

**WANG-ZHENG BERHAD**  
(Company No. 612237-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

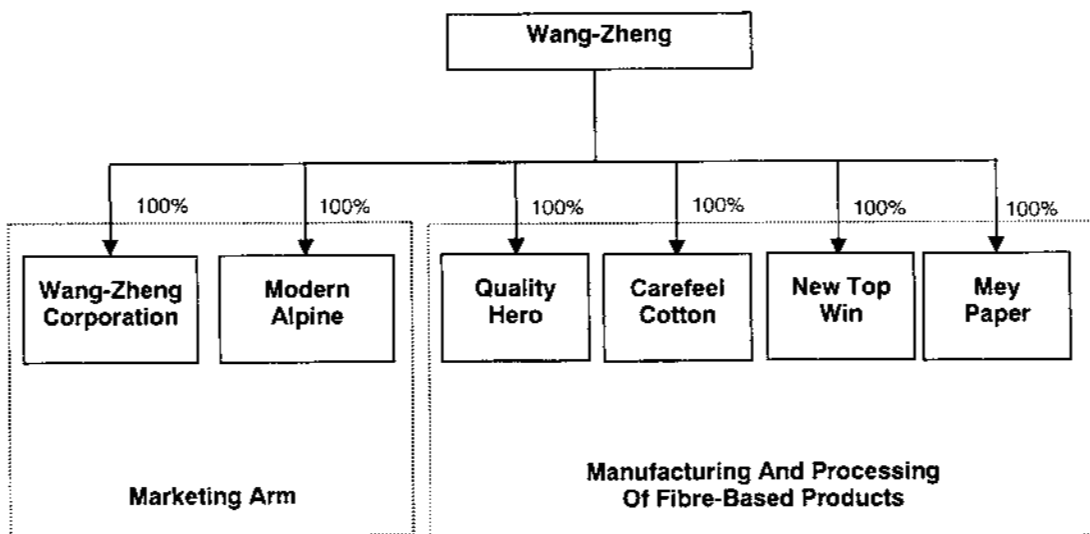
## 1. INFORMATION SUMMARY

**THE FOLLOWING INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION RELATING TO WANG-ZHENG GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.**

### 1.1 History And 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. Its subsidiaries are principally involved in the manufacturing and processing of fibre-based products, which include disposable baby diapers, sanitary protection and tissue products, cotton products and processed papers. Wang-Zheng does not have any associated company.

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



The details of the subsidiaries of Wang-Zheng are as follows:-

Company	Date And Place Of Incorporation	Issued And 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

**1. INFORMATION SUMMARY (CONT'D)**

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 Group evolved from a trading company to become a group of reputable companies involved in manufacturing, processing and distribution of fibre-based products.

Further details on the history and business of Wang-Zheng Group are set out in section 4.

**1.2 Promoters, Substantial Shareholders, Directors, And Key Management And Key Technical Personnel****1.2.1 Promoters**

The Promoters of Wang-Zheng are Wang-Zheng Resources, Chung Shan Kwang, Goh Kheng Jiu, Khoo Beng Hwa, Thang Yuen Mei, Tan Wan Huat, Chai Tuck Chuen and Teh Hui Guan. Their designations and shareholdings in Wang-Zheng upon completion of the IPO are as follows:-

Name	Designation	No. Of Shares Held			
		Direct	%	Indirect	%
Wang-Zheng Resources	N/A	<sup>1</sup> 54,000,000	45.00	-	-
Chung Shan Kwang	Non-Executive Chairman	* 1,818,072	1.52	<sup>2</sup> 859,933	0.72
Goh Kheng Jiu	Managing Director and Chief Executive Officer	* 3,676,222	3.06	<sup>3</sup> 54,000,000	45.00
Khoo Beng Hwa	Executive Director	* 1,936,198	1.61	-	-
Thang Yuen Mei	Executive Director	* 1,283,487	1.07	-	-
Tan Wan Huat	Executive Director	* 1,264,887	1.05	-	-
Chai Tuck Chuen	Executive Director	* 1,324,459	1.10	-	-
Teh Hui Guan	Executive Director	* 1,531,479	1.28	-	-

**Note:-**

- \* Based on the assumption of subscription of all his/her entitlement pursuant to the pink form allocation as set out in section 2.4.3.
- <sup>1</sup> The Swap, which would cause Wang-Zheng Resources to receive 54,000,000 Wang-Zheng Shares, 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.
- <sup>2</sup> Deemed interest by virtue of his 10.00% shareholding in Macro-Link Sdn Bhd and his appointment to administer the distribution of a deceased shareholder's 6.00% shareholding in Macro-Link Sdn Bhd.
- <sup>3</sup> Deemed interest by virtue of his 15.85% shareholding in Wang-Zheng Resources upon completion of the Swap. The Swap 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.

**1.2.2 Substantial Shareholders**

The substantial shareholders of Wang-Zheng and their designations and shareholdings in Wang-Zheng upon the completion of the IPO are as follows:-

Name	Designation	No. Of Shares Held			
		Direct	%	Indirect	%
Wang-Zheng Resources	N/A	<sup>1</sup> 54,000,000	45.00	-	-
Goh Kheng Jiu	Managing Director and Chief Executive Officer	* 3,676,222	3.06	<sup>2</sup> 54,000,000	45.00
Dato' Abdul Azim Bin Mohd Zabidi	Non-Executive Deputy Chairman	* <sup>#</sup> 9,620,000	8.02	-	-

[ The rest of this page is intentionally left blank ]

**1. INFORMATION SUMMARY (CONT'D)**Note:-

- \* Based on the assumption of subscription of all his/her entitlement pursuant to the pink form allocation as set out in section 2.4.3.
- # Based on the assumption of acquisition of the entire allocation approved by MITI. Dato' Abdul Azim Bin Mohd Zabidi had furnished a written undertaking on 16 August 2004 that he would acquire 9,600,000 Shares allocated to him.
- <sup>1</sup> The Swap, which would cause Wang-Zheng Resources to receive 54,000,000 Wang-Zheng Shares, 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.
- <sup>2</sup> Deemed interest by virtue of his 15.85% shareholding in Wang-Zheng Resources upon completion of the Swap. The Swap 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.

**1.2.3 Board Of Directors**

The Directors of Wang-Zheng and their designations and shareholdings in Wang-Zheng upon the completion of the IPO are set out below.

Name	Designation	No. Of Shares Held			
		Direct	%	Indirect	%
Chung Shan Kwang	Non-Executive Chairman	* 1,818,072	1.52	<sup>1</sup> 859,933	0.72
Dato' Abdul Azim Bin Mohd Zabidi	Non-Executive Deputy Chairman	* # 9,620,000	8.02	-	-
Goh Kheng Jiu	Managing Director and Chief Executive Officer	* 3,676,222	3.06	<sup>2</sup> 54,000,000	45.00
Khoo Beng Hwa	Executive Director	* 1,936,198	1.61	-	-
Thang Yuen Mei	Executive Director	* 1,283,487	1.07	-	-
Tan Wan Huat	Executive Director	* 1,264,887	1.05	-	-
Chai Tuck Chuen	Executive Director	* 1,324,459	1.10	-	-
Teh Hui Guan	Executive Director	* 1,531,479	1.28	-	-
Tan Teck Ang	Non-Executive Director	* 696,641	0.58	-	-
Chung Shan Meng	Non-Executive Director	* 543,133	0.45	-	-
Fu Jun	Non-Executive Director	* 20,000	0.02	<sup>3</sup> 859,933	0.72
Loo Choo Hong	Independent Non-Executive Director	* 20,000	0.02	-	-
Ch'ng Eng Hing	Independent Non-Executive Director	* 20,000	0.02	-	-
Low Yu Keat	Independent Non-Executive Director	* 20,000	0.02	-	-
Tan Kar Thye	Independent Non-Executive Director	* 20,000	0.02	-	-
Yap Kien Pin	Independent Non-Executive Director	* 20,000	0.02	-	-

Note:-

- \* Based on the assumption of subscription of all his/her entitlement pursuant to the pink form allocation as set out in section 2.4.3.
- # Based on the assumption of acquisition of the entire allocation approved by MITI. Dato' Abdul Azim Bin Mohd Zabidi had furnished a written undertaking on 16 August 2004 that he would acquire 9,600,000 Shares allocated to him.
- <sup>1</sup> Deemed interest by virtue of his 10.00% shareholding in Macro-Link Sdn Bhd and his appointment to administer the distribution of a deceased shareholder's 6.00% shareholding in Macro-Link Sdn Bhd.
- <sup>2</sup> Deemed interest by virtue of his 15.85% shareholding in Wang-Zheng Resources upon completion of the Swap. The Swap 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.
- <sup>3</sup> Deemed interest by virtue of his 70.00% shareholding in Macro-Link Sdn Bhd.

[ The rest of this page is intentionally left blank ]

**1. INFORMATION SUMMARY (CONT'D)****1.2.4 Key Management And Key Technical Personnel**

The designations and shareholdings of the key management and key technical personnel of Wang-Zheng upon the completion of the IPO are set out below.

Name	Designation	No. Of Shares Held			
		Direct	%	Indirect	%
Khoo Beng Keong	Director and Factory Manager (Quality Hero)	* 643,783	0.54	-	-
Lim Seow Cheong	Technical Manager (Quality Hero)	* 1,000	#	-	-
Lim Ah Seng	Production Manager (Carefeel Cotton)	* 25,000	0.02	-	-
Chai Teck Seng	Marketing Manager (Wang-Zheng Corporation)	* 433,669	0.36	-	-
Lee Wong Chon	Export Manager (Wang-Zheng Corporation)	* 10,000	0.01	-	-
Lee Poh Lye	OEM Business Manager (Wang-Zheng Corporation)	* 15,000	0.01	-	-
Teoh Hee Chong	Sales Manager (Northern Region) (Wang-Zheng Corporation)	* 15,000	0.01	-	-
Tan Teck Siang	Sales Manager (Southern Region) (Wang-Zheng Corporation)	* 25,000	0.02	-	-
Leong Ting Siong @ Martin Leong	Group Accountant	* 10,000	0.01	-	-

Note:-

- \* Based on the assumption of subscription of all his/her entitlement pursuant to the pink form allocation.
- # Negligible.

Detailed information on the Promoters, substantial shareholders, Directors, and key management and key technical personnel are set out in section 5.

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

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. Carefeel, Carina and Cosmex have been registered with the Intellectual Property Corporation of Malaysia. Details of the registered brand names are set out in section 4.6.4.

**[ The rest of this page is intentionally left blank ]**

**1. INFORMATION SUMMARY (CONT'D)****1.4 Financial Statistics For The Five (5) Financial Years Ended 31 December 2003 And The Four (4) Months Ended 30 April 2004**

The following information is extracted from the Accountants' Report set out in section 10 and should be read in conjunction with the notes thereto.

The information was extracted and prepared based on the audited financial statements of the companies in Wang-Zheng Group. The information is presented for illustrative purposes only, based on the assumption that the current corporate structure of Wang-Zheng Group has been in place since 1 January 1999.

	Financial Year Ended 31 December					4 Months Ended 30.4.2004 (RM'000)
	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	
Revenue	100,886	117,879	112,050	134,337	153,708	62,597
Profit before amortisation, depreciation, interest and taxation	6,708	7,525	10,320	15,905	20,976	7,767
Amortisation and depreciation	(1,205)	(1,329)	(1,485)	(1,673)	(2,148)	(631)
Interest expense	(819)	(862)	(1,131)	(1,155)	(1,612)	(732)
Interest income	179	139	257	411	286	70
Profit before exceptional items	4,863	5,473	7,961	13,488	17,502	6,474
Exceptional items	-	-	-	-	-	-
PBT	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 from ordinary activities	4,865	3,676	5,497	10,069	11,792	4,819
Extraordinary items	-	-	-	-	-	-
Net profit	4,865	3,676	5,497	10,069	11,792	4,819
Assumed number of Shares in issue ('000)	120,000	120,000	120,000	120,000	120,000	120,000
Gross EPS (Sen)	4.05	4.56	6.63	11.24	14.59	
Net EPS (Sen)	4.05	3.06	4.58	8.39	9.83	

[ The rest of this page is intentionally left blank ]

**1. INFORMATION SUMMARY (CONT'D)****1.5 Summary Of Proforma Balance Sheet As At 30 April 2004**

The following information is extracted from the Proforma Consolidated Balance Sheets of Wang-Zheng set out in section 9.9 and should be read in conjunction with the notes thereto.

	Wang-Zheng Per Audited Financial Statements As At 30.4.2004	Proforma 1 (After Declaration Of Dividends And Acquisitions)	Proforma 2 (After Proforma 1 And Restricted Issue)	Proforma 3 (After Proforma 2 And Rights Issue)	Proforma 4 (After Proforma 3 And Public Issue)	Proforma 5 (After Proforma 4 And Utilisation Of Proceeds Of Restricted Issue, Rights Issue And Public Issue)
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Property, plant and equipment	-	20,623	20,623	20,623	20,623	21,733
Other investments	-	17	17	17	17	17
Intangible assets	-	50	50	50	50	-
Current assets	*	71,757	78,107	89,128	93,628	89,368
Current liabilities	(9)	(45,230)	(45,230)	(45,230)	(45,230)	(44,597)
	(9)	47,217	53,567	64,588	69,088	66,521
Financed by:-						
Share capital	*	40,379	46,729	57,750	60,000	60,000
Reserves	(9)	3,270	3,270	3,270	5,520	3,720
Non-current liabilities	(9)	43,649	49,999	61,020	65,520	63,720
	-	3,568	3,568	3,568	3,568	2,801
	(9)	47,217	53,567	64,588	69,088	66,521
NTA (RM'000)	(9)	43,599	49,949	60,970	65,470	63,720
NTA per Share (RM)	(2,250)	0.54	0.53	0.53	0.55	0.53

Note:-

\* RM2.

**1.6 Auditors' Qualifications**

The audited financial statements of Wang-Zheng and its subsidiaries were not subjected to any auditors' qualification for the five (5) financial years ended 31 December 2003 and the four (4) months ended 30 April 2004.

The audited financial statements of Wang-Zheng were subject to an emphasis of matter in the auditors' report for the financial period ended 31 December 2003. The auditors had highlighted that as at 31 December 2003, 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 which is dependent upon its ability to attain future profitable operations and the continuous financial support from its shareholders and creditors. The latest audited financial statements of Wang-Zheng for the four (4) months ended 30 April 2004 were not subject to any qualification or emphasis of matter. Based on the proforma consolidated balance sheets of Wang-Zheng as at 30 April 2004 set out in section 9.9, Wang-Zheng Group has a proforma shareholder's funds of RM63.7 million, and a proforma net current asset of RM44.8 million.

[ The rest of this page is intentionally left blank ]

## 1. INFORMATION SUMMARY (CONT'D)

### 1.7 Risk Factors

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited the general and specific risks set out below.

#### 1.7.1 Risks In Respect Of The Listing Scheme

- i) Valuation involved in the Acquisitions
- ii) No prior market for Wang-Zheng Shares
- iii) Capital market risk
- iv) Delay in or abortion of the listing of Wang-Zheng on Bursa Securities

#### 1.7.2 Risks In Respect Of Operations Of Wang-Zheng Group

- i) Control by substantial shareholders
- ii) Dependence on Directors and key management
- iii) Political, economic and regulatory considerations
- iv) Competition
- v) Substitutes
- vi) Changes in technology
- vii) Major suppliers and material supplies
- viii) Dependence on major customers
- ix) Dependence on overseas markets
- x) New and proposed products
- xi) Protection of intellectual property
- xii) Dependence on labour
- xiii) Foreign exchange fluctuations
- xiv) Recoverability of debts
- xv) Financial risks
- xvi) Conflict of interest and related party transactions
- xvii) Environmental concerns
- xviii) Material litigation, claim or arbitration, and legal uncertainties
- xix) System disruption
- xx) Insurance coverage
- xxi) Achievability of financial forecasts
- xxii) Forward-looking statements

Elaboration on these risk factors is set out in section 3.

### 1.8 Principal Statistics Relating To The IPO

The following information are extracted from sections 2 and 9.

#### 1.8.1 Share Capital

	No. Of Shares	Share Capital (RM)
<b>Authorised Share Capital</b>	200,000,000	100,000,000
<b>Issued And Fully Paid-Up Share Capital</b>		
As at 31 August 2004, being the latest practicable date prior to the issuance of this Prospectus	115,500,000	57,750,000
New Shares to be issued pursuant to the Public Issue	4,500,000	2,250,000
	120,000,000	60,000,000
<b>Existing Shares to be offered pursuant to the Offer For Sale</b>	44,500,000	22,250,000

**1. INFORMATION SUMMARY (CONT'D)**

There is only one (1) class of shares in Wang-Zheng, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the existing Wang-Zheng Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

**1.8.2 IPO Price**

RM1.00 per Share

**1.8.3 Proforma NTA As At 30 April 2004**

	NTA (RM'000)	NTA Per Share (RM)
Based on enlarged issued and fully paid-up share capital of 120,000,000 Shares and after utilization of proceeds of the Restricted Issue, Rights Issue and Public Issue	63,720	0.53

**1.8.4 Consolidated Profit Forecast**

	Financial Year Ending 31.12.2004
Revenue (RM'000)	156,027
PBT (RM'000)	19,844
PAT (RM'000)	14,102
Number of Shares upon completion of IPO ('000)	120,000
Gross EPS (sen)	16.54
Net EPS (sen)	11.75
PE multiple based on net EPS of 11.75 sen and IPO Price of RM1.00 per Share (times)	8.51

**1.8.5 Dividend Forecast**

	Financial Year Ending 31.12.2004
Gross dividend per Share (sen)	3.50
Net dividend per Share (sen)	2.52
Gross dividend yield based on IPO Price of RM1.00 per Share (%)	3.50
Net dividend yield based on IPO Price of RM1.00 per Share (%)	2.52
Net dividend cover (times)	4.66

[ The rest of this page is intentionally left blank ]



**1. INFORMATION SUMMARY (CONT'D)****1.9 Utilisation Of Proceeds**

As further detailed in section 2.6, the gross proceeds of RM21,871,500 accrued/accruing to Wang-Zheng from the Restricted Issue, Rights Issue and Public Issue will be utilised in the following manner:-

Purpose	RM	Expected Utilisation Period After Listing Of Wang-Zheng
Working capital	17,561,500	Within 12 months
Capital expenditure	1,110,000	Within 12 months
Repayment of bank borrowings	1,400,000	Within 6 months
Estimated listing expenses	1,800,000	Within 6 months
	21,871,500	

The gross proceeds of the Offer For Sale of RM44,500,000 shall accrue to the Offerors. No part is receivable by Wang-Zheng.

**1.10 Working Capital, Material Litigation And Arbitration, Material Commitments, Borrowings And Contingent Liabilities**

As at 31 August 2004, being the latest practicable date prior to the issuance of this Prospectus:-

- i) the Directors of Wang-Zheng are of the opinion that, after taking into account the current cash flow position, the banking facilities available and its capacity to obtain further institutional financing based on its debt to equity ratio of 0.53 times (based on the proforma consolidated balance sheets of Wang-Zheng as at 30 April 2004 set out in section 9.9), and the net proceeds from the IPO, Wang-Zheng Group will have adequate working capital for a period of 12 months from the date of issue of this Prospectus;
- ii) neither Wang-Zheng or its subsidiaries are engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the business or financial position of Wang-Zheng Group, and the Directors of Wang-Zheng have no knowledge of any proceeding pending or threatened against Wang-Zheng Group or of any fact likely to give rise to any proceeding which might materially and adversely affect the business or financial position of Wang-Zheng Group;
- iii) Wang-Zheng Group has no material commitments;
- iv) the total outstanding borrowings of Wang-Zheng Group amounted to approximately RM25.71 million. Save for term loans drawdown to finance New Top Win's acquisition of land at Mukim Sungai Buloh, Selangor, and to finance New Top Win's acquisition of land at Jalan Pahang, Kuala Lumpur, details of which are set out below, and amounts due to trade creditors and financial institutions for trade lines facilities incurred in the ordinary course of business, Wang-Zheng Group has no other material borrowings;

[ The rest of this page is intentionally left blank ]

**1. INFORMATION SUMMARY (CONT'D)**

Lender	Type Of Borrowing	Limit (RM)	Amount Outstanding As At 31.8.2004 (RM)	Amount To Be Settled Using Proceeds From The Restricted Issue, Rights Issue And Public Issue (RM)	Interest Rate	Terms Of Repayment	Purpose Of Borrowings
Hong Leong Bank Berhad	Term loans	1,420,000	1,189,846	^ 1,000,000	5.25 to 8.00% per annum	60 monthly instalments	To finance New Top Win's acquisition of land at Mukim Sungai Buloh, Selangor
Hong Leong Bank Berhad	Term loan	1,500,000	565,547	^ 400,000	Base lending rate + 1.75 per annum	60 monthly instalments	To finance New Top Win's acquisition of land at Jalan Pahang, Kuala Lumpur
				1,400,000			

**Note:-**

^ At time of receipt of the proceeds from the Restricted Issue, Rights Issue and Public Issue, the amount outstanding on the borrowings may be lower, as part of the outstanding amount of the aforesaid borrowings could have been repaid using Wang-Zheng Group's internally generated funds. Any amount of internally generated funds used to repay the aforesaid balances would be replenished using the proceeds from the aforesaid issues.

and

- v) the Directors of Wang-Zheng are of the opinion that there are no contingent liability which, upon becoming enforceable, may materially impact the profit or net asset value of Wang-Zheng Group.

[ The rest of this page is intentionally left blank ]

## 2. DETAILS OF THE IPO

---

This Prospectus is dated 30 September 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the forms of application, has also been lodged with the ROC who takes no responsibility for its contents.

The approval of the SC for the Listing Scheme as set out in section 6.1, obtained via its letter dated 3 June 2004 shall not be taken to indicate that the SC recommends the IPO. Investors should rely on their own evaluation to assess the merits and risks of the IPO.

Application will be made to Bursa Securities within three (3) market days after the issue of this Prospectus for admission to the Official List and for 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. These Shares will be admitted to the Official List on the Second Board of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire issued and fully paid-up share capital of Wang-Zheng on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus, or such longer period as may be specified by the SC, provided that Wang-Zheng is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Bursa Securities assumes no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Second Board of Bursa Securities is not to be taken as an indication of the merits of Wang-Zheng or of its Shares.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed Wang-Zheng Shares as a prescribed security. In consequence thereof, the IPO Shares issued or offered through this Prospectus will be deposited directly with Bursa Depository, and any dealings in these Shares will be carried out in accordance with the aforesaid Act and Rules of Bursa Depository.

All applicants must have a CDS Account. In the case of an application by way of an Application Form, an applicant should state his CDS Account number in the space provided in the Application Form. In a case of an application by way of Electronic Share Application, only an applicant who is an individual can make an Electronic Share Application, and the applicant shall furnish his CDS Account number to the Participating Financial Institutions by keying his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Wang-Zheng and the Offerors. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Wang-Zheng Group since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and shall not be used for the purpose of an invitation to subscribe for the IPO Shares, or an offer to sell the IPO Shares, in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such invitation or offer.

## 2. DETAILS OF THE IPO (CONT'D)

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

### 2.1 Critical Dates Of The IPO

Event	Tentative Date
Issue of Prospectus/opening date of the IPO	30 September 2004
Closing date of the IPO *	7 October 2004
Tentative date for balloting of applications	12 October 2004
Tentative listing date on Bursa Securities	21 October 2004

\* The closing date of the IPO may be extended at the absolute discretion of the Directors of Wang-Zheng, together with the Managing Underwriter. Any extension of the closing date of the IPO would be announced to the public via notices in a daily Bahasa Malaysia newspaper and a daily English newspaper. Should there be an extension of the closing date, the listing of Wang-Zheng may be extended.

### 2.2 Purposes Of The IPO

The purposes of the IPO are as follows:-

- i) To obtain a listing of and quotation for the entire issued and fully paid-up share capital of RM60,000,000 of Wang-Zheng on the Second Board of Bursa Securities;
- ii) To provide an opportunity for Malaysian investors and institutions, and the eligible Directors and employees, and/or business associates of Wang-Zheng Group, and/or other persons who have contributed to the success of Wang-Zheng Group, to participate in the equity and continuing growth of Wang-Zheng Group;
- iii) To comply with the National Development Policy requirements in respect of Bumiputera equity participation in Wang-Zheng Group;
- iv) To raise funds for use in the operations of Wang-Zheng Group, details of which are elaborated in section 2.6;
- v) To enhance the corporate reputation of Wang-Zheng Group, and to assist Wang-Zheng Group in expanding its customer base; and
- vi) To enable Wang-Zheng Group to gain access to the capital markets for funds, for its future expansion and continued growth.

### 2.3 Share Capital

	No. Of Shares	Share Capital (RM)
<b>Authorised Share Capital</b>	200,000,000	100,000,000
<b>Issued And Fully Paid-Up Share Capital</b>		
As at 31.8.2004, being the latest practicable date prior to the issuance of this Prospectus	115,500,000	57,750,000
New Shares to be issued pursuant to the Public Issue	4,500,000	2,250,000
	120,000,000	60,000,000
<b>Existing Shares to be offered pursuant to the Offer For Sale</b>	44,500,000	22,250,000

There is only one (1) class of shares in Wang-Zheng, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the existing Wang-Zheng Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

## **2. DETAILS OF THE IPO (CONT'D)**

Subject to any special rights attaching to any shares which may be issued by Wang-Zheng in the future, the holders of Wang-Zheng Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions, and the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of Wang-Zheng in person or by proxy or by attorney. On show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote. On a poll, every shareholder present in person or by proxy or by attorney or other duly authorized representative shall have one (1) vote for each Share held.

### **2.4 Details Of The IPO**

Pursuant to the 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.

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

The IPO shall be subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares will be allocated in the manner set out below.

#### **2.4.1 Allocations To Bumiputera Investors Approved By MITI**

36,000,000 Wang-Zheng Shares representing 30.00% of the enlarged issued and fully paid-up share capital of Wang-Zheng, are reserved for Bumiputera investors approved by MITI.

#### **2.4.2 Allocations Via Balloting To The Malaysian Persons**

6,000,000 Wang-Zheng Shares representing 5.00% of the enlarged issued and fully paid-up share capital of Wang-Zheng, will be made available for application by the Malaysian Persons, to be allocated via ballot, of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

#### **2.4.3 Pink Form Allocations To Eligible Directors And Employees, And/Or Business Associates Of Wang-Zheng Group, And/Or Other Persons Who Have Contributed To The Success Of Wang-Zheng Group**

4,000,000 Wang-Zheng Shares representing approximately 3.33% of the enlarged issued and fully paid-up share capital of Wang-Zheng, will be reserved for 182 eligible Directors and employees. The Shares are allocated based on criteria approved by the Directors of Wang-Zheng, which include position and contribution to Wang-Zheng Group. Non-Malaysian employees are not eligible.

**[ The rest of this page is intentionally left blank ]**

**2. DETAILS OF THE IPO (CONT'D)**

The details of the pink form allocations to the Directors of Wang-Zheng Group are as follows:-

<b>Name</b>	<b>No. Of Shares</b>
Chung Shan Kwang	200,000
Dato' Abdul Azim Bin Mohd Zabidi	20,000
Goh Kheng Jiu	1,500,000
Khoo Beng Hwa	200,000
Thang Yuen Mei	200,000
Tan Wan Huat	200,000
Chai Tuck Chuen	200,000
Teh Hui Guan	200,000
Tan Teck Ang	20,000
Chung Shan Meng	20,000
Fu Jun	20,000
Loo Choo Hong	20,000
Ch'ng Eng Hing	20,000
Low Yu Keat	20,000
Tan Kar Thye	20,000
Yap Kien Pin	20,000
Khoo Beng Keong *	200,000
	<b>3,080,000</b>

Note:-

\* Director of Quality Hero.

Any of these Wang-Zheng Shares that are not subscribed for by the eligible Directors and employees, and/or business associates of Wang-Zheng Group, and/or other persons who have contributed to the success of Wang-Zheng Group, will be made available for application by the Malaysian Persons and the allocation will be made on a fair and equitable manner.

**2.4.4 Private Placement By The Placement Agent**

3,000,000 Wang-Zheng Shares representing 2.50% of the enlarged issued and fully paid-up share capital of Wang-Zheng, will be placed with identified Malaysian Persons by AmMerchant Bank in its capacity as the Placement Agent.

Save for the 36,000,000 Wang-Zheng Shares allocated to Bumiputera investors approved by MITI, and 3,000,000 Wang-Zheng Shares made available for placement under section 2.4.4, the IPO Shares have been fully underwritten. The aforesaid 3,000,000 Shares made available for placement, have been made available for placement to exempt investors as defined under Schedule 2 and 3 of the Securities Commission Act, 1993, and irrevocable undertakings have been obtained for acquisition of the said Shares.

The allocations of the IPO Shares take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening the shareholding base of Wang-Zheng, to meet the public spread requirements of Bursa Securities, and to establish a liquid and adequate market for Wang-Zheng Shares.

**[ The rest of this page is intentionally left blank ]**

## **2. DETAILS OF THE IPO (CONT'D)**

### **2.5 Basis Of Arriving At The IPO Price**

The IPO Price is RM1.00 per Share. The price was determined and agreed upon by Wang-Zheng, the Offerors, and AmMerchant Bank as the Adviser and Managing Underwriter, based on various factors which include the following:-

- i) the forecast net PE multiple of approximately 8.51 times, based on the forecast net EPS of 11.75 sen for the financial year ending 31 December 2004, and the enlarged issued and fully paid-up share capital of 120,000,000 Shares;
- ii) the forecast gross dividend yield of 3.50%, based on the forecast gross dividend of 3.50 sen for the financial year ending 31 December 2004, and the enlarged issued and fully paid-up share capital of 120,000,000 Shares;
- iii) the future plans and strategies, and prospects of Wang-Zheng Group as outlined in section 4.8;
- iv) the proforma consolidated NTA per Share of Wang-Zheng as at 30 April 2004 based on the enlarged issued and fully paid-up share capital of 120,000,000 Shares and after utilization of proceeds of the Public Issue, of RM0.53; and
- v) the proforma historical performance of Wang-Zheng Group for the five (5) financial years ended 31 December 2003, and the four (4) months ended 30 April 2004 details of which are set out in the Accountants' Report in section 10.

The Directors of Wang-Zheng, the Offerors and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should note that the market price of Wang-Zheng Shares upon listing on Bursa Securities is subject to the vagaries of the market forces and other uncertainties which may affect the price of the Shares when they are traded.

Investors should form their own views on the valuation of the securities and the reasonableness of the bases used.

### **2.6 Proceeds Of The Listing Scheme**

There is no minimum subscription to be raised from the IPO. All the IPO Shares, save for the 36,000,000 Wang-Zheng Shares allocated to Bumiputera investors approved by MITI, and the 3,000,000 Wang-Zheng Shares made available for placement to the identified Malaysian Persons, have been fully underwritten.

#### **2.6.1 Restricted Issue, Rights Issue And Public Issue**

All proceeds of the Restricted Issue, Rights Issue and Public Issue after deducting the related expenses, have accrued/will accrue to Wang-Zheng. No part is receivable by the Offerors. The gross proceeds of the aforesaid issues is RM21,871,500. The Company shall bear all expenses relating to the Restricted Issue, Rights Issue and Public Issue, and all other expenses and fees incidental to 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, estimated at RM1,800,000.

**[ The rest of this page is intentionally left blank ]**

## 2. DETAILS OF THE IPO (CONT'D)

In summary, the gross proceeds of RM21,871,500 accrued/accruing to Wang-Zheng from the Restricted Issue, Rights Issue and Public Issue will be utilised in the following manner:-

Purpose	RM	Expected Utilisation Period After Listing Of Wang-Zheng
Working capital	17,561,500	Within 12 months
Capital expenditure	1,110,000	Within 12 months
Repayment of bank borrowings	1,400,000	Within 6 months
Estimated listing expenses	1,800,000	Within 6 months
	21,871,500	

### 2.6.1.1 Working Capital

The utilization of approximately 80% of the aggregate proceeds to Wang-Zheng for working capital is consistent with the nature of Wang-Zheng Group's business and strategies. As Wang-Zheng Group aims to strengthen its position via continued economies of scale and enhanced market penetration, increased working capital is imperative to support the higher purchase of material supplies and the higher level of trade receivables that would likely result from increased sales.

### 2.6.1.2 Capital Expenditure

Wang-Zheng Group has allocated RM1,110,000 of the proceeds for upgrades and improvements to its existing plant and machineries, and for investment in computer hardware and software for its sales and purchase, and finance functions. These capital expenditures are expected to result in increased efficiencies of the operations of Wang-Zheng Group.

### 2.6.1.3 Repayment Of Bank Borrowings

Lender	Type Of Borrowing	Limit (RM)	Amount Outstanding As At 31.8.2004 (RM)	Amount To Be Settled Using Proceeds From The Restricted Issue, Rights Issue And Public Issue (RM)	Interest Rate	Terms Of Repayment	Purpose Of Borrowings
Hong Leong Bank Berhad	Term loans	1,420,000	1,189,846	^ 1,000,000	5.25 to 8.00% per annum	60 monthly instalments	To finance New Top Win's acquisition of land at Mukim Sungai Buloh, Selangor
Hong Leong Bank Berhad	Term loan	1,500,000	565,547	^ 400,000	Base lending rate + 1.75 per annum	60 monthly instalments	To finance New Top Win's acquisition of land at Jalan Pahang, Kuala Lumpur
				1,400,000			

**Note:-**

^ At time of receipt of the proceeds from the Restricted Issue, Rights Issue and Public Issue, the amount outstanding on the borrowings may be lower, as part of the outstanding amount of the aforesaid borrowings could have been repaid using Wang-Zheng Group's internally generated funds. Any amount of internally generated funds used to repay the aforesaid balances would be replenished using the proceeds from the aforesaid issues.

[ The rest of this page is intentionally left blank ]



## 2. DETAILS OF THE IPO (CONT'D)

### 2.6.1.4 Estimated Listing Expenses

The estimated listing expenses for the listing of and quotation for the enlarged issued and fully paid-up share capital of Wang-Zheng on the Second Board of Bursa Securities are as follows:-

Major Cost Items	Total Estimated Costs (RM)
Estimated professional fees	* 700,000
Underwriting commission	200,000
Brokerage	60,000
SC fees	60,000
Issuing house fees	60,000
Initial and annual listing fee	7,000
Registration and lodgement of Prospectus	5,500
Printing of Prospectus, Application Forms and envelopes	155,000
Advertising of Prospectus	91,000
Miscellaneous	** 461,500
	*** 1,800,000

**Note:-**

- \* The estimated professional fees include among others, fees of Adviser, Reporting Accountants, Solicitors and Independent Market Researcher.
- \*\* Other incidental or related expenses in connection with the IPO.
- \*\*\* **Any unutilised amount from the above stated purposes shall be used for working capital.**

### 2.6.1.5 Financial Impact Of Utilisation Of Proceeds Of Restricted Issue, Rights Issue And Public Issue

At the prevailing interest rates, Wang-Zheng Group's income statement is expected to be enhanced by RM32,000 in the financial year ending 31 December 2004 in view of the proposed repayment of bank borrowings. The proposed utilisation of proceeds as working capital and for capital expenditure is expected to contribute positively to the profitability of Wang-Zheng Group. The consolidated profit forecast of Wang-Zheng Group for the financial year ending 31 December 2004 is set out in section 9.5. The payment of listing expenses would be debited against the share premium account of the Company.

### 2.6.2 Offer For Sale

The gross proceeds of the Offer For Sale of RM44,500,000 shall accrue to the Offerors. No part is receivable by Wang-Zheng. The Offerors shall bear the underwriting commissions, placement costs, brokerage, and other incidental costs relating to the Offer Shares.

### 2.7 Underwriting Commission And Brokerage

AmMerchant Bank and AmSecurities Sdn Bhd, as the Underwriters, have agreed to underwrite the 10,000,000 IPO Shares to be offered to eligible Directors and employees, and/or business associates of Wang-Zheng Group, and/or other persons who have contributed to the success of Wang-Zheng Group, and the Malaysian Persons via balloting. Underwriting commission of 2.0% of the IPO Price of RM1.00 per Share is payable by the Company in respect of the 4,500,000 Public Issue Shares, and by the Offerors in respect of the 5,500,000 Offer Shares, allocated to the aforesaid persons, to the Underwriters.

Brokerage is payable by Wang-Zheng in respect of the Public Issue Shares and by the Offerors in respect of the Offer Shares made available for application by the Malaysian Persons at the rate of 1.0% of the IPO Price of RM1.00 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

[ The rest of this page is intentionally left blank ]

## 2. DETAILS OF THE IPO (CONT'D)

### 2.8 Underwriting Agreement

The salient clauses of the Underwriting Agreement dated 28 July 2004 between Wang-Zheng, Chung Shan Kwang and Goh Kheng Jiu as offerors, and the Underwriters, which may allow the Underwriters to withdraw from their obligations under the agreement after the opening of the offer, are as follows:-

**"Events Of Termination:** Notwithstanding anything contained in the Underwriting Agreement, the Managing Underwriter and/or the Underwriters, acting through the Managing Underwriter may by notice in writing to the Company and the offerors given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-

- \* **Breaches In Representations, Warranties Or Undertakings:** there is any breach by the Company and/or the offerors of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company and/or the offerors, or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriters, which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue and the Offer For Sale, or the distribution or sale of the Issue Shares and the Offer Shares; or
- \* **Information Withheld:** there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company and offerors, which, in the opinion of the Managing Underwriter and/or Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue and the Offer For Sale, or the distribution or sale of the Issue Shares and the Offer Shares; or
- \* **Material And/Or Adverse Changes:** there shall have occurred, happened or come into effect any material and/or adverse change to the business or financial condition of the Company or the Group; or
- \* **Force Majeure/Lapse Of Agreement:** there shall have occurred, happened or come into effect any of the following circumstances:-
  - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue and the Offer For Sale, or the distribution or sale of the Issue Shares and the Offer Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

---

**2. DETAILS OF THE IPO (CONT'D)**

---

if in the reasonable opinion of any Underwriter that the success of the IPO is seriously and/or materially jeopardised by the Kuala Lumpur Composite Index falling below 700 points and remaining below 700 points for 3 consecutive Market Days at any time between the date of the Underwriting Agreement and up to and including the Closing Date; or

- \* **Withdrawal Or Non-Procurement Of Approval For Listing By Bursa Securities:** the approval in principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securities is withdrawn or not procured within six (6) weeks from the date of issue of Prospectus or such other period as may be specified by the SC; or
- \* **Failure To Perform Obligations:** there is failure on the part of the Company and/or the offerors to perform any of their respective obligations contained in the Underwriting Agreement.

**[ The rest of this page is intentionally left blank ]**

### **3. RISK FACTORS**

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the following general and specific risks:-

#### **3.1 Risks In Respect Of The Listing Scheme**

##### **3.1.1 Valuation Involved In The Acquisitions**

The purchase considerations involved in the Acquisitions, albeit based on audited NTAs, are subjective in nature. The Directors of Wang-Zheng have considered the valuations of the target companies, and are of the opinion that the valuations are reflective of realisable values of the target companies. In spite of that, there is no assurance that the fair values accorded to the target companies would be realized.

##### **3.1.2 No Prior Market For Wang-Zheng Shares**

Prior to this IPO, there is no public market for Wang-Zheng Shares. There can be no assurance that an active market for Wang-Zheng Shares will develop upon its listing on the Second Board of Bursa Securities or, if developed, that such a market will be sustained. The IPO Price has been determined after taking into consideration a number of factors relevant to Wang-Zheng Group, including but not limited to its financial and operating history and condition, its prospects and the prospects of the industry in which it operates, its management, and other factors which include the market prices for shares of companies engaged in business similar to that of Wang-Zheng Group and the prevailing economic and market conditions. There can be no assurance that the IPO Price will correspond to the price at which Wang-Zheng Shares will be traded on the Second Board of Bursa Securities upon or subsequent to its listing.

##### **3.1.3 Capital Market Risk**

The performance of our local bourse is very much dependent on external factors such as the performance of regional and world bourses, and the flows of foreign funds. Sentiments are also largely driven by internal factors which include political and economic conditions of the country. Being securities listed on Bursa Securities, Wang-Zheng Shares would also be subjected to the vagaries of the capital market. However, it should be noted that the profitability of Wang-Zheng is not dependent on and has no direct correlation with the performance of Bursa Securities.

##### **3.1.4 Delay In Or Abortion Of The Listing Of Wang-Zheng On Bursa Securities**

The occurrence of inter alia, any one or more of the following events may cause a delay in or abortion of the listing of Wang-Zheng on Bursa Securities:-

- i) the Bumiputera investors approved by MITI fail to acquire the portion of the IPO Shares allocated to them;
- ii) the placees identified fail to acquire the portion of the IPO Shares allotted to them;
- iii) the Underwriters exercising their rights pursuant to the Underwriting Agreement discharging itself from their obligations thereunder;
- iv) Wang-Zheng is unable to meet the public spread requirements, whereby at least 25% of the entire issued and fully paid-up share capital of Wang-Zheng must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, at the point of the proposed listing of Wang-Zheng.

Nevertheless, the Directors of Wang-Zheng would endeavor to ensure compliance by Wang-Zheng of the various listing requirements for the successful listing of Wang-Zheng on Bursa Securities.

**[ The rest of this page is intentionally left blank ]**

---

### **3. RISK FACTORS (CONT'D)**

---

#### **3.2 Risks In Respect Of Operations Of Wang-Zheng Group**

##### **3.2.1 Control By Substantial Shareholders**

Upon the completion of this IPO, 45.00% of Wang-Zheng would be held by Wang-Zheng Resources. Together with Wang-Zheng Resources' shareholders' direct shareholdings in Wang-Zheng prior to the listing of and quotation of the Wang-Zheng Shares on Bursa Securities, collectively, the immediate shareholders of Wang-Zheng Resources would hold 60.63% of Wang-Zheng. Together, they will effectively be able to control the outcome of certain matters requiring the vote of the shareholders of Wang-Zheng, unless they are required to abstain from voting by law and/or the relevant authorities.

##### **3.2.2 Dependence On Directors And Key Management**

Wang-Zheng Group is led by a capable and dynamic team of Directors and key management with extensive experience in the Fibre-Based Products Industry. Wang-Zheng Group believes that its continuing success will depend to a significant extent, upon the abilities and continuing dedication of its Directors and key management. The loss of any key member may adversely affect the continued ability of Wang-Zheng Group to perform. In response, Wang-Zheng Group has put in place various human resource policies to retain existing key member and attract new skilled personnel. Its competitive remuneration scheme, and secured and conducive working environment, have been able to retain its staff over the past years.

##### **3.2.3 Political, Economic And Regulatory Considerations**

The Directors of Wang-Zheng keep themselves abreast with current political, economic and regulatory conditions, and aims to optimally adapt the business operations of Wang-Zheng Group in response to any change in the conditions. Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries where Wang-Zheng Group operates, sources its supplies or markets its products, could materially and adversely affect the financial prospects of Wang-Zheng Group. Political and economic uncertainties include, but are not limited to the risks of war, renegotiation or nullification of existing contracts and methods of taxation and currency exchange controls.

Recovery in the Malaysian macro-economy is expected to bode well for the disposable fibre-based products and processed papers sectors. Even in event of adverse changes in the economic environment, with its focus on quality products at competitive prices, the Directors of Wang-Zheng are of the opinion that Wang-Zheng Group would be able to sustain its performance at reasonable levels. Its disposable fibre-based products have become daily necessities of the Malaysian public, and usage of processed papers is ubiquitous in the country. Nonetheless, no assurance could be given that any change in economic circumstances would not have any material adverse impact on Wang-Zheng Group's operations and profitability.

Whilst there are no specific laws or regulations which govern the disposable fibre-based products and processed papers sectors, general laws and regulations governing manufacturing and sales activities, are applicable to the market players (*source: Frost & Sullivan*). It is a policy of Wang-Zheng Group to comply with the relevant legislations. The Directors of Wang-Zheng have confirmed that all approvals, licenses and permits required for its operations have been obtained and would be renewed upon expiration. There is no assurance that any change in the policies of the Malaysian Government and those of its target markets, would not materially and adversely affect the operations and profitability of Wang-Zheng Group.

##### **3.2.4 Competition**

Due to minimal product differentiation, the Fibre-Based Products Industry is plagued by price competition. Competitors in the industry are principally local private limited and multinational companies. In efforts to maintain and subsequently increase its competitiveness, Wang-Zheng Group would continue to produce quality products in response to needs of end-users at competitive costs. Its target penetration into the rural communities and overseas markets would also contribute to larger production volume, which would result in increased economies of scale.

---

**3. RISK FACTORS (CONT'D)**

---

The Directors of Wang-Zheng believe that Wang-Zheng Group with its established business track record since incorporation of Wang-Zheng Corporation in 1987, significant investment in technology and capital assets, expansion of product range and strong emphasis in provision of quality products at reasonable prices, is ready to face the challenges ahead. Economies of scale, need for established distribution networks, and significant capital requirements, pose significant barriers to new market entrants to the Fibre-Based Products Industry. Although it is the intention of Wang-Zheng Group to grow and compete effectively, there is no assurance that it would be able to maintain or surpass its existing market shares in the future.

**3.2.5 Substitutes**

Whilst acknowledging the availability of substitutes for disposable fibre-based products, the Directors of Wang-Zheng are of the view that there are no strong substitutes that could offer comparable levels of convenience and hygiene, and command similar level of acceptance. Cloth diapers and handkerchiefs could be used in place of disposable baby diapers, tissue products and cotton products, but convenience and hygiene would be compromised. Consumers could opt for tampons in lieu of sanitary napkins. However, research has revealed that usage of tampons is yet to be widely accepted by Malaysian women (*source: Frost & Sullivan*). Similarly, for processed papers, whilst there is a visible trend towards usage of recycled paper, demand for non-recycled papers is not expected to be materially affected due to the relatively higher cost of recycled papers (*source: Frost & Sullivan*). Nonetheless, there can be no assurance that stronger substitutes would not be available in the future.

**3.2.6 Changes In Technology**

Wang-Zheng Group recognises that changes in technology could erode its competitiveness if its manufacturing and processing methods are not kept up-to-date. It is therefore Wang-Zheng Group's policy to keep itself abreast with, and invest in, contemporary technologies. Nonetheless, there can be no assurance that any change in technology would not have any material impact on the competitiveness of Wang-Zheng Group.

**3.2.7 Major Suppliers And Material Supplies**

There are few long-term contractual agreements between Wang-Zheng Group and its suppliers. The Directors of Wang-Zheng have confirmed that this is the norm in the Fibre-Based Products Industry.

Based on its steady and established relationships with its suppliers, and its non-dependence on any particular supplier, the Directors of Wang-Zheng are of the opinion that there would be constant supplies of material supplies at reasonable prices, which in turn results in minimal disruption in its operations. Nevertheless, although Wang-Zheng Group would continue with its consistent purchase and payment commitments, there is no assurance that there would be no significant change in the supply and price of material supplies, and that the change would not have a material effect on the performance of Wang-Zheng Group.

Furthermore, similar to other commodities, material supplies used by Wang-Zheng Group, which include fluff pulp, raw cotton, and paper jumbo rolls and paper sheets, are largely subject to the forces of demand and supply. Fluctuations in prices of its material supplies are therefore, grossly inevitable. In response, Wang-Zheng Group closely monitors the supply conditions, has in place a responsive stockholding policy, and frequently enters into forward contracts to hedge against anticipated fluctuations. However, there can be no assurance that its stock management and hedging positions it enters into, would always be beneficial, or adequate.

[ The rest of this page is intentionally left blank ]

---

### **3. RISK FACTORS (CONT'D)**

---

#### **3.2.8 Dependence On Major Customers**

Similar to its procurement of material supplies, there are few long-term contractual agreements between Wang-Zheng Group and its distributors/customers. In view of its wide customer base, the Directors of Wang-Zheng believe that Wang-Zheng Group is not dependent on any single customer. However, whilst it aims to continue with delivery of quality products at competitive prices, there can be no assurance that it would enjoy the continuing support of its distributors and its OEM customers, and that there would be no significant change in the demand and price of its products, and that the change would not adversely affect the profitability of Wang-Zheng Group. Nonetheless, its good relationship with its customers gradually and steadily built since its involvement in the business since the 1980s, is undeniably its distinct competitive advantage.

#### **3.2.9 Dependence On Overseas Markets**

For the financial year ended 31 December 2003, whilst export sales were insignificant to Wang-Zheng Group, approximately 35% of its material supplies were imported. Hence, reliable supply of material supplies which translates into minimal disruptions in its operations, is closely linked to the political and economic development of the countries where its suppliers are located. There can be no assurance that any significant change to these markets will not have a material effect on the performance of Wang-Zheng Group. However, as its material supplies are not endemic to any particular region and Wang-Zheng Group sources its material supplies from various countries, dependence on any single import market is reduced.

#### **3.2.10 New And Proposed Products**

Wang-Zheng Group places continuous emphasis on expansion of its range of products. Via product R&D, new lines of products are continuously developed and manufactured. Whilst new products would only be introduced to the market after taking into consideration, needs and expectations of consumers, there can be no assurance that the new products would be accepted by their target markets.

#### **3.2.11 Protection Of Intellectual Property**

Despite consumers' primary focus on price which result in relatively high price elasticities for disposable fibre-based products and relatively low brand loyalty, the Directors of Wang-Zheng place due emphasis on goodwill of the brand names and trademarks of Wang-Zheng Group. Goodwill is a reflection of quality of the products and perception of the customers. Negative connotations to a brand name or trademark, would invariably adversely affect the market share of that brand name or trademark. Hence, Wang-Zheng has registered certain of the brand names used for its products. Nonetheless, there can be no assurance that there would not be unauthorized third party copying, use or exploitation of its brand names. Furthermore, intellectual protection would expire after certain periods whereby competitors could then use the brand names, without recourse for Wang-Zheng Group. In addition, there are always the possibilities of challenges or disputes on use of intellectual property rights. However, the Directors of Wang-Zheng are of the opinion that Wang-Zheng Group's usage of brand names does not infringe the rights of third parties.

In addition to the brand names registered, there are also trademark applications that have been submitted but have yet to be registered. The Directors of Wang-Zheng have confirmed that they would use their best endeavor to register the said trademarks. Nonetheless, should the brand names not be able to be registered, the Directors of Wang-Zheng are of the opinion that non-registration would not have material adverse impact on the business of Wang-Zheng Group. The Group would then market its products under new brand names. The Directors of Wang-Zheng believe that with its emphasis on producing quality products at competitive prices, Wang-Zheng Group would be able to at least sustain its current sales and profitability levels.

**[ The rest of this page is intentionally left blank ]**

### 3. RISK FACTORS (CONT'D)

#### 3.2.12 Dependence On Labour

Inadequate supply of labour may disrupt the operations of Wang-Zheng Group. Skilled and semi-skilled labour are required to maintain and supervise the mechanized manufacturing and processing operations. In addition to employing local workers, Wang-Zheng Group is also proactive in liaising with recruitment agencies for the employment of foreign workers. Wang-Zheng believes that its in-house trainings, discussions and meetings are adequate to equip with the necessary skills and expertise to enable smooth and efficient production processes.

#### 3.2.13 Foreign Exchange Fluctuations

As set out in section 3.2.9, for the financial year ended 31 December 2003, whilst export sales were insignificant to Wang-Zheng Group, approximately 35% of its material supplies were imported. Payments for these purchases are generally in USD. Hence, Wang-Zheng Group is inevitably exposed to foreign exchange fluctuation risks. Nonetheless, the imposition of currency controls in 1998 and the setting of the Ringgit peg at RM3.80:USD1.00 has, to a certain extent, stabilized the risks to the fluctuations of foreign exchange. Wang-Zheng Group has not been materially affected by foreign exchange fluctuations for the past five (5) financial years ended 31 December 2003. However there can be no assurance that the currency controls will remain, and that the potential resulting foreign exchange fluctuations if the currency controls are lifted, or the adjustment of the Ringgit peg, will not adversely impact Wang-Zheng Group. In view of this, Wang-Zheng Group constantly monitors its foreign exchange exposure and will hedge its foreign exchange risk whenever deemed appropriate.

#### 3.2.14 Recoverability Of Debts

The risk of potential bad debts is considered to affect most businesses in general. However, recoverability of debts has not been a significant concern of Wang-Zheng Group for the past five (5) financial years ended 31 December 2003.

As at 31 December 2003, trade receivables of Wang-Zheng Group amounted to RM26.6 million. Aging analysis of the receivables are as set out below:-

	Within Credit Period			Exceeding Credit Period			Total (RM'000)
	0 – 30 Days (RM'000)	31 – 60 Days (RM'000)	61 – 90 Days (RM'000)	91 Days – Less Than 6 Months (RM'000)	6 Months – 12 Months (RM'000)	More Than 12 Months (RM'000)	
Trade receivables	12,116	5,001	3,771	3,579	1,583	507	26,557

As at 31 August 2004, being the latest practicable date prior to the issuance of this Prospectus, the entire trade receivables outstanding as at 31 December 2003 of RM26.6 million have been fully settled.

Wang-Zheng Group evaluates the creditworthiness of all its customers on a periodic basis to ensure credit risk is kept at a minimal level. Wang-Zheng Group sets and monitors the credit limits and credit terms extended to its customers on a continuous basis. Furthermore, its long and stable relationships with its customers are built on mutual understanding of the agreed terms on among others, quality and prompt deliveries of products, and also prompt payment of invoices. The Directors of Wang-Zheng are confident that outstanding debts of Wang-Zheng Group are recoverable.

[ The rest of this page is intentionally left blank ]



---

**3. RISK FACTORS (CONT'D)**

---

**3.2.15 Financial Risks**

It is inevitable for businesses to face limitations in their growth, and operating and financial flexibilities due to their indebtedness. Nevertheless, the debt to equity ratio of 0.53 times based on the proforma consolidated balance sheets of Wang-Zheng as at 30 April 2004 (based on enlarged issued and fully paid-up share capital of 120,000,000 Shares and after utilization of proceeds of the Restricted Issue, Rights Issue and Public Issue), gives Wang-Zheng Group the capacity to borrow significantly more if desired. Wang-Zheng Group monitors its exposure to interest rate risk and would hedge the risk if deemed appropriate. Further, in relation to its indebtedness, the Directors of Wang-Zheng are of the opinion that Wang-Zheng Group would be able to meet its commitments when they become due and payable, with internally generated funds and/or external borrowings, and the commitments would not adversely affect the financial performance of Wang-Zheng Group.

There are also various covenants in the credit facility agreements which may limit the operating and financial flexibilities of Wang-Zheng Group. The Directors of Wang-Zheng are of the view that the covenants are of a nature, which are commonly contained in credit facility agreements in Malaysia. Any act by Wang-Zheng Group falling within the ambit or scope of such covenants will require the consent of the relevant bank or financier. Breach of such covenants may give rise to a right to the bank or financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Directors of Wang-Zheng are aware of such covenants and shall take all precautions necessary to prevent any such breach.

**3.2.16 Conflict Of Interest And Related Party Transactions**

Certain Promoters, substantial shareholders and Directors of Wang-Zheng Group have substantial equity interest in and/or sit on the board of directors of other companies or organizations. Nevertheless, as further set out in section 7.4, save for the involvement of Chung Shan Kwang and Chung Shan Meng in Xian Jiang Trading Sdn Bhd, a company involved in trading of paper, the Directors of Wang-Zheng are of the opinion that none of the Promoters, substantial shareholders and Directors of Wang-Zheng Group are involved in, and/or have interest in companies, businesses or situations that are similar or related to the businesses of Wang-Zheng Group which give rise or may give rise to any conflict of interest situation. As both Chung Shan Kwang and Chung Shan Meng are not involved in the daily operations of Wang-Zheng Group, the Directors of Wang-Zheng are of the opinion that the potential of any conflict of interest due to involvement of Chung Shan Kwang and Chung Shan Meng in Xian Jiang Trading Sdn Bhd, is remote.

Further, as detailed in section 7.1, certain substantial shareholders and Directors of Wang-Zheng are involved in transactions with Wang-Zheng. To safeguard the interest of Wang-Zheng and to avoid possible conflict of interest situations, Wang-Zheng has formed an Audit Committee comprising a majority of Independent Non-Executive Directors whose responsibilities include reviewing all material transactions with related parties to ensure that the transactions are at arm's length, and are based on normal commercial terms and terms that are not to the detriment to minority shareholders of Wang-Zheng.

**3.2.17 Environmental Concerns**

Wang-Zheng Group is committed to environmentally sound business practices in its operations. Waste discharge from its manufacturing processes are treated and subsequently disposed of in proper manners which are in compliance with relevant environmental laws. There can be no assurance that introduction of more stringent standards on environmental protection by the Malaysian Government, or adoption of more environmentally-friendly processes on its own accord, would not materially and adversely affect the operations and profitability of Wang-Zheng Group.

[ The rest of this page is intentionally left blank ]

### **3. RISK FACTORS (CONT'D)**

#### **3.2.18 Material Litigation, Claim Or Arbitration, And Legal Uncertainties**

As at 31 August 2004, being the latest practicable date prior to issuance of this Prospectus, Wang-Zheng Group is not engaged in any material litigation, claim and arbitration, either as a plaintiff or defendant, and the Directors of Wang-Zheng do not have any knowledge of any other proceedings pending or threatened against Wang-Zheng Group which might materially or adversely affect the position of Wang-Zheng Group. However, there can be no assurance that there would be no proceedings that would adversely affect the operations and profitability of Wang-Zheng Group in the future.

Wang-Zheng Group enters into various agreements in its ordinary course of business. The Directors of Wang-Zheng are of the opinion that the agreements are properly prepared and executed, and are not aware of any legal uncertainty in respect of the agreements.

#### **3.2.19 Tenancy Of Principal Place Of Business And Facilities**

As Wang-Zheng Group's production activities are conducted at three (3) tenanted premises in Selangor and Kuala Lumpur, there is a risk of termination of tenancy agreements upon or before expiration of tenancy period. The tenancy period for Lot 5406, Batu 22, Jalan Kundang, 48000 Rawang, Selangor, the principal place of business of Wang-Zheng Group, would expire on 31 March 2005. Nonetheless, the Directors of Wang-Zheng have confirmed that they would use their best endeavor to negotiate for renewal of tenancy agreements at reasonable rates if necessary. Further, with the anticipated completion of construction of the office-cum-factory building at its land in Mukim Sungai Buloh, Selangor in 2005, the Directors of Wang-Zheng are of the opinion that the dependence of Wang-Zheng Group on the tenanted premises is reduced, and that any forced termination of tenancy agreements would have no material adverse impact on Wang-Zheng Group.

#### **3.2.20 System Disruption**

There is always a risk of system disruption due to among others, blackouts, natural disasters such as fire and flood, disruptions in water and electricity supply, and war.

Specifically for prevention of and fighting of fire, Wang-Zheng Group has undertaken the following steps:-

- educating the workers on fire safety procedures;
- conducting occasional fire drills; and
- putting in fire prevention equipment and procedures such as placing fire extinguishers and hose at strategic spots within the premises, making available first aid boxes, placing "exit" signs for emergency escape, and designating specific smoking areas.

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 material future adverse effect on the operations of Wang-Zheng Group due to flood is remote.

Save for what is beyond Wang-Zheng Group's control, the Directors of Wang-Zheng believe that Wang-Zheng has taken the necessary precautions, and confirm that they would ensure that Wang-Zheng Group continuously undertakes scheduled maintenance, updates and checks. Nonetheless, there is no assurance that any occurrence of emergency or disaster, would not adversely affect the operations of Wang-Zheng Group.

**[ The rest of this page is intentionally left blank ]**

---

### **3. RISK FACTORS (CONT'D)**

---

#### **3.2.21 Insurance Coverage**

Wang-Zheng Group is aware of the adverse consequences which could arise from inadequate insurance coverage. In response, Wang-Zheng Group reviews and ensures adequate coverage for its assets on a continuous basis. Amongst others, as at 31 August 2004, Wang-Zheng Group has a total consequential loss insurance coverage of approximately RM19.0 million. Nonetheless, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or the consequential loss which may arise.

#### **3.2.22 Achievability Of Financial Forecasts**

This Prospectus contains financial forecasts of Wang-Zheng Group that are based on assumptions, which the Directors of Wang-Zheng deem to be reasonable, but are nonetheless, subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as predicted, there can be no assurance that the forecasts contained herein will be realized. Actual results may be materially different from those shown. Investors should read carefully and would be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts that are contained herein.

#### **3.2.23 Forward-Looking Statements**

Certain statements in this Prospectus are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions of the Directors of Wang-Zheng Group, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty that the plans and objectives of Wang-Zheng Group will be achieved.

Save as disclosed in the preceding paragraphs, to the best knowledge of the Directors of Wang-Zheng, Wang-Zheng Group is not vulnerable to any other major specific risk factor or event.

**[ The rest of this page is intentionally left blank ]**