Mey Paper
59 Jalan Apollo U5/187
Section U5
Bandar Pinggiran Subang
40150 Shah Alam
Selangor

Principal Place Of Business

The principal place of business for Wang-Zheng Group is at Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.7 Industry Overview**4.7.1 Overview Of The Malaysian Economy****4.7.1.1 Malaysian Economy In 2003**

While events in the first half of the year had an impact on growth, the mutually reinforcing combination of strong economic fundamentals, supportive monetary and financial policies and decisive Government action provided the platform for growth to accelerate in the second half. For the year as a whole, real GDP expanded by 5.2% (2002: 4.1%), exceeding the official forecast of 4.5%.

Growth in 2003 was broad-based and balanced across sectors. The manufacturing sector grew by 8.2% on the back of strong production growth, both in the export-oriented and domestic-oriented industries. This growth was also seen in the strong expansion in manufactured exports (8.2%) and capacity utilization levels that exceeded 80%. In certain industries, the 90% utilization level was breached in 2003, prompting an increase in capital expenditure.

A significant development in 2003 has been the turnaround in private investment, which increased by 1.1% after two years of contraction. The improved economic outlook, particularly in the second half, stronger corporate balance sheets and cash flow positions and high capacity utilisation, especially in the manufacturing sector, prompted increased capital spending. In addition, low interest rate environment and the steps taken to improve companies, especially the small and medium enterprises' access to finance, provided the impetus for capital expansion.

(Source: Bank Negara Malaysia Annual Report 2003)

4.7.1.2 Malaysian Manufacturing Sector In 2003

In 2003, output growth in the manufacturing sector gained momentum especially in the second half-year, following the broad-based recovery in the global economy and strengthening domestic demand. Manufacturing production growth strengthened to 10.5% (2002: 4.5%), with expansion across a wide range of products in both the export and domestic oriented industries. Consonant with the pick-up in production activities, value-added growth of the manufacturing sector doubled to 8.2% (2002: 4%), and contributed significantly to overall GDP growth. Consequently the share of the manufacturing sector in GDP rose slightly to 30.9% (2002: 30.1%). The capacity utilization rate in the manufacturing sector remained high at 82% in 2003 (2002: 82%), with the export and domestic oriented industries operating at 86% and 77% respectively (2002: 83% and 81% respectively).

In the manufacturing sector, ongoing structural shift has become more evident as the sector's competitive advantages adjust from labour-intensive to higher technology-driven manufacturing processes. Greater efficiency in the use of resources is being realised through manufacturing companies operating more at a regional level, as seen in the relocation of some of the more labour-intensive industries to lower-cost countries. Key indicators such as the contribution of the manufacturing sector in terms of value added and employment, flows of investment as well as the retrenchment trend clearly suggest that the manufacturing sector continues to remain resilient.

(Source: Bank Negara Malaysia Annual Report 2003)

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.7.1.3 Prospects Of The Malaysian Economy in 2004

The Malaysian economy is expected to strengthen further in 2004, building on the strong growth momentum in the second half of 2003 and brighter prospects for global growth in 2004. Real GDP is expected to expand by 6 - 6.5% (2003: 5.2%), underpinned by stronger domestic demand and reinforced by more favourable external demand. Growth will mainly be private sector-driven, while the public sector gradually consolidates. The growing consumer and business confidence since the second quarter of 2003, strengthened economic fundamentals and the positive impact of pro-growth fiscal and monetary measures are expected to mutually reinforce robust consumer spending and the upturn in private investment activities.

The positive factors that supported domestic demand in 2003 are expected to continue to drive the growth momentum in 2004. The pace of growth of private investment, which had turned positive in 2003, is expected to accelerate this year, with a more significant contribution to growth. Private consumption would strengthen further. The growth enhancing effects of fiscal policy and low interest rates will continue to support private sector activities.

The projections for growth in 2004 are based on a stronger global economic growth of 4.1% and led by synchronized recovery across all regions, an upturn in the global electronic cycle and firm prices for crude palm oil and crude oil. With the growth in Asia stronger than the global average, Malaysia is also expected to benefit from the continued expansion in intra-regional trade. The expectation of the stronger pace of growth is also premised on the strength and dynamism of the private sector performance, especially the strength of the upturn in domestic investment. Evidence of higher new investments and capacity expansion are indicative that the recovery in economic growth is sustainable. While possible downside risks remain, the strong underlying fundamentals will provide strong foundations for economic resilience and future growth.

(Source: Bank Negara Malaysia Annual Report 2003)

4.7.2 Overview Of The Malaysian Fibre-Based Products Industry

Based on ex-factory sales of manufacturers, the sectors of Malaysian fibre-based products industry relevant to Wang-Zheng Group (the "Fibre-Based Products Industry") have recorded growth in revenues for the past five (5) years ended 31 December 2003. The estimated revenues for 2003 and compound annual growth rates ("CAGRs") for the period 2002 to 2008, of the various sectors of the Fibre-Based Products Industry, as well as their corresponding penetration rates, estimated and forecasted by Frost & Sullivan are set out below:-

Sector	Penetration Rate (%)	Revenue (2003) (RM'mil)	CAGR (2002 To 2008) (%)
Disposable baby diapers	70	344.4	6.5
Sanitary protection and tissue products	70	543.2	8.6
Cotton products	60	20.3	4.8
Processed papers *	~ 100	1,900.0	8.0

Note:-

* Due to the immateriality of corrugated carton boxes to Wang-Zheng Group, information disclosed in relation to the processed papers sector in this Prospectus, relate to processed papers similar to those processed by New Top Win, and exclude corrugated carton boxes produced by Mey Paper.

(Source: Frost & Sullivan)

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)**4.7.2.1 Competition**

An outline of the competitive structure of the Fibre-Based Products Industry, and the market share and ranking of Wang-Zheng Group in the Malaysian market, based on estimated revenues for the financial year ended 31 December 2003, is set out below.

Sector	Estimated No. Of Active Market Players	* Market Concentration Of Top 3 Market Players (%)	* Market Share Of Wang-Zheng Group (%)	*# Ranking
Disposable baby diapers	12	56	^ 7	#
Sanitary protection and tissue products	15	69	1	#
Cotton products	5	91	57	1
Processed papers	100	21	5	3

Note:-

- * Based on estimated revenues for the financial year ended 31 December 2003.
- ^ Wang-Zheng Group is estimated to have an approximate 9% market share of the economy segment of the disposable baby diapers sector.
- # Ranking is disclosed where Wang-Zheng Group is amongst the top three (3) market players.

(Source: Frost & Sullivan)

With market concentration of the top three (3) market players ranging from 56% to 91%, the disposable fibre-based sector are relatively concentrated. In comparison, the processed papers sector is less concentrated, with estimation of approximately a hundred players and a market concentration of the top three (3) market players of approximately 21%. High level of competition in the processed papers sector contains, and is expected to continue to contain profit margins. Competitors in these sectors of the Fibre-Based Products Industry are principally local private limited and multinational companies. *(Source: Frost & Sullivan).*

Disposable Baby Diapers

Disposable baby diapers can be categorised into three (3) broad categories, namely premium, mainstream and economy. Whilst the premium and mainstream categories account for approximately 1% and 19% of the revenues of the disposable baby diapers sector respectively, the economy category captures the largest proportion at approximately 80% of revenues of the sector. In recent years, as the economical diapers become more dominant, even market players in the premium category have begun to enter the economy category by introducing cheaper products with fewer features. *(Source: Frost & Sullivan).*

Sanitary Protection And Tissue Products

Similar to the disposable baby diapers sector, finished products of manufacturers in the sanitary protection and tissue products sector can also be broadly categorised into premium, mainstream and economy categories. Market leaders which are mainly involved in premium and mainstream products have experienced decreasing market shares as budget-conscious end-users opt for cheaper, yet quality products. *(Source: Frost & Sullivan).*

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Cotton Products

Of the estimated five (5) market players, only two (2) of them are producers of cotton jumbo rolls. Other players use imported cotton jumbo rolls for further processing into finished cotton products. Due to their lower costs of material supplies, producers of cotton jumbo rolls have maintained their leadership position in the cotton products sector. *(Source: Frost & Sullivan).*

Processed Papers

Due to its large market size, the processed papers sector has attracted many entrants resulting in a high level of competition. Nevertheless, of the approximate a hundred market players, there are less than 10 large players which are in better positions due to their higher bargaining powers with suppliers. Smaller competitors survive through lower overheads. *(Source: Frost & Sullivan).*

Factors affecting the competitive structure and market dynamics of the Fibre-Based Products Industry which include barriers to entry, demand and supply conditions, threat of substitutes, and the governing laws and regulations are set out below.

4.7.2.2 Barriers To Entry

Barriers to entry serve as limitation to the number of market players in a particular industry or sector. Inherent barriers to entry and difficulties faced by new market entrants to establish a respectable position in the Fibre-Based Products Industry include, amongst others, lack of economies of scale, absence of established distribution network and the significant capital investments required.

Economies Of Scale

A key determinant in the profitability and survival of a manufacturer of consumer products, inclusive those of the Fibre-Based Products Industry, is the ability to produce large quantities at low costs. As there is generally little product differentiation, market players compete on price differentiation. Consumers are quick to switch to lower-priced products, resulting in relatively high price elasticities for disposable fibre-based products and processed papers. Specifically for sanitary protection products, even with relatively more product differentiation and emphasis on comfort and branding, competitive pricing is imperative for sales of sanitary protection products. It is thus vital for long-term profitability and survival, that the aforesaid fibre-based products are competitively priced. New market entrants generally have higher unit costs due to smaller volumes of production. *(Source: Frost & Sullivan).*

Established Distribution Network

A wide and established distribution network which enables the products to be easily accessible by its target and potential customers is essential for a successful player in the Fibre-Based Products Industry. With little product differentiation, other than price, sales of the products would be generated based on accessibility. Convenience and urbanisation have influenced Malaysian consumers to frequent supermarkets and hypermarkets for their day-to-day shopping needs. To successfully penetrate the market, a new market entrant would require significant time and resources to build its distribution network. *(Source: Frost & Sullivan).*

Capital Investments

The Fibre-Based Products industry is highly capital-intensive. Significant amount of financial resources are required for importing of technologies and acquisitions of plant and machineries. Investments are also necessary to train and equip employees with the necessary skills. New entrants with limited financial resources and without the necessary technical knowledge would inevitably face numerous operational problems. *(Source: Frost & Sullivan).*

4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.7.2.3 Demand Conditions**Disposable Fibre-Based Products**

Disposable fibre-based products such as disposable baby diapers, sanitary napkins, and facial cotton and cotton buds have become daily necessities of the general Malaysian public as awareness towards personal hygiene and care increases, and as the Malaysian society become more affluent. It is noted that recent economic downturns have caused consumers to trend towards budget brands that offer value for money. *(Source: Frost & Sullivan).*

With the Malaysian public as target end-users, continuous growth in population bodes well for the disposable fibre-based products sector. The Malaysian population is expected to exceed 30 million people in 2020, up from the current population estimated at approximately 25 million people. *(Source: Frost & Sullivan).*

Processed Papers

Processed papers are extensively used in the printing and publishing industry. One of the major industries in the manufacturing category, the printing and publishing industry has also been identified as one of the fast growing industries in Malaysia. Recovery in the macro-economy bodes well for the processed papers sector. Paper usage is expected to rise in tandem with growth in population increase and improving levels of education and literacy. *(Source: Frost & Sullivan).*

4.7.2.4 Supply Conditions

The principal material supplies for the disposable fibre-based products and processed papers sectors are fluff pulp and raw cotton, and paper jumbo rolls and paper sheets respectively. These material supplies could be sourced from numerous countries. Amongst others, the fluff pulp could be imported from the USA and Finland, whereas raw cotton can be sourced from Australia, Mexico and Pakistan. Whilst paper jumbo rolls and paper sheets could be sourced locally, the material supplies are also available from Indonesia. As these material supplies are not endemic to any particular region, the market players in the aforesaid sectors are not overly dependent on any particular supplier. Similar to other commodities, the prices of these material supplies are subject to the forces of demand and supply. *(Source: Frost & Sullivan).*

4.7.2.5 Substitutes

The main attractions of disposable fibre-based products generally lie in their convenience and the high level of hygiene associated with their usage due to their disposals after a one-time use. Hence, from this perspective, there are no strong substitutes that could offer comparable levels of convenience and hygiene, and command similar level of acceptance. Whilst cloth diapers and handkerchiefs could be used in place of disposable baby diapers, tissue products and cotton products, convenience and hygiene are compromised. Market players could focus on rural communities as their new target customers as penetration rates amongst these communities are relatively low. As for sanitary protection products, consumers could opt for tampons instead. Nevertheless, usage of tampons is yet to be widely accepted by Malaysian women. *(Source: Frost & Sullivan).*

For processed papers, no strong, real substitutes have been identified. In tune with the increasing awareness of negative consequences of paper wastage, a visible trend is towards usage of recycled paper. Nevertheless, due to the relatively higher cost of recycled papers, demand for non-recycled papers is not expected to be materially affected. The advent of electronic media also has not materially and adversely affected the demand for paper. *(Source: Frost & Sullivan).*

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

4.7.2.6 Laws, Regulations And Incentives

Whilst there are no specific laws or regulations which govern, or incentives which are applicable to the disposable fibre-based products and processed papers sectors, general laws, regulations and incentives governing and applicable to manufacturing and sales activities, and environment regulations in relation to the treatment and disposal of waste discharge from the manufacturing processes, are applicable to the market players in the sectors. *(Source: Frost & Sullivan).*

4.7.2.7 Prospects And Outlook

Price competition is expected to continue to plague the Fibre-Based Products Industry, thus preventing market players from boosting profits through price increases. Consequently, manufacturers with lower cost have the distinct competitive advantage. Despite the price competition, the industry is expected to continue to grow on the back of higher volume, as the Malaysian population continues to increase and as the economy improves. Increasing awareness on personal hygiene and higher disposable income bode well for the disposable fibre-based products sector. Budget brands are expected to command increasing market shares as consumers are placing greater emphasis on value for money. Paper usage is expected to rise in tandem with improving levels of education and literacy. *(Source: Frost & Sullivan).*

Market players need to effectively address the various challenges of the Fibre-Based Products Industry. For companies that endeavour to attain higher levels of economies of scale and to widen its distribution network, their prospects are promising. *(Source: Frost & Sullivan).*

4.8 Future Plans And Strategies, And Prospects

Wang-Zheng Group endeavours to further strengthen its position in the domestic market via continued economies of scale and product development, increased capital investment and enhanced market penetration.

Wang-Zheng Group would continue with its winning formula of producing quality products at competitive prices. At present, a broad range of product lines is marketed under its own established brand names. Wang-Zheng Group aims to continuously develop and manufacture new lines of products to complement and extend its current range of products. As set out in section 4.6.7, Wang-Zheng Group has planned to expand into amongst others, the manufacturing of adult incontinence products, and slim-winged and ultra-slim sanitary napkins, in response to demands of end users, in 2005. The Directors of Wang-Zheng expect that internally generated funds of the Company to be adequate for the purchase of plant and machineries for the new products. Otherwise, they are of the opinion that based on the current low gearing of Wang-Zheng Group, Wang-Zheng Group would be able to secure institutional financing to finance the capital expenditure if desired or required.

Further, in anticipation of continuous expansion, Wang-Zheng Group has planned for the construction of an office-cum-factory building at its land in Mukim Sungai Buloh, Selangor. The Directors of Wang-Zheng expect the commencement and completion of construction of the building to be in 2004 and 2005 respectively. Wang-Zheng Group would then move its paper processing operations to the new building. New lines for production for new products would also be housed in the new building.

On the domestic front, Wang-Zheng Group has identified the rural communities as potential lucrative target customers. In view of the current relatively low usage of disposable baby diapers and cotton products by these communities, potential sales to these targets are expected to contribute positively to the profitability of Wang-Zheng Group.

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4. INFORMATION ON WANG-ZHENG GROUP (CONT'D)

Nevertheless, despite continued focus on the local market, Wang-Zheng Group also aims to penetrate further into overseas markets. The Directors of Wang-Zheng have already set their sights on enhancing Wang-Zheng's presence in China, and on entering Indonesia and Thailand.

In addition, Wang-Zheng Group would continue to place utmost emphasis on maintaining its good relationship with its customers. Wang-Zheng Group recognises the vitality of a wide and established distribution network to the survival and long-term profitability of a manufacturer of consumer products. Wang-Zheng Group would continue with its prompt delivery of quality products at competitive prices that satisfy demand of end-users which has led to expansion of Wang-Zheng Group over the years.

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